

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2013

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Sergeant Bluff-Luton Community School District

Sergeant Bluff-Luton Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
Dave Schaar	President	2013
Aimee Krough	Vice President	2015
Dean William	Board Member	2015
Jenna Wilson	Board Member	2013
John Baker	Board Member	2015
<u>School Officials</u>		
Rod Earleywine	Superintendent	2013
Kathy Nissen	District Secretary	2013
Denise Patterson	District Treasurer/Business Manager	2013
Ahlers Law Firm	Attorney	2013

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

INDEPENDENT AUDITORS REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of governmental activities, 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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the Sergeant Bluff-Luton Community School District at June 30, 2013 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Members American Institute & Iowa Society of Certified Public Accountants

Other Matters

Required Supplementary Information.

U.S generally accepted accounting principles require Management's Discussion and Analysis, Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 9 through 18 and 42 through 44 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 information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise 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 six years ended June 30, 2009 (which are not presented herein) and expressed unqualified opinions on those financial statements. Another auditor previously audited, in accordance with standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2012 (which are not presented herein) and 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 and Local Governments and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 3, 2014, on our consideration of the Sergeant Bluff-Luton Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Sergeant Bluff-Luton Community School District's internal control over financial reporting and compliance.


NOLTE, CORNMAN & JOHNSON, P.C.

February 3, 2014
Newton, Iowa

Sergeant Bluff-Luton Community School District

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, 2013. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2013 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$15,229,079 in fiscal 2012 to \$15,297,756 in fiscal 2013, while General Fund expenditures increased from \$14,209,809 in fiscal 2012 to \$14,606,695 in fiscal 2013. The District's General Fund balance increased from \$3,188,254 in fiscal 2012 to \$3,879,315 in fiscal 2013.
- The increase in General Fund revenues was attributable to an increase in local sources. The increase in expenditures was due to the increase in instructional and support services expenditures.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of 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 the School District.

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

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

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

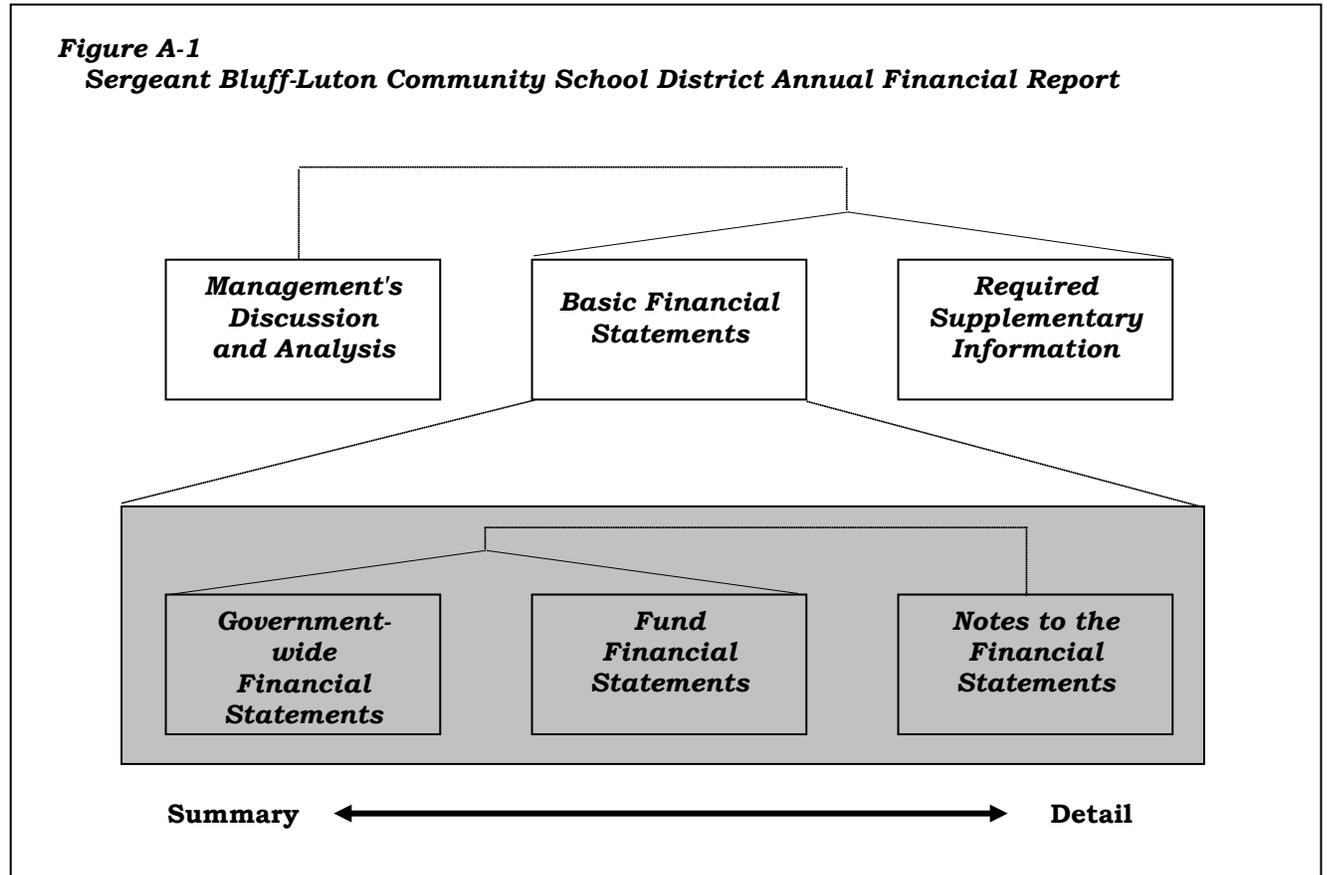


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2
Major Features of the Government-wide and Fund Financial Statements

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

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 Position includes all of the District’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District’s net position and how they have changed. Net position – the difference between the District’s assets and liabilities – are one way to measure the District’s financial health or position. Over time, increases or decreases in the District’s net position 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 and early childhood program are 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 Funds.

The required financial statements for the governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

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

The District's Internal Service Funds, one type of proprietary fund, are the same as the governmental activities, but provide more detail and additional information, such as cash flows. The District currently has two Internal Service Fund accounts accounting for self-funded insurance and employee flex benefits.

The required financial statements for the proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position and a Statement of Cash Flows.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2013 compared to June 30, 2012.

Figure A-3 Condensed Statement of Net Position							
	Governmental Activities		Business Type Activities		Total School District		Total Change
	2013	2012	2013	2012	2013	2012	2012-13
Current and other assets	\$ 14,476,290	15,447,235	470,837	404,571	14,947,127	15,851,806	-5.71%
Capital assets	19,529,588	19,491,064	21,388	18,903	19,550,976	19,509,967	0.21%
Total assets	34,005,878	34,938,299	492,225	423,474	34,498,103	35,361,773	-2.44%
Long-term obligations	8,036,625	8,736,056	42,187	16,288	8,078,812	8,752,344	-7.70%
Other liabilities	8,219,122	9,677,344	24,408	47,755	8,243,530	9,725,099	-15.23%
Total liabilities	16,255,747	18,413,400	66,595	64,043	16,322,342	18,477,443	-11.66%
Net position:							
Investment in capital assets net of related debt	14,004,588	12,771,064	21,388	18,903	14,025,976	12,789,967	9.66%
Restricted	2,283,118	2,329,771	-	-	2,283,118	2,329,771	-2.00%
Unrestricted	1,462,425	1,424,064	404,242	340,528	1,866,667	1,764,592	5.78%
Total net position	\$ 17,750,131	16,524,899	425,630	359,431	18,175,761	16,884,330	7.65%

The District's combined net position increased by 7.65%, or \$1,291,431, from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, intangibles, 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 position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased \$46,653, or 2.00% from the prior year. This decrease was primarily the result of an increase in expenditures from the Statewide Sales, Services and Use Tax Fund decreasing the carryover balance at year end.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - increased \$102,075, or 5.78%. This increase in unrestricted net position was a result of the District's increase in the General Fund carryover balance.

Figure A-4 shows the changes in net position for the year ended June 30, 2013 compared to June 30, 2012.

	Figure A-4						
	Changes in Net Position						
	Governmental Activities		Business Type Activities		Total School District		Total Change
	2013	2012	2013	2012	2013	2012	2012-13
Revenues:							
Program revenues:							
Charges for services	\$ 2,410,002	2,410,694	672,098	661,339	3,082,100	3,072,033	0.33%
Operating grants, contributions and restricted interest	1,397,774	2,042,438	321,630	313,097	1,719,404	2,355,535	-27.01%
Capital grants, contributions and restricted interest	59,500	23,718	-	-	59,500	23,718	150.86%
General revenues:							
Property tax	7,652,285	7,471,778	-	-	7,652,285	7,471,778	2.42%
Statewide sales, services and use tax	1,164,744	1,161,481	-	-	1,164,744	1,161,481	0.28%
Unrestricted state grants	5,607,462	5,076,106	-	-	5,607,462	5,076,106	10.47%
Unrestricted interest income	98,523	48,946	9,369	2,863	107,892	51,809	108.25%
Other	43,968	44,314	3,585	-	47,553	44,314	7.31%
Gain on disposal of capital assets	-	101,102	-	-	-	101,102	-100.00%
Total revenues	18,434,258	18,380,577	1,006,682	977,299	19,440,940	19,357,876	0.43%
Program expenses:							
Governmental activities:							
Instruction	11,563,367	11,092,272	-	-	11,563,367	11,092,272	4.25%
Support services	4,372,258	4,141,102	34,628	-	4,406,886	4,141,102	6.42%
Non-instructional programs	3,839	4,527	905,855	903,967	909,694	908,494	0.13%
Other expenses	1,269,562	1,696,569	-	-	1,269,562	1,696,569	-25.17%
Total expenses	17,209,026	16,934,470	940,483	903,967	18,149,509	17,838,437	1.74%
Increase in net position	1,225,232	1,446,107	66,199	73,332	1,291,431	1,519,439	-15.01%
Net position beginning of year	16,524,899	15,078,792	359,431	286,099	16,884,330	15,364,891	9.89%
Net position end of year	\$ 17,750,131	16,524,899	425,630	359,431	18,175,761	16,884,330	7.65%

In fiscal 2013, property tax, statewide sales, services and use tax and unrestricted state grants account for 78.25% of the revenue from governmental activities while charges for services and operating grants and contributions account for 98.71% of the revenue from business type activities.

The District's total revenues were approximately \$19.44 million of which approximately \$18.44 million was for governmental activities and approximately \$1.00 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 0.43% increase in revenues and a 1.74% increase in expenses. Property tax increases funded the increase in revenues. The increase in expenses is due to increases in negotiated salaries and benefits.

Governmental Activities

Revenues for governmental activities were \$18,434,258 and expenses were \$17,209,026 for the year ended June 30, 2013.

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, for the year ended June 30, 2013 compared to the year ended June 30, 2012.

	Total Cost of Services			Net Cost of Services		
	2013	2012	Change 2012-13	2013	2012	Change 2012-13
Instruction	\$ 11,563,367	11,092,272	4.25%	8,351,462	7,244,405	15.28%
Support services	4,372,258	4,141,102	5.58%	4,247,932	4,068,493	4.41%
Non-instructional programs	3,839	4,527	-15.20%	3,839	4,527	-15.20%
Other expenses	1,269,562	1,696,569	-25.17%	738,517	1,140,195	-35.23%
Totals	\$ 17,209,026	16,934,470	1.62%	13,341,750	12,457,620	7.10%

- The cost financed by users of the District's programs was \$2,410,002.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,457,274.
- The net cost of governmental activities was financed with \$7,652,285 in property tax, \$1,164,744 in statewide sales, services and use tax, \$5,607,462 in unrestricted state grants, \$98,523 in interest income and \$43,968 in other general revenues.

Business-Type Activities

Revenues of the District's business type activities were \$1,006,682 and expenses were \$940,483. The District's business type activities include the School Nutrition Fund and the Early Childhood Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$6,215,331, well above last year's ending fund balances of \$5,739,099. This increase is primarily a result of the increase in General Fund carryover balance.

Governmental Fund Highlights

- The District's increasing General Fund financial position is the result of many factors. Growth during the year in tax revenue 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 seven years and monitoring expenditures.
- The General Fund balance increased from \$3,188,254 to \$3,879,315 due in part to the increase in local source revenues received in fiscal 2013.
- The Capital Projects Fund balance decreased from \$1,390,781 to \$1,062,286. This was due to the district spending the remaining balance in the Capital Projects: Construction Fund on projects during the year.

Proprietary Fund Highlights

The School Nutrition Fund net position increased from \$160,965 at June 30, 2012 to \$173,241 at June 30, 2013, representing an increase of 7.63%.

The Early Childhood Fund net position increased from \$198,466 at June 30, 2012 to \$252,389 at June 30, 2013, representing an increase of 27.17%

BUDGETARY HIGHLIGHTS

The District's revenues were \$1,204,381 less than budgeted revenues, a variance of 5.83%. The most significant percentage variance resulted from the District receiving less in federal sources than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, the District had invested \$19.55 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 0.21% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$766,603.

The original cost of the District's capital assets was \$32.77 million. Governmental funds account for \$32.33 million with the remainder of \$0.44 million in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the land improvements category. The District's land improvements totaled \$947,642 at June 30, 2013, compared to \$457,555 reported at June 30, 2012. This significant increase resulted from the District constructing a new parking lot during the year.

	Governmental Activities		Business Type Activities		Total School District		Total Change
	2013	2012	2013	2012	2013	2012	2012-13
Land	\$ 972,423	973,600	-	-	972,423	973,600	-0.12%
Buildings	16,709,507	17,240,128	-	-	16,709,507	17,240,128	-3.18%
Land improvements	947,642	457,555	-	-	947,642	457,555	51.72%
Machinery and equipment	872,088	819,781	21,388	18,903	893,476	838,684	6.13%
Intangible assets	27,928	-	-	-	27,928	-	100.00%
Total	\$ 19,529,588	19,491,064	21,388	18,903	19,550,976	19,509,967	0.21%

Long-Term Debt

At June 30, 2013, the District had \$8,061,033 in general obligation and other long-term debt outstanding. This represents a decrease of 7.36% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had total outstanding Revenue Bond indebtedness at June 30, 2013 of \$2,620,000 payable from the Capital Projects: Statewide Sales, Service and Use Tax Fund.

The District had total outstanding General Obligation Bond indebtedness at June 30, 2013 of \$2,905,000 payable from the Debt Service Fund.

The District had total outstanding Termination Benefits payable from the Special Revenue, Management Levy Fund of \$551,656 at June 30, 2013.

The District had outstanding Net OPEB liability at June 30, 2013 of \$1,984,377. The Governmental Activities accounted for \$1,959,969 of this total while Business Type Activities accounted for \$24,408.

	Governmental Activities		Business Type Activities		Total School District		Total Change
	2013	2012	2013	2012	2013	2012	2012-13
	Revenue Bonds	\$ 2,620,000	3,070,000	-	-	2,620,000	3,070,000
General Obligation Bonds	2,905,000	3,650,000	-	-	2,905,000	3,650,000	-20.41%
Termination Benefits	551,656	525,398	-	-	551,656	525,398	5.00%
Net OPEB liability	1,959,969	1,439,653	24,408	16,288	1,984,377	1,455,941	36.30%
Totals	\$ 8,036,625	8,685,051	24,408	16,288	8,061,033	8,701,339	-7.36%

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:

- School financing is highly dependent upon student enrollment. The District's enrollment has remained steady with slight growth over the last 10 years. The district will be having a demographic study completed within the calendar year to help with budget projections and planning future facility needs.
- 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 began 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, Sergeant Bluff-Luton Community School District, 201 Port Neal Road, Sergeant Bluff, Iowa 51054.

Basic Financial Statements

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
YEAR ENDED JUNE 30, 2013

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and pooled investments	\$ 7,474,241	443,079	7,917,320
Receivables:			
Property tax:			
Delinquent	29,569	-	29,569
Succeeding year	6,347,384	-	6,347,384
Income surtax	-	-	-
Accounts	4,152	3,154	7,306
Due from other governments	620,944	-	620,944
Inventories	-	24,604	24,604
Capital assets, net of accumulated depreciation/amortization	19,529,588	21,388	19,550,976
TOTAL ASSETS	34,005,878	492,225	34,498,103
LIABILITIES			
Accounts payable	210,070	207	210,277
Salaries and benefits payable	1,561,233	26,239	1,587,472
Accrued interest payable	40,435	-	40,435
Deferred revenue:			
Succeeding year property tax	6,347,384	-	6,347,384
Other	60,000	-	60,000
Unearned revenue	-	15,741	15,741
Long-term liabilities:			
Portion due within one year:			
Revenue bonds payable	455,000	-	455,000
General obligation bonds payable	750,000	-	750,000
Termination benefits payable	191,319	-	191,319
Portion due after one year:			
Revenue bonds payable	2,165,000	-	2,165,000
General obligation bonds payable	2,155,000	-	2,155,000
Termination benefits payable	360,337	-	360,337
Net OPEB liability	1,959,969	24,408	1,984,377
TOTAL LIABILITIES	16,255,747	66,595	16,322,342
NET POSITION			
Investment in capital assets net of related debt	14,004,588	21,388	14,025,976
Restricted for:			
Categorical funding	525,534	-	525,534
School infrastructure	972,063	-	972,063
Physical plant and equipment	90,223	-	90,223
Student activities	167,729	-	167,729
Debt service	527,569	-	527,569
Unrestricted	1,462,425	404,242	1,866,667
TOTAL NET POSITION	\$ 17,750,131	425,630	18,175,761

SEE NOTES TO FINANCIAL STATEMENTS.

**SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013**

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 7,526,935	1,588,576	71,349	-	(5,867,010)	-	(5,867,010)
Special	2,171,235	402,494	272,965	-	(1,495,776)	-	(1,495,776)
Other	1,865,197	380,208	496,313	-	(988,676)	-	(988,676)
	<u>11,563,367</u>	<u>2,371,278</u>	<u>840,627</u>	<u>-</u>	<u>(8,351,462)</u>	<u>-</u>	<u>(8,351,462)</u>
Support services:							
Student	345,529	-	-	-	(345,529)	-	(345,529)
Instructional staff	592,271	-	10,499	-	(581,772)	-	(581,772)
Administration	1,308,983	-	-	-	(1,308,983)	-	(1,308,983)
Operation and maintenance of plant	1,649,551	-	-	59,500	(1,590,051)	-	(1,590,051)
Transportation	475,924	38,724	15,603	-	(421,597)	-	(421,597)
	<u>4,372,258</u>	<u>38,724</u>	<u>26,102</u>	<u>59,500</u>	<u>(4,247,932)</u>	<u>-</u>	<u>(4,247,932)</u>
Non-instructional programs:							
Other enterprise operations	3,839	-	-	-	(3,839)	-	(3,839)
	<u>150,530</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(150,530)</u>	<u>-</u>	<u>(150,530)</u>
Other expenditures:							
AEA flowthrough	531,045	-	531,045	-	-	-	-
Depreciation(unallocated)*	587,987	-	-	-	(587,987)	-	(587,987)
	<u>1,119,032</u>	<u>-</u>	<u>531,045</u>	<u>-</u>	<u>(587,987)</u>	<u>-</u>	<u>(587,987)</u>
Total governmental activities	<u>17,209,026</u>	<u>2,410,002</u>	<u>1,397,774</u>	<u>59,500</u>	<u>(13,341,750)</u>	<u>-</u>	<u>(13,341,750)</u>
Business type activities:							
Support services:							
Administration	32,641	-	-	-	-	(32,641)	(32,641)
Operation and maintenance of plant	1,987	-	-	-	-	(1,987)	(1,987)
Non-instructional programs:							
Food service operations	905,855	672,098	321,630	-	-	87,873	87,873
Total business type activities	<u>940,483</u>	<u>672,098</u>	<u>321,630</u>	<u>-</u>	<u>-</u>	<u>53,245</u>	<u>53,245</u>
Total	<u>\$ 18,149,509</u>	<u>3,082,100</u>	<u>1,719,404</u>	<u>59,500</u>	<u>(13,341,750)</u>	<u>53,245</u>	<u>(13,288,505)</u>
General Revenues:							
Property tax levied for:							
General purposes					\$ 6,632,780	-	6,632,780
Debt service					822,371	-	822,371
Capital outlay					197,134	-	197,134
Statewide sales, services and use tax					1,164,744	-	1,164,744
Unrestricted state grants					5,607,462	-	5,607,462
Unrestricted investment earnings					98,523	9,369	107,892
Other general revenues					43,968	3,585	47,553
Total general revenues					<u>14,566,982</u>	<u>12,954</u>	<u>14,579,936</u>
Change in net position					1,225,232	66,199	1,291,431
Net position beginning of year					<u>16,524,899</u>	<u>359,431</u>	<u>16,884,330</u>
Net position end of year					<u>\$ 17,750,131</u>	<u>425,630</u>	<u>18,175,761</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	General	Capital Projects	Nonmajor	Total
ASSETS				
Cash and pooled investments	\$ 5,243,897	857,019	1,291,053	7,391,969
Receivables:				
Property tax				
Delinquent	23,301	856	5,412	29,569
Succeeding year	4,843,607	203,706	1,300,071	6,347,384
Accounts	302	3,850	-	4,152
Due from other governments	356,813	264,131	-	620,944
TOTAL ASSETS	\$ 10,467,920	1,329,562	2,596,536	14,394,018
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 183,765	3,570	22,735	210,070
Salaries and benefits payable	1,561,233	-	-	1,561,233
Deferred revenue:				
Succeeding year property tax	4,843,607	203,706	1,300,071	6,347,384
Other	-	60,000	-	60,000
Total liabilities	6,588,605	267,276	1,322,806	8,178,687
Fund balances:				
Restricted for:				
Categorical funding	525,534	-	-	525,534
School infrastructure	-	972,063	-	972,063
Physical plant and equipment	-	90,223	-	90,223
Management levy purposes	-	-	537,997	537,997
Student activities	-	-	167,729	167,729
Debt service	-	-	568,004	568,004
Unassigned	3,353,781	-	-	3,353,781
Total liabilities	3,879,315	1,062,286	1,273,730	6,215,331
TOTAL LIABILITIES AND FUND BALANCES	\$ 10,467,920	1,329,562	2,596,536	14,394,018

SEE NOTES TO FINANCIAL STATEMENTS.

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2013

Total fund balances of governmental funds(page 22)	\$	6,215,331
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.		19,529,588
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.		(40,435)
Blending of the Internal Service Funds to be reflected on an entity-wide basis.		82,272
Long-term liabilities, including bonds payable, termination benefits payable, and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds		<u>(8,036,625)</u>
Net position of governmental activities(page 20)	\$	<u><u>17,750,131</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

	General	Capital Projects	Nonmajor	Total
REVENUES:				
Local sources:				
Local tax	\$ 6,147,268	1,361,878	1,307,883	8,817,029
Tuition	1,915,558	-	-	1,915,558
Other	246,654	80,894	398,203	725,751
State sources	6,526,119	38	259	6,526,416
Federal sources	449,504	-	-	449,504
TOTAL REVENUES	15,285,103	1,442,810	1,706,345	18,434,258
EXPENDITURES:				
Current:				
Instruction:				
Regular	6,933,577	175,789	177,700	7,287,066
Special	2,110,306	-	-	2,110,306
Other	1,435,093	39,958	393,306	1,868,357
	10,478,976	215,747	571,006	11,265,729
Support services:				
Student	263,854	43,031	9,380	316,265
Instructional staff	538,050	43,992	3,116	585,158
Administration	1,225,843	28,741	34,590	1,289,174
Operation and maintenance of plant	1,238,577	123,075	131,836	1,493,488
Transportation	330,350	127,497	14,115	471,962
	3,596,674	366,336	193,037	4,156,047
Non-instructional programs:				
Food service operations	-	-	2,358	2,358
Community service operations	-	-	1,481	1,481
			3,839	3,839
Capital outlay	-	686,107	-	686,107
Long-term debt:				
Principal	-	-	1,195,000	1,195,000
Interest and fiscal charges	-	-	155,412	155,412
			1,350,412	1,350,412
Other expenditures:				
AEA flowthrough	531,045	-	-	531,045
TOTAL EXPENDITURES	14,606,695	1,268,190	2,118,294	17,993,179
Excess(Deficiency) of revenues over(under) expenditures	678,408	174,620	(411,949)	441,079
OTHER FINANCING SOURCES(USES):				
Proceeds from sale of real property	-	22,500	-	22,500
Sale of equipment	12,653	-	-	12,653
Transfer in	-	220,186	525,615	745,801
Transfer out	-	(745,801)	-	(745,801)
TOTAL OTHER FINANCING SOURCES(USES)	12,653	(503,115)	525,615	35,153
Change in fund balances	691,061	(328,495)	113,666	476,232
Fund balances beginning of year	3,188,254	1,390,781	1,160,064	5,739,099
Fund balances end of year	\$ 3,879,315	1,062,286	1,273,730	6,215,331

SEE NOTES TO FINANCIAL STATEMENTS.

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013

Change in fund balances - total governmental funds(page 24) \$ 476,232

Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense and loss on disposal were exceeded by capital outlay expenditures in the current year as follows:

Capital outlays	\$ 850,953	
Depreciation expense	(763,032)	
Loss on disposal	<u>(49,397)</u>	38,524

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position. 1,195,000

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. 4,882

Net change in the Internal Service Funds charged back against expenditures made for self-funded insurance at an entity-wide basis. 44,356

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.

Termination benefits	\$ (26,258)	
Other postemployment benefits	<u>(520,316)</u>	(546,574)

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. (38,193)

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 51,005

Change in net position of governmental activities(page 21) \$ 1,225,232

SEE NOTES TO FINANCIAL STATEMENTS.

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2013

	Business Type Activities Enterprise Funds			Governmental Activities
	School Nutrition	Early Childhood	Total	Internal Service Fund
ASSETS				
Current assets:				
Cash and pooled investments	\$ 169,798	273,281	443,079	82,272
Receivables:				
Accounts	-	3,154	3,154	-
Inventories	24,604	-	24,604	-
Total current assets	194,402	276,435	470,837	82,272
Non-current assets:				
Capital assets:				
Capital assets, net of accumulated depreciation	21,388	-	21,388	-
TOTAL ASSETS	215,790	276,435	492,225	82,272
LIABILITIES				
Current liabilities:				
Accounts payable	108	99	207	-
Salaries and benefits payable	13,206	13,033	26,239	-
Unearned revenue	15,741	-	15,741	-
Long-term liabilities:				
Net OPEB liability	13,494	10,914	24,408	-
TOTAL LIABILITIES	42,549	24,046	66,595	-
NET POSITION				
Investment in capital assets	21,388	-	21,388	-
Unrestricted	151,853	252,389	404,242	82,272
TOTAL NET POSITION	\$ 173,241	252,389	425,630	82,272

SEE NOTES TO FINANCIAL STATEMENTS.

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2013

	Business Type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	School Nutrition	Early Childhood	Total	
OPERATING REVENUE:				
Local sources:				
Charges for services	\$ 351,401	320,697	672,098	-
Miscellaneous	3,585	-	3,585	209,280
TOTAL OPERATING REVENUES	354,986	320,697	675,683	209,280
OPERATING EXPENSES:				
Support services:				
Administration:				
Salaries	7,644	14,570	22,214	-
Benefits	4,186	5,663	9,849	-
Services	-	578	578	-
Operation and maintenance:				
Services	1,987	-	1,987	-
TOTAL SUPPORT SERVICES	13,817	20,811	34,628	-
Non-instructional programs:				
Salaries	238,795	-	238,795	-
Benefits	44,086	-	44,086	-
Services	-	4,582	4,582	-
Supplies	366,919	-	366,919	-
Depreciation	3,571	-	3,571	-
	653,371	4,582	657,953	-
Other enterprise operations:				
Benefits	-	-	-	23,129
Services	-	-	-	10,125
Other	-	-	-	132,400
	-	-	-	165,654
Community service operations:				
Salaries	-	189,040	189,040	-
Benefits	-	46,748	46,748	-
Services	-	168	168	-
Supplies	-	11,946	11,946	-
	-	247,902	247,902	-
TOTAL NON-INSTURCTIONAL PROGRAMS	653,371	252,484	905,855	165,654
TOTAL OPERATING EXPENSES	667,188	273,295	940,483	165,654
OPERATING INCOME(LOSS)	(312,202)	47,402	(264,800)	43,626
NON-OPERATING REVENUES:				
State sources	6,178	-	6,178	-
Federal sources	315,452	-	315,452	-
Interest on investments	2,848	6,521	9,369	730
TOTAL NON-OPERATING REVENUES	324,478	6,521	330,999	730
Increase in net position	12,276	53,923	66,199	44,356
Net position beginning of year	160,965	198,466	359,431	37,916
Net position end of year	\$ 173,241	252,389	425,630	82,272

SEE NOTES TO FINANCIAL STATEMENTS.

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
YEAR ENDED JUNE 30, 2013

	Business Type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	School Nutrition	Early Childhood	Total	
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 352,530	-	352,530	-
Cash received from community service operations	-	318,830	318,830	-
Cash received from miscellaneous operating activities	3,585	-	3,585	209,280
Cash payments to employees for services	(295,318)	(246,523)	(541,841)	(23,129)
Cash payments to suppliers for goods or services	(334,492)	(17,175)	(351,667)	(144,010)
Net cash provided by(used in) operating activities	(273,695)	55,132	(218,563)	42,141
Cash flows from non-capital financing activities:				
State grants received	6,178	-	6,178	-
Federal grants received	269,413	-	269,413	-
Net cash provided by non-capital financing activities	275,591	-	275,591	-
Cash flows from capital and related financing activities:				
Purchase of capital assets	(6,056)	-	(6,056)	-
Cash flows from investing activities:				
Interest on investments	2,848	6,521	9,369	730
Net increase(decrease) in cash and cash equivalents	(1,312)	61,653	60,341	42,871
Cash and cash equivalents at beginning of year	171,110	211,628	382,738	39,401
Cash and cash equivalents at end of year	\$ 169,798	273,281	443,079	82,272
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:				
Operating income(loss)	\$ (312,202)	47,402	(264,800)	43,626
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:				
Commodities consumed	46,039	-	46,039	-
Depreciation	3,571	-	3,571	-
Increase in inventories	(4,150)	-	(4,150)	-
(Increase)Decrease in accounts receivable	92	(1,867)	(1,775)	-
Increase(Decrease) in accounts payable	(7,475)	99	(7,376)	(1,485)
Increase(Decrease) in salary and benefits payable	2,187	(1,416)	771	-
Increase(Decrease) in other postemployment benefits	(2,794)	10,914	8,120	-
Increase in unearned revenue	1,037	-	1,037	-
Net cash provided by(used in) operating activities	\$ (273,695)	55,132	(218,563)	42,141

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2013, the District received Federal commodities valued at \$46,039.

SEE NOTES TO FINANCIAL STATEMENTS.

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

Note 1. Summary of Significant Accounting Policies

The Sergeant Bluff-Luton Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the Cities of Sergeant Bluff and Luton, Iowa, and the predominate agricultural territory in Woodbury County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

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

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

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position (previously referred to as net assets) and the Statement of Activities report information on all of the activities of the District, with omission of the fiduciary funds. 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 Position presents the District's nonfiduciary assets and liabilities, with the difference reported as net position. Net position is reported in the following categories:

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

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

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

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are also included for the Capital Project Fund accounts as well as the District's Internal Service Funds.

The District reports the following major governmental funds:

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

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

The District also reports the following non-major proprietary funds:

The District's proprietary funds are the Enterprise, School Nutrition Fund and the Enterprise, Early Childhood Programs Fund. The 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 the 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-funded 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 the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

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

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

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

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

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 - assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating 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 non-operating revenues and expenses.

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

D. Assets, Liabilities and Fund Balances

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

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

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

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

Property tax revenue receivable is recognized in these funds on the levy date that the tax asking is certified by the Board of Education to the County Board of Supervisors. Delinquent property taxes receivable represents unpaid taxes from the current year. 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 Board of Education is required to certify its budget to the County Auditor by April 15 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 and will not be recorded as revenue until the year for which it is levied.

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2012.

Due from Other Governments - Due from other governments represents the 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 governmental commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

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

Asset Class	Amount
Land	\$ 5,000
Buildings	5,000
Land improvements	5,000
Intangibles	25,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	5,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Intangibles	3-20 years
Machinery and equipment	5-12 years

Salaries and Benefits Payable - Payroll and related payroll taxes and benefits for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as a liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue represents 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 revenues consist of unspent federal grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

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

Unearned Revenues - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Position in the Proprietary, School Nutrition Fund.

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

Fund Balances - 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 preceding classifications. At June 30, 2013 the District's only unassigned amount was in the General Fund.

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

The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2013 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, 2013, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$4,492 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The Investments in the Iowa Schools Joint Investment Trust was rated AAA by Standard and Poor's Financial Services.

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 525,615
Capital Projects: Construction	Capital Projects: Statewide Sales, Services and Use Tax	220,186
Total		\$ 745,801

The transfer from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was for principal and interest payments on the District's revenue bond indebtedness.

The transfer from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Capital Projects: Construction Fund was to complete District's outstanding construction projects during the year.

Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2013 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 973,600	-	1,177	972,423
Construction in progress	-	552,500	552,500	-
Total capital assets not being depreciated	973,600	552,500	553,677	972,423
Capital assets being depreciated:				
Buildings	27,350,138	-	-	27,350,138
Land improvements	1,571,706	552,500	118,191	2,006,015
Machinery and equipment	1,820,016	267,422	109,008	1,978,430
Intangible assets	-	31,031	-	31,031
Total capital assets being depreciated	30,741,860	850,953	227,199	31,365,614
Less accumulated depreciation for:				
Buildings	10,110,010	530,621	-	10,640,631
Land improvements	1,114,151	57,366	113,144	1,058,373
Machinery and equipment	1,000,235	171,942	65,835	1,106,342
Intangible assets	-	3,103	-	3,103
Total accumulated depreciation	12,224,396	763,032	178,979	12,808,449
Total capital assets being depreciated, net	18,517,464	87,921	48,220	18,557,165
Governmental activities capital assets, net	\$ 19,491,064	640,421	601,897	19,529,588

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 430,595	6,056	-	436,651
Less accumulated depreciation	411,692	3,571	-	415,263
Business type activities capital assets, net	\$ 18,903	2,485	-	21,388

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 45,906
Other		4,280
Support services:		
Administration		3,781
Operation and maintenance of plant		11,960
Transportation		109,118
		<u>175,045</u>
Unallocated depreciation		<u>587,987</u>
Total governmental activities depreciation expense		<u>\$ 763,032</u>
Business type activities:		
Food services		<u>\$ 3,571</u>

Note 5. Long-Term Debt

Changes in long-term liabilities for the year ended June 30, 2013 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental Activities:					
General obligation bonds	\$ 3,650,000	-	745,000	2,905,000	750,000
Revenue bonds	3,070,000	-	450,000	2,620,000	455,000
Termination benefits	525,398	161,595	135,337	551,656	191,319
Net OPEB Liability	1,439,653	520,316	-	1,959,969	-
Total	\$ 8,685,051	681,911	1,330,337	8,036,625	1,396,319
Business Type Activities:					
Net OPEB Liability	\$ 16,288	8,120	-	24,408	-

General Obligation Bonds Payable

Details of the Districts June 30, 2013 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Refunding Bond Issue of May, 2010				
	Rate	Principal	Interest	Total	
2014	2.25 %	\$ 750,000	63,919	813,919	
2015	2.25	775,000	47,044	822,044	
2016	2.25-2.40	800,000	29,325	829,325	
2017	2.55-2.70	580,000	11,528	591,528	
Total		<u>\$ 2,905,000</u>	<u>151,816</u>	<u>3,056,816</u>	

Revenue Bonds Payable

Details of the District's June 30, 2013 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of May 2010			Bond Issue of July 2011			Total		
	Rate	Principal	Interest	Rate	Principal	Interest	Principal	Interest	Total
2014	2.00 %	\$ 255,000	60,088	1.50 %	\$ 200,000	5,500	\$ 455,000	65,588	520,588
2015	2.00	260,000	54,938	2.00	200,000	2,000	460,000	56,938	516,938
2016	2.30	270,000	49,233	-	-	-	270,000	49,233	319,233
2017	2.75	270,000	42,415	-	-	-	270,000	42,415	312,415
2018	3.00	275,000	34,577	-	-	-	275,000	34,577	309,577
2019-2021	3.25-3.60	890,000	47,576	-	-	-	890,000	47,576	937,576
Total		<u>\$ 2,220,000</u>	<u>288,827</u>		<u>\$ 400,000</u>	<u>7,500</u>	<u>\$ 2,620,000</u>	<u>296,327</u>	<u>2,916,327</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$2,710,000 of bonds issued on 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 in accordance with Chapter 423E of the Code of Iowa and are payable through 2021. The bonds are not a general obligation of the District. The debt, however, is subject to the constitutional debt limitations 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 paid remaining to be paid is \$2,916,327. For the current year \$450,000 in principal and \$73,138 in interest was paid on the bonds and total statewide sales and services tax revenues were \$1,164,744.

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

- a) \$271,000 of the proceeds from the issuance of the revenue bonds shall be deposited to the reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The reserve account is part of the District's Debt Service Fund.
- b) Monthly transfers from the District's Statewide Sales, Services and Use Tax Fund shall be placed in a revenue account.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year

- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

Termination Benefits (Early Retirement)

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. A regular certified employee is determined by the position currently being held when retirement is requested and will be pro-rated accordingly. The Board of Directors may waive parts of the eligibility criteria when deemed necessary for the betterment of both parties.

The early retirement benefit for each eligible certified employee is based on the accumulated sick leave remaining at the end of the employee's contract. Early retirees can elect to have their single health insurance premium paid, at a fixed dollar amount, by the District until the employee becomes eligible for Medicare. The licensed employee is responsible for any increases in premium costs. The Early retirement benefit shall be paid in three equal installments over the first year of early retirement beginning on July 1st of the following year. In the event of death of a retiree, his/her beneficiaries will continue receiving the payments according to the original commitment.

At June 30, 2013, the District has obligations to eight participants with a total liability of \$551,656. Actual early retirement expenditures for the year ended June 30, 2013 totaled \$161,595. The cost of early retirement payments expected to be paid are recorded as a long-term liability of the Governmental Activities in the Government-wide financial statements. The District's Board of Directors reviews the early retirement policy annually at their September board meeting and reserves the authority to discontinue the early retirement plan at any time.

Note 6. Other Postemployment Benefits(OPEB)

Plan Description - The District operates a single employer health plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 113 active and 21 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit and explicit 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, 2013, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 675,937
Interest on net OPEB obligation	38,773
Adjustment to annual required contribution	(20,138)
Annual OPEB cost	<u>694,572</u>
Contributions made	<u>(166,136)</u>
Increase in net OPEB obligation	528,436
Net OPEB obligation beginning of year	<u>1,455,941</u>
Net OPEB obligation end of year	<u><u>\$ 1,984,377</u></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, 2013.

For the year ended June 30, 2013, the District contributed \$66,136 to the medical plan.

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, 2013 is summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 579,447	23.00 %	\$ 1,007,974
2012	590,684	24.16	1,455,941
2013	694,572	23.92	1,984,377

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$5,239,618 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$5,319,618. The covered payroll (annual payroll of active employees covered by the plan) was \$8,291,980 and the ratio of the UAAL to covered payroll was 63.2%. As of June 30, 2013, 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, 2012 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6.0%.

Mortality rates are from the 94 Group Annuity Mortality Table Projected to 2000, applied on a gender-specific basis. Annual retirement probabilities were developed based upon sample rates varying by age and employee type.

Current claim costs of the medical plan are as follows: PPO 500 single for \$655.35 per month; PPO family for \$1,638.39 per month; HDHP2000 single for \$527.88 per month; HDHP2000 family for \$1,319.70 per month; Blue Choice single for \$627.58 per month; and Blue Choice family for \$1,568.95 per month. Post age 65 expected claims cost are assumed to equal retiree contributions. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 7. Pension and Retirement Benefits

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

Plan members are required to contribute 5.78% of their annual salary and the District is required to contribute 8.67% of annual covered payroll. Contribution requirements are established by State statute. The District’s contribution to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$851,223, \$767,943 and \$644,943 respectively, equal to the required contributions for each year.

Note 8. Risk Management

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

Note 9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District’s actual amount for this purpose totaled \$531,045 for the year ended June 30, 2013 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 10. Categorical Funding

The District’s restricted balance for categorical funding at June 30, 2013 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Statewide voluntary preschool	\$ 399,303
Professional development for model core curriculum	70,032
Professional development	47,140
School ready children	9,059
Total	<u>\$ 525,534</u>

Note 11. Lease Commitment

On June 29, 2012, the District entered into a thirty-five month operating lease for a Honda Odyssey. The payments the District will make over the next two fiscal years are as follows:

Year Ended June 30	Lease Payment
2014	\$ 4,289
2015	3,932
	<u>\$ 8,221</u>

The District made \$4,647 in lease payments towards this commitment during fiscal year 2013.

Note 12. Sale of Land

On March 11, 2013, the District's Board of Directors approved the sale of land, known locally as the B Street Ball Fields, to the City of Sergeant Bluff for \$82,500. \$2,500 was due at closing, and the remaining \$80,000 plus 3% interest will be paid in four annual installments beginning on July 1, 2013 through July 1, 2016. The total amount of principal and interest paid for the land by the city will be \$86,402.47.

Note 13. Reconciliation of Governmental Fund Balances to Net Position

Reconciliation of certain governmental fund balances to net position are as follows:

	Invested in Capital Assets	Management Levy	Debt Service	Unassigned/ Unrestricted
Fund balance (Exhibit C)	\$ -	537,997	568,004	3,353,781
Invested in capital assets, net of accumulated depreciation	19,529,588	-	-	-
General obligation bond capitalized indebtedness	(2,620,000)	-	-	-
Revenue bond capitalized indebtedness	(2,905,000)	-	-	-
Termination benefits	-	(537,997)	-	(13,659)
Accrued interest payable	-	-	(40,435)	-
Internal service fund	-	-	-	82,272
Net OPEB liability	-	-	-	(1,959,969)
Net position (Exhibit A)	<u>\$ 14,004,588</u>	<u>-</u>	<u>527,569</u>	<u>1,462,425</u>

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, 2013

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Funds	Funds		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 11,458,338	685,052	12,143,390	12,675,836	12,675,836	(532,446)
State sources	6,526,416	6,178	6,532,594	6,962,710	6,962,710	(430,116)
Federal sources	449,504	315,452	764,956	1,006,775	1,006,775	(241,819)
Total revenues	18,434,258	1,006,682	19,440,940	20,645,321	20,645,321	(1,204,381)
Expenditures/Expenses:						
Instruction	11,265,729	-	11,265,729	14,261,370	14,261,370	2,995,641
Support services	4,156,047	34,628	4,190,675	5,683,537	5,683,537	1,492,862
Non-instructional programs	3,839	905,855	909,694	1,243,620	1,243,620	333,926
Other expenditures	2,567,564	-	2,567,564	3,284,848	3,284,848	717,284
Total expenditures/expenses	17,993,179	940,483	18,933,662	24,473,375	24,473,375	5,539,713
Excess(Deficiency) of revenues over(under) expenditures/expenses	441,079	66,199	507,278	(3,828,054)	(3,828,054)	4,335,332
Other financing sources, net	35,153	-	35,153	-	-	35,153
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	476,232	66,199	542,431	(3,828,054)	(3,828,054)	4,370,485
Balance beginning of year	5,739,099	359,431	6,098,530	5,228,295	5,228,295	870,235
Balance end of year	\$ 6,215,331	425,630	6,640,961	1,400,241	1,400,241	5,240,720

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2013

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except 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. Encumbrances are not recognized on the GAAP basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. 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 function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2009	July 1, 2008	\$ -	\$ 3,840,000	\$ 3,840,000	0.0 %	9,011,000	42.6 %
2010	July 1, 2008	-	3,840,000	3,840,000	0.0	7,900,000	48.6
2011	July 1, 2010	-	5,276,000	5,276,000	0.0	7,800,000	67.6
2012	July 1, 2010	-	5,279,000	5,279,000	0.0	8,100,000	65.2
2013	July 1, 2012	-	5,239,618	5,239,618	0.0	8,291,980	63.2

See Note 6 in the accompanying Notes to the Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Supplementary Information

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2013

	Special Revenue				Total
	Management Levy	Student Activity	Total Special Revenue Funds	Debt Service	
ASSETS					
Cash and pooled investments	\$ 540,320	186,301	726,621	564,432	1,291,053
Receivables:					
Property tax:					
Delinquent	1,840	-	1,840	3,572	5,412
Succeeding year	486,150	-	486,150	813,921	1,300,071
TOTAL ASSETS	\$ 1,028,310	186,301	1,214,611	1,381,925	2,596,536
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 4,163	18,572	22,735	-	22,735
Deferred revenue:					
Succeeding year property tax	486,150	-	486,150	813,921	1,300,071
Total liabilities	490,313	18,572	508,885	813,921	1,322,806
Fund balances:					
Restricted for:					
Management levy purposes	537,997	-	537,997	-	537,997
Student activities	-	167,729	167,729	-	167,729
Debt service	-	-	-	568,004	568,004
Total fund balances	537,997	167,729	705,726	568,004	1,273,730
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,028,310	186,301	1,214,611	1,381,925	2,596,536

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2013

	Special Revenue		Total Special Revenue Total	Debt Service	Total
	Manage- ment Levy	Student Activity			
REVENUES:					
Local sources:					
Local tax	\$ 485,512	-	485,512	822,371	1,307,883
Other	15,582	382,600	398,182	21	398,203
State sources	101	-	101	158	259
TOTAL REVENUES	501,195	382,600	883,795	822,550	1,706,345
EXPENDITURES:					
Current:					
Instruction:					
Regular	177,700	-	177,700	-	177,700
Other	-	393,306	393,306	-	393,306
Support services:					
Student	9,380	-	9,380	-	9,380
Instructional staff	3,116	-	3,116	-	3,116
Administration	34,590	-	34,590	-	34,590
Operation and maintenance of plant	127,336	-	127,336	4,500	131,836
Transportation	14,115	-	14,115	-	14,115
Non-instructional programs:					
Food service operations	2,358	-	2,358	-	2,358
Community service operations	1,481	-	1,481	-	1,481
Long-term debt:					
Principal	-	-	-	1,195,000	1,195,000
Interest and fiscal charges	-	-	-	155,412	155,412
TOTAL EXPENDITURES	370,076	393,306	763,382	1,354,912	2,118,294
Excess(Deficiency) of revenues over(under) expenditures	131,119	(10,706)	120,413	(532,362)	(411,949)
OTHER FINANCING SOURCES:					
Transfer in	-	-	-	525,615	525,615
Change in fund balances	131,119	(10,706)	120,413	(6,747)	113,666
Fund balances beginning of year	406,878	178,435	585,313	574,751	1,160,064
Fund balances end of year	\$ 537,997	167,729	705,726	568,004	1,273,730

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2013

	Capital Projects Funds		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
ASSETS			
Cash and pooled investments	\$ 787,652	69,367	857,019
Receivables:			
Property tax:			
Delinquent	-	856	856
Succeeding year	-	203,706	203,706
Accounts	3,850	-	3,850
Due from other governments	184,131	80,000	264,131
TOTAL ASSETS	\$ 975,633	353,929	1,329,562
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 3,570	-	3,570
Deferred revenue			
Succeeding year property tax	-	203,706	203,706
Other	-	60,000	60,000
Total liabilities	3,570	263,706	267,276
Fund balances:			
Restricted for:			
School infrastructure	972,063	-	972,063
Physical plant and equipment	-	90,223	90,223
Total fund balances	972,063	90,223	1,062,286
TOTAL LIABILITIES AND FUND BALANCES	\$ 975,633	353,929	1,329,562

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 CAPITAL PROJECT ACCOUNTS
 YEAR ENDED JUNE 30, 2013

	Capital Project Funds			
	Construction	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
REVENUES:				
Local sources:				
Local tax	\$ -	1,164,744	197,134	1,361,878
Other	-	15,005	65,889	80,894
State sources	-	-	38	38
TOTAL REVENUES	-	1,179,749	263,061	1,442,810
EXPENDITURES:				
Current:				
Instruction:				
Regular	-	49,428	126,361	175,789
Other	-	39,958	-	39,958
Support services:				
Student	-	43,031	-	43,031
Instructional staff	-	39,829	4,163	43,992
Administration	-	-	28,741	28,741
Operation and maintenance of plant	-	32,543	90,532	123,075
Transportation	-	127,497	-	127,497
Capital outlay	580,273	88,118	17,716	686,107
TOTAL EXPENDITURES	580,273	420,404	267,513	1,268,190
Excess (Deficiency) of revenues over (under) expenditures	(580,273)	759,345	(4,452)	174,620
OTHER FINANCING SOURCES(USES):				
Proceeds from sale of real property		-	22,500	22,500
Transfers in	220,186	-	-	220,186
Transfers out	-	(745,801)	-	(745,801)
TOTAL OTHER FINANCING SOURCES(USES)	220,186	(745,801)	22,500	(503,115)
Change in fund balances	(360,087)	13,544	18,048	(328,495)
Fund balances beginning of year	360,087	958,519	72,175	1,390,781
Fund balances end of year	\$ -	972,063	90,223	1,062,286

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2013

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
UNALLOCATED INTEREST	\$ 2,343	3,519	2,343	3,519
FOOD 4 THOUGHT	-	8,352	1,144	7,208
FIELD TRIPS	193	-	-	193
QUIZ BOWL	4	-	-	4
PRIMARY SPECIAL PROJECTS	7,752	2,568	2,404	7,916
ELEMENTARY INSTRUMENTAL MUSIC	115	54	-	169
AFTER SCHOOL ACTIVITIES	969	-	-	969
ELEMENTARY SPECIAL PROJECTS	4,702	2,108	2,321	4,489
ELEMENTARY VOCAL MUSIC	688	-	-	688
INSTRUMENTAL MUSIC	574	-	69	505
JR. HIGH ATHLETICS/JUICE	2,086	6,217	5,309	2,994
JR. HIGH FOOTBALL	714	3,132	2,636	1,210
JR. HIGH BOYS TRACK	104	-	-	104
JR. HIGH WRESTLING	870	-	-	870
JR. HIGH GIRLS BASKETBALL	77	448	448	77
JR. HIGH VOLLEYBALL	305	-	-	305
JR HIGH GIRLS TRACK	921	941	1,028	834
6TH GRADE CLASS	2,028	-	360	1,668
MUSIC MAGAZINE SALES	4,939	3,306	4,930	3,315
JR. HIGH CHEERLEADERS	870	-	-	870
JR. HIGH YEARBOOK	1,459	3,538	3,669	1,328
L.A. EXPERIENCE	341	-	-	341
STUDENT COUNCIL	1,397	823	564	1,656
MIDDLE SCHOOL PROJECTS	5,824	2,838	5,298	3,364
THEATRE/PLAYS	1,425	2,241	1,263	2,403
SPEECH	232	929	434	727
MUSIC TRIP/FUNDRAISERS	5,106	3,255	3,049	5,312
INSTRUMENTAL MUSIC	2,690	2,646	3,699	1,637
ATHELTICS	4,830	97,052	95,022	6,860
WARRIOR ZONE	4,579	25,982	30,561	-
CROSS COUNTRY	166	1,168	1,334	-
ARCHERY	-	250	84	166
BOYS BASKETBALL	3,530	9,082	9,516	3,096
FOOTBALL	14,330	12,346	22,170	4,506
BOYS SOCCER	262	1,954	2,037	179
BASEBALL	1,595	180	1,050	725
BOYS TRACK	731	2,215	2,040	906
WRESTLING	8,487	25,971	25,356	9,102
GIRLS BASKETBALL	7,255	3,445	4,482	6,218
VOLLEYBALL	2,679	7,816	6,535	3,960
GIRLS SOCCER	1,282	4,852	6,077	57
GIRLS TRACK	988	1,741	2,592	137
GIRLS GOLF	-	623	623	-

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SCHEDULE 5

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
SPIRIT SPOT	6,669	9,401	7,256	8,814
NATIONAL HONOR SOCIETY	1,184	454	192	1,446
HISTORY/LITERATURE RENAISSANCE	1,279	8,732	6,207	3,804
ENVIORNMENTAL CLUB	280	456	93	643
CLASS OF 2012	4,786	-	4,202	584
CLASS OF 2013	3,732	504	3,944	292
CLASS OF 2014	200	24,590	22,800	1,990
CLASS OF 2015	156	1,698	398	1,456
VOCAL SELECT MUSIC	3,804	8,854	9,660	2,998
HS SHOW CHIOR	-	4,498	4,348	150
H.S. MUSIC BOOSTERS	16,179	13,913	9,732	20,360
H.S. SOLO/ENSEMBLE CONTEST	1,337	503	1,505	335
S.T.E.P.	1,022	-	-	1,022
CHEERLEADERS	2,993	3,569	3,960	2,602
CLASS OF 2016	-	867	192	675
DANCE TEAM	5,259	29,588	26,272	8,575
SPIRIT COUNCIL	658	-	-	658
HIGH SCHOOL YEARBOOK	7,055	13,608	15,607	5,056
SENIOR COMPOSITE FEES	248	1,731	1,790	189
WEIGHT TRAINING	10,540	3,952	10,315	4,177
JEL	267	-	38	229
H.S. STUDENT COUNCIL	3,400	12,427	12,322	3,505
ART	416	-	-	416
H.S. SPECIAL PROJECTS	7,529	1,663	2,026	7,166
TOTAL	\$ 178,435	382,600	393,306	167,729

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30,2013

	Governmental Activities: Internal Service Funds		
	Partially Self-funded Health Insurance	Flex Benefit	Total
ASSETS			
Cash and pooled investments	\$ 72,970	9,302	82,272
LIABILITIES	-	-	-
NET POSITION	\$ 72,970	9,302	82,272

SEE ACCOMANYING INDEPENDENT AUDITORS REPORT

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 INTERNAL SERVICE FUNDS
 YEAR ENDED JUNE 30,2013

	Governmental Activities: Internal Service Funds		
	Partially Self-funded Health Insurance	Flex Benefit	Total
OPERATING REVENUES:			
Local sources:			
Miscellaneous	\$ 73,178	136,102	209,280
OPERATING EXPENSES:			
Community service operations:			
Benefits	23,129	-	23,129
Services	10,125	-	10,125
Other	-	132,400	132,400
Total operating expenses	33,254	132,400	165,654
OPERATING INCOME	39,924	3,702	43,626
NON-OPERATING REVENUES:			
Interest income	730	-	730
Change in net position	40,654	3,702	44,356
Net position beginning of year	32,316	5,600	37,916
Net position end of year	\$ 72,970	9,302	82,272

SEE ACCOMPANYING INDEPENDENT AUDITORS REPORT

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF CASH FLOWS
 INTERNAL SERVICE FUNDS
 YEAR ENDED JUNE 30, 2013

	Governmental Activities: Internal Service Funds		
	Partially Self-funded Health Insurance	Flex Benefit	Total
Cash flows from operating activities:			
Miscellaneous	\$ 73,178	136,102	209,280
Cash payments to employees for services	(23,129)	-	(23,129)
Cash payments to suppliers for goods or services	(11,610)	(132,400)	(144,010)
Net cash provided by operating activities	38,439	3,702	42,141
Cash flows from investing activities:			
Interest on investments	730	-	730
Net increase in cash and cash equivalents	39,169	3,702	42,871
Cash and cash equivalents at beginning of year	33,801	5,600	39,401
Cash and cash equivalents at end of year	\$ 72,970	9,302	82,272
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 39,924	3,702	43,626
Adjustments to reconcile operating income to net cash provided by operating activities:			
Decrease in accounts payable	(1,485)	-	(1,485)
Net cash provided by operating activities	\$ 38,439	3,702	42,141

SEE ACCOMPANYING INDEPENDENT AUDITORS REPORT

**SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION -
ALL GOVERNMENTAL FUNDS
FOR THE LAST TEN YEARS**

	Modified Accrual Basis									
	Years Ended June 30,									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:										
Local sources:										
Local tax	\$ 8,817,029	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	1,915,558	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	725,751	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	6,526,416	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	449,504	508,414	898,966	1,210,887	589,517	296,929	270,074	287,538	329,296	277,837
Total	\$ 18,434,258	18,260,725	17,637,824	16,576,695	16,397,892	15,297,603	15,153,954	13,605,654	12,465,507	11,969,948
Expenditures:										
Instruction:										
Regular	\$ 7,287,066	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	2,110,306	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	1,868,357	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	316,265	259,062	257,633	264,747	269,104	297,877	246,762	253,540	237,723	219,502
Instructional staff	585,158	629,387	1,495,324	645,332	504,591	510,197	996,482	463,075	430,308	565,179
Administration	1,289,174	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 of plant	1,493,488	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	471,962	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	3,839	4,527	4,666	3,550	3,247	1,456	1,637	2,960	58,195	4,027
Capital outlay	686,107	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	1,195,000	960,000	826,255	5,823,661	741,501	749,217	600,000	915,000	890,000	860,000
Interest and fiscal charges	155,412	172,563	175,771	256,919	235,961	230,645	347,247	471,358	408,703	437,458
Other expenditures:										
AEA flow-through	531,045	531,633	572,872	561,727	510,399	485,234	459,361	404,912	361,008	355,163
Total	\$ 17,993,179	17,281,937	19,212,756	21,287,352	16,584,902	15,375,660	15,574,237	14,056,868	12,657,245	13,597,741

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2013

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	EXPENDITURES
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 13	34,520
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 13	280,932 *
			<u>315,452</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	FY 13	<u>114,636</u>
IMPROVING TEACHER QUALITY STATE GRANTS	84.367	FY 13	<u>38,895</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES(TITLE VI A)	84.369	FY 13	<u>9,900</u>
AREA EDUCATION AGENCY 267:			
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 13	<u>70,725</u>
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES			
	84.048	FY 13	<u>7,140</u>
TITLE III ENGLISH LANGUAGE ACQUISITION GRANTS	84.365	FY 13	<u>5,968</u>
TOTAL			<u>\$ 562,716</u>

* Includes \$46,039 of non-cash awards

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Sergeant Bluff-Luton Community School District and is presented 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 Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

We have audited 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, the 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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 3, 2014.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be a significant deficiency.

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 on a timely basis.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-13 to be a significant deficiency.

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, 2013 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

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. Sergeant Bluff-Luton Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal controls and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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


NOLTE, CORNMAN & JOHNSON, P.C.

February 3, 2014
Newton, Iowa

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Independent Auditor's Report on Compliance
for Each Major Program, on Internal Control over Compliance
and on the Schedule of Expenditures of Federal Awards
Required by OMB Circular A-133

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

Report on Compliance for Each Major Federal Program

We have audited Sergeant Bluff-Luton Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (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, 2013. Sergeant Bluff-Luton Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Sergeant Bluff-Luton Community School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Sergeant Bluff-Luton Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for each federal program. However, our audit does not provide a legal determination on Sergeant Bluff-Luton Community School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Sergeant Bluff-Luton Community School District complied, in all material respects, with the types of 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, 2013.

Report on Internal Control Over Compliance

The management of Sergeant Bluff-Luton Community School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Sergeant Bluff-Luton Community School District's internal control over compliance with requirements with the type of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program 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 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 material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

A deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect 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 material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal controls over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



NOLTE, CORNMAN & JOHNSON, P.C.

February 3, 2014
Newton, Iowa

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

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

- (a) Unmodified opinions were issued on the financial statements.
- (b) A significant deficiency in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - Clustered Program:
 - 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, 2013

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

II-A-13 Board Policies - We noted during our audit the District's board policy book appears to have not been kept up to date. All board policies should be reviewed every five years and documented when approved and reviewed.

Recommendation - The District should review the board policy book and update all policies that have not been updated within the past five years. The District should take steps to review board policies in a more timely manner.

Response - The District has finished reviewing and updating the District's board policies. All policies are up to date at this time.

Conclusion - Response accepted.

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No material weaknesses in internal control over major programs were noted.

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-13 Certified Budget - District disbursements for the year ended June 30, 2013 did not exceed the amounts budgeted.

IV-B-13 Questionable Disbursements - We noted during our audit that gift cards were purchased by the District and appeared to be given to students as prizes for being top sellers from fundraisers. Gift cards given to students as well as prizes given to students for being top sellers during fundraisers do not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

Recommendation - The District should review the procedures in place and make necessary adjustments to comply with the Attorney General's opinion dated April 25, 1979.

Response - The District will refrain from purchasing gift cards in the future to be in compliance with the Attorney General's opinion.

Conclusion - Response accepted.

IV-C-13 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-13 Business Transactions - Business transactions between the District and District officials are noted as follows:

Name, Title and Business Connection	Transaction Description	Amount
John Baker, Board Member		
Owner C.W. Suitor	Services	\$ 46,147
Owner Star Controls	Services	30,716
Total		<u>\$ 76,863</u>

In accordance with the Chapter 279.7A of the Code of Iowa, the above transactions with Jake Baker does not appear to represent a conflict of interest, as the District received bids for the work performed by C.W. Suitor and Star Controls.

IV-E-13 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-13 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-13 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Iowa Department of Education.

IV-H-13 Supplementary Weighting - We noted variances regarding the supplementary weighting data certified to the Iowa Department of Education. The number certified to the Iowa Department of Education was overstated by 1.50 for the fall of 2012.

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

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

Conclusion - Response accepted.

IV-I-13 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted

IV-J-13 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted not significant deficiencies in the amounts reported.

IV-K-13 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

IV-L-13 District and Regional Rents - We noted during our audit that the District receives money for use of facilities when hosting district and regional events. The District currently receipts district and regional rents into the Student Activity Fund.

Recommendation - Chapter 297.9 of the Code of Iowa requires rent to be receipted into the General Fund. The District should receipt rent collected for facility usage into the General Fund.

Response - The District will receipt money received for use of the District's facilities as rent into the General Fund.

Conclusion - Response accepted.

IV-M-13 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, 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, 2013, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning Balance		\$	958,519
Revenues:			
Sales tax revenues	\$	1,164,744	
Other local revenues		15,005	1,179,749
Total revenues			<u>2,138,268</u>
Expenditures:			
School infrastructure construction		88,118	
Equipment		271,578	
Other		60,708	
Transfers to other funds:			
Debt service fund		525,615	
Other		220,186	1,166,205
Ending balance			<u><u>\$ 972,063</u></u>

For the year ended June 30, 2013 the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

II-N-13 Student Activity Fund - In accordance with 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6(1), the purpose of the Student Activity Fund is to account for financial transactions related to the co-curricular and extracurricular activities offered as a part of the education program for students. More specific examples of these instances of questioned items and recommendations are as follows:

Questionable Revenues and Expenses: We noted during our audit that the District records scholastic book fair purchases out of the Middle School Special Projects account and PSAT revenues were recorded in the High School Special Projects Account in the Student Activity Fund.

Recommendation - Book fair revenues and expenditures are being used to purchase library books for the District. PSAT testing revenues and expenses are more appropriately handled in the General Fund. These expenditures do not appear to be co-curricular in nature and in the future would be more appropriately receipted and paid from the General Fund.

Response - Book fair and PSAT revenues and expenditures are now being receipted and paid from the General Fund.

Conclusion - Response accepted.

We also noted during our audit that Lifetouch Picture commissions were being receipted to the High School Renaissance activity accounts in the Student Activity Fund.

Recommendation - According to Chapter 298A.2 of the Code of Iowa, all money received by a District must be accounted for in the General Fund except for money required by law to be accounted for in another fund. Commissions are not specifically identified as allowable revenue for the Student Activity Fund; therefore, Lifetouch commissions would be more appropriately receipted into the General Fund.

Response - Lifetouch proceeds will be deposited into the General Fund.

Conclusion - Response accepted.

Questionable Accounts: We noted during our audit that it appears that revenues and expenses recorded in the Primary Special Projects, Elementary Special Projects, Middle School Projects, and the High School Special Projects accounts that would appear to be instructional in nature.

Recommendation - The District should review the purpose of the Primary Special Projects, Elementary Special Projects, Middle School Projects, High School Special Projects and Senior Composite Fee accounts. If it is determined that expenses from these accounts are instructional in nature, the remaining moneys in these accounts should be transferred to the General Fund.

Response - The District will examine all our revenues and expenditures of the accounts in question and move them to the appropriate fund.

Conclusion - Response accepted.