

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT

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

June 30, 2012

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Gary E. Horton CPA

902 Central Ave. E.-PO Box 384
Clarion, IA 50525-0384
(515)532-6681 Phone
(515) 532-2405 Fax
BETCO@mchsi.com E-mail

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, 2012, 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, 2012, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our reports dated March 4, 2013, 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.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 13 and 39 through 41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the

information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 two years ended June 30, 2011 (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. The 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

March 4, 2013

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, 2012. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2012 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$14,693,198 in fiscal 2011 to 15,197,879 in fiscal 2012, while General Fund expenditures increased from \$13,916,494 in fiscal 2011 to \$14,209,809 in fiscal 2012. The District's General Fund balance increased from \$2,168,984 in fiscal 2011 to \$3,188,254 in fiscal 2012, a 47% increase.
- The fiscal year 2012 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. The General Fund balance increased due to the Board of Directors approving 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

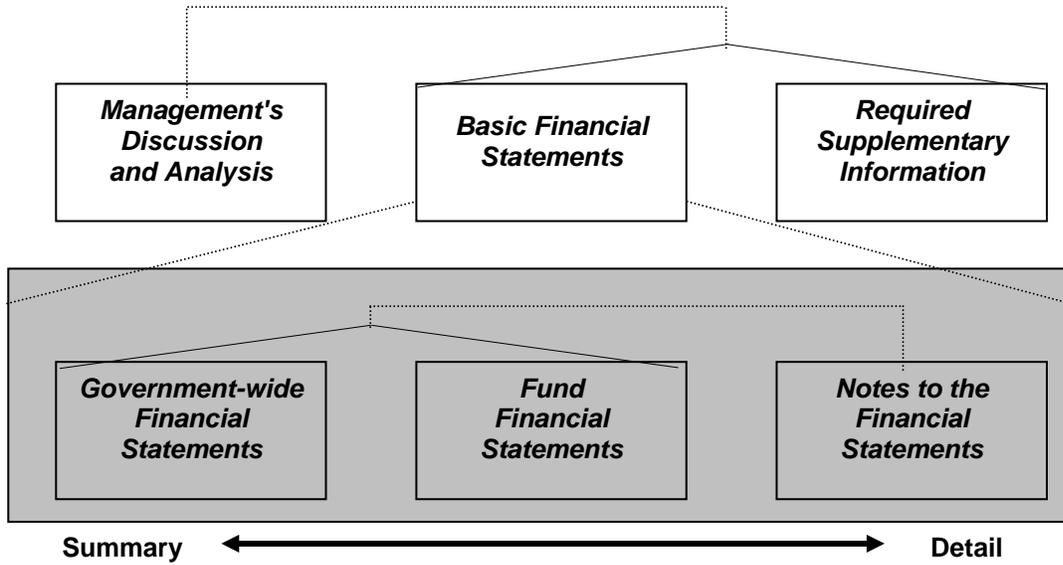


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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, 2012 compared to June 30, 2011.

Figure A-3

	Condensed Statement of Net Assets						Percentage Change 2011-2012 %
	Governmental Activities		Business-type Activities		Total School District		
	2012	2011	2012	2011	2012	2011	
	\$	\$	\$	\$	\$	\$	
Current and other assets	15,447,235	13,999,736	404,571	313,671	15,851,806	14,313,407	11%
Capital assets	19,491,064	20,079,139	18,903	17,394	19,509,967	20,096,533	-3%
Total assets	34,938,299	34,078,875	423,474	331,065	35,361,773	34,409,940	3%
Long-term liabilities	8,736,056	8,725,140	16,288	9,748	8,752,344	8,734,888	<1%
Other liabilities	9,677,344	10,274,943	47,755	35,218	9,725,099	10,310,161	-6%
Total liabilities	18,413,400	19,000,083	64,043	44,966	18,477,443	19,045,049	-3%
Net Assets:							
Invested in capital assets, net of related debt	12,771,064	12,999,139	18,903	17,394	12,789,967	13,016,533	-2%
Restricted	2,329,771	1,394,779	-	-	2,329,771	1,394,779	67%
Unrestricted	1,424,064	684,874	340,528	268,705	1,764,592	953,579	85%
TOTAL NET ASSETS	16,524,899	15,078,792	359,431	286,099	16,884,330	15,364,891	10%

The District's combined total net assets increased by 10%, or approximately \$1,519,439, 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 \$934,992 or 67% 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 \$811,013, or 85%. Most of the increase is due to the cash reserve levy the Board of Education approved.

Figure A-4 shows the changes in net assets for the year ended June 30, 2012 compared to the year ended June 30, 2011.

Figure A-4

	Change in Net Assets						Percentage Change 2011-2012 %
	Governmental Activities		Business-type Activities		Total School District		
	2012 \$	2011 \$	2012 \$	2011 \$	2012 \$	2011 \$	
Revenues							
Program Revenues:							
Charges for services	2,410,694	2,021,625	661,339	666,110	3,072,033	2,687,735	14%
Operating grants, contributions & restricted interest	2,042,438	2,614,720	313,097	266,015	2,355,535	2,880,735	-18%
Capital grants, contributions & restricted interest	23,718	53,440	-	-	23,718	53,440	-56%
General Revenues:							
Property taxes	7,471,778	7,341,984	-	-	7,471,778	7,341,984	2%
Statewide sales and service tax	1,161,481	1,098,842	-	-	1,161,481	1,098,842	6%
Unrestricted state grants	5,076,106	4,450,658	-	-	5,076,106	4,450,658	14%
Unrestricted investment earnings	48,946	41,484	2,863	3,516	51,809	45,000	15%
Gain on disposal of capital assets	101,102	-	-	-	101,102	-	100%
Other revenue	44,314	29,227	-	-	44,314	29,227	52%
Total Revenues	18,380,577	17,651,980	977,299	935,641	19,357,876	18,587,621	4%
Expenses:							
Instruction	11,092,272	10,768,454	-	-	11,092,272	10,768,454	3%
Support services	4,141,102	4,851,343	-	-	4,141,102	4,851,343	-15%
Non-instructional programs	4,527	4,666	903,967	893,306	908,494	897,972	1%
Other expenditures	1,696,569	1,346,258	-	-	1,696,569	1,346,258	26%
Total expenses	16,934,470	16,970,721	903,967	893,306	17,838,437	17,864,027	<-1%
CHANGE IN NET ASSETS	1,446,107	681,259	73,332	42,335	1,519,439	723,594	110%
Net assets beginning of year	15,078,792	14,397,533	286,099	243,764	15,364,891	14,641,297	5%
Net assets end of year	16,524,899	15,078,792	359,431	286,099	16,884,330	15,364,891	10%

In fiscal year 2012 property tax and unrestricted state grants account for 65% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 85% of the total expenses.

As shown in figure A-4, the District as a whole experienced a 4% increase in revenues and a <1% decrease in expenses. Property tax increased \$129,794 to fund increase in expenses. In Fiscal Year 2011 the district purchased computers for each high school student and each teacher. As a result of expenditures were higher in fiscal year 2011 than fiscal year 2012.

Governmental Activities

Revenues for governmental activities were \$18,414,927 and expenses were \$16,938,196. 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		
	2012	2011	Percent Change 2011-2012	2012	2011	Percent Change 2011-2012
	\$	\$	%	\$	\$	%
Instruction	11,092,272	10,768,454	3%	7,244,405	6,770,488	7%
Support Services	4,141,102	4,851,343	-15%	4,068,493	4,787,484	-15%
Non-instructional Programs	4,527	4,666	-3%	4,527	4,666	-3%
Other Expenses	1,696,569	1,346,258	26%	1,140,195	718,298	59%
TOTAL	16,934,470	16,970,721	<-1%	12,457,620	12,280,936	1%

For the year ended June 30, 2012

- The cost financed by users of the District’s programs was \$2,410,694. 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 \$2,042,438.
- The net cost of governmental activities was financed with \$8,633,259 in property and local other taxes and \$5,076,106 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$977,299 and expenses were \$903,967. The District’s business type activities include the School Nutrition Fund and Early Childhood Enterprises. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, Sergeant Bluff-Luton Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$5,739,099, well above last year’s ending fund balances of \$3,711,285. The primary reason for the increase in the combined fund balances in Fiscal Year 2012 was a cash reserve levy in the General Fund and money that was kept in reserve in the Capital Projects fund to finance removal of asphalt and concrete paving of a parking lot 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 District Administration and Board of Education has continued their commitment to district financial stability. This has been achieved in part by approving a cash reserve levy for the last six years and monitoring expenditures.
- The General Fund balance increased from \$2,168,984 to \$3,188,254.
- 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 decreased from \$106,475 in fiscal 2011 to \$72,175 in fiscal 2012.
- The Sales Tax account balance increased due to reserving money for the High School parking lot project.. The account balance increased from \$361,238 in Fiscal Year 2011 to \$958,519 in Fiscal Year 2012.
- The Construction account balance increased from \$4,154 in fiscal 2011 to \$360,087 in fiscal year 2012.

Proprietary Fund Highlights

School Nutrition Fund net assets increased from \$129,850 at June 30, 2011 to \$160,965 at June 30, 2012, representing an increase of approximately 24%. The increase was caused by increased revenues and controlling expenditures.

The Early Childhood Enterprises net assets increased from \$156,249 in 2011 to \$198,466 in 2012 representing an increase of approximately 27%. This increase was the result of higher revenues and controlling expenditures.

BUDGETARY HIGHLIGHTS

Over the course of the year, Sergeant Bluff-Luton Community School District did not amend its annual budget.

The District's receipts were \$1,309,117 less than budgeted receipts, a variance of 6%.

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, 2012, the District had invested \$19.5 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of 3% 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 \$757,198.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District finalized the High School addition and remodeling project in August 2011. The district purchased land in FY2011 for a future High School campus. In May 2012, land that is no longer needed for future expansion was sold.

Figure A-6

Capital Assets (net of depreciation)

	Governmental Activities		Business type Activities		Total School District		Percentage Change
	2012	2011	2012	2011	2012	2011	2011-2012
	\$	\$	\$	\$	\$	\$	%
Land	973,600	1,265,235	-	-	973,600	1,265,235	-23%
Construction in progress	-	2,106,509	-	-	-	2,106,509	-100%
Buildings	17,240,128	15,383,854	-	-	17,240,128	15,383,854	12%
Improvements	457,555	514,677	-	-	457,555	514,677	-11%
Equipment & furniture	819,781	808,864	18,903	17,394	838,684	826,258	2%
TOTAL	19,491,064	20,079,139	18,903	17,394	19,509,967	20,096,533	-3%

Long-Term Debt

At June 30, 2012 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
	2012	2011	2011-2012
Governmental activities:	\$	\$	%
General obligation bonds	3,650,000	4,370,000	-16%
Revenue bonds	3,070,000	2,710,000	13%
Termination benefits	525,398	589,533	-11%
Net OPEB liability	1,439,653	1,007,974	43%
	<u>8,685,051</u>	<u>8,677,507</u>	<u><1%</u>
Business type activities:			
Net OPEB liability	<u>16,288</u>	<u>9,748</u>	<u>67%</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 will continue 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 2012 enrollment increased slightly. However, student open enrollment increased by 32 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. CF Industries is scheduled to begin building a \$1.7 billion ammonia facility in the spring of 2013. This will add \$26 million of taxable valuation each year commencing Fiscal Year 2017 until Fiscal Year 2032. It is projected that a minimum of \$599 million of taxable valuation will be added by Fiscal Year 2032.

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, 2012

	Governmental Activities	Business Type	Total
	\$	\$	\$
Assets			
Cash and cash equivalents	6,923,566	382,738	7,306,304
Receivables:			
Property tax:			
Delinquent	41,357	-	41,357
Succeeding year	7,676,666	-	7,676,666
Accounts	3,588	1,211	4,799
Accrued interest	544	168	712
Due from other governments	763,321	-	763,321
Inventories	-	20,454	20,454
Unamortized bond issue costs	38,193	-	38,193
Capital assets, net of accumulated depreciation	19,491,064	18,903	19,509,967
Total assets	34,938,299	423,474	35,361,773
Liabilities			
Accounts payable	167,029	7,583	174,612
Salaries and benefits payable	1,496,013	25,468	1,521,481
Due to other governments	292,319	-	292,319
Accrued interest payable	45,317	-	45,317
Deferred revenue:			
Succeeding year property tax	7,676,666	-	7,676,666
Other	-	14,704	14,704
Long-term liabilities:			
Unamortized bond premium	51,005	-	51,005
Portion due within one year:			
General obligation bonds payable	745,000	-	745,000
Revenue bonds payable	450,000	-	450,000
Termination benefits	135,338	-	135,338
Portion due after one year:			
General obligation bonds payable	2,905,000	-	2,905,000
Revenue bonds payable	2,620,000	-	2,620,000
Termination benefits	390,060	-	390,060
Compensated absences			
Net OPEB liability	1,439,653	16,288	1,455,941
Total liabilities	18,413,400	64,043	18,477,443

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2012

	Governmental Activities	Business Type	Total
	<u>\$</u>	<u>\$</u>	<u>\$</u>
Net assets			
Invested in capital assets, net of related debt	12,771,064	18,903	12,789,967
Restricted for:			
Categorical funding	231,121	-	231,121
Physical plant and equipment levy	72,175	-	72,175
Student activities	178,435	-	178,435
School infrastructure	1,318,606	-	1,318,606
Debt service	529,434	-	529,434
Unrestricted	<u>1,424,064</u>	<u>340,528</u>	<u>1,764,592</u>
Total net assets	<u><u>16,524,899</u></u>	<u><u>359,431</u></u>	<u><u>16,884,330</u></u>

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2012

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	7,192,125	1,475,774	1,001,192	-
Special	2,087,209	472,283	327,674	-
Other	1,812,938	410,055	160,889	-
	<u>11,092,272</u>	<u>2,358,112</u>	<u>1,489,755</u>	<u>-</u>
Support services:				
Student	265,602	-	-	-
Instructional staff	635,927	-	-	-
Administration	1,278,515	-	-	-
Operation and maintenance of plant	1,516,201	13,703	-	-
Transportation	444,857	38,879	20,027	-
	<u>4,141,102</u>	<u>52,582</u>	<u>20,027</u>	<u>-</u>
Non-instructional programs	<u>4,527</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	410,106	-	-	23,718
Long-term debt interest	167,087	-	1,023	-
AEA flowthrough	531,633	-	531,633	-
Depreciation (unallocated)*	587,743	-	-	-
	<u>1,696,569</u>	<u>-</u>	<u>532,656</u>	<u>23,718</u>
Total governmental activities	<u>16,934,470</u>	<u>2,410,694</u>	<u>2,042,438</u>	<u>23,718</u>
Business type activities:				
Food service operations	659,388	382,430	306,649	-
Early childhood programs	244,579	278,909	6,448	-
Total business-type activities	<u>903,967</u>	<u>661,339</u>	<u>313,097</u>	<u>-</u>
Total	<u>17,838,437</u>	<u>3,072,033</u>	<u>2,355,535</u>	<u>23,718</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
 Gain on disposal of capital assets
 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
\$	\$	\$
(4,715,159)	-	(4,715,159)
(1,287,252)	-	(1,287,252)
(1,241,994)	-	(1,241,994)
<u>(7,244,405)</u>	<u>-</u>	<u>(7,244,405)</u>
(265,602)	-	(265,602)
(635,927)	-	(635,927)
(1,278,515)	-	(1,278,515)
(1,502,498)	-	(1,502,498)
(385,951)	-	(385,951)
<u>(4,068,493)</u>	<u>-</u>	<u>(4,068,493)</u>
(4,527)	-	(4,527)
(386,388)	-	(386,388)
(166,064)	-	(166,064)
-	-	-
(587,743)	-	(587,743)
<u>(1,140,195)</u>	<u>-</u>	<u>(1,140,195)</u>
<u>(12,457,620)</u>	<u>-</u>	<u>(12,457,620)</u>
-	29,691	29,691
-	40,778	40,778
-	70,469	70,469
<u>(12,457,620)</u>	<u>70,469</u>	<u>(12,387,151)</u>
6,463,056	-	6,463,056
815,332	-	815,332
193,390	-	193,390
1,161,481	-	1,161,481
5,076,106	-	5,076,106
48,946	2,863	51,809
101,102	-	101,102
44,314	-	44,314
<u>13,903,727</u>	<u>2,863</u>	<u>13,906,590</u>
1,446,107	73,332	1,519,439
<u>15,078,792</u>	<u>286,099</u>	<u>15,364,891</u>
<u>16,524,899</u>	<u>359,431</u>	<u>16,884,330</u>

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2012

	<u>General</u>	<u>Capital</u>	<u>Nonmajor</u>	<u>Total</u>
	\$	\$	\$	\$
Assets				
Cash and pooled investments	4,484,870	1,243,868	1,155,427	6,884,165
Receivables:				
Property tax:				
Delinquent	33,860	988	6,509	41,357
Succeeding year	6,166,516	197,830	1,312,320	7,676,666
Accounts	3,030	558	-	3,588
Accrued interest	-	245	299	544
Due from other governments	579,209	184,112	-	763,321
	<u>11,267,485</u>	<u>1,627,601</u>	<u>2,474,555</u>	<u>15,369,641</u>
Total assets				
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	125,039	38,990	1,515	165,544
Salaries and benefits payable	1,496,013	-	-	1,496,013
Due to other governments	291,663	-	656	292,319
Deferred revenue:				
Succeeding year property tax	6,166,516	197,830	1,312,320	7,676,666
Total liabilities	<u>8,079,231</u>	<u>236,820</u>	<u>1,314,491</u>	<u>9,630,542</u>
Fund balances:				
Restricted for:				
Categorical funding	231,121	-	-	231,121
Debt service	-	-	574,751	574,751
Management levy purposes	-	-	406,878	406,878
Student activities	-	-	178,435	178,435
School infrastructure	-	1,318,606	-	1,318,606
Physical plant and equipment	-	72,175	-	72,175
Unassigned	2,957,133	-	-	2,957,133
Total fund balances	<u>3,188,254</u>	<u>1,390,781</u>	<u>1,160,064</u>	<u>5,739,099</u>
	<u>11,267,485</u>	<u>1,627,601</u>	<u>2,474,555</u>	<u>15,369,641</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, 2012

\$

Total fund balances of governmental funds (Exhibit C)	5,739,099
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**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.	19,491,064
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Bond issue costs are reported as an asset in the statement of net assets and are amortized over the life of the bonds.	38,193
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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.	(45,317)
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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.	37,916
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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>(8,736,056)</u>
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Net assets of governmental activities (Exhibit A)	<u><u>16,524,899</u></u>
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SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2012

	General	Capital Projects	Nonmajor Governmental	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	6,045,135	1,354,871	1,233,253	8,633,259
Tuition	1,821,393	-	-	1,821,393
Other	278,812	19,299	441,413	739,524
State sources	6,557,843	39	253	6,558,135
Federal sources	494,696	13,718	-	508,414
Total revenues	<u>15,197,879</u>	<u>1,387,927</u>	<u>1,674,919</u>	<u>18,260,725</u>
Expenditures:				
Current:				
Instruction:				
Regular	6,753,954	15,016	186,225	6,955,195
Special	2,038,162	-	-	2,038,162
Other	1,395,333	-	411,299	1,806,632
	<u>10,187,449</u>	<u>15,016</u>	<u>597,524</u>	<u>10,799,989</u>
Support services:				
Student	252,645	-	6,417	259,062
Instructional staff	540,762	84,949	3,676	629,387
Administration	1,169,555	20,826	34,918	1,225,299
Operation and maintenance of plant	1,196,496	171,094	114,500	1,482,090
Transportation	331,269	182,556	13,070	526,895
	<u>3,490,727</u>	<u>459,425</u>	<u>172,581</u>	<u>4,122,733</u>
Non-instructional programs	-	-	4,527	4,527
Other expenditures:				
Facilities acquisition	-	690,492	-	690,492
Long-term debt:				
Principal	-	-	960,000	960,000
Interest and fiscal charges	-	-	172,563	172,563
AEA flowthrough	531,633	-	-	531,633
	<u>531,633</u>	<u>690,492</u>	<u>1,132,563</u>	<u>2,354,688</u>
Total expenditures	<u>14,209,809</u>	<u>1,164,933</u>	<u>1,907,195</u>	<u>17,281,937</u>
Excess (deficiency) of revenues over (under) expenditures	<u>988,070</u>	<u>222,994</u>	<u>(232,276)</u>	<u>978,788</u>

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2012

	General	Capital Projects	Nonmajor Governmental	Total
	\$	\$	\$	\$
Other financing sources (uses):				
Compensation for loss of fixed assets	-	18,750	-	18,750
Bonds issued	-	600,000	-	600,000
Sale of real property	-	399,076	-	399,076
Sales of materials and equipment	31,200	-	-	31,200
Operating transfers in	-	-	321,906	321,906
Operating transfers out	-	(321,906)	-	(321,906)
Total other financing sources (uses)	<u>31,200</u>	<u>695,920</u>	<u>321,906</u>	<u>1,049,026</u>
Net change in fund balances	1,019,270	918,914	89,630	2,027,814
Fund balances beginning of year	<u>2,168,984</u>	<u>471,867</u>	<u>1,070,434</u>	<u>3,711,285</u>
Fund balances end of year	<u><u>3,188,254</u></u>	<u><u>1,390,781</u></u>	<u><u>1,160,064</u></u>	<u><u>5,739,099</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, 2012

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		2,027,814
<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, basis in capital assets sold and depreciation expense in the current year are as follows:		
Basis in capital assets sold	(329,174)	
Expenditures for capital assets	495,687	
Depreciation expense	<u>(754,588)</u>	(588,075)
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.		960,000
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.		(900)
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	64,135	
Other postemployment benefits	<u>(441,427)</u>	(377,292)
Proceeds from issuing long-term liabilities are included in the governmental funds but increase long-term liabilities in the Statement of Net Assets.		(600,000)
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>22,958</u>
Changes in net assets of governmental activities (Exhibit B)		<u><u>1,446,107</u></u>

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2012

	Total Nonmajor Enterprise Funds \$	Governmental Activities - Internal Service Fund \$
Assets		
Cash and cash equivalents	382,738	39,401
Accounts receivable	1,211	-
Accrued interest	168	-
Inventories	20,454	-
Capital assets, net of accumulated depreciation	18,903	-
	<u>423,474</u>	<u>39,401</u>
Total assets	<u>423,474</u>	<u>39,401</u>
Liabilities		
Accounts payable	7,583	1,485
Salaries and benefits payable	25,468	-
Deferred revenue	14,704	-
Net OPEB liability	16,288	-
	<u>64,043</u>	<u>1,485</u>
Total liabilities	<u>64,043</u>	<u>1,485</u>
Net assets		
Invested in capital assets	18,903	-
Unrestricted	340,528	37,916
	<u>359,431</u>	<u>37,916</u>
Total net assets	<u>359,431</u>	<u>37,916</u>

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

Year ended June 30, 2012

	<u>Total Nonmajor Enterprise Funds</u> \$	<u>Governmental Activities - Internal Service Fund</u> \$
Operating revenue:		
Local sources:		
Charges for service	<u>661,339</u>	<u>199,573</u>
Operating expenses:		
Salaries	422,330	-
Benefits	84,922	30,481
Purchased services	7,945	9,885
Supplies	386,160	-
Depreciation	2,610	-
Other	-	136,395
Total operating expenses	<u>903,967</u>	<u>176,761</u>
Operating income (loss)	<u>(242,628)</u>	<u>22,812</u>
Non-operating revenue:		
State sources	6,585	-
Federal sources	300,064	-
Donations	6,448	-
Interest income	2,863	146
Total non-operating revenue	<u>315,960</u>	<u>146</u>
Change in net assets	73,332	22,958
Net assets beginning of year	<u>286,099</u>	<u>14,958</u>
Net assets end of year	<u><u>359,431</u></u>	<u><u>37,916</u></u>

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2012

	Total Nonmajor Enterprise Funds \$	Governmental Activities - Internal Service Fund \$
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	384,990	-
Cash received from early childhood services	277,709	-
Cash received from services provided to other funds	-	199,573
Cash payments to employees for services	(498,330)	(38,881)
Cash payments to suppliers for goods or services	(336,622)	(136,395)
Net cash (used) provided by operating activities	<u>(172,253)</u>	<u>24,297</u>
Cash flows from non-capital financing activities:		
Donations received	6,448	-
State grants received	6,585	-
Federal grants received	246,947	-
Net cash provided by non-capital financing activities	<u>259,980</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	<u>(4,119)</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	<u>2,696</u>	<u>146</u>
Net increase (decrease) in cash and cash equivalents	86,304	24,443
Cash and cash equivalents at beginning of year	<u>296,434</u>	<u>14,958</u>
Cash and cash equivalents at end of year	<u><u>382,738</u></u>	<u><u>39,401</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	(242,628)	22,812
Adjustments to reconcile operating income (loss) to net cash used by operating activities:		
Commodities used	53,117	-
Depreciation	2,610	-
Decrease (increase) in inventories	(3,217)	-
Decrease (increase) in accounts receivable	(1,211)	-
(Decrease) increase in accounts payable	7,583	1,485
(Decrease) increase in salaries and benefits payable	2,382	-
(Decrease) increase in other postemployment benefits	2,571	-
(Decrease) increase in deferred revenue	6,540	-
Net cash (used) provided by operating activities	<u>(172,253)</u>	<u>24,297</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2012, the District received \$53,117 of federal commodities.

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2012

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, 2010 assessed property valuations; is for the tax accrual period July 1, 2011, through June 30, 2012, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2011.

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.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012, the District did not exceed the amounts budgeted.

2. **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2012 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, 2012, the District had investments in the Iowa Schools Joint Investment Trust which are valued at an amortized cost of \$558,284 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAAM by Standard & Poors Financial Services.

3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

Transfer To	Transfer From	Amount
		\$
Nonmajor Debt Service Fund	Capital Projects Fund	321,906

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, 2012 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Land	1,265,235	-	291,635	973,600
Construction in progress	2,106,509	280,386	2,386,895	-
Total capital assets not being depr.	<u>3,371,744</u>	<u>280,386</u>	<u>2,678,530</u>	<u>973,600</u>
Capital assets being depreciated:				
Buildings	24,963,243	2,386,895	-	27,350,138
Improvements other than buildings	1,571,706	-	-	1,571,706
Furniture and equipment	1,687,016	215,301	82,301	1,820,016
Total capital assets being deprec.	<u>28,221,965</u>	<u>2,602,196</u>	<u>82,301</u>	<u>30,741,860</u>
Less accumulated depreciation for:				
Buildings	9,579,389	530,621	-	10,110,010
Improvements other than buildings	1,057,029	57,122	-	1,114,151
Furniture and equipment	878,152	166,845	44,762	1,000,235
Total accumulated depreciation	<u>11,514,570</u>	<u>754,588</u>	<u>44,762</u>	<u>12,224,396</u>
Total capital assets being depreciated, net	<u>16,707,395</u>	<u>1,847,608</u>	<u>37,539</u>	<u>18,517,464</u>
Governmental activities capital assets, net	<u>20,079,139</u>	<u>2,127,994</u>	<u>2,716,069</u>	<u>19,491,064</u>
Business type activities:				
Furniture and equipment	426,476	4,119	-	430,595
Less accumulated depreciation	<u>409,082</u>	<u>2,610</u>	<u>-</u>	<u>411,692</u>
Business type activities capital assets, net	<u>17,394</u>	<u>1,509</u>	<u>-</u>	<u>18,903</u>

Depreciation expense was charged to the following functions:

	<u>Amount</u>
	\$
Governmental activities:	
Instruction:	
Regular	46,088
Other	3,686
Support services:	
Administration	2,664
Operation and maintenance of plant services	18,251
Transportation	<u>96,156</u>
	166,845
Unallocated depreciation	<u>587,743</u>
 Total depreciation expense – governmental activities	 <u>754,588</u>
 Business type activities:	
Food services	<u>2,610</u>

5. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2012, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Governmental activities:					
General obligation bonds	4,370,000	-	720,000	3,650,000	745,000
Revenue Bonds	2,710,000	600,000	240,000	3,070,000	450,000
Termination benefits	589,533	60,976	125,111	525,398	135,338
Net OPEB liability	<u>998,226</u>	<u>441,427</u>	<u>-</u>	<u>1,439,653</u>	<u>-</u>
 Total	 <u>8,667,759</u>	 <u>1,102,403</u>	 <u>1,085,111</u>	 <u>8,685,051</u>	 <u>1,330,338</u>
 Business type activities:					
Net OPEB liability	<u>9,748</u>	<u>6,540</u>	<u>-</u>	<u>16,288</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, 2012, the District has obligations to 17 participants with a total liability of \$525,398. Early retirement expenditures for the year ended June 30, 2012 totaled \$125,111.

General Obligation Bonds

Details of the District's June 30, 2012 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Refunding Bond Issue of May, 2010			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
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
2017	2.550-2.700	580,000	11,528	591,528
		<u>3,650,000</u>	<u>232,091</u>	<u>3,882,091</u>

Revenue Bonds

Details of the District's June 30, 2012 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
	%	\$	\$	\$
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	2.750	270,000	42,415	312,415
2018-2021	3.000-3.600	1,165,000	82,154	1,247,154
		<u>2,470,000</u>	<u>353,964</u>	<u>2,823,964</u>

Year Ending June 30,	Bond Issue of July 2011			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2013	1.00	200,000	8,000	208,000
2014	1.50	200,000	5,500	205,500
2015	2.00	200,000	2,000	202,000
		<u>600,000</u>	<u>15,500</u>	<u>615,500</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$2,710,000 of bonds issued in May 2010, and the \$600,000 of bonds issued in July 2011. The bonds were issued for the purpose of financing the costs of high school renovations and equipment. 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 45% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$3,808,928. For the current year, \$240,000 of principal and \$70,038 of interest was paid on the bonds and total statewide sales, services and use tax revenues were \$1,161,481.

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 5.38% of their annual salary and the District is required to contribute 8.07% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2012, 2011, and 2010 were \$767,943, \$644,943, and \$614,965 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 \$531,633 for the year ended June 30, 2012 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 a \$543,957 contract for a parking lot. As of June 30, 2012 no costs had been incurred against the contract.

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, 2012, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

	\$
Annual required contribution	602,109
Interest on net OPEB obligation	27,574
Adjustment to annual required contribution	<u>(38,999)</u>
Annual OPEB cost	590,684
Contributions made	<u>142,717</u>
Increase in net OPEB obligation	447,967
Net OPEB obligation beginning of year	<u>1,007,974</u>
Net OPEB obligation end of year	<u>1,455,941</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, 2012.

For the year ended June 30, 2012, the District contributed \$142,717 to the medical plan. Plan members eligible for benefits contributed \$35,482 or 20%.

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, 2012 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>
	\$	%	\$
2010	467,876	35%	564,860
2011	579,447	23%	1,007,974
2012	590,684	24%	1,455,941

Funded Status and Funding Progress - As of July 1, 2010, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$5,279,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$5,279,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$8,100,000, and the ratio of the UAAL to covered payroll was 65.2%. As of June 30, 2012, 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, 2012 is comprised of the following programs:

Program	Amount
	\$
School ready children	9,059
Mentoring	363
Preschool	130,474
Professional development core curriculum	68,452
Professional development	22,140
Market factor	633
	231,121

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, 2012

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Amended Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	11,194,176	670,650	11,864,826	11,985,263	11,985,263	(120,437)
State sources	6,558,135	6,585	6,564,720	7,569,653	7,569,653	(1,004,933)
Federal sources	508,414	300,064	808,478	992,225	992,225	(183,747)
Total revenues	<u>18,260,725</u>	<u>977,299</u>	<u>19,238,024</u>	<u>20,547,141</u>	<u>20,547,141</u>	<u>(1,309,117)</u>
Expenditures/Expenses:						
Instruction	10,799,989	-	10,799,989	13,940,420	13,940,420	3,140,431
Support services	4,122,733	41,474	4,164,207	5,972,610	5,972,610	1,808,403
Non-instructional programs	4,527	862,493	867,020	1,445,650	1,445,650	578,630
Other expenditures	2,354,688	-	2,354,688	3,907,205	3,907,205	1,552,517
Total expenditures/expenses	<u>17,281,937</u>	<u>903,967</u>	<u>18,185,904</u>	<u>25,265,885</u>	<u>25,265,885</u>	<u>7,079,981</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	978,788	73,332	1,052,120	(4,718,744)	(4,718,744)	5,770,864
Other financing sources (uses) net	<u>1,049,026</u>	<u>-</u>	<u>1,049,026</u>	<u>25,000</u>	<u>25,000</u>	<u>1,024,026</u>
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures/expenses	2,027,814	73,332	2,101,146	(4,693,744)	(4,693,744)	6,794,890
Balance beginning of year	<u>3,711,285</u>	<u>286,099</u>	<u>3,997,384</u>	<u>5,204,814</u>	<u>5,204,814</u>	<u>(1,207,430)</u>
Balance end of year	<u><u>5,739,099</u></u>	<u><u>359,431</u></u>	<u><u>6,098,530</u></u>	<u><u>511,070</u></u>	<u><u>511,070</u></u>	<u><u>5,587,460</u></u>

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2012

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. The District did not amend the budget during the year.

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) %
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%
2012	July 1, 2010	-	5,279,000	5,279,000	0.0%	8,100,000	65.2%

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.

SUPPLEMENTARY INFORMATION

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2012

Assets	Special Revenue Funds			Total
	Management Levy	Student Activity	Debt Service	
	\$	\$	\$	
Cash and pooled investments	404,335	180,509	570,583	1,155,427
Receivables:				
Property tax:				
Delinquent	2,341	-	4,168	6,509
Succeeding year	487,045	-	825,275	1,312,320
Accrued interest	202	97	-	299
Total assets	893,923	180,606	1,400,026	2,474,555
Liabilities & Fund Balances				
Liabilities:				
Accounts payable	-	1,515	-	1,515
Due to other governments	-	656	-	656
Deferred revenue:				
Succeeding year property tax	487,045	-	825,275	1,312,320
Total liabilities	487,045	2,171	825,275	1,314,491
Fund balances:				
Restricted for:				
Debt service	-	-	574,751	574,751
Management levy purposes	406,878	-	-	406,878
Student activities	-	178,435	-	178,435
Total fund balances	406,878	178,435	574,751	1,160,064
Total liabilities and fund balances	893,923	180,606	1,400,026	2,474,555

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2012

	Special Revenue Funds		Debt Service	Total
	Management Levy	Student Activity		
	\$	\$		
Revenues:				
Local sources:				
Local tax	417,921	-	815,332	1,233,253
Other	28,489	411,901	1,023	441,413
State sources	91	-	162	253
Total revenues	<u>446,501</u>	<u>411,901</u>	<u>816,517</u>	<u>1,674,919</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	186,225	-	-	186,225
Other instruction	-	411,299	-	411,299
Support services:				
Student services	6,417	-	-	6,417
Instructional staff services	3,676	-	-	3,676
Administration services	34,918	-	-	34,918
Operation and maintenance of plant services	114,500	-	-	114,500
Transportation services	13,070	-	-	13,070
Non-instructional programs	4,527	-	-	4,527
Other expenditures:				
Long-term debt:				
Principal	-	-	960,000	960,000
Interest and fiscal charges	-	-	172,563	172,563
Total expenditures	<u>363,333</u>	<u>411,299</u>	<u>1,132,563</u>	<u>1,907,195</u>
Excess (deficiency) of revenues over (under) expenditures	83,168	602	(316,046)	(232,276)
Other financing sources (uses):				
Operating transfers in	-	-	321,906	321,906
Net change in fund balances	83,168	602	5,860	89,630
Fund balances beginning of year	<u>323,710</u>	<u>177,833</u>	<u>568,891</u>	<u>1,070,434</u>
Fund balances end of year	<u><u>406,878</u></u>	<u><u>178,435</u></u>	<u><u>574,751</u></u>	<u><u>1,160,064</u></u>

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT

Combining Schedule of Net Assets
Nonmajor Enterprise Funds

June 30, 2012

	Enterprise Funds		
	School Nutrition	Early Childhood Programs	Total
	\$	\$	\$
Assets			
Cash and cash equivalents	171,110	211,628	382,738
Accounts receivable	11	1,200	1,211
Accrued interest	81	87	168
Inventories	20,454	-	20,454
Capital assets, net of accumulated depreciation	18,903	-	18,903
Total assets	210,559	212,915	423,474
Liabilities			
Accounts payable	7,583	-	7,583
Salaries and benefits payable	11,019	14,449	25,468
Deferred revenue	14,704	-	14,704
Net OPEB liability	16,288	-	16,288
Total liabilities	49,594	14,449	64,043
Net assets			
Invested in capital assets	18,903	-	18,903
Unrestricted	142,062	198,466	340,528
Total net assets	160,965	198,466	359,431

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2012

	Enterprise Funds		
	School Nutrition	Early Childhood Programs	Total
	\$	\$	\$
Operating revenue:			
Local sources:			
Charges for service	382,430	278,909	661,339
Operating expenses:			
Salaries	240,501	181,829	422,330
Benefits	48,373	36,549	84,922
Purchased services	2,126	5,819	7,945
Supplies	365,778	20,382	386,160
Depreciation	2,610	-	2,610
Total operating expenses	659,388	244,579	903,967
Operating income (loss)	(276,958)	34,330	(242,628)
Non-operating revenue:			
State sources	6,585	-	6,585
Federal sources	300,064	-	300,064
Donations	-	6,448	6,448
Interest income	1,424	1,439	2,863
Total non-operating revenue	308,073	7,887	315,960
Change in net assets	31,115	42,217	73,332
Net assets beginning of year	129,850	156,249	286,099
Net assets end of year	160,965	198,466	359,431

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT

Combining Schedule of Cash Flows
Nonmajor Enterprise Funds

Year ended June 30, 2012

	Enterprise Funds		
	School Nutrition	Early Childhood Programs	Total
	\$	\$	\$
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	384,990	-	384,990
Cash received from early childhood services	-	277,709	277,709
Cash payments to employees for services	(278,913)	(219,417)	(498,330)
Cash payments to suppliers for goods or services	(310,421)	(26,201)	(336,622)
Net cash (used) provided by operating activities	<u>(204,344)</u>	<u>32,091</u>	<u>(172,253)</u>
Cash flows from non-capital financing activities:			
Donations received	-	6,448	6,448
State grants received	6,585	-	6,585
Federal grants received	246,947	-	246,947
Net cash provided by non-capital financing activities	<u>253,532</u>	<u>6,448</u>	<u>259,980</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	<u>(4,119)</u>	<u>-</u>	<u>(4,119)</u>
Cash flows from investing activities:			
Interest on investments	<u>1,344</u>	<u>1,352</u>	<u>2,696</u>
Net increase (decrease) in cash and cash equivalents	46,413	39,891	86,304
Cash and cash equivalents at beginning of year	<u>124,697</u>	<u>171,737</u>	<u>296,434</u>
Cash and cash equivalents at end of year	<u><u>171,110</u></u>	<u><u>211,628</u></u>	<u><u>382,738</u></u>
Reconciliation of operating income (loss) to net cash (used) provided by operating activities:			
Operating income (loss)	(276,958)	34,330	(242,628)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:			
Commodities used	53,117	-	53,117
Depreciation	2,610	-	2,610
Decrease (increase) in inventories	(3,217)	-	(3,217)
Decrease (increase) in accounts receivable	(11)	(1,200)	(1,211)
(Decrease) increase in accounts payable	7,583	-	7,583
(Decrease) increase in salaries and benefits payable	3,421	(1,039)	2,382
(Decrease) increase in other postemployment benefits	2,571	-	2,571
(Decrease) increase in deferred revenue	6,540	-	6,540
Net cash (used) provided by operating activities	<u>(204,344)</u>	<u>32,091</u>	<u>(172,253)</u>

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Capital Project Accounts

June 30, 2012

Assets	Capital Projects			Total
	Construction	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
	\$	\$	\$	
Cash and pooled investments	367,012	798,442	78,414	1,243,868
Receivables:				
Property tax:				
Delinquent	-	-	988	988
Succeeding year	-	-	197,830	197,830
Accounts	-	-	558	558
Accrued interest	14	231	-	245
Due from other governments	-	184,112	-	184,112
Total assets	367,026	982,785	277,790	1,627,601
Liabilities & Fund Balances				
Liabilities:				
Accounts payable	6,939	24,266	7,785	38,990
Deferred revenue:				
Succeeding year property tax	-	-	197,830	197,830
Total liabilities	6,939	24,266	205,615	236,820
Fund balances:				
Restricted for:				
School infrastructure	360,087	958,519	-	1,318,606
Physical plant and equipment	-	-	72,175	72,175
Total fund balances	360,087	958,519	72,175	1,390,781
Total liabilities and fund balances	367,026	982,785	277,790	1,627,601

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2012

	Capital Projects			Total
	Construction	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
	\$	\$	\$	
Revenues:				
Local sources:				
Local tax	-	1,161,481	193,390	1,354,871
Other	136	8,604	10,559	19,299
State sources	-	-	39	39
Federal sources	-	-	13,718	13,718
Total revenues	<u>136</u>	<u>1,170,085</u>	<u>217,706</u>	<u>1,387,927</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	-	15,016	-	15,016
Support services:				
Instructional staff services	-	84,949	-	84,949
Administration services	-	-	20,826	20,826
Operation and maintenance of plant	-	27,340	143,754	171,094
Transportation services	-	91,675	90,881	182,556
Other expenditures:				
Facilities acquisition	666,579	8,618	15,295	690,492
Total expenditures	<u>666,579</u>	<u>227,598</u>	<u>270,756</u>	<u>1,164,933</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(666,443)</u>	<u>942,487</u>	<u>(53,050)</u>	<u>222,994</u>
Other financing sources (uses):				
Compensation for loss of fixed assets	-	-	18,750	18,750
Sale of real property	-	-	399,076	399,076
Bonds issued	-	600,000	-	600,000
Intrafund transfers	1,022,376	(623,300)	(399,076)	-
Operating transfers out	-	(321,906)	-	(321,906)
Total other financing sources (uses)	<u>1,022,376</u>	<u>(345,206)</u>	<u>18,750</u>	<u>695,920</u>
Net change in fund balance	355,933	597,281	(34,300)	918,914
Fund balances beginning of year	<u>4,154</u>	<u>361,238</u>	<u>106,475</u>	<u>471,867</u>
Fund balance end of year	<u><u>360,087</u></u>	<u><u>958,519</u></u>	<u><u>72,175</u></u>	<u><u>1,390,781</u></u>

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2012

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$
Unallocated interest	7,227	2,343	7,227	2,343
Field trips	193	-	-	193
Quiz bowl	4	-	-	4
Parent-teacher organization	123	-	123	-
After school activities	965	4	-	969
Primary special projects	6,850	5,182	4,280	7,752
Elementary instrumental music	115	-	-	115
Elementary special projects	3,622	3,450	2,370	4,702
Elementary vocal music	438	250	-	688
Instrumental music	548	26	-	574
Jr. high football	1,181	2,022	2,489	714
Jr. high boys track	1,044	-	940	104
Jr. high wrestling	25	845	-	870
Jr. high girls basketball	77	-	-	77
Jr. high volleyball	305	-	-	305
Jr. high girls track	822	1,269	1,170	921
6th grade class	1,729	1,316	1,017	2,028
Music magazine sales	3,022	4,140	2,223	4,939
Jr. high cheerleaders	1,295	-	425	870
Jr. high yearbook	5,454	3,527	7,522	1,459
L.A. experience	341	-	-	341
Jr. high athletics/juice	2,598	2,456	2,968	2,086
Student council	1,162	819	584	1,397
Middle school projects	6,805	3,144	4,125	5,824
Theater/plays	1,069	1,773	1,417	1,425
Speech	7	1,076	851	232
Music trip/fundraisers	9,297	43,930	48,121	5,106
Instrumental music	2,666	2,017	1,993	2,690
Athletics	12,742	85,739	93,651	4,830
Warrior zone	9,546	24,874	29,841	4,579
Cross country	380	2,557	2,771	166
Boys basketball	4,445	6,487	7,402	3,530
Football	13,679	41,641	40,990	14,330
Boys soccer	-	833	571	262
Baseball	1,792	-	197	1,595
Boys track	552	2,502	2,323	731
Wrestling	9,000	18,311	18,824	8,487
Girls basketball	6,649	3,992	3,386	7,255
Volleyball	1,934	7,707	6,962	2,679

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2012

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$
Girls soccer	671	1,739	1,128	1,282
Girls track	880	2,463	2,355	988
Spirit spot	-	13,834	7,165	6,669
National Honor Society	805	586	207	1,184
History/literature renaissance	2,261	6,511	7,493	1,279
Environmental club	-	280	-	280
Class of 2010	3,119	-	3,119	-
Class of 2012	8,207	554	3,975	4,786
Class of 2013	636	20,806	17,710	3,732
Class of 2014	305	574	679	200
Class of 2015	-	553	397	156
Select vocal fundraisers	3,906	13,607	13,709	3,804
H.S. music boosters	-	24,996	8,817	16,179
HS solo/ensemble contest	1,218	2,330	2,211	1,337
S.T.E.P.	1,022	-	-	1,022
Cheerleaders	3,313	3,490	3,810	2,993
Dance team	3,789	15,408	13,938	5,259
Spirit council	658	-	-	658
High school yearbook	8,785	14,742	16,472	7,055
Senior composite fees	354	1,794	1,900	248
Weight training	9,822	10,856	10,138	10,540
JEL	1,157	126	1,016	267
H.S. student council	2,461	3,831	2,892	3,400
Art	416	-	-	416
H.S. special projects	4,345	9,157	5,973	7,529
Intrafund transfers	-	(10,568)	(10,568)	-
	<u>177,833</u>	<u>411,901</u>	<u>411,299</u>	<u>178,435</u>
Total	<u>177,833</u>	<u>411,901</u>	<u>411,299</u>	<u>178,435</u>

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT

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

	Modified Accrual Basis								
	2012	2011	2010	2009	2008	2007	2006	2005	2004
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues:									
Local sources:									
Local tax	8,633,259	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	1,821,393	1,461,934	1,365,379	1,139,145	1,157,107	1,015,877	1,044,679	858,968	754,831
Other	739,524	685,667	538,529	533,552	638,519	785,597	669,794	940,666	771,709
Intermediate sources	-	-	-	-	-	-	-	9,979	307
State sources	6,558,135	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	508,414	898,966	1,210,887	589,517	296,929	270,074	287,538	329,296	277,837
Total revenues	<u>18,260,725</u>	<u>17,637,824</u>	<u>16,576,695</u>	<u>16,397,892</u>	<u>15,297,603</u>	<u>15,153,954</u>	<u>13,605,654</u>	<u>12,465,507</u>	<u>11,969,948</u>
Expenditures:									
Instruction:									
Regular instruction	6,955,195	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	2,038,162	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	1,806,632	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	259,062	257,633	264,747	269,104	297,877	246,762	253,540	237,723	219,502
Instructional staff services	629,387	1,495,324	645,332	504,591	510,197	996,482	463,075	430,308	565,179
Administration services	1,225,299	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	1,482,090	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	526,895	354,919	367,163	297,655	548,002	582,402	337,107	218,652	237,016
Central support services	-	-	-	-	-	-	-	-	3,816
Non-instructional programs	4,527	4,666	3,550	3,247	1,456	1,637	2,960	58,195	4,027
Other expenditures:									
Facilities acquisition	690,492	2,485,179	644,245	1,560,060	788,895	674,669	433,222	337,955	1,707,704
Long-term debt:									
Principal	960,000	826,255	5,823,661	741,501	749,217	600,000	915,000	890,000	860,000
Interest and other charges	172,563	175,771	256,919	235,961	230,645	347,247	471,358	408,703	437,458
AEA flowthrough	531,633	572,872	561,727	510,399	485,234	459,361	404,912	361,008	355,163
Total expenditures	<u>17,281,937</u>	<u>19,212,756</u>	<u>21,287,352</u>	<u>16,584,902</u>	<u>15,375,660</u>	<u>15,574,237</u>	<u>14,056,868</u>	<u>12,657,245</u>	<u>13,597,741</u>

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

Year ended June 30, 2012

<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	FY12	30,657
National School Lunch Program (non-cash)	10.555	FY12	53,117
National School Lunch Program	10.555	FY12	216,290
			<u>300,064</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	FY12	91,854
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY12	18,938
			<u>110,792</u>
Special Education - Grants to States	84.027	FY12	5,879 *
Special Education - Grants for Infants and Families with Disabilities	84.181	FY12	873
Fund for the Improvement of Education	84.215	FY12	13,718
Advanced Placement Program	84.330	FY12	39
Improving Teacher Quality State Grants	84.367	FY12	33,271
Grants for State Assessments and Related Activities	84.369	FY12	9,757
Education Jobs Fund	84.410	FY12	4,094
Northwest Area Education Agency:			
Special Education - Grants to States	84.027	FY12	68,642 *
Career and Technical Education - Basic Grants to States	84.048	FY12	6,884
English Language Acquisition Grants	84.365	FY12	2,184
			<u>556,197</u>
Total			<u>556,197</u>

* Total for Special Education - Grants to States 84.027 is \$74,521

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.

Gary E. Horton CPA

902 Central Ave. E.-PO Box 384
Clarion, IA 50525-0384
(515)532-6681 Phone
(515) 532-2405 Fax
BETCO@mchsi.com E-mail

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, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 4, 2013. 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

The management of Sergeant Bluff-Luton Community School District is responsible for establishing and maintaining effective 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 a deficiency in internal control over financial reporting we consider to be a material weakness.

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 12-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, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

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

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

March 4, 2013

Gary E. Horton CPA

PO Box 384
Clarion, IA 50525-0384
(515)532-6681 Phone
(515) 532-2405 Fax
BETCO@mchsi.com E-mail

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, 2012. 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, 2012.

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 a deficiency in internal control over compliance we consider to be a material weakness.

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 deficiency in internal control over compliance described in Part III of the accompanying Schedule of Findings and Questioned Costs as item 12-III-A to be material weakness.

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

March 4, 2013

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year Ended June 30, 2012

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) A material weakness in internal control over the major programs was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed an audit finding which is required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - Child Nutrition Cluster
 - CFDA Number 10.553 – School Breakfast Program
 - CFDA Number 10.555 – National School Lunch Program
- (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, 2012

Part II: Findings Related to the Financial Statements:

Internal Control Deficiency:

12-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, 2012

Part III: Findings and Questioned Costs for Federal Awards:

Instances of Noncompliance:

No matters were noted.

Internal Control Deficiency:

CFDA Number 10.553: School Breakfast Program
CFDA Number 10.555: National School Lunch Program
Federal Award Year: 2012
U.S. Department of Agriculture
Passed through the Iowa Department of Education

12-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.

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year Ended June 30, 2012

Part IV: Other Findings Related to Required Statutory Reporting:

- 12-IV-A Certified Budget: Expenditures for the year ended June 30, 2012 did not exceed the amounts budgeted.
- 12-IV-B Questionable Expenditures: No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- 12-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.
- 12-IV-D Business Transactions: Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u> \$
John Baker, Board Member, Owner C.W Suter and Star Controls	Repairs & equipment (bid) Repairs & equipment (not bid)	64,076 1,514
Dave Schaar, Board Member, Owner of Electronic Innovations	Software and technology services (bid)	22,267

Recommendation: Business with district officials is not a conflict of interest if bids are taken or total amount is less than \$2,500. The District should consult legal council whenever purchasing materials or services from a business owned by a board member.

District Response: We will consult with our attorney.

Conclusion: Response accepted.

- 12-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.
- 12-IV-F Board Minutes: We noted no transactions requiring board approval that had not been approved by the Board.
- 12-IV-G Certified Enrollment: The number of resident students reported to the Iowa Department of Education at October 2011, was overstated by one student. A foreign exchange student was incorrectly counted as a resident student.

Recommendation: The District should review its procedures for coding foreign exchange students in the software that is used for certified enrollment

District Response: We will review our procedures.

Conclusion: Response accepted.

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year Ended June 30, 2012

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

- 12-IV-H Supplementary Weighting: No variances regarding supplementary weighting certified to the Department of Education were noted.
- 12-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.
- 12-IV-J Certified Annual Report (CAR): The Certified Annual Report was certified timely to the Iowa Department of Education.
- 12-IV-K Categorical Funding: No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- 12-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, 2012, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

	\$	\$
Beginning balance		361,238
Revenues/transfers in:		
Statewide sales, services and use tax revenue	1,161,481	
Interest	8,604	
Bonds issued	600,000	1,770,085
Expenditures/transfers out:		
School infrastructure construction	8,618	
Equipment	218,980	
Transfer to capital projects construction fund	623,300	
Transfers to debt service fund	321,906	1,172,804
Ending balance		958,519

For the year ended June 30, 2012, the District did not reduce any levies as a result of the moneys received under Chapter 423e or 423F of the Code of Iowa.