

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2014

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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>
Board of Education		
(Before September 2013 Elections)		
Dave Schaar	President	2013
Aimee Krough	Vice President	2015
Dean William	Board Member	2015
Jenna Wilson	Board Member	2013
John Baker	Board Member	2015
(After September 2013 Elections)		
John Baker	President	2015
Aimee Krough	Vice President	2015
Dean William	Board Member	2015
Dave Schaar	Board Member	2017
Mike Laughlin	Board Member	2017
School Officials		
Rod Earleywine	Superintendent	2014
Kathy Nissen	District Secretary	2014
Denise Patterson	District Treasurer/Business Manager	2014
Ahlers Law Firm	Attorney	2014

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, 2014, 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, 2014 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.

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 7 through 16 and 40 through 42 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 third paragraph of this report, the financial statements for the year ended 2013 and the five years ended June 30, 2009 (which are not presented herein) and expressed unmodified opinions on those financial statements. Another auditor previously audited, in accordance with standards referred to in the third paragraph of this report, the financial statements for the three years ended June 30, 2012 (which are not presented herein) and expressed unmodified 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 March 9, 2015, 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.

March 9, 2015
Newton, Iowa

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, 2014. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$15,297,756 in fiscal 2013 to \$14,692,097 in fiscal 2014, while General Fund expenditures increased from \$14,606,695 in fiscal 2013 to \$15,349,128 in fiscal 2014. The District's General Fund balance decreased from \$3,879,315 at June 30, 2013 to \$3,222,284 at June 30, 2014.
- The decrease in General Fund revenues was attributable to a decrease 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-1
Sergeant Bluff-Luton Community School District Annual Financial Report

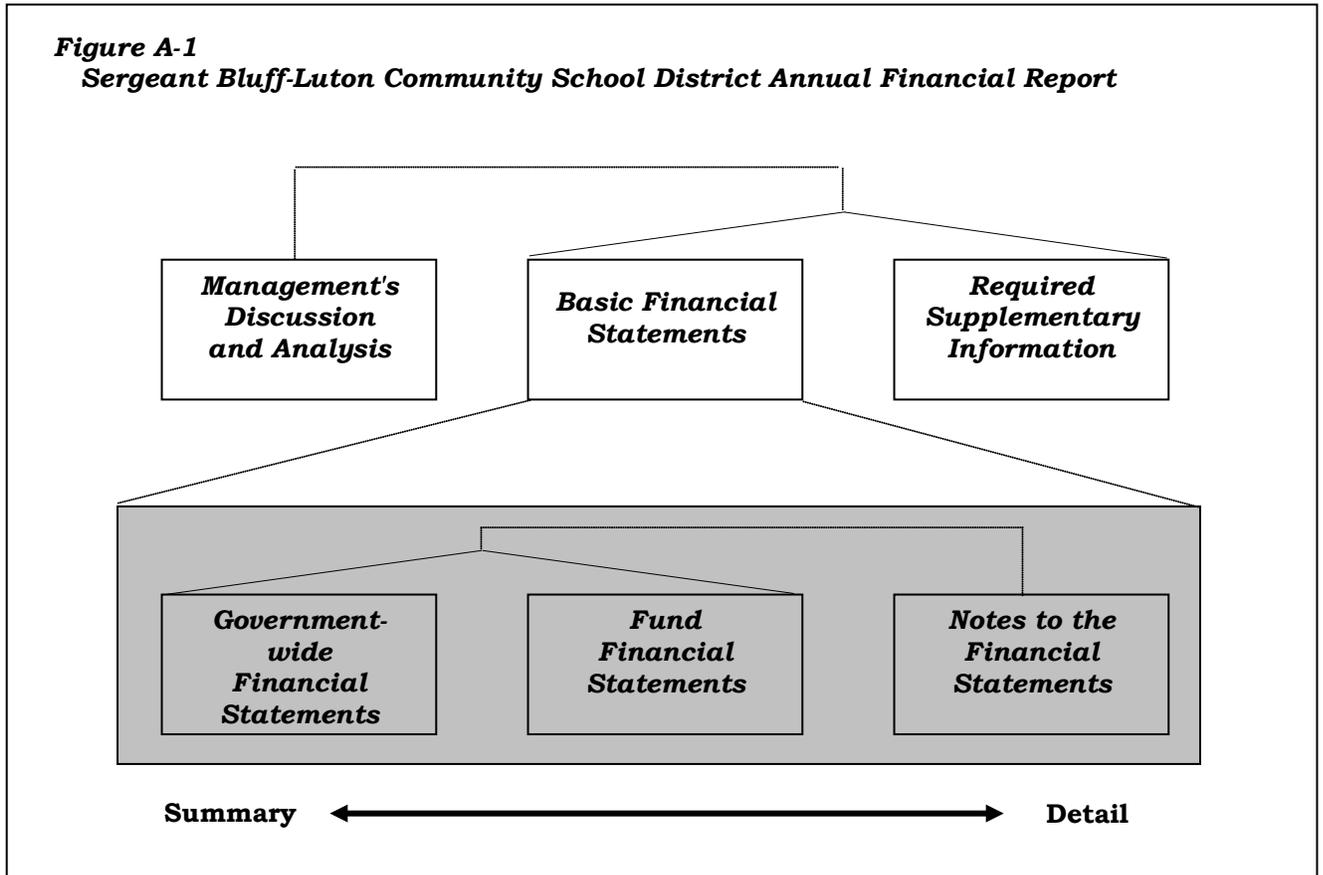


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
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, deferred outflow of resources, liabilities and deferred inflows of resources. 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 is 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 Fund Net Position and a Statement of Cash Flows.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2014 compared to June 30, 2013.

Figure A-3 Condensed Statement of Net Position							
	Governmental Activities		Business Type Activities		Total School District		Total Change
	2014	2013	2014	2013	2014	2013	2013-14
Current and other assets	\$ 14,062,170	14,476,290	566,363	470,837	14,628,533	14,947,127	-2.13%
Capital assets	18,941,720	19,529,588	19,722	21,388	18,961,442	19,550,976	-3.02%
Total assets	33,003,890	34,005,878	586,085	492,225	33,589,975	34,498,103	-2.63%
Long-term obligations	6,716,535	8,036,625	29,844	42,187	6,746,379	8,078,812	-16.49%
Other liabilities	1,986,413	1,811,738	47,683	24,408	2,034,096	1,836,146	10.78%
Total liabilities	8,702,948	9,848,363	77,527	66,595	8,780,475	9,914,958	-11.44%
Deferred inflows of resources	6,573,094	6,407,384	-	-	6,573,094	6,407,384	2.59%
Net position:							
Net investment in capital assets	14,621,720	14,004,588	19,722	21,388	14,641,442	14,025,976	4.39%
Restricted	2,849,984	2,283,118	-	-	2,849,984	2,283,118	24.83%
Unrestricted	256,144	1,462,425	488,836	404,242	744,980	1,866,667	-60.09%
Total net position	\$ 17,727,848	17,750,131	508,558	425,630	18,236,406	18,175,761	0.33%

The District's combined net position increased by 0.33%, or \$60,645, 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 increased \$566,866, or 23.95% from the prior year. The increase in restricted net position is mainly attributable to an increase in fund balance for the Management Levy Fund as well as an increase in total state categorical funding as compared to the previous year.

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 - decreased \$1,121,687, or 60.09%. This decrease in unrestricted net position was a result of the District's decrease in the General Fund carryover balance.

Figure A-4 shows the changes in net position for the year ended June 30, 2014 compared to June 30, 2013.

Figure A-4							
Changes in Net Position							
	Governmental Activities		Business Type Activities		Total School District		Total Change
	2014	2013	2014	2013	2014	2013	2013-14
Revenues:							
Program revenues:							
Charges for service	\$ 2,395,532	2,410,002	699,419	672,098	3,094,951	3,082,100	0.42%
Operating grants, contributions and restricted interest	1,328,366	1,397,774	326,070	321,630	1,654,436	1,719,404	-3.78%
Capital grants, contributions and restricted interest	38,735	59,500	-	-	38,735	59,500	-34.90%
General revenues:							
Property tax	6,161,386	7,652,285	-	-	6,161,386	7,652,285	-19.48%
Statewide sales, services and use tax	1,168,284	1,164,744	-	-	1,168,284	1,164,744	0.30%
Unrestricted state grants	6,594,380	5,607,462	-	-	6,594,380	5,607,462	17.60%
Unrestricted interest income	105,143	98,523	7,783	9,369	112,926	107,892	4.67%
Other	26,376	43,968	3,983	3,585	30,359	47,553	-36.16%
Total revenues	17,818,202	18,434,258	1,037,255	1,006,682	18,855,457	19,440,940	-3.01%
Program expenses:							
Governmental activities:							
Instruction	11,977,590	11,563,367	-	-	11,977,590	11,563,367	3.58%
Support services	4,565,994	4,372,258	41,445	34,628	4,607,439	4,406,886	4.55%
Non-instructional programs	4,597	3,839	912,882	905,855	917,479	909,694	0.86%
Other expenses	1,292,304	1,269,562	-	-	1,292,304	1,269,562	1.79%
Total expenses	17,840,485	17,209,026	954,327	940,483	18,794,812	18,149,509	3.56%
Change in net position	(22,283)	1,225,232	82,928	66,199	60,645	1,291,431	-95.30%
Net position beginning of year	17,750,131	16,524,899	425,630	359,431	18,175,761	16,884,330	7.65%
Net position end of year	\$ 17,727,848	17,750,131	508,558	425,630	18,236,406	18,175,761	0.33%

In fiscal 2014, property tax, statewide sales, services and use tax and unrestricted state grants account for 78.15% of the revenue from governmental activities while charges for services and operating grants and contributions account for 98.87% of the revenue from business type activities.

The District's total revenues were approximately \$18.86 million of which approximately \$17.82 million was for governmental activities and approximately \$1.04 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 3.01% decrease in revenues and a 3.56% increase in expenses. The decrease in revenues was a result of a decrease in local source revenues. The increase in expenses is due to an increase in negotiated salaries and benefits.

Governmental Activities

Revenues for governmental activities were \$17,818,202 and expenses were \$17,840,485 for the year ended June 30, 2014.

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, 2014 compared to the year ended June 30, 2013.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2014	2013	Change 2013-14	2014	2013	Change 2013-14
Instruction	\$ 11,977,590	11,563,367	3.58%	8,873,967	8,351,462	6.26%
Support services	4,565,994	4,372,258	4.43%	4,462,372	4,247,932	5.05%
Non-instructional programs	4,597	3,839	19.74%	4,597	3,839	19.74%
Other expenses	1,292,304	1,269,562	1.79%	736,916	738,517	-0.22%
Totals	\$ 17,840,485	17,209,026	3.67%	14,077,852	13,341,750	5.52%

For the year ended June 30, 2014:

- The cost financed by users of the District's programs was \$2,395,532.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,367,101.
- The net cost of governmental activities was financed with \$6,161,386 in property tax, \$1,168,284 in statewide sales, services and use tax, \$6,594,380 in unrestricted state grants, \$105,143 in interest income and \$26,376 in other general revenues.

Business-Type Activities

Revenues of the District's business type activities were \$1,037,255 and expenses were \$954,327. 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 \$5,430,210, well below last year's ending fund balances of \$6,215,331. The decrease in ending fund balances is mainly attributable to the decrease in fund balance of the General Fund.

Governmental Fund Highlights

- The District's General Fund financial position declined over the past fiscal year. A decrease in revenues coupled with an increase in expenditures resulted in a decrease in General Fund balance. The General Fund balance decreased from \$3,879,315 to \$3,222,284 due in part to the decrease in local source revenues received in fiscal 2014. This was a result of the inability to levy cash reserves for fiscal year 2014. The District Administration and Board of Education continues their commitment to District financial stability and will continue to monitor the budget closely.

Proprietary Fund Highlights

The School Nutrition Fund net position increased from \$173,241 at June 30, 2013 to \$176,968 at June 30, 2014, representing an increase of 2.15%.

The Early Childhood Fund net position increased from \$252,389 at June 30, 2013 to \$331,590 at June 30, 2014, representing an increase of 31.38%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$1,250,434 less than budgeted revenues, a variance of 6.22%. The most significant percentage variance resulted from the District receiving less in local 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, 2014, the District had invested \$18.96 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 decrease of 3.11% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$808,792.

The original cost of the District's capital assets was approximately \$32.97 million. Governmental funds account for approximately \$32.53 million with the remainder of approximately \$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 \$867,698 at June 30, 2014, compared to \$947,642 reported at June 30, 2013. This decrease resulted from annual depreciation on capital assets in the land improvement category.

	Governmental Activities		Business Type Activities		Total School District		Total Change
	2014	2013	2014	2013	2014	2013	2013-14
Land	\$ 972,423	972,423	-	-	972,423	972,423	0.00%
Buildings	16,179,897	16,709,507	-	-	16,179,897	16,709,507	-3.27%
Land improvements	867,698	947,642	-	-	867,698	947,642	-9.21%
Machinery and equipment	896,877	872,088	19,722	21,388	916,599	893,476	2.52%
Intangible assets	24,825	27,928	-	-	24,825	27,928	-12.50%
Total	\$ 18,941,720	19,529,588	19,722	21,388	18,961,442	19,550,976	-3.11%

Long-Term Debt

At June 30, 2014, the District had \$6,746,379 in general obligation and other long-term debt outstanding. This represents a decrease of 16.31% 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 general obligation bond indebtedness at June 30, 2014 of \$2,155,000 payable from the Debt Service Fund.
- The District had total outstanding revenue bond indebtedness at June 30, 2014 of \$2,165,000 payable from the Capital Projects: Statewide Sales, Service and Use Tax Fund.
- The District had outstanding Net OPEB liability at June 30, 2014 of \$2,426,379. The Governmental Activities accounted for \$2,396,535 of this total while Business Type Activities accounted for \$29,844.

	Governmental Activities		Business Type Activities		Total School District		Total Change
	2014	2013	2014	2013	2014	2013	2013-14
General Obligation Bonds	2,155,000	2,905,000	-	-	2,155,000	2,905,000	-25.82%
Revenue Bonds	\$ 2,165,000	2,620,000	-	-	2,165,000	2,620,000	-17.37%
Termination Benefits	-	551,656	-	-	-	551,656	-100.00%
Net OPEB liability	2,396,535	1,959,969	29,844	24,408	2,426,379	1,984,377	22.27%
Totals	\$ 6,716,535	8,036,625	29,844	24,408	6,746,379	8,061,033	-16.31%

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. RSP & Associates completed a demographic study in the spring of 2014 and is projecting a 0.09% - 2.00% growth in student enrollment per year.
- 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, 2014

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and pooled investments	\$ 6,914,232	543,175	7,457,407
Receivables:			
Property tax:			
Delinquent	18,489	-	18,489
Succeeding year	6,533,094	-	6,533,094
Accounts	63	2,945	3,008
Due from other governments	596,292	-	596,292
Inventories	-	20,243	20,243
Capital assets, net of accumulated depreciation	18,941,720	19,722	18,961,442
TOTAL ASSETS	33,003,890	586,085	33,589,975
LIABILITIES			
Accounts payable	266,000	184	266,184
Salaries and benefits payable	1,685,372	29,730	1,715,102
Accrued interest payable	35,041	-	35,041
Unearned revenue	-	17,769	17,769
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	775,000	-	775,000
Revenue bonds payable	460,000	-	460,000
Portion due after one year:			
General obligation bonds payable	1,380,000	-	1,380,000
Revenue bonds payable	1,705,000	-	1,705,000
Net OPEB liability	2,396,535	29,844	2,426,379
TOTAL LIABILITIES	8,702,948	77,527	8,780,475
DEFERRED INFLOWS OF RESOURCES			
Unavailable property tax revenue	6,533,094	-	6,533,094
Installment sale of land	40,000	-	40,000
TOTAL DEFERRED INFLOWS OF RESOURCES	6,573,094	-	6,573,094
NET POSITION			
Net investment in capital assets	14,621,720	19,722	14,641,442
Restricted for:			
Categorical funding	677,099	-	677,099
Debt service	530,027	-	530,027
Management levy purposes	576,087	-	576,087
Student activities	194,136	-	194,136
Physical plant and equipment	137,818	-	137,818
School infrastructure	734,817	-	734,817
Unrestricted	256,144	488,836	744,980
TOTAL NET POSITION	\$ 17,727,848	508,558	18,236,406

SEE NOTES TO FINANCIAL STATEMENTS.

**SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014**

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 7,709,469	1,588,932	95,728	-	(6,024,809)	-	(6,024,809)
Special	2,335,600	351,836	266,257	-	(1,717,507)	-	(1,717,507)
Other	1,932,521	415,831	385,039	-	(1,131,651)	-	(1,131,651)
	<u>11,977,590</u>	<u>2,356,599</u>	<u>747,024</u>	<u>-</u>	<u>(8,873,967)</u>	<u>-</u>	<u>(8,873,967)</u>
Support services:							
Student	246,106	-	-	-	(246,106)	-	(246,106)
Instructional staff	839,898	-	8,597	-	(831,301)	-	(831,301)
Administration	1,367,425	-	-	-	(1,367,425)	-	(1,367,425)
Operation and maintenance of plant	1,604,201	-	-	38,735	(1,565,466)	-	(1,565,466)
Transportation	508,364	38,933	17,357	-	(452,074)	-	(452,074)
	<u>4,565,994</u>	<u>38,933</u>	<u>25,954</u>	<u>38,735</u>	<u>(4,462,372)</u>	<u>-</u>	<u>(4,462,372)</u>
Non-instructional programs:							
Food service operations	2,824	-	-	-	(2,824)	-	(2,824)
Community service operations	1,773	-	-	-	(1,773)	-	(1,773)
	<u>4,597</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,597)</u>	<u>-</u>	<u>(4,597)</u>
Long-term debt interest	127,362	-	-	-	(127,362)	-	(127,362)
Other expenditures:							
AEA flowthrough	555,388	-	555,388	-	-	-	-
Depreciation(unallocated)*	609,554	-	-	-	(609,554)	-	(609,554)
	<u>1,164,942</u>	<u>-</u>	<u>555,388</u>	<u>-</u>	<u>(609,554)</u>	<u>-</u>	<u>(609,554)</u>
Total governmental activities	<u>17,840,485</u>	<u>2,395,532</u>	<u>1,328,366</u>	<u>38,735</u>	<u>(14,077,852)</u>	<u>-</u>	<u>(14,077,852)</u>
Business type activities:							
Support services:							
Administration	33,956	-	-	-	-	(33,956)	(33,956)
Operation and maintenance of plant	7,489	-	-	-	-	(7,489)	(7,489)
	<u>41,445</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(41,445)</u>	<u>(41,445)</u>
Non-instructional programs:							
Food service operations	699,271	392,689	326,070	-	-	19,488	19,488
Community service operations	213,611	306,730	-	-	-	93,119	93,119
	<u>912,882</u>	<u>699,419</u>	<u>326,070</u>	<u>-</u>	<u>-</u>	<u>112,607</u>	<u>112,607</u>
Total business type activities	<u>954,327</u>	<u>699,419</u>	<u>326,070</u>	<u>-</u>	<u>-</u>	<u>71,162</u>	<u>71,162</u>
Total	<u>\$ 18,794,812</u>	<u>3,094,951</u>	<u>1,654,436</u>	<u>38,735</u>	<u>(14,077,852)</u>	<u>71,162</u>	<u>(14,006,690)</u>
General Revenues:							
Property tax levied for:							
General purposes					\$ 5,147,165	-	5,147,165
Debt service					811,197	-	811,197
Capital outlay					203,024	-	203,024
Statewide sales, services and use tax					1,168,284	-	1,168,284
Unrestricted state grants					6,594,380	-	6,594,380
Unrestricted investment earnings					105,143	7,783	112,926
Other general revenues					26,376	3,983	30,359
					<u>14,055,569</u>	<u>11,766</u>	<u>14,067,335</u>
Total general revenues					<u>14,055,569</u>	<u>11,766</u>	<u>14,067,335</u>
Change in net position					(22,283)	82,928	60,645
Net position beginning of year					<u>17,750,131</u>	<u>425,630</u>	<u>18,175,761</u>
Net position end of year					<u>\$ 17,727,848</u>	<u>508,558</u>	<u>18,236,406</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, 2014

	General	Nonmajor	Total
ASSETS			
Cash and pooled investments	\$ 4,723,697	2,082,301	6,805,998
Receivables:			
Property tax			
Delinquent	14,378	4,111	18,489
Succeeding year	5,005,100	1,527,994	6,533,094
Accounts	63	-	63
Due from other governments	351,572	244,720	596,292
TOTAL ASSETS	\$ 10,094,810	3,859,126	13,953,936
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 187,622	77,638	265,260
Salaries and benefits payable	1,679,804	5,568	1,685,372
Total liabilities	1,867,426	83,206	1,950,632
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding years property tax	5,005,100	1,527,994	6,533,094
Installment sale of land	-	40,000	40,000
Total deferred inflows of resources	5,005,100	1,567,994	6,573,094
Fund balances:			
Restricted for:			
Categorical funding	677,099	-	677,099
Debt service	-	565,068	565,068
Management levy purposes	-	576,087	576,087
Student activities	-	194,136	194,136
Physical plant and equipment	-	137,818	137,818
School infrastructure	-	734,817	734,817
Unassigned	2,545,185	-	2,545,185
Total fund balances	3,222,284	2,207,926	5,430,210
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 10,094,810	3,859,126	13,953,936

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, 2014

Total fund balances of governmental funds(page 20)	\$	5,430,210
 <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.		18,941,720
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.		(35,041)
Blending of the Internal Service Funds to be reflected on an entity-wide basis.		107,494
Long-term liabilities, including general obligation bonds payable, revenue bonds 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>(6,716,535)</u>
Net position of governmental activities(page 18)	\$	<u><u>17,727,848</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, 2014

	General	Nonmajor	Total
REVENUES:			
Local sources:			
Local tax	\$ 4,662,656	1,498,730	6,161,386
Tuition	1,872,076	-	1,872,076
Other	265,934	478,737	744,671
State sources	7,413,839	1,168,601	8,582,440
Federal sources	457,629	-	457,629
TOTAL REVENUES	14,672,134	3,146,068	17,818,202
EXPENDITURES:			
Current:			
Instruction:			
Regular	7,281,620	388,324	7,669,944
Special	2,241,051	-	2,241,051
Other	1,473,637	390,909	1,864,546
	10,996,308	779,233	11,775,541
Support services:			
Student	253,835	21,981	275,816
Instructional staff	539,422	274,490	813,912
Administration	1,269,440	75,002	1,344,442
Operation and maintenance of plant	1,351,437	244,143	1,595,580
Transportation	383,298	170,863	554,161
	3,797,432	786,479	4,583,911
Non-instructional programs:			
Food service operations	-	2,824	2,824
Community service operations	-	1,773	1,773
		4,597	4,597
Capital outlay	-	397,756	397,756
Long-term debt:			
Principal	-	1,205,000	1,205,000
Interest and fiscal charges	-	132,756	132,756
	-	1,337,756	1,337,756
Other expenditures:			
AEA flowthrough	555,388	-	555,388
TOTAL EXPENDITURES	15,349,128	3,305,821	18,654,949
Excess(Deficiency) of revenues over(under) expenditures	(676,994)	(159,753)	(836,747)
OTHER FINANCING SOURCES(USES):			
Proceeds from sale of real property	-	20,000	20,000
Insurance proceeds	19,563	11,663	31,226
Sale of equipment	400	-	400
Transfer in	-	523,018	523,018
Transfer out	-	(523,018)	(523,018)
TOTAL OTHER FINANCING SOURCES(USES)	19,963	31,663	51,626
Change in fund balances	(657,031)	(128,090)	(785,121)
Fund balances beginning of year	3,879,315	2,336,016	6,215,331
Fund balances end of year	\$ 3,222,284	2,207,926	5,430,210

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, 2014

Change in fund balances - total governmental funds(page 22)	\$	(785,121)
 <i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
 Capital outlay 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 exceeded capital outlay expenditures in the current year as follows:		
Capital outlay	\$ 220,565	
Depreciation expense	<u>(808,433)</u>	(587,868)
 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.		
		1,205,000
 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.		
		5,394
 Net change in the Internal Service Funds charged back against expenditures made for self-funded insurance at an entity-wide basis.		
		25,222
 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	\$ 551,656	
Other postemployment benefits	<u>(436,566)</u>	<u>115,090</u>
Change in net position of governmental activities(page 19)	\$	<u><u>(22,283)</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014

	Business Type Activities: Enterprise Funds			Governmental Activities: Internal Service Funds
	School Nutrition	Early Childhood	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 186,780	356,395	543,175	108,234
Accounts receivable	39	2,906	2,945	-
Inventories	20,243	-	20,243	-
Total current assets	207,062	359,301	566,363	108,234
Non-current assets:				
Capital assets, net of accumulated depreciation	19,722	-	19,722	-
TOTAL ASSETS	226,784	359,301	586,085	108,234
LIABILITIES				
Current liabilities:				
Accounts payable	-	184	184	740
Salaries and benefits payable	15,548	14,182	29,730	-
Unearned revenue	17,769	-	17,769	-
Long-term liabilities:				
Net OPEB liability	16,499	13,345	29,844	-
TOTAL LIABILITIES	49,816	27,711	77,527	740
NET POSITION				
Net investment in capital assets	19,722	-	19,722	-
Unrestricted	157,246	331,590	488,836	107,494
TOTAL NET POSITION	\$ 176,968	331,590	508,558	107,494

SEE NOTES TO FINANCIAL STATEMENTS.

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2014

	Business Type Activities: Enterprise Funds			Governmental Activities: Internal Service Funds
	School Nutrition	Early Childhood	Total	
OPERATING REVENUE:				
Local sources:				
Charges for service	\$ 393,747	306,730	700,477	-
Miscellaneous	1,525	2,458	3,983	187,162
TOTAL OPERATING REVENUES	395,272	309,188	704,460	187,162
OPERATING EXPENSES:				
Support services:				
Administration:				
Salaries	8,375	15,070	23,445	-
Benefits	4,494	6,017	10,511	-
Operation and maintenance:				
Services	7,489	-	7,489	-
TOTAL SUPPORT SERVICES	20,358	21,087	41,445	-
Non-instructional programs:				
Food service operations:				
Salaries	245,402	-	245,402	-
Benefits	52,456	-	52,456	-
Services	-	5,063	5,063	-
Supplies	397,801	-	397,801	-
Depreciation	3,462	-	3,462	-
Other	150	-	150	-
	699,271	5,063	704,334	-
Other enterprise operations:				
Benefits	-	-	-	25,547
Services	-	-	-	10,926
Other	-	-	-	126,664
	-	-	-	163,137
Community service operations:				
Salaries	-	169,208	169,208	-
Benefits	-	31,227	31,227	-
Services	-	142	142	-
Supplies	-	7,971	7,971	-
	-	208,548	208,548	-
TOTAL NON-INSTRUCTIONAL PROGRAMS	699,271	213,611	912,882	163,137
TOTAL OPERATING EXPENSES	719,629	234,698	954,327	163,137
OPERATING INCOME(LOSS)	(324,357)	74,490	(249,867)	24,025
NON-OPERATING REVENUES:				
State sources	6,570	-	6,570	-
Federal sources	318,442	-	318,442	-
Interest on investments	3,072	4,711	7,783	1,197
TOTAL NON-OPERATING REVENUES	328,084	4,711	332,795	1,197
Increase in net position	3,727	79,201	82,928	25,222
Net position beginning of year	173,241	252,389	425,630	82,272
Net position end of year	\$ 176,968	331,590	508,558	107,494

SEE NOTES TO FINANCIAL STATEMENTS.

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2014

	Business Type Activities: Enterprise Funds			Governmental Activities: Internal Service Funds
	School Nutrition	Early Childhood	Total	
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 395,736	-	395,736	-
Cash received from community service operations	-	306,730	306,730	-
Cash received from miscellaneous operating activities	1,525	2,706	4,231	187,162
Cash payments to employees for services	(305,380)	(217,942)	(523,322)	(126,664)
Cash payments to suppliers for goods or services	(361,194)	(13,091)	(374,285)	(35,733)
Net cash provided by(used in) operating activities	(269,313)	78,403	(190,910)	24,765
Cash flows from non-capital financing activities:				
State grants received	6,570	-	6,570	-
Federal grants received	278,449	-	278,449	-
Net cash provided by non-capital financing activities	285,019	-	285,019	-
Cash flows from capital and related financing activities:				
Purchase of capital assets	(1,796)	-	(1,796)	-
Cash flows from investing activities:				
Interest on investments	3,072	4,711	7,783	1,197
Net increase in cash and cash equivalents	16,982	83,114	100,096	25,962
Cash and cash equivalents at beginning of year	169,798	273,281	443,079	82,272
Cash and cash equivalents at end of year	\$ 186,780	356,395	543,175	108,234
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:				
Operating income(loss)	\$ (324,357)	74,490	(249,867)	24,025
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:				
Commodities consumed	39,993	-	39,993	-
Depreciation	3,462	-	3,462	-
Decrease in inventories	4,361	-	4,361	-
Increase(Decrease) in accounts receivable	(39)	248	209	-
Increase(Decrease) in accounts payable	(108)	85	(23)	740
Increase in salary and benefits payable	2,342	1,149	3,491	-
Increase in unearned revenue	2,028	-	2,028	-
Increase in other postemployment benefits	3,005	2,431	5,436	-
Net cash provided by(used in) operating activities	\$ (269,313)	78,403	(190,910)	24,765

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2014, the District received Federal commodities valued at \$39,993.

SEE NOTES TO FINANCIAL STATEMENTS.

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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 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, deferred outflows of resources, liabilities, deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

Net investment in capital assets 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. Enabling legislation did not result in any restricted net position.

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 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, Deferred Inflows of Resources and Fund Balances

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

Cash, Cash Equivalents and Pooled Investments - 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, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2014.

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 Inflows of Resources - 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 inflows of resources 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 inflows of resources consist of unspent federal grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources 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 and an installment sale receivable for the sale of land(see note 12) in fiscal year 2013.

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.

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, 2014 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, 2014, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$4,293 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, 2014 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 523,018

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.

Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2014 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 436,651	1,796	-	438,447
Less accumulated depreciation	415,263	3,462	-	418,725
Business type activities capital assets, net	\$ 21,388	(1,666)	-	19,722

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 972,423	-	-	972,423
Total capital assets not being depreciated	972,423	-	-	972,423
Capital assets being depreciated:				
Buildings	27,350,138	-	-	27,350,138
Land improvements	2,006,015	-	-	2,006,015
Machinery and equipment	1,978,430	220,565	25,000	2,173,995
Intangible assets	31,031	-	-	31,031
Total capital assets being depreciated	31,365,614	220,565	25,000	31,561,179
Less accumulated depreciation for:				
Buildings	10,640,631	529,610	-	11,170,241
Land improvements	1,058,373	79,944	-	1,138,317
Machinery and equipment	1,106,342	195,776	25,000	1,277,118
Intangible assets	3,103	3,103	-	6,206
Total accumulated depreciation	12,808,449	808,433	25,000	13,591,882
Total capital assets being depreciated, net	18,557,165	(587,868)	-	17,969,297
Governmental activities capital assets, net	\$ 19,529,588	(587,868)	-	18,941,720

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 40,757
Other		8,391
Support services:		
Administration		3,781
Operation and maintenance of plant		19,633
Transportation		123,214
		195,776
Unallocated depreciation		609,554
Total governmental activities depreciation expense		\$ 805,330
Business type activities:		
Food services operations		\$ 3,462

Note 5. Long-Term Debt

Changes in long-term liabilities for the year ended June 30, 2014 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Business type Activities:					
Net OPEB Liability	\$ 24,408	5,436	-	29,844	-

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental Activities:					
General obligation bonds	\$ 2,905,000	-	750,000	2,155,000	775,000
Revenue bonds	2,620,000	-	455,000	2,165,000	460,000
Termination benefits *	551,656	75,422	627,078	-	-
Net OPEB Liability	1,959,969	436,566	-	2,396,535	-
Total	\$ 8,036,625	511,988	1,832,078	6,716,535	1,235,000

* Termination benefits have been accounted for in the Net OPEB liability as an explicit subsidy in accordance with GASB Statement No. 45 - Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions; so therefore, the termination benefit liability has been removed from the financial statements.

General Obligation Bonds Payable

Details of the Districts June 30, 2014 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Refunding Bond Issue of May, 2010				
	Rate	Principal	Interest	Total	
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>\$ 2,155,000</u>	<u>87,897</u>	<u>2,242,897</u>	

Revenue Bonds Payable

Details of the District's June 30, 2014 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
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	3.25	285,000	25,821		-	-	-	285,000	25,821	310,821
2020-2021	3.40-3.60	605,000	21,755		-	-	-	605,000	21,755	626,755
Total		<u>\$ 1,965,000</u>	<u>228,739</u>			<u>\$ 200,000</u>	<u>2,000</u>	<u>\$ 2,165,000</u>	<u>230,739</u>	<u>2,395,739</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 44% of the statewide sales, services and use tax revenues. The total principal and interest paid remaining to be paid is \$2,395,739. For the current year \$455,000 in principal and \$65,588 in interest was paid on the bonds and total statewide sales and services tax revenues were \$1,168,284.

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.

Note 6. Other Postemployment Benefits(OPEB)

Plan Description - The District operates a single employer health benefit 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, 2014, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 716,375
Interest on net OPEB obligation	49,609
Adjustment to annual required contribution	<u>(152,452)</u>
Annual OPEB cost	613,532
Contributions made	<u>(171,530)</u>
Increase in net OPEB obligation	442,002
Net OPEB obligation beginning of year	<u>1,984,377</u>
Net OPEB obligation end of year	<u><u>\$ 2,426,379</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, 2014.

For the year ended June 30, 2014, the District contributed \$171,530 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, 2014 is summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 590,684	24.16 %	\$ 1,455,941
2013	694,572	23.92	1,984,377
2014	613,532	27.96	2,426,379

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$5,103,465 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$5,103,465. The covered payroll (annual payroll of active employees covered by the plan) was \$8,690,185 and the ratio of the UAAL to covered payroll was 58.7%. As of June 30, 2014, 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 5.95% of their annual salary and the District is required to contribute 8.93% of annual covered payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$919,724, \$851,223 and \$767,943 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 \$555,388 for the year ended June 30, 2014 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 10. Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

Note 11. Categorical Funding

The District's restricted balance for categorical funding at June 30, 2014 is comprised of the following programs:

Program	Amount
Statewide voluntary preschool	\$ 528,618
Professional development for model core curriculum	56,867
Professional development	57,819
School ready children	8,131
Successful progression for early readers	15,682
Teacher leadership	9,982
Total	<u>\$ 677,099</u>

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. During the year ended June 30, 2014 the District received \$20,302 in principal and interest.

Note 13. Reconciliation of Governmental Fund Balances to Net Position

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

	<u>Net Investment in Capital Assets</u>	<u>Debt Service</u>	<u>Unassigned/ Unrestricted</u>
Fund balance (Exhibit C)	\$ -	565,068	2,545,185
Invested in capital assets, net of accumulated depreciation	18,941,720	-	-
General obligation bond capitalized indebtedness	(2,155,000)	-	-
Revenue bond capitalized indebtedness	(2,165,000)	-	-
Accrued interest payable	-	(35,041)	-
Internal service fund	-	-	107,494
Net OPEB liability	-	-	(2,396,535)
Net position (Exhibit A)	<u>\$ 14,621,720</u>	<u>530,027</u>	<u>256,144</u>

Sergeant Bluff-Luton Community School District



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 FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2014

	Governmental	Proprietary	Total	Budgeted Amounts		Final to
	Funds	Funds		Original	Final	Actual
	Actual	Actual				Actual
Revenues:						
Local sources	\$ 8,778,133	712,243	9,490,376	11,674,116	11,674,116	(2,183,740)
State sources	8,582,440	6,570	8,589,010	7,453,574	7,453,574	1,135,436
Federal sources	457,629	318,442	776,071	978,201	978,201	(202,130)
Total revenues	17,818,202	1,037,255	18,855,457	20,105,891	20,105,891	(1,250,434)
Expenditures/Expenses:						
Instruction	11,775,541	-	11,775,541	14,619,176	14,619,176	2,843,635
Support services	4,583,911	41,445	4,625,356	6,255,315	6,255,315	1,629,959
Non-instructional programs	4,597	912,882	917,479	1,400,713	1,400,713	483,234
Other expenditures	2,290,900	-	2,290,900	3,278,775	3,278,775	987,875
Total expenditures/expenses	18,654,949	954,327	19,609,276	25,553,979	25,553,979	5,944,703
Excess(Deficiency) of revenues over(under) expenditures/expenses	(836,747)	82,928	(753,819)	(5,448,088)	(5,448,088)	4,694,269
Other financing sources, net	51,626	-	51,626	15,000	15,000	36,626
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	(785,121)	82,928	(702,193)	(5,433,088)	(5,433,088)	4,730,895
Balance beginning of year	6,215,331	425,630	6,640,961	6,885,700	6,885,700	(244,739)
Balance end of year	\$ 5,430,210	508,558	5,938,768	1,452,612	1,452,612	4,486,156

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2014

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		Funded Ratio (a/b)	Covered Payroll (c)	UAAAL as a Percentage of Covered Payroll ((b-a)/c)
			Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)			
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
2014	July 1, 2012	-	5,103,465	5,103,465	0.0	8,690,185	58.7

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, 2014

	Special Revenue			Capital Projects	Debt Service	Total Nonmajor Governmental Funds
	Management Levy	Student Activity	Total			
ASSETS						
Cash and pooled investments	\$ 582,399	199,890	782,289	737,037	562,975	2,082,301
Receivables:						
Property tax:						
Delinquent	1,494	-	1,494	524	2,093	4,111
Succeeding year	498,306	-	498,306	205,646	824,042	1,527,994
Due from other governments	-	-	-	244,720	-	244,720
TOTAL ASSETS	\$ 1,082,199	199,890	1,282,089	1,187,927	1,389,110	3,859,126
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 2,238	5,754	7,992	69,646	-	77,638
Salaries and benefits payable	5,568	-	5,568	-	-	5,568
Total liabilities	<u>7,806</u>	<u>5,754</u>	<u>13,560</u>	<u>69,646</u>	<u>-</u>	<u>83,206</u>
Deferred inflows of resources:						
Unavailable revenues:						
Succeeding year property taxes	498,306	-	498,306	205,646	824,042	1,527,994
Installment sale of land	-	-	-	40,000	-	40,000
Total deferred inflows of resources	<u>498,306</u>	<u>-</u>	<u>498,306</u>	<u>245,646</u>	<u>824,042</u>	<u>1,567,994</u>
Fund balances:						
Restricted for:						
Debt service	-	-	-	-	565,068	565,068
Management levy purposes	576,087	-	576,087	-	-	576,087
Student activities	-	194,136	194,136	-	-	194,136
Physical plant and equipment	-	-	-	137,818	-	137,818
School infrastructure	-	-	-	734,817	-	734,817
Total fund balances	<u>576,087</u>	<u>194,136</u>	<u>770,223</u>	<u>872,635</u>	<u>565,068</u>	<u>2,207,926</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 1,082,199	199,890	1,282,089	1,187,927	1,389,110	3,859,126

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, 2014

	Special Revenue			Capital Projects	Debt Service	Total Nonmajor Governmental Funds
	Management Levy	Student Activity	Total			
REVENUES:						
Local sources:						
Local tax	\$ 484,509	-	484,509	203,024	811,197	1,498,730
Other	8,375	417,316	425,691	52,595	451	478,737
State sources	124	-	124	1,168,323	154	1,168,601
TOTAL REVENUES	493,008	417,316	910,324	1,423,942	811,802	3,146,068
EXPENDITURES:						
Current:						
Instruction:						
Regular	235,874	-	235,874	152,450	-	388,324
Other	-	390,909	390,909	-	-	390,909
	235,874	390,909	626,783	152,450	-	779,233
Support services:						
Student	21,981	-	21,981	-	-	21,981
Instructional staff	9,747	-	9,747	264,743	-	274,490
Administration	36,045	-	36,045	38,957	-	75,002
Operation and maintenance of plant	130,575	-	130,575	113,568	-	244,143
Transportation	16,099	-	16,099	154,764	-	170,863
	214,447	-	214,447	572,032	-	786,479
Non-instructional programs:						
Food service operations	2,824	-	2,824	-	-	2,824
Community service operations	1,773	-	1,773	-	-	1,773
	4,597	-	4,597	-	-	4,597
Capital outlay	-	-	-	397,756	-	397,756
Long-term debt:						
Principal	-	-	-	-	1,205,000	1,205,000
Interest and fiscal charges	-	-	-	-	132,756	132,756
	-	-	-	-	1,337,756	1,337,756
TOTAL EXPENDITURES	454,918	390,909	845,827	1,122,238	1,337,756	3,305,821
Excess(Deficiency) of revenues over(under) expenditures	38,090	26,407	64,497	301,704	(525,954)	(159,753)
OTHER FINANCING SOURCES(USES):						
Proceeds from sale of real property	-	-	-	20,000	-	20,000
Insurance proceeds	-	-	-	11,663	-	11,663
Transfer in	-	-	-	-	523,018	523,018
Transfer out	-	-	-	(523,018)	-	(523,018)
TOTAL OTHER FINANCING SOURCES(USES)	-	-	-	(491,355)	523,018	31,663
Change in fund balances	38,090	26,407	64,497	(189,651)	(2,936)	(128,090)
Fund balances beginning of year	537,997	167,729	705,726	1,062,286	568,004	2,336,016
Fund balances end of year	\$ 576,087	194,136	770,223	872,635	565,068	2,207,926

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
ASSETS			
Cash and pooled investments	\$ 618,993	118,044	737,037
Receivables:			
Property tax:			
Delinquent	-	524	524
Succeeding year	-	205,646	205,646
Due from other governments	184,720	60,000	244,720
TOTAL ASSETS	\$ 803,713	384,214	1,187,927
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 68,896	750	69,646
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	205,646	205,646
Installment sale of land	-	40,000	40,000
Total deferred inflows of resources	-	245,646	245,646
Fund balances:			
Restricted for:			
School infrastructure	734,817	-	734,817
Physical plant and equipment	-	137,818	137,818
Total fund balances	734,817	137,818	872,635
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 803,713	384,214	1,187,927

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, 2014

	Capital Project		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
REVENUES:			
Local sources:			
Local tax	\$ -	203,024	203,024
Other	11,101	41,494	52,595
State sources	1,168,284	39	1,168,323
TOTAL REVENUES	1,179,385	244,557	1,423,942
EXPENDITURES:			
Current:			
Instruction:			
Regular	94,337	58,113	152,450
Support services:			
Instructional staff	226,628	38,115	264,743
Administration	2,779	36,178	38,957
Operation and maintenance of plant	33,681	79,887	113,568
Transportation	154,764	-	154,764
Capital outlay	393,087	4,669	397,756
TOTAL EXPENDITURES	905,276	216,962	1,122,238
Excesss of revenues over expenditures	274,109	27,595	301,704
OTHER FINANCING SOURCES(USES):			
Proceeds from sale of real property	-	20,000	20,000
Insurance proceeds	11,663	-	11,663
Transfers out	(523,018)	-	(523,018)
TOTAL OTHER FINANCING SOURCES(USES)	(511,355)	20,000	(491,355)
Change in fund balances	(237,246)	47,595	(189,651)
Fund balances beginning of year	972,063	90,223	1,062,286
Fund balances end of year	\$ 734,817	137,818	872,635

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, 2014

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
UNALLOCATED INTEREST	\$ 3,519	-	3,519	-
FOOD 4 THOUGHT	7,208	9,420	8,401	8,227
FIELD TRIPS	193	-	-	193
QUIZ BOWL	4	-	-	4
PRIMARY SPECIAL PROJECTS	7,916	1,304	111	9,109
ELEMENTARY INSTRUMENTAL MUSIC	169	-	22	147
AFTER SCHOOL ACTIVITIES	969	-	-	969
ELEMENTARY SPECIAL PROJECTS	4,489	1,142	703	4,928
ELEMENTARY VOCAL MUSIC	688	-	-	688
INSTRUMENTAL MUSIC	505	8	399	114
JR. HIGH ATHLETICS/JUICE	2,994	2,909	3,757	2,146
JR. HIGH FOOTBALL	1,210	4,186	2,134	3,262
JR. HIGH BOYS TRACK	104	-	-	104
JR. HIGH WRESTLING	870	-	-	870
JR. HIGH GIRLS BASKETBALL	77	-	-	77
JR. HIGH VOLLEYBALL	305	-	-	305
JR HIGH GIRLS TRACK	834	546	446	934
6TH GRADE CLASS	1,668	-	375	1,293
MUSIC MAGAZINE SALES	3,315	2,053	1,220	4,148
JR. HIGH CHEERLEADERS	870	154	292	732
JR. HIGH YEARBOOK	1,328	3,472	4,019	781
L.A. EXPERIENCE	341	-	339	2
STUDENT COUNCIL	1,656	743	460	1,939
MIDDLE SCHOOL PROJECTS	3,364	2,211	802	4,773
THEATRE/PLAYS	2,403	1,928	606	3,725
SPEECH	727	-	-	727
MUSIC TRIP/FUNDRAISERS	5,312	4,178	2,949	6,541
INSTRUMENTAL MUSIC	1,637	2,188	2,103	1,722
ATHELTICS	6,860	82,901	89,676	85
WARRIOR ZONE	-	32,122	23,049	9,073
CROSS COUNTRY	-	3,698	1,620	2,078
ARCHERY	166	6,031	2,882	3,315
BOYS BASKETBALL	3,096	11,567	9,639	5,024
FOOTBALL	4,506	33,665	35,547	2,624
BOYS SOCCER	179	5,574	4,837	916
BASEBALL	725	4,452	2,381	2,796
BOYS TRACK	906	2,993	2,670	1,229
BOYS GOLF	-	194	-	194
WRESTLING	9,102	30,624	27,042	12,684
GIRLS BASKETBALL	6,218	4,152	4,482	5,888
VOLLEYBALL	3,960	10,676	8,019	6,617
GIRLS SOCCER	57	9,684	9,739	2
SOFTBALL	-	750	750	-
GIRLS TRACK	137	3,237	3,374	-

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
SPIRIT SPOT	8,814	12,288	16,462	4,640
NATIONAL HONOR SOCIETY	1,446	437	262	1,621
HISTORY/LITERATURE RENAISSANCE	3,804	9,175	7,358	5,621
ENVIORNMENTAL CLUB	643	263	158	748
CLASS OF 2012	584	-	-	584
CLASS OF 2013	292	-	-	292
CLASS OF 2014	1,990	513	2,503	-
CLASS OF 2015	1,456	28,433	27,723	2,166
CLASS OF 2016	675	508	110	1,073
CLASS OF 2017	-	533	89	444
VOCAL SELECT MUSIC	2,998	12,055	12,276	2,777
HS SHOW CHIOR	150	5,423	5,120	453
H.S. MUSIC BOOSTERS	20,360	14,639	11,564	23,435
H.S. SOLO/ENSEMBLE CONTEST	335	1,157	414	1,078
S.T.E.P.	1,022	-	-	1,022
CHEERLEADERS	2,602	6,636	5,318	3,920
DANCE TEAM	8,575	18,326	14,500	12,401
SPIRIT COUNCIL	658	-	-	658
HIGH SCHOOL YEARBOOK	5,056	12,674	13,735	3,995
SENIOR COMPOSITE FEES	189	2,276	1,650	815
WEIGHT TRAINING	4,177	4,595	3,094	5,678
JEL	229	-	-	229
H.S. STUDENT COUNCIL	3,505	7,343	7,230	3,618
ART	416	-	-	416
H.S. SPECIAL PROJECTS	7,166	1,280	2,979	5,467
TOTAL	\$ 167,729	417,316	390,909	194,136

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF NET POSITION
 INTERNAL SERVICE FUNDS
 JUNE 30, 2014

	Governmental Activities:		
	Internal Service Funds		
	Partially Self-funded Health Insurance	Flex Benefit	Total
ASSETS			
Cash and pooled investments	\$ 88,675	19,559	108,234
LIABILITIES			
Accounts payable	740	-	740
NET POSITION	\$ 87,935	19,559	107,494

SEE ACCOMPANYING 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, 2014

	Governmental Activities: Internal Service Funds		
	Partially Self-funded Health Insurance	Flex Benefit	Total
OPERATING REVENUES:			
Local sources:			
Miscellaneous	\$ 50,241	136,921	187,162
OPERATING EXPENSES:			
Other enterprise operations:			
Benefits	25,547	-	25,547
Services	10,926	-	10,926
Other	-	126,664	126,664
TOTAL OPERATING EXPENSES	36,473	126,664	163,137
OPERATING INCOME	13,768	10,257	24,025
NON-OPERATING REVENUES:			
Interest income	1,197	-	1,197
Change in net position	14,965	10,257	25,222
Net position beginning of year	72,970	9,302	82,272
Net position end of year	\$ 87,935	19,559	107,494

SEE ACCOMPANYING INDEPENDENT AUDITORS REPORT

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF CASH FLOWS
 INTERNAL SERVICE FUNDS
 YEAR ENDED JUNE 30, 2014

	Governmental Activities: Internal Service Funds		
	Partially Self-funded Health Insurance	Flex Benefit	Total
Cash flows from operating activities:			
Miscellaneous	\$ 50,241	136,921	187,162
Cash payments to employees for services	-	(126,664)	(126,664)
Cash payments to suppliers for goods or services	(35,733)	-	(35,733)
Net cash provided by operating activities	<u>14,508</u>	<u>10,257</u>	<u>24,765</u>
Cash flows from investing activities:			
Interest on investments	<u>1,197</u>	-	<u>1,197</u>
Net increase in cash and cash equivalents	15,705	10,257	25,962
Cash and cash equivalents at beginning of year	<u>72,970</u>	<u>9,302</u>	<u>82,272</u>
Cash and cash equivalents at end of year	<u>\$ 88,675</u>	<u>19,559</u>	<u>108,234</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 13,768	10,257	24,025
Adjustments to reconcile operating income to net cash provided by operating activities:			
Increase in accounts payable	740	-	740
Net cash provided by operating activities	<u>\$ 14,508</u>	<u>10,257</u>	<u>24,765</u>

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,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues:										
Local sources:										
Local tax	\$ 6,161,386	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
Tuition	1,872,076	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
Other	744,671	725,751	739,524	685,667	538,529	533,552	638,519	785,597	669,794	940,666
Intermediate sources	-	-	-	-	-	-	-	-	-	9,979
State sources	8,582,440	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
Federal sources	457,629	449,504	508,414	898,966	1,210,887	589,517	296,929	270,074	287,538	329,296
Total	\$ 17,818,202	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
Expenditures:										
Instruction:										
Regular	\$ 7,669,944	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
Special	2,241,051	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
Other	1,864,546	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
Support services:										
Student	275,816	316,265	259,062	257,633	264,747	269,104	297,877	246,762	253,540	237,723
Instructional staff	813,912	585,158	629,387	1,495,324	645,332	504,591	510,197	996,482	463,075	430,308
Administration	1,344,442	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
Operation and maintenance of plant	1,595,580	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
Transportation	554,161	471,962	526,895	354,919	367,163	297,655	548,002	582,402	337,107	218,652
Non-instructional programs	4,597	3,839	4,527	4,666	3,550	3,247	1,456	1,637	2,960	58,195
Capital outlay	397,756	686,107	690,492	2,485,179	644,245	1,560,060	788,895	674,669	433,222	337,955
Long-term debt:										
Principal	1,205,000	1,195,000	960,000	826,255	5,823,661	741,501	749,217	600,000	915,000	890,000
Interest and fiscal charges	132,756	155,412	172,563	175,771	256,919	235,961	230,645	347,247	471,358	408,703
Other expenditures:										
AEA flow-through	555,388	531,045	531,633	572,872	561,727	510,399	485,234	459,361	404,912	361,008
Total	\$ 18,654,949	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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2014

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 14	30,041
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 14	288,401 *
			<u>318,442</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I - GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	FY 14	118,772
TITLE I - GRANTS TO LOCAL EDUCATIONAL AGENCIES(CARRYOVER)	84.010	FY 14	5,041
TITLE I - SCHOOLS IN NEED OF ASSISTANCE	84.010	FY 14	13,204
			<u>137,017</u>
ADVANCED PLACEMENT PROGRAM	84.330	FY 14	<u>144</u>
IMPROVING TEACHER QUALITY STATE GRANTS	84.367	FY 14	<u>35,523</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES(TITLE VI A)	84.369	FY 14	<u>8,597</u>
AREA EDUCATION AGENCY 267:			
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY14	<u>64,295</u>
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 14	<u>6,914</u>
TITLE III ENGLISH LANGUAGE ACQUISITION GRANTS	84.365	FY 14	<u>3,177</u>
TOTAL			<u>\$ 574,109</u>

* Includes \$39,993 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.

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

Independent Auditor's Report 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, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 9, 2015.

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. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-14 to be a material weakness.

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 discovered no deficiencies that we would consider significant deficiencies.

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, 2014 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.

March 9, 2015
Newton, Iowa

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

Independent Auditor's Report on Compliance
for Each Major Program and on Internal Control over Compliance
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, 2014. 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 the major 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, 2014.

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

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. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-14 to be a material weakness.

Sergeant Bluff-Luton Community School District's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Sergeant Bluff-Luton Community School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

March 9, 2015
Newton, Iowa

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014

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

- (a) Unmodified opinions were issued on the financial statements.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) A material weakness 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.

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

II-A-14 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over each of the following areas for the District:

- 1) Cash - disbursement transactions, recording cash, reconciling.
- 2) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 3) Receipts - recording, journalizing, posting and reconciling.
- 4) Disbursements - check preparation, mailing and recording.
- 5) Inventories - purchasing, receiving, and maintaining inventory records.
- 6) Wire transfers - processing and approving.
- 7) Payroll - record keeping, preparation, posting and distributing.
- 8) Financial reporting - preparing, reconciling and approval
- 9) Computer systems - performing all general accounting functions and controlling all data input and output.
- 10) Journal entries - writing, posting and approving

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

Response - The District will review internal control procedures and implement changes as allowable with our current staff.

Conclusion - Response accepted.

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

CFDA Number 10.553 - School Breakfast Program
CFDA Number 10.555 - National School Lunch Program
Federal Award Year: 2014
U.S. Department of Agriculture
Passed through the Iowa Department of Agriculture

III-A-14 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over each of the following areas for the District:

- 1) Food inventories - purchasing, receiving, and maintaining inventory records.
- 2) Receipts - recording, journalizing, posting and reconciling.
- 3) Disbursements - check preparation, mailing and recording.
- 4) Financial reporting - preparing, reconciling and approving.
- 5) Journal entries - writing, posting and approving.
- 6) Computer systems - performing all general accounting functions and controlling all data input and output.

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

Response - The District will review internal control procedures and implement changes as allowable with our current staff.

Conclusion - Response accepted.

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-14 Certified Budget - District disbursements for the year ended June 30, 2014 did not exceed the amounts budgeted.

IV-B-14 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 a reading program. The District is unable to audit the final purchase made with a gift card to determine that the purchase meets public purpose requirements; therefore, gift cards given to students do not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

Recommendation - The District should refrain from purchasing gift cards. 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 - It is not District policy to purchase gift cards and this policy has been reviewed with staff to ensure compliance.

Conclusion - Response accepted.

IV-C-14 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-14 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 President, Suter Services, C.W.	HVAC Services	<u>\$ 100,076</u>

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

IV-E-14 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-14 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board, however, we noted certain Board minutes were not published within two weeks of the Board meeting as required by Chapter 279.35 by the Code of Iowa.

Recommendation - The Board Secretary should furnish a copy of the Board proceedings to be published within two weeks of each meeting.

Response - The District will publish the minutes within two weeks of the meeting as required by Chapter 279.35 of the Code of Iowa.

Conclusion - Response accepted.

IV-G-14 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Iowa Department of Education.

IV-H-14 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 0.33 for the spring of 2013.

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-14 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-14 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-14 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds. However, we noted during our audit that the District has an excessive Statewide Voluntary Preschool Program carryover balance.

Recommendation - The District should review the state allocation and Statewide Voluntary Preschool Program carryover balance and develop a plan for expending this carryover balance.

Response - The District has reviewed the Statewide Voluntary Preschool Program and has a plan in place to spend the categorical funding over the next several years.

Conclusion - Response accepted.

- IV-L-14 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, 2014, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning Balance		\$ 972,063
Revenues:		
Sales tax revenues	\$ 1,168,284	
Other local revenues	22,764	1,191,048
Total revenues	<u>1,191,048</u>	<u>2,163,111</u>
Expenditures:		
School infrastructure construction	360,947	
Equipment	496,511	
Other	47,818	
Transfers to other funds:		
Debt service fund	<u>523,018</u>	<u>1,428,294</u>
Ending balance		<u><u>\$ 734,817</u></u>

For the year ended June 30, 2014 the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

- IV-M-14 Early Retirement Incentive - We noted during our audit that an employee was paid an early retirement benefit of \$5,568.74 from the Management Levy Fund during fiscal year 2014. However, this agreement was not submitted to the Board of Education for approval prior to the April 1st deadline per Iowa Code Chapter 279.46.

Recommendation - According to Iowa Code Chapter 279.46 “Early Retirement incentive is available only to employees who notify the board of directors prior to April 1st of the fiscal year that they intend to retire.” Since this employee missed the deadline for notification, the payment does not qualify under Iowa Code Chapter 279.46 and is not eligible to be paid out of the Management Levy Fund. The payment would be considered a separation agreement and should be paid from the General Fund. We request a corrective transfer in the amount of \$5,568.74 from the General Fund to the Management Levy Fund.

Response - The District has made the corrective transfer and will review Iowa Code Chapter 279.46 to ensure compliance in the future.

Conclusion - Response accepted.

II-N-14 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 Accounts: We noted during our audit that it appears that revenues and expenses recorded in the Composite Fee, 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 Composite Fee, 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 the revenues and expenditures of the accounts in question and move them to the appropriate fund.

Conclusion - Response accepted.

Inactive Accounts: We noted during our audit that the Student Activity Fund has old graduated class accounts from 2012 and 2013, with balances still on the District’s books as of June 30, 2014.

Recommendation - At year end, class officers of the graduating class should decide what happens with unused class funds. The remaining moneys in the graduating class account should be reclassified to the proper fund according to the class’ wishes. If unused funds are to remain in the Student Activity Fund, the remaining funds should be redistributed amongst other activity fund accounts or used for startup funds for the next incoming class. Since the District is unable to determine what the wishes were for previous classes, the remaining moneys in the class accounts should be reallocated amongst the other Student Activity Fund accounts based on recommendations made by the Activities Director and approved by the District’s Board of Directors.

Response - The District will reallocate the funds as deemed appropriate.

Conclusion - Response accepted.