

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2015

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## Sergeant Bluff-Luton Community School District

### Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
Aimee Krough	President	2015
Mike Laughlin	Vice President	2017
Dean William	Board Member	2015
Dave Schaar	Board Member	2017
John Baker	Board Member	2015
<b>School Officials</b>		
Rod Earleywine	Superintendent	2015
Kathy Nissen	District Secretary	2015
Denise Patterson	District Treasurer/Business Manager	2015
Ahlers Law Firm	Attorney	2015

**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, 2015, 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, 2015 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.

## **Emphasis of Matter**

As discussed in Note 16 to the financial statements, Sergeant Bluff-Luton Community School District adopted new accounting guidance related to Government Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

## **Other Matters**

### ***Required Supplementary Information.***

U.S generally accepted accounting principles require Management's Discussion and Analysis, Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of Contributions, Schedule of Funding Progress for the Retiree Health Plan, and the Schedule of Funding Progress for the Supplemental Pension Plan on pages 7 through 16 and 46 through 53 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 two years ended 2014 and the four 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 February 22, 2016, on our consideration of the Sergeant Bluff-Luton Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Sergeant Bluff-Luton Community School District's internal control over financial reporting and compliance.

  
NOLTE, CORNMAN & JOHNSON, P.C.

February 22, 2016  
Newton, Iowa

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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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, 2015. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2015 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$14,692,097 in fiscal year 2014 to \$15,192,148 in fiscal year 2015, while General Fund expenditures increased from \$15,349,128 in fiscal year 2014 to \$15,818,797 in fiscal year 2015. The District's General Fund balance decreased from \$3,222,284 at June 30, 2014 to \$2,595,635 at June 30, 2015.
- The increase in General Fund revenues was attributable to an increase in local and state 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, the District's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan and the Schedule of Funding Progress for the Supplemental Pension Plan.

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

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

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

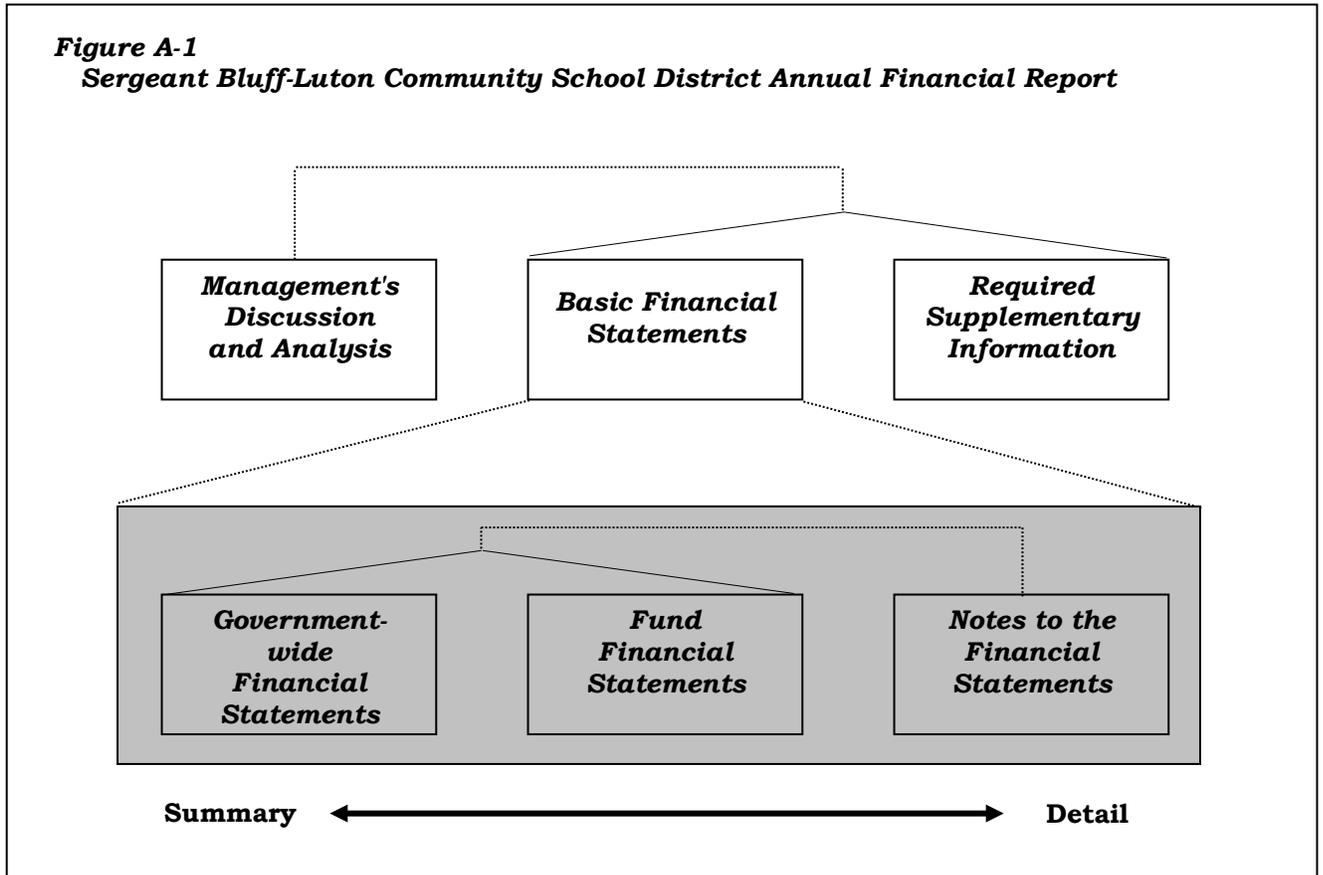


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

## **REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES**

### **Government-wide Financial Statements**

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net 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.

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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 three kinds of funds:

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

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

The required financial statements for 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.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include the Private Purpose Trust.

- Private Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position

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, 2015 compared to June 30, 2014.

	Governmental Activities		Business Type Activities		Total School District		Total Change
	2014		2014		2014		2014-15
	2015	(Not restated)	2015	(Not restated)	2015	(Not restated)	
Current and other assets	\$ 15,715,299	14,062,170	601,694	566,363	16,316,993	14,628,533	11.54%
Capital assets	18,418,512	18,941,720	20,600	19,722	18,439,112	18,961,442	-2.75%
Total assets	34,133,811	33,003,890	622,294	586,085	34,756,105	33,589,975	3.47%
Deferred outflows of resources	1,205,174	-	53,113	-	1,258,287	-	100.00%
Long-term liabilities	12,656,682	6,716,535	261,525	29,844	12,918,207	6,746,379	91.48%
Other liabilities	2,101,324	1,986,413	46,035	47,683	2,147,359	2,034,096	5.57%
Total liabilities	14,758,006	8,702,948	307,560	77,527	15,065,566	8,780,475	71.58%
Deferred inflows of resources	8,929,164	6,573,094	88,073	-	9,017,237	6,573,094	37.18%
Net position:							
Net investment in capital assets	13,734,512	14,621,720	20,600	19,722	13,755,112	14,641,442	-6.05%
Restricted	4,575,117	2,849,984	-	-	4,575,117	2,849,984	60.53%
Unrestricted	(6,657,814)	256,144	259,174	488,836	(6,398,640)	744,980	-958.90%
Total net position	\$ 11,651,815	17,727,848	279,774	508,558	11,931,589	18,236,406	-34.57%

The District's combined net position decreased by 34.57%, or \$6,304,817, 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 \$1,725,133, or 60.53% from the prior year. The increase in restricted net position is mainly attributable to an increase in fund balance for the Debt Service Fund. Sales Tax Revenue Bonds and Refunding Bonds that were sold on June 25, 2015 were called on July 2, 2015.

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 \$7,143,620, or 958.90%. This reduction in unrestricted net position was primarily a result of the District's net pension liability net pension expense recorded in the current year.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities were restated by \$6,432,594 and \$288,328, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

Figure A-4 shows the changes in net position for the year ended June 30, 2015 compared to the year ended June 30, 2014.

	Figure A-4 Changes in Net Position						
	Governmental Activities		Business Type Activities		Total School District		Total Change
	2014		2014		2014		2014-15
	2015	(Not restated)	2015	(Not restated)	2015	(Not restated)	
Revenues:							
Program revenues:							
Charges for service	\$ 2,417,256	2,395,532	681,757	699,419	3,099,013	3,094,951	0.13%
Operating grants, contributions and restricted interest	1,299,362	1,328,366	329,183	326,070	1,628,545	1,654,436	-1.56%
Capital grants, contributions and restricted interest	30,715	38,735	-	-	30,715	38,735	-20.70%
General revenues:							
Property tax	6,510,961	6,161,386	-	-	6,510,961	6,161,386	5.67%
Statewide sales, services and use tax	1,286,598	1,168,284	-	-	1,286,598	1,168,284	10.13%
Unrestricted state grants	6,882,303	6,594,380	-	-	6,882,303	6,594,380	4.37%
Unrestricted interest income	99,319	105,143	4,824	7,783	104,143	112,926	-7.78%
Other	64,287	26,376	2,075	3,983	66,362	30,359	118.59%
Total revenues	18,590,801	17,818,202	1,017,839	1,037,255	19,608,640	18,855,457	3.99%
Program expenses:							
Instruction	12,251,027	11,977,590	-	-	12,251,027	11,977,590	2.28%
Support services	4,643,195	4,565,994	38,790	41,445	4,681,985	4,607,439	1.62%
Non-instructional programs	3,947	4,597	919,505	912,882	923,452	917,479	0.65%
Other expenses	1,336,071	1,292,304	-	-	1,336,071	1,292,304	3.39%
Total expenses	18,234,240	17,840,485	958,295	954,327	19,192,535	18,794,812	2.12%
Change in net position	356,561	(22,283)	59,544	82,928	416,105	60,645	586.13%
Net position beginning of year, as restated	11,295,254	17,750,131	220,230	425,630	11,515,484	18,175,761	-36.64%
Net position end of year	\$ 11,651,815	17,727,848	279,774	508,558	11,931,589	18,236,406	-34.57%

In fiscal year 2015, property tax, statewide sales, services and use tax and unrestricted state grants account for 78.96% of the revenue from governmental activities while charges for services and operating grants and contributions account for 99.32% of the revenue from business type activities.

The District's total revenues were approximately \$19.61 million of which approximately \$18.59 million was for governmental activities and approximately \$1.02 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 3.99% increase in revenues and a 2.12% increase in expenses. The increase in revenues was a result of an increase in state source revenues. The increase in expenses is due to an increase in negotiated salaries and benefits.

### Governmental Activities

Revenues for governmental activities were \$18,590,801 and expenses were \$18,234,240 for the year ended June 30, 2015.

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, 2015 compared to the year ended June 30, 2014.

	Total Cost of Services			Net Cost of Services		
	2015	2014 (Not restated)	Change 2014-15	2015	2014 (Not restated)	Change 2014-15
Instruction	\$ 12,251,027	11,977,590	2.28%	9,193,957	8,873,967	3.61%
Support services	4,643,195	4,565,994	1.69%	4,537,223	4,462,372	1.68%
Non-instructional programs	3,947	4,597	-14.14%	3,947	4,597	-14.14%
Other expenses	1,336,071	1,292,304	3.39%	751,780	736,916	2.02%
Totals	\$ 18,234,240	17,840,485	2.21%	14,486,907	14,077,852	2.91%

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was \$2,417,256.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,330,077.
- The net cost of governmental activities was financed with \$6,510,961 in property tax, \$1,286,598 in statewide sales, services and use tax, \$6,882,303 in unrestricted state grants, \$99,319 in interest income and \$64,287 in other general revenues.

### Business-Type Activities

Revenues of the District's business type activities were \$1,017,839 and expenses were \$958,295. 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, investment income and other general revenues.

### 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.

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The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$6,529,961, above last year's ending fund balances of \$5,430,210. The increase in ending fund balances is mainly attributable to the increase in fund balance of the Debt Service Fund.

### **Governmental Fund Highlights**

- The District's General Fund financial position declined over the past fiscal year. An increase in expenditures outpaced an increase in revenues resulting in a decrease in General Fund balance. The General Fund balance decreased from \$3,222,284 to \$2,595,635. The District Administration and Board of Education continues their commitment to District financial stability and will continue to monitor the budget closely.
- The Capital Projects Fund balance decreased from \$872,635 at June 30, 2014 to \$850,960 at June 30, 2015. This was primarily due to an increase in expenditures needed for principal and interest payments on the District's revenue bond indebtedness.
- The Debt Service Fund balance increased from \$565,068 at June 30, 2014 to \$2,156,884 at June 30, 2015. The primary reason for this increase is due to the issuance of revenue bonds during the year which will be used to refund the revenue bonds dated May 2015 in fiscal year 2016.

### **Proprietary Fund Highlights**

The School Nutrition Fund net position increased from \$14,321 restated at July 1, 2014 to \$54,980 at June 30, 2015, representing an increase of 283.91%.

The Early Childhood Fund net position increased from \$205,909 restated at July 1, 2014 to \$224,794 at June 30, 2015, representing an increase of 9.17%.

## **BUDGETARY HIGHLIGHTS**

The District's revenues were \$1,610,800 less than budgeted revenues, a variance of 7.59%. 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, 2015, the District had invested \$18.44 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 2.83% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$790,688.

The original cost of the District's capital assets was approximately \$33.15 million. Governmental funds account for approximately \$32.71 million with the remainder of approximately \$0.44 million in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the intangible assets category. The District's intangible assets totaled \$21,722 at June 30, 2015, compared to \$24,825 reported at June 30, 2014. This decrease resulted from annual depreciation on capital assets in the intangible assets category.

Figure A-6 Capital Assets, Net of Depreciation							
	Governmental Activities		Business Type Activities		Total School District		Total Change
	2015	2014	2015	2014	2015	2014	2014-15
Land	\$ 972,423	972,423	-	-	972,423	972,423	0.00%
Buildings	15,650,287	16,179,897	-	-	15,650,287	16,179,897	-3.38%
Land improvements	804,267	867,698	-	-	804,267	867,698	-7.89%
Machinery and equipment	969,813	896,877	20,600	19,722	990,413	916,599	7.45%
Intangible assets	21,722	24,825	-	-	21,722	24,825	-14.29%
Total	\$ 18,418,512	18,941,720	20,600	19,722	18,439,112	18,961,442	-2.83%

### Long-Term Debt

At June 30, 2015, the District had \$12,918,207 in general obligation and other long-term debt outstanding. This represents an increase of 91.48% 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, 2015 of \$1,380,000 payable from the Debt Service Fund.
- The District had total outstanding revenue bond indebtedness at June 30, 2015 of \$3,304,000 payable from the Capital Projects: Statewide Sales, Service and Use Tax Fund.
- The District had outstanding net pension liability at June 30, 2015 of \$5,362,370. The Governmental Activities accounted for \$2,840,358 of this total while Business Type Activities accounted for \$230,046.
- The District had outstanding net OPEB liability at June 30, 2015 of \$2,871,837. The Governmental Activities accounted for \$2,840,358 of this total while Business Type Activities accounted for \$31,479.

Figure A-7							
Outstanding Long-Term Obligations							
	Governmental Activities		Business Type Activities		Total School District		Total Change
	2015	2014 (Not restated)	2015	2014 (Not restated)	2015	2014 (Not restated)	2014-15
	General obligation bonds	\$ 1,380,000	2,155,000	-	-	1,380,000	2,155,000
Revenue bonds	3,304,000	2,165,000	-	-	3,304,000	2,165,000	52.61%
Net pension liability	5,132,324	-	230,046	-	5,362,370	-	100.00%
Net OPEB liability	2,840,358	2,396,535	31,479	29,844	2,871,837	2,426,379	18.36%
Totals	\$ 12,656,682	6,716,535	261,525	29,844	12,918,207	6,746,379	91.48%

## 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  
JUNE 30, 2015

	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 8,281,634	575,238	8,856,872
Receivables:			
Property tax:			
Delinquent	16,167	-	16,167
Succeeding year	6,944,247	-	6,944,247
Accounts	588	1,473	2,061
Due from other governments	470,276	-	470,276
Inventories	-	24,983	24,983
Net pension asset - early retirement	2,387	-	2,387
Capital assets, net of accumulated depreciation	18,418,512	20,600	18,439,112
<b>TOTAL ASSETS</b>	<b>34,133,811</b>	<b>622,294</b>	<b>34,756,105</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension related deferred outflows	1,205,174	53,113	1,258,287
<b>LIABILITIES</b>			
Accounts payable	331,712	2,645	334,357
Salaries and benefits payable	1,726,533	22,454	1,748,987
Accrued interest payable	43,079	-	43,079
Unearned revenue	-	20,936	20,936
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	800,000	-	800,000
Revenue bonds payable	270,000	-	270,000
Portion due after one year:			
General obligation bonds payable	580,000	-	580,000
Revenue bonds payable	3,034,000	-	3,034,000
Net pension liability	5,132,324	230,046	5,362,370
Net OPEB liability	2,840,358	31,479	2,871,837
<b>TOTAL LIABILITIES</b>	<b>14,758,006</b>	<b>307,560</b>	<b>15,065,566</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable property tax revenue	6,944,247	-	6,944,247
Pension related deferred inflows	1,964,917	88,073	2,052,990
Installment sale of land	20,000	-	20,000
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>8,929,164</b>	<b>88,073</b>	<b>9,017,237</b>
<b>NET POSITION</b>			
Net investment in capital assets	13,734,512	20,600	13,755,112
Restricted for:			
Categorical funding	683,870	-	683,870
Debt service	2,113,805	-	2,113,805
Management levy purposes	644,756	-	644,756
Student activities	281,726	-	281,726
School infrastructure	724,615	-	724,615
Physical plant and equipment	126,345	-	126,345
Unrestricted	(6,657,814)	259,174	(6,398,640)
<b>TOTAL NET POSITION</b>	<b>\$ 11,651,815</b>	<b>279,774</b>	<b>11,931,589</b>

SEE NOTES TO FINANCIAL STATEMENTS.

**SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2015**

	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	
<b>Functions/Programs:</b>							
Governmental activities:							
Instruction:							
Regular	\$ 7,925,363	1,616,638	104,940	-	(6,203,785)	-	(6,203,785)
Special	2,314,650	268,510	246,452	-	(1,799,688)	-	(1,799,688)
Other	2,011,014	485,154	335,376	-	(1,190,484)	-	(1,190,484)
	<u>12,251,027</u>	<u>2,370,302</u>	<u>686,768</u>	<u>-</u>	<u>(9,193,957)</u>	<u>-</u>	<u>(9,193,957)</u>
Support services:							
Student	270,358	-	-	-	(270,358)	-	(270,358)
Instructional staff	637,539	-	7,780	-	(629,759)	-	(629,759)
Administration	1,390,928	-	-	-	(1,390,928)	-	(1,390,928)
Operation and maintenance of plant	1,843,766	-	-	30,715	(1,813,051)	-	(1,813,051)
Transportation	500,604	46,954	20,523	-	(433,127)	-	(433,127)
	<u>4,643,195</u>	<u>46,954</u>	<u>28,303</u>	<u>30,715</u>	<u>(4,537,223)</u>	<u>-</u>	<u>(4,537,223)</u>
Non-instructional programs:							
Food service operations	2,425	-	-	-	(2,425)	-	(2,425)
Community service operations	1,522	-	-	-	(1,522)	-	(1,522)
	<u>3,947</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,947)</u>	<u>-</u>	<u>(3,947)</u>
Long-term debt interest	146,701	-	-	-	(146,701)	-	(146,701)
Other expenditures:							
AEA flowthrough	584,291	-	584,291	-	-	-	-
Depreciation(unallocated)*	605,079	-	-	-	(605,079)	-	(605,079)
	<u>1,189,370</u>	<u>-</u>	<u>584,291</u>	<u>-</u>	<u>(605,079)</u>	<u>-</u>	<u>(605,079)</u>
Total governmental activities	<u>18,234,240</u>	<u>2,417,256</u>	<u>1,299,362</u>	<u>30,715</u>	<u>(14,486,907)</u>	<u>-</u>	<u>(14,486,907)</u>
Business type activities:							
Support services:							
Administration	35,649	-	-	-	-	(35,649)	(35,649)
Operation and maintenance of plant	3,141	-	-	-	-	(3,141)	(3,141)
	<u>38,790</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(38,790)</u>	<u>(38,790)</u>
Non-instructional programs:							
Food service operations	693,148	411,576	329,183	-	-	47,611	47,611
Community service operations	226,357	270,181	-	-	-	43,824	43,824
	<u>919,505</u>	<u>681,757</u>	<u>329,183</u>	<u>-</u>	<u>-</u>	<u>91,435</u>	<u>91,435</u>
Total business type activities	<u>958,295</u>	<u>681,757</u>	<u>329,183</u>	<u>-</u>	<u>-</u>	<u>52,645</u>	<u>52,645</u>
Total	<u>\$ 19,192,535</u>	<u>3,099,013</u>	<u>1,628,545</u>	<u>30,715</u>	<u>(14,486,907)</u>	<u>52,645</u>	<u>(14,434,262)</u>
<b>General Revenues:</b>							
Property tax levied for:							
General purposes					\$ 5,485,365	-	5,485,365
Debt service					820,767	-	820,767
Capital outlay					204,829	-	204,829
Statewide sales, services and use tax					1,286,598	-	1,286,598
Unrestricted state grants					6,882,303	-	6,882,303
Unrestricted investment earnings					99,319	4,824	104,143
Other general revenues					64,287	2,075	66,362
					<u>14,843,468</u>	<u>6,899</u>	<u>14,850,367</u>
Total general revenues					<u>14,843,468</u>	<u>6,899</u>	<u>14,850,367</u>
Change in net position					356,561	59,544	416,105
Net position beginning of year, as restated					<u>11,295,254</u>	<u>220,230</u>	<u>11,515,484</u>
Net position end of year					<u>\$ 11,651,815</u>	<u>279,774</u>	<u>11,931,589</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, 2015

	General	Capital Projects	Debt Service	Nonmajor	Total
<b>ASSETS</b>					
Cash and pooled investments	\$ 4,338,792	659,926	2,171,789	949,888	8,120,395
Receivables:					
Property tax					
Delinquent	12,647	446	1,787	1,287	16,167
Succeeding year	5,411,648	204,141	831,324	497,134	6,944,247
Accounts	588	-	-	-	588
Due from other governments	230,801	239,475	-	-	470,276
<b>TOTAL ASSETS</b>	<b>\$ 9,994,476</b>	<b>1,103,988</b>	<b>3,004,900</b>	<b>1,448,309</b>	<b>15,551,673</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 260,660	28,887	16,692	24,693	330,932
Salaries and benefits payable	1,726,533	-	-	-	1,726,533
Total liabilities	1,987,193	28,887	16,692	24,693	2,057,465
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding years property tax	5,411,648	204,141	831,324	497,134	6,944,247
Installment sale of land	-	20,000	-	-	20,000
Total deferred inflows of resources	5,411,648	224,141	831,324	497,134	6,964,247
Fund balances:					
Restricted for:					
Categorical funding	683,870	-	-	-	683,870
Debt service	-	-	2,156,884	-	2,156,884
Management levy purposes	-	-	-	644,756	644,756
Student activities	-	-	-	281,726	281,726
School infrastructure	-	724,615	-	-	724,615
Physical plant and equipment	-	126,345	-	-	126,345
Unassigned	1,911,765	-	-	-	1,911,765
Total fund balances	2,595,635	850,960	2,156,884	926,482	6,529,961
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 9,994,476</b>	<b>1,103,988</b>	<b>3,004,900</b>	<b>1,448,309</b>	<b>15,551,673</b>

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, 2015

<b>Total fund balances of governmental funds (page 20)</b>	\$	6,529,961
<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 the governmental funds.		18,418,512
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.		(43,079)
Blending of the Internal Service Funds to be reflected on an entity-wide basis.		160,459
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:		
Deferred outflows of resources	\$ 1,205,174	
Deferred inflows of resources	<u>(1,964,917)</u>	(759,743)
Net pension benefits from early retirement are not yet available to finance expenditures in the current fiscal period.		2,387
Long-term liabilities, including general obligation bonds payable, revenue bonds payable, net pension liability 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>(12,656,682)</u>
<b>Net position of governmental activities (page 18)</b>	<b>\$</b>	<b><u><u>11,651,815</u></u></b>

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, 2015

	General	Capital Projects	Debt Service	Nonmajor	Total
REVENUES:					
Local sources:					
Local tax	\$ 4,988,644	204,829	820,767	496,721	6,510,961
Tuition	1,818,513	-	-	-	1,818,513
Other	301,855	42,733	937	501,597	847,122
State sources	7,645,223	1,292,453	23,460	15,156	8,976,292
Federal sources	437,913	-	-	-	437,913
<b>TOTAL REVENUES</b>	<b>15,192,148</b>	<b>1,540,015</b>	<b>845,164</b>	<b>1,013,474</b>	<b>18,590,801</b>
EXPENDITURES:					
Current:					
Instruction:					
Regular	7,391,574	439,651	-	200,543	8,031,768
Special	2,266,836	-	-	-	2,266,836
Other	1,679,677	13,120	-	401,824	2,094,621
	<b>11,338,087</b>	<b>452,771</b>	<b>-</b>	<b>602,367</b>	<b>12,393,225</b>
Support services:					
Student	270,721	-	-	24,074	294,795
Instructional staff	560,434	82,284	-	3,205	645,923
Administration	1,309,105	42,272	-	37,690	1,389,067
Operation and maintenance of plant	1,367,981	106,229	-	170,230	1,644,440
Transportation	388,178	133,296	-	15,702	537,176
	<b>3,896,419</b>	<b>364,081</b>	<b>-</b>	<b>250,901</b>	<b>4,511,401</b>
Non-instructional programs:					
Food service operations	-	-	-	2,425	2,425
Community service operations	-	-	-	1,522	1,522
				<b>3,947</b>	<b>3,947</b>
Capital outlay	-	243,523	-	-	243,523
Long-term debt:					
Principal	-	-	1,235,000	-	1,235,000
Interest and fiscal charges	-	-	138,663	-	138,663
			<b>1,373,663</b>	<b>-</b>	<b>1,373,663</b>
Other expenditures:					
AEA flowthrough	584,291	-	-	-	584,291
<b>TOTAL EXPENDITURES</b>	<b>15,818,797</b>	<b>1,060,375</b>	<b>1,373,663</b>	<b>857,215</b>	<b>19,110,050</b>
Excess(Deficiency) of revenues over(under) expenditures	(626,649)	479,640	(528,499)	156,259	(519,249)
OTHER FINANCING SOURCES(USES):					
Proceeds from installment sale of land	-	20,000	-	-	20,000
Revenue bond proceeds	-	1,599,000	-	-	1,599,000
Transfer in	-	77,045	2,120,315	-	2,197,360
Transfer out	-	(2,197,360)	-	-	(2,197,360)
<b>TOTAL OTHER FINANCING SOURCES(USES)</b>	<b>-</b>	<b>(501,315)</b>	<b>2,120,315</b>	<b>-</b>	<b>1,619,000</b>
Change in fund balances	(626,649)	(21,675)	1,591,816	156,259	1,099,751
Fund balances beginning of year	3,222,284	872,635	565,068	770,223	5,430,210
Fund balances end of year	\$ 2,595,635	850,960	2,156,884	926,482	6,529,961

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, 2015

<b>Change in fund balances - total governmental funds (page 22)</b>	\$	1,099,751
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
<p>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:</p>		
Capital outlay	\$ 263,568	
Depreciation expense	<u>(786,776)</u>	(523,208)
<p>Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayments of long-term liabilities is an expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year repayments and issues are as follows:</p>		
Issued	(1,599,000)	
Repaid	<u>1,235,000</u>	(364,000)
<p>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.</p>		
		(8,038)
<p>Net change in the Internal Service Funds charged back against expenditures made for self-funded insurance at an entity-wide basis.</p>		
		52,965
<p>The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position.</p>		
		922,894
<p>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.</p>		
Pension expense - IPERS	\$ (382,367)	
Pension expense - early retirement	2,387	
Other postemployment benefits	<u>(443,823)</u>	<u>(823,803)</u>
<b>Change in net position of governmental activities (page 19)</b>	<b>\$</b>	<b><u><u>356,561</u></u></b>

SEE NOTES TO FINANCIAL STATEMENTS.

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2015

	Business Type Activities: Enterprise Funds			Governmental Activities: Internal Service Funds
	School Nutrition	Early Childhood	Total	
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 216,024	359,214	575,238	161,239
Accounts receivable	73	1,400	1,473	-
Inventories	24,983	-	24,983	-
Total current assets	241,080	360,614	601,694	161,239
Non-current assets:				
Capital assets, net of accumulated depreciation	20,600	-	20,600	-
<b>TOTAL ASSETS</b>	261,680	360,614	622,294	161,239
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension related deferred outflows	30,065	23,048	53,113	-
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	2,019	626	2,645	780
Salaries and benefits payable	15,703	6,751	22,454	-
Unearned revenue	20,936	-	20,936	-
Long-term liabilities:				
Net pension liability	129,770	100,276	230,046	-
Net OPEB liability	18,655	12,824	31,479	-
<b>TOTAL LIABILITIES</b>	187,083	120,477	307,560	780
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension related deferred inflows	49,682	38,391	88,073	-
<b>NET POSITION</b>				
Net investment in capital assets	20,600	-	20,600	-
Unrestricted	34,380	224,794	259,174	160,459
<b>TOTAL NET POSITION</b>	\$ 54,980	224,794	279,774	160,459

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, 2015

	Business Type Activities: Enterprise Funds			Governmental Activities: Internal Service Funds
	School Nutrition	Early Childhood	Total	
<b>OPERATING REVENUE:</b>				
Local sources:				
Charges for service	\$ 411,576	270,181	681,757	-
Miscellaneous	2,075	-	2,075	261,119
<b>TOTAL OPERATING REVENUES</b>	<b>413,651</b>	<b>270,181</b>	<b>683,832</b>	<b>261,119</b>
<b>OPERATING EXPENSES:</b>				
Support services:				
Administration:				
Salaries	8,875	15,750	24,625	-
Benefits	4,681	6,268	10,949	-
Services	-	75	75	-
Operation and maintenance:				
Services	3,141	-	3,141	-
<b>TOTAL SUPPORT SERVICES</b>	<b>16,697</b>	<b>22,093</b>	<b>38,790</b>	<b>-</b>
Non-instructional programs:				
Food service operations:				
Salaries	256,836	-	256,836	-
Benefits	40,271	-	40,271	-
Services	-	4,319	4,319	-
Supplies	387,660	-	387,660	-
Depreciation	3,912	-	3,912	-
Other	150	-	150	-
	<b>688,829</b>	<b>4,319</b>	<b>693,148</b>	<b>-</b>
Other enterprise operations:				
Benefits	-	-	-	33,763
Services	-	-	-	11,365
Other	-	-	-	164,787
	<b>-</b>	<b>-</b>	<b>-</b>	<b>209,915</b>
Community service operations:				
Salaries	-	191,652	191,652	-
Benefits	-	25,664	25,664	-
Services	-	167	167	-
Supplies	-	8,874	8,874	-
	<b>-</b>	<b>226,357</b>	<b>226,357</b>	<b>-</b>
<b>TOTAL NON-INSTRUCTIONAL PROGRAMS</b>	<b>688,829</b>	<b>230,676</b>	<b>919,505</b>	<b>209,915</b>
<b>TOTAL OPERATING EXPENSES</b>	<b>705,526</b>	<b>252,769</b>	<b>958,295</b>	<b>209,915</b>
<b>OPERATING INCOME(LOSS)</b>	<b>(291,875)</b>	<b>17,412</b>	<b>(274,463)</b>	<b>51,204</b>
<b>NON-OPERATING REVENUES:</b>				
State sources	6,456	-	6,456	-
Federal sources	322,727	-	322,727	-
Interest on investments	3,351	1,473	4,824	1,761
<b>TOTAL NON-OPERATING REVENUES</b>	<b>332,534</b>	<b>1,473</b>	<b>334,007</b>	<b>1,761</b>
Change in net position	40,659	18,885	59,544	52,965
Net position beginning of year, as restated	14,321	205,909	220,230	107,494
Net position end of year	<b>\$ 54,980</b>	<b>224,794</b>	<b>279,774</b>	<b>160,459</b>

SEE NOTES TO FINANCIAL STATEMENTS.

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2015

	Business Type Activities: Enterprise Funds			Governmental Activities:
	School Nutrition	Early Childhood	Total	Internal Service Funds
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 414,709	-	414,709	-
Cash received from community service operations	-	271,687	271,687	-
Cash received from miscellaneous	2,075	-	2,075	261,119
Cash payments to employees for services	(321,612)	(257,348)	(578,960)	(164,787)
Cash payments to suppliers for goods or services	(345,787)	(12,993)	(358,780)	(45,088)
Net cash provided by(used in) operating activities	(250,615)	1,346	(249,269)	51,244
Cash flows from non-capital financing activities:				
State grants received	6,456	-	6,456	-
Federal grants received	274,842	-	274,842	-
Net cash provided by non-capital financing activities	281,298	-	281,298	-
Cash flows from capital and related financing activities:				
Purchase of capital assets	(4,790)	-	(4,790)	-
Cash flows from investing activities:				
Interest on investments	3,351	1,473	4,824	1,761
Net increase in cash and pooled investments	29,244	2,819	32,063	53,005
Cash and pooled investments at beginning of year	186,780	356,395	543,175	108,234
Cash and pooled investments at end of year	\$ 216,024	359,214	575,238	161,239
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:				
Operating income(loss)	\$ (291,875)	17,412	(274,463)	51,204
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:				
Commodities consumed	47,885	-	47,885	-
Depreciation	3,912	-	3,912	-
Increase in inventories	(4,740)	-	(4,740)	-
Increase(Decrease) in accounts receivable	(34)	1,506	1,472	-
Increase in accounts payable	2,019	442	2,461	40
(Decrease)Increase in salary and benefits payable	155	(7,431)	(7,276)	-
Decrease in net pension liability	(51,997)	(40,180)	(92,177)	-
Increase in deferred outflows of resources	(10,945)	(8,273)	(19,218)	-
Increase in deferred inflows of resources	49,682	38,391	88,073	-
Increase in unearned revenue	3,167	-	3,167	-
(Decrease)Increase in other postemployment benefits	2,156	(521)	1,635	-
Net cash provided by(used in) operating activities	\$ (250,615)	1,346	(249,269)	51,244

## NON-CASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES:

During the year ended June 30, 2015, the District received Federal commodities valued at \$47,885.

SEE NOTES TO FINANCIAL STATEMENTS.

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2015

	<u>Private Purpose Trust Scholarship</u>
<b>ASSETS</b>	
Cash and pooled investments	<u>\$ 2,000</u>
<b>LIABILITIES</b>	
	<u>-</u>
<b>NET POSITION</b>	
Held in trust for scholarships	<u><u>\$ 2,000</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUND  
YEAR ENDED JUNE 30, 2015

	<u>Private Purpose Trust Scholarship</u>
ADDITIONS:	
Local sources:	
Donations	<u>\$          2,000</u>
DEDUCTIONS:	
Instruction:	
Regular:	
Scholarships awarded	<u>                  1,000</u>
Change in net position	1,000
Net position beginning of year	<u>                  1,000</u>
Net position end of year	<u><u>                  \$          2,000</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

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

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

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.

The District also reports fiduciary funds which focus on net position and changes in net position. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements, which require income earned to be used to benefit individuals through scholarship awards.

### **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 measureable 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, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity**

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, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 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	10 years
Machinery and equipment	5-12 years

Deferred Outflows of Resources - Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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 - Deferred inflows of resources represent an acquisition of net position that applies to future period(s) and will not be recognized as an inflow of resources (revenue) until that time. 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 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, an installment sale receivable for the sale of land(see note 14) in fiscal year 2013 and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

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 Equity - In the governmental fund financial statements, fund balances are classified as follows:

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

Unassigned - All amounts not included in 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, 2015 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, 2015, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$436,556 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, 2015 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 2,120,315
Capital Projects: Construction	Capital Projects: Statewide Sales, Services and Use Tax	77,045
Total		<u>\$ 2,197,360</u>

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 and to move the bond proceeds of June 25, 2015 revenue bond issuance to the Debt Service Fund where it will be used to refund the revenue bonds dated May 2010 during fiscal year 2016.

The transfer from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Capital Projects: Construction Fund to pay for architect fees.

#### **Note 4. Capital Assets**

Capital assets activity for the year ended June 30, 2015 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 972,423	-	-	972,423
Total capital assets not being depreciated	<u>972,423</u>	<u>-</u>	<u>-</u>	<u>972,423</u>
Capital assets being depreciated:				
Buildings	27,350,138	-	-	27,350,138
Land improvements	2,006,015	12,038	-	2,018,053
Machinery and equipment	2,173,995	251,530	87,988	2,337,537
Intangible assets	31,031	-	-	31,031
Total capital assets being depreciated	<u>31,561,179</u>	<u>263,568</u>	<u>87,988</u>	<u>31,736,759</u>
Less accumulated depreciation for:				
Buildings	11,170,241	529,610	-	11,699,851
Land improvements	1,138,317	75,469	-	1,213,786
Machinery and equipment	1,277,118	178,594	87,988	1,367,724
Intangible assets	6,206	3,103	-	9,309
Total accumulated depreciation	<u>13,591,882</u>	<u>786,776</u>	<u>87,988</u>	<u>14,290,670</u>
Total capital assets being depreciated, net	<u>17,969,297</u>	<u>(523,208)</u>	<u>-</u>	<u>17,446,089</u>
Governmental activities capital assets, net	<u>\$ 18,941,720</u>	<u>(523,208)</u>	<u>-</u>	<u>18,418,512</u>
<b>Business type activities:</b>				
Machinery and equipment	\$ 438,447	4,790	-	443,237
Less accumulated depreciation	418,725	3,912	-	422,637
Business type activities capital assets, net	<u>\$ 19,722</u>	<u>878</u>	<u>-</u>	<u>20,600</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 35,672
Other	8,902
Support services:	
Administration	3,780
Operation and maintenance of plant	14,923
Transportation	118,420
	<u>181,697</u>
Unallocated depreciation	<u>605,079</u>
Total governmental activities depreciation expense	<u>\$ 786,776</u>
Business type activities:	
Food services operations	<u>\$ 3,912</u>

## **Note 5. Long-Term Debt**

Changes in long-term liabilities for the year ended June 30, 2015 are summarized as follows:

	Balance Beginning of Year Restated	Additions	Deletions	Balance End of Year	Due Within One Year
<b>Governmental Activities:</b>					
General obligation bonds	\$ 2,155,000	-	775,000	1,380,000	800,000
Revenue bonds	2,165,000	1,599,000	460,000	3,304,000	270,000
Net pension liability	7,188,796	-	2,056,472	5,132,324	-
Net OPEB liability	2,396,535	443,823	-	2,840,358	-
Total	<u>\$ 13,905,331</u>	<u>2,042,823</u>	<u>3,291,472</u>	<u>12,656,682</u>	<u>1,070,000</u>
<b>Business type Activities:</b>					
Net pension liability	\$ 322,223	-	92,177	230,046	-
Net OPEB Liability	29,844	1,635	-	31,479	-
Total	<u>\$ 352,067</u>	<u>1,635</u>	<u>92,177</u>	<u>261,525</u>	<u>-</u>

### **General Obligation Bonds Payable**

Details of the Districts June 30, 2015 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Refunding Bond Issue of May, 2010			
	Rate	Principal	Interest	Total
2016	2.25-2.40 %	\$ 800,000	29,325	829,325
2017	2.55-2.70	580,000	11,528	591,528
Total		<u>\$ 1,380,000</u>	<u>40,853</u>	<u>1,420,853</u>

### **Revenue Bonds Payable**

Details of the District's June 30, 2015 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of May 2010			Refunding Bond Issue of June 25, 2015			Total		
	Rate	Principal	Interest	Rate	Principal	Interest	Principal	Interest	Total
2016	2.30 %	\$ 270,000	49,233	1.75 %	-	14,458	\$ 270,000	63,691	333,691
2017	2.75	270,000	42,415	1.75	500,000	23,607	770,000	66,022	836,022
2018	3.00	275,000	34,577	1.75	506,000	14,805	781,000	49,382	830,382
2019	3.25	285,000	25,821	1.75	300,000	7,752	585,000	33,573	618,573
2020	3.40	295,000	16,175	-	293,000	2,564	588,000	18,739	606,739
2021	3.60	310,000	5,580	-	-	-	310,000	5,580	315,580
Total		<u>\$ 1,705,000</u>	<u>173,801</u>		<u>\$ 1,599,000</u>	<u>63,186</u>	<u>\$ 3,304,000</u>	<u>236,987</u>	<u>3,540,987</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 \$1,599,000 of bonds issued in June 2015. The bonds were issued for the purpose of financing the costs of high school renovations and equipment and refunding prior year issuances. 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 26% of the statewide sales, services and use tax revenues. The total principal and interest paid remaining to be paid is \$3,540,987. For the current year \$460,000 in principal and \$56,938 in interest was paid on the bonds and total statewide sales and services tax revenues were \$1,286,598.

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

- a) Monthly transfers from the District's Statewide Sales, Services and Use Tax Fund shall be placed in a revenue account.
- b) 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
- c) 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. Advance Refunding**

On June 25, 2015, the District issued \$1,599,000 in revenue bonds with interest rates of 1.75 percent and released \$271,000 of the May 1, 2010 revenue bond reserve to advance refund \$1,435,000 of outstanding May 1, 2010 revenue bonds with interest rated from 2.75 to 3.60 percent.

The proceeds of the refunding issue along with the released debt reserve amounts have been placed in the sinking account of the May 1, 2010 revenue bond issuance. This sinking account is sufficient to pay the July 1, 2015, principal and interest payment of the May 1, 2010 revenue bonds as well as the \$1,435,000 in principal of the May 1, 2010 revenue bonds when they become callable on July 1, 2015. The new refunding bonds have been added to the appropriate financial statements and schedules. The economic savings for this advance refunding is \$58,759.

**Note 7. 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 120 active and 20 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through 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. The District also offers to all certified staff members who have attained age 55 and have ten or more years of service health insurance premiums paid at a fixed dollar amount from the time of retirement until the employee becomes eligible for Medicaid. Which results in an 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, 2015, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 734,666
Interest on net OPEB obligation	60,659
Adjustment to annual required contribution	(182,579)
Annual OPEB cost	<u>612,746</u>
Contributions made	(167,288)
Increase in net OPEB obligation	445,458
Net OPEB obligation beginning of year	<u>2,426,379</u>
Net OPEB obligation end of year	<u><u>\$ 2,871,837</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, 2015.

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, 2015 is summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 694,572	23.92	% \$ 1,984,377
2014	613,532	27.96	2,426,379
2015	612,746	27.30	2,871,837

Funded Status and Funding Progress - As of July 1, 2014, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$5,268,330 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$5,268,330. The covered payroll (annual payroll of active employees covered by the plan) was \$9,065,206 and the ratio of the UAAL to covered payroll was 58.1%. As of June 30, 2015, 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, 2014 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: HDHP single for \$582.14 per month; HDHP family for \$1,455.35 per month; Blue Choice single for \$670.12 per month; Blue choice family for \$1,675.30 per month; Alliance Select single for \$712.37 per month; and Alliance Select family for \$1,781.87 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 8. Supplemental Pension Plan**

Plan Description - The District offers a supplemental pension (early retirement incentive) for all full-time employees who attain age 55, has completed fifteen years of service to the District, submits an application to the Superintendent, receives Board approval and retires by June 30 of the same year.

There are 174 active members in the plan as of June 30, 2015. The plan benefit consists of \$85 per day of accumulated unused sick leave up to a maximum of 116 days for certified staff and \$50 per day of accumulated unused sick leave up to a maximum of 116 days for classified staff.

Funding Policy - Payments under the plan are made on a pay-as-you-go basis. There are no invested plan assets accumulated for payment of future benefits. The District makes the contributions from the Management Levy Fund.

Annual Pension Cost and Net Pension Obligation - The District's annual pension cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 27, as amended by GASB Statement No 50. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal costs 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 pension cost for the year ended June 30, 2015, the amount actually contributed to the plan and changes in the District's net pension obligation:

Annual required contribution	\$ 43,257
Interest on net pension obligation	-
Adjustment to annual required contribution	-
Annual pension cost	<u>43,257</u>
Contributions made	<u>(45,644)</u>
Increase in net pension obligation	(2,387)
Net pension obligation beginning of year	-
Net pension obligation end of year	<u><u>\$ (2,387)</u></u>

For calculation of the net pension obligation, the actuary has set the transition day as July 1, 2014. The end of year net pension 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, 2015.

The District's annual pension cost, the percentage of annual pension cost contributed to the plan and the net pension obligation are summarized as follows:

Year Ended June 30,	Annual Pension Cost	Percentage of Annual Pension Cost Contributed	Net Pension Obligation
2015	\$ 43,257	1.06 %	\$ (2,387)

Funded Status and Funding Progress - As of July 1, 2014, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$343,497, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$343,497. The covered payroll (annual payroll of active employees covered by the plan) was \$1,372,446, and the ratio of the UAAL to the covered payroll was 25.0%. As of June 30, 2015, 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 employee retirement age. 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 for the Supplemental Pension Plan, 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 that are 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, 2014 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 actuarial assumptions used for mortality rates, employee termination by age and group, employee retirement by age and group and others are similar to or identical to the GASB Statement No. 45 assumptions used to determine the net OPEB obligation. The UAAL is being amortized as a level dollar cost using a closed group method over 30 years.

## **Note 9. Pension Plan**

Plan Description - IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general information purposes only. Refer to the plan documents for more information.

Pension Benefits - A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the

actuarial contribution rate be determined using the “entry age normal” actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the District contributed 8.93 percent for a total rate of 14.88 percent.

The District’s contributions to IPERS for the year ended June 30, 2015 were \$963,355.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the District reported a liability of \$5,362,370 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District’s proportion of the net pension liability was based on the District’s share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District’s collective proportion was 0.132500 percent, which was a decrease of 0.000157 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$399,506. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 58,279	\$ -
Changes of assumptions	236,653	-
Net difference between projected and actual earnings on pension plan investments	-	2,045,054
Changes in proportion and differences between District contributions and proportionate share of contributions	-	7,936
District contributions subsequent to the measurement date	963,355	-
<b>Total</b>	<b>\$ 1,258,287</b>	<b>\$ 2,052,990</b>

\$963,355 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2016	\$ (444,208)
2017	(444,208)
2018	(444,208)
2019	(444,208)
2020	18,774
	<u>\$ (1,758,058)</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	<u>1% Decrease (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
District's proportionate share of the net pension liability	\$ 10,132,047	\$ 5,362,370	\$ 1,336,268

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

Payables to the Pension Plan - At June 30, 2015, the District reported payables to the defined benefit pension plan of \$118,035 for legally required employer contributions and \$78,646 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

**Note 10. 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 11. 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 \$584,291 for the year ended June 30, 2015 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**Note 12. Deficit Net Position**

At June 30, 2015, the District had a deficit unrestricted net position of \$6,657,814 in the governmental activities.

**Note 13. Categorical Funding**

The District's restricted balance for categorical funding at June 30, 2015 is comprised of the following programs:

Program	Amount
Four-year-old preschool state aid	\$ 467,131
Teacher salary supplement	26,827
Professional development for model core curriculum	54,810
Professional development	89,273
School ready children	8,131
Successful progression for early readers	34,173
Teacher leadership	3,525
Total	<u>\$ 683,870</u>

**Note 14. 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, 2015 the District received \$20,000 in principal and interest.

**Note 15. Reconciliation of Governmental Fund Balances to Net Position**

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

	Net Investment in Capital Assets	Debt Service	Unassigned/ Unrestricted
Fund balance (Exhibit C)	\$ -	2,156,884	1,911,765
Invested in capital assets, net of accumulated depreciation	18,418,512	-	-
General obligation bond capitalized indebtedness	(1,380,000)	-	-
Revenue bond capitalized indebtedness	(3,304,000)	-	-
Accrued interest payable	-	(43,079)	-
Net pension liability - IPERS	-	-	(5,132,324)
Pension related deferred outflows of resources	-	-	1,205,174
Pension related deferred inflows of resources	-	-	(1,964,917)
Net pension asset - early retirement	-	-	2,387
Internal service fund	-	-	160,459
Net OPEB liability	-	-	(2,840,358)
Net position (Exhibit A)	<u>\$ 13,734,512</u>	<u>2,113,805</u>	<u>(6,657,814)</u>

**Note 16. Accounting Change/Restatement**

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27 was implemented during fiscal year 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, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental and business type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	Governmental Activities	Business Type Activities		
		School Nutrition	Early Childhood	Total
Net position June 30, 2014, as previously reported	\$ 17,727,848	\$ 176,968	331,590	508,558
Net pension liability at June 30, 2014	(7,188,796)	(181,767)	(140,456)	(322,223)
Deferred outflows of resources related to the contributions made after the June 30, 2013 measurement date	756,202	19,120	14,775	33,895
Net position July 1, 2014, as restated	<u>\$ 11,295,254</u>	<u>\$ 14,321</u>	<u>205,909</u>	<u>220,230</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, 2015**

	Governmental	Proprietary	Total	Budgeted Amounts		Final to
	Funds	Funds		Original	Final	Actual
	Actual	Actual				Actual
<b>Revenues:</b>						
Local sources	\$ 9,176,596	688,656	9,865,252	12,069,504	12,069,504	(2,204,252)
State sources	8,976,292	6,456	8,982,748	8,142,911	8,142,911	839,837
Federal sources	437,913	322,727	760,640	1,007,025	1,007,025	(246,385)
<b>Total revenues</b>	<b>18,590,801</b>	<b>1,017,839</b>	<b>19,608,640</b>	<b>21,219,440</b>	<b>21,219,440</b>	<b>(1,610,800)</b>
<b>Expenditures/Expenses:</b>						
Instruction	12,393,225	-	12,393,225	16,178,633	16,178,633	3,785,408
Support services	4,511,401	38,790	4,550,191	7,544,016	7,544,016	2,993,825
Non-instructional programs	3,947	919,505	923,452	1,510,200	1,510,200	586,748
Other expenditures	2,201,477	-	2,201,477	2,889,570	2,889,570	688,093
<b>Total expenditures/expenses</b>	<b>19,110,050</b>	<b>958,295</b>	<b>20,068,345</b>	<b>28,122,419</b>	<b>28,122,419</b>	<b>8,054,074</b>
Excess(Deficiency) of revenues over(under) expenditures/expenses	(519,249)	59,544	(459,705)	(6,902,979)	(6,902,979)	6,443,274
Other financing sources, net	1,619,000	-	1,619,000	746,088	746,088	872,912
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	1,099,751	59,544	1,159,295	(6,156,891)	(6,156,891)	7,316,186
Balance beginning of year, as restated	5,430,210	220,230	5,650,440	7,926,133	7,926,133	(2,275,693)
Balance end of year	\$ 6,529,961	279,774	6,809,735	1,769,242	1,769,242	5,040,493

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2015

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.

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
2015	July 1, 2014	-	5,268,330	5,268,330	0.0	9,065,206	58.1

See Note 7 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.

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

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2015	July 1, 2014	-	\$ 343,497	\$ 343,497	0.0 %	\$ 1,372,446	25.0 %

See Note 8 in the accompanying Notes to the Financial Statements for the plan description, funding policy, annual pension cost and net pension obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 IOWA PUBLIC EMPLOYEE'S RETIREMENT SYSTEM  
 LAST FISCAL YEAR\*  
 REQUIRED SUPPLEMENTARY INFORMATION

	2015
District's proportion of the net pension liability	0.132500%
District's proportionate share of the net pension liability	\$ 5,362,370
District's covered-employee payroll	\$ 10,787,853
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	49.71%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

\* The amount presented for each fiscal year were determined as of June 30.

**Note:** GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT**  
**SCHEDULE OF DISTRICT CONTRIBUTIONS**  
**IOWA PUBLIC EMPLOYEE'S RETIREMENT SYSTEM**  
**LAST TEN FISCAL YEARS**  
**REQUIRED SUPPLEMENTARY INFORMATION**

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statutorily required contribution	\$ 963,355	919,724	851,223	767,943	644,943	614,965	550,905	494,490	453,008	425,216
Contributions in relation to the statutorily required contribution	<u>(963,355)</u>	<u>(919,724)</u>	<u>(851,223)</u>	<u>(767,943)</u>	<u>(644,943)</u>	<u>(614,965)</u>	<u>(550,905)</u>	<u>(494,490)</u>	<u>(453,008)</u>	<u>(425,216)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>								
District's covered-employee payroll	\$ 10,787,853	10,299,261	9,818,028	9,516,022	9,279,755	8,848,417	8,675,669	8,173,388	7,878,400	7,395,061
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%	6.95%	6.95%	6.35%	6.05%	5.75%	5.75%

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY  
YEAR ENDED JUNE 30, 2015

*Changes of benefit terms:*

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

*Changes of assumptions:*

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY  
YEAR ENDED JUNE 30, 2015

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

**Sergeant Bluff-Luton Community School District**



## **Supplementary Information**

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2015

	Special Revenue		
	Management Levy	Student Activity	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 644,264	305,624	949,888
Receivables:			
Property tax:			
Delinquent	1,287	-	1,287
Succeeding year	497,134	-	497,134
<b>TOTAL ASSETS</b>	<b>\$ 1,142,685</b>	<b>305,624</b>	<b>1,448,309</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 795	23,898	24,693
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property taxes	497,134	-	497,134
Fund balances:			
Restricted for:			
Management levy purposes	644,756	-	644,756
Student activities	-	281,726	281,726
Total fund balances	644,756	281,726	926,482
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 1,142,685</b>	<b>305,624</b>	<b>1,448,309</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2015

	Special Revenue		
	Management Levy	Student Activity	Total
<b>REVENUES:</b>			
Local sources:			
Local tax	\$ 496,721	-	496,721
Other	12,183	489,414	501,597
State sources	15,156	-	15,156
<b>TOTAL REVENUES</b>	<b>524,060</b>	<b>489,414</b>	<b>1,013,474</b>
<b>EXPENDITURES:</b>			
Current:			
Instruction:			
Regular	200,543	-	200,543
Other	-	401,824	401,824
	<b>200,543</b>	<b>401,824</b>	<b>602,367</b>
Support services:			
Student	24,074	-	24,074
Instructional staff	3,205	-	3,205
Administration	37,690	-	37,690
Operation and maintenance of plant	170,230	-	170,230
Transportation	15,702	-	15,702
	<b>250,901</b>	<b>-</b>	<b>250,901</b>
Non-instructional programs:			
Food service operations	2,425	-	2,425
Community service operations	1,522	-	1,522
	<b>3,947</b>	<b>-</b>	<b>3,947</b>
<b>TOTAL EXPENDITURES</b>	<b>455,391</b>	<b>401,824</b>	<b>857,215</b>
Change in fund balances	68,669	87,590	156,259
Fund balances beginning of year	576,087	194,136	770,223
Fund balances end of year	<b>\$ 644,756</b>	<b>281,726</b>	<b>926,482</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECT ACCOUNTS  
 JUNE 30, 2015

	Capital Projects			
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Construction	Total
<b>ASSETS</b>				
Cash and pooled investments	\$ 536,675	122,501	750	659,926
Receivables:				
Property tax:				
Delinquent	-	446	-	446
Succeeding year	-	204,141	-	204,141
Due from other governments	199,475	40,000	-	239,475
<b>TOTAL ASSETS</b>	<b>\$ 736,150</b>	<b>367,088</b>	<b>750</b>	<b>1,103,988</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 11,535	16,602	750	28,887
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	-	204,141	-	204,141
Installment sale of land	-	20,000	-	20,000
Total deferred inflows of resources	-	224,141	-	224,141
Fund balances:				
Restricted for:				
School infrastructure	724,615	-	-	724,615
Physical plant and equipment	-	126,345	-	126,345
Total fund balances	724,615	126,345	-	850,960
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 736,150</b>	<b>367,088</b>	<b>750</b>	<b>1,103,988</b>

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, 2015

	Capital Project			
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Constructions	Total
REVENUES:				
Local sources:				
Local tax	\$ -	204,829	-	204,829
Other	10,217	32,516	-	42,733
State sources	1,286,598	5,855	-	1,292,453
<b>TOTAL REVENUES</b>	<b>1,296,815</b>	<b>243,200</b>	<b>-</b>	<b>1,540,015</b>
EXPENDITURES:				
Current:				
Instruction:				
Regular	291,932	147,719	-	439,651
Other	13,120	-	-	13,120
Support services:				
Instructional staff	82,284	-	-	82,284
Administration	3,000	39,272	-	42,272
Operation and maintenance of plant	40,808	65,421	-	106,229
Transportation	133,296	-	-	133,296
Capital outlay	144,217	22,261	77,045	243,523
<b>TOTAL EXPENDITURES</b>	<b>708,657</b>	<b>274,673</b>	<b>77,045</b>	<b>1,060,375</b>
Excess(Deficiency) of revenues over(under) expenditures	588,158	(31,473)	(77,045)	479,640
OTHER FINANCING SOURCES(USES):				
Proceeds from installment sale of land	-	20,000	-	20,000
Revenue bond proceeds	1,599,000	-	-	1,599,000
Transfer in	-	-	77,045	77,045
Transfer out	(2,197,360)	-	-	(2,197,360)
<b>TOTAL OTHER FINANCING SOURCES(USES)</b>	<b>(598,360)</b>	<b>20,000</b>	<b>77,045</b>	<b>(501,315)</b>
Change in fund balances	(10,202)	(11,473)	-	(21,675)
Fund balances beginning of year	734,817	137,818	-	872,635
Fund balances end of year	\$ 724,615	126,345	-	850,960

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, 2015

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
FOOD 4 THOUGHT	\$ 8,227	9,263	9,254	8,236
FIELD TRIPS	193	-	-	193
QUIZ BOWL	4	-	-	4
PRIMARY SPECIAL PROJECTS	9,109	377	-	9,486
ELEMENTARY INSTRUMENTAL MUSIC	147	29	-	176
AFTER SCHOOL ACTIVITIES	969	-	-	969
ELEMENTARY SPECIAL PROJECTS	4,928	196	-	5,124
ELEMENTARY VOCAL MUSIC	688	-	-	688
INSTRUMENTAL MUSIC	114	5	49	70
JR. HIGH ATHLETICS/JUICE	2,146	2,052	1,796	2,402
JR. HIGH FOOTBALL	3,262	1,666	2,177	2,751
JR. HIGH BOYS TRACK	104	-	-	104
JR. HIGH WRESTLING	870	-	-	870
JR. HIGH GIRLS BASKETBALL	77	128	104	101
JR. HIGH VOLLEYBALL	305	-	-	305
JR HIGH GIRLS TRACK	934	-	-	934
6TH GRADE CLASS	1,293	-	57	1,236
MUSIC MAGAZINE SALES	4,148	3,004	1,470	5,682
JR. HIGH CHEERLEADERS	732	70	-	802
JR. HIGH YEARBOOK	781	4,067	2,799	2,049
L.A. EXPERIENCE	2	-	-	2
STUDENT COUNCIL	1,939	750	115	2,574
MIDDLE SCHOOL PROJECTS	4,773	21	4,794	-
THEATRE/PLAYS	3,725	2,358	91	5,992
SPEECH	727	-	450	277
MUSIC TRIP/FUNDRAISERS	6,541	14,498	7,802	13,237
INSTRUMENTAL MUSIC	1,722	7,994	3,514	6,202
ATHELTICS	85	106,386	106,471	-
WARRIOR ZONE	9,073	28,827	23,747	14,153
BOWLING	-	1,152	1,152	-
CROSS COUNTRY	2,078	4,502	5,033	1,547
ARCHERY	3,315	8,417	7,093	4,639
BOYS BASKETBALL	5,024	9,975	8,469	6,530
FOOTBALL	2,624	47,111	23,212	26,523
BOYS SOCCER	916	3,750	4,417	249
BASEBALL	2,796	18,147	7,963	12,980
BOYS TRACK	1,229	5,555	4,664	2,120
BOYS GOLF	194	624	417	401
WRESTLING	12,684	21,678	19,837	14,525
GIRLS BASKETBALL	5,888	4,566	3,789	6,665
VOLLEYBALL	6,617	12,555	11,020	8,152
GIRLS SOCCER	2	9,471	7,853	1,620
SOFTBALL	-	1,860	1,772	88
GIRLS TRACK	-	3,419	3,363	56

SCHEDULE 5

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
SPIRIT SPOT	4,640	10,907	5,050	10,497
NATIONAL HONOR SOCIETY	1,621	451	912	1,160
HISTORY/LITERATURE RENAISSANCE	5,621	6,912	8,334	4,199
ENVIORNMENTAL CLUB	748	163	55	856
CLASS OF 2012	584	-	-	584
CLASS OF 2013	292	-	-	292
CLASS OF 2015	2,166	523	2,689	-
CLASS OF 2016	1,073	31,031	26,277	5,827
CLASS OF 2017	444	767	174	1,037
CLASS OF 2018	-	483	-	483
VOCAL SELECT MUSIC	2,777	12,437	11,818	3,396
HS SHOW CHIOR	453	1,954	2,331	76
H.S. MUSIC BOOSTERS	23,435	29,072	9,965	42,542
H.S. SOLO/ENSEMBLE CONTEST	1,078	3,278	2,596	1,760
S.T.E.P.	1,022	-	-	1,022
CHEERLEADERS	3,920	7,255	6,540	4,635
DANCE TEAM	12,401	18,018	15,010	15,409
SPIRIT COUNCIL	658	-	-	658
HIGH SCHOOL YEARBOOK	3,995	12,790	16,335	450
SENIOR COMPOSITE FEES	815	1,398	-	2,213
WEIGHT TRAINING	5,678	7,224	6,677	6,225
JEL	229	-	229	-
H.S. STUDENT COUNCIL	3,618	8,518	7,808	4,328
ART	416	-	-	416
H.S. SPECIAL PROJECTS	5,467	1,760	4,280	2,947
TOTAL	\$ 194,136	489,414	401,824	281,726

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT  
COMBINING SCHEDULE OF NET POSITION  
INTERNAL SERVICE FUNDS  
JUNE 30, 2015

	Governmental Activities: Internal Service Funds		
	Partially Self-funded Health Insurance	Flex Benefit	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 149,756	11,483	161,239
<b>LIABILITIES</b>			
Accounts payable	780	-	780
<b>NET POSITION</b>			
Unrestricted	\$ 148,976	11,483	160,459

SEE ACCOMPANYING INDEPENDENT AUDITORS REPORT

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 INTERNAL SERVICE FUNDS  
 YEAR ENDED JUNE 30, 2015

	Governmental Activities: Internal Service Funds		
	Partially Self-funded Health Insurance	Flex Benefit	Total
OPERATING REVENUES:			
Local sources:			
Miscellaneous	\$ 104,408	156,711	261,119
OPERATING EXPENSES:			
Other enterprise operations:			
Benefits	33,763	-	33,763
Services	11,365	-	11,365
Other	-	164,787	164,787
TOTAL OPERATING EXPENSES	45,128	164,787	209,915
OPERATING INCOME (LOSS)	59,280	(8,076)	51,204
NON-OPERATING REVENUES:			
Interest income	1,761	-	1,761
Change in net position	61,041	(8,076)	52,965
Net position beginning of year	87,935	19,559	107,494
Net position end of year	\$ 148,976	11,483	160,459

SEE ACCOMPANYING INDEPENDENT AUDITORS REPORT

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF CASH FLOWS  
 INTERNAL SERVICE FUNDS  
 YEAR ENDED JUNE 30, 2015

	Governmental Activities: Internal Service Funds		
	Partially Self-funded Health Insurance	Flex Benefit	Total
Cash flows from operating activities:			
Cash received from miscellaneous	\$ 104,408	156,711	261,119
Cash payments to employees for services	-	(164,787)	(164,787)
Cash payments to suppliers for goods or services	(45,088)	-	(45,088)
Net cash provided by(used in) operating activities	<u>59,320</u>	<u>(8,076)</u>	<u>51,244</u>
Cash flows from investing activities:			
Interest on investments	<u>1,761</u>	-	<u>1,761</u>
Net increase(decrease) in cash and pooled investments	61,081	(8,076)	53,005
Cash and pooled investments at beginning of year	<u>88,675</u>	<u>19,559</u>	<u>108,234</u>
Cash and pooled investments at end of year	<u>\$ 149,756</u>	<u>11,483</u>	<u>161,239</u>
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:			
Operating income(loss)	\$ 59,280	(8,076)	51,204
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:			
Increase in accounts payable	40	-	40
Net cash provided by(used in) operating activities	<u>\$ 59,320</u>	<u>(8,076)</u>	<u>51,244</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,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues:										
Local sources:										
Local tax	\$ 6,510,961	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
Tuition	1,818,513	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
Other	847,122	744,671	725,751	739,524	685,667	538,529	533,552	638,519	785,597	669,794
State sources	8,976,292	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
Federal sources	437,913	457,629	449,504	508,414	898,966	1,210,887	589,517	296,929	270,074	287,538
Total	\$ 18,590,801	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
Expenditures:										
Instruction:										
Regular	\$ 8,031,768	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
Special	2,266,836	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
Other	2,094,621	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
Support services:										
Student	294,795	275,816	316,265	259,062	257,633	264,747	269,104	297,877	246,762	253,540
Instructional staff	645,923	813,912	585,158	629,387	1,495,324	645,332	504,591	510,197	996,482	463,075
Administration	1,389,067	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
Operation and maintenance of plant	1,644,440	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
Transportation	537,176	554,161	471,962	526,895	354,919	367,163	297,655	548,002	582,402	337,107
Non-instructional programs	3,947	4,597	3,839	4,527	4,666	3,550	3,247	1,456	1,637	2,960
Capital outlay	243,523	397,756	686,107	690,492	2,485,179	644,245	1,560,060	788,895	674,669	433,222
Long-term debt:										
Principal	1,235,000	1,205,000	1,195,000	960,000	826,255	5,823,661	741,501	749,217	600,000	915,000
Interest and fiscal charges	138,663	132,756	155,412	172,563	175,771	256,919	235,961	230,645	347,247	471,358
Other expenditures:										
AEA flow-through	584,291	555,388	531,045	531,633	572,872	561,727	510,399	485,234	459,361	404,912
Total	\$ 19,110,050	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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 YEAR ENDED JUNE 30, 2015

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	EXPENDITURES
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
CHILD NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 15	30,274
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 15	292,453 *
			<u>322,727</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I - GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	FY 15	<u>128,582</u>
IMPROVING TEACHER QUALITY STATE GRANTS	84.367	FY 15	<u>35,103</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES(TITLE VI A)	84.369	FY 15	<u>7,780</u>
NORTHWEST AREA EDUCATION AGENCY 267:			
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY15	<u>63,359</u>
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 15	<u>10,717</u>
TOTAL			<u>\$ 568,268</u>

\* Includes \$47,885 of non-cash awards

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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**Certified Public Accountants**  
(a professional corporation)  
117 West 3rd Street North, Newton, Iowa 50208-3040  
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**Independent Auditor's Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards**

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

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Sergeant Bluff-Luton Community School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 22, 2016.

**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 material weakness and 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-15 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 consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-B-15 to be a significant deficiency.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Sergeant Bluff-Luton Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts.

However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

### **Sergeant Bluff-Luton Community School District's Responses to Findings**

Sergeant Bluff-Luton Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Sergeant Bluff-Luton Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on them.

### **Purpose of this Report**

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

February 22, 2016  
Newton, Iowa

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**Independent Auditor's Report on Compliance**  
**for Each Major Federal 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, 2015. 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, 2015.

**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 deficiencies in internal control over compliance we consider to be a material weakness and a significant deficiency.

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility 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-15 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal programs that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance as described in the accompanying Schedule of Findings and Questioned Costs as item III-B-15 to be a significant deficiency.

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.

February 22, 2016  
Newton, Iowa

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2015

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

- (a) Unmodified opinions were issued on the financial statements.
- (b) A material weakness and a significant deficiency in internal control over financial reporting were 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 and a significant deficiency 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-15 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 one or more 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.

II-B-15 Supporting Documentation for Meal Money - We noted during our audit instances of students receiving meal money during District sponsored trips. However, there was no documentation as to who received funds and/or the amount of funds received.

Recommendation - The District should document who receives cash when going on trips. The District should maintain a list of who received the cash and the amount. The students should sign off upon receiving cash for the trip. The District should review procedures in place and implement controls to ensure documentation is gathered to support the check written for cash needed for the trip.

Response - The District has reviewed the procedure for distributing meal money. Several changes have been immediately implemented to ensure proper distribution and documentation.

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: 2015  
U.S. Department of Agriculture  
Passed through the Iowa Department of Agriculture

III-A-15 (2015-001) 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 one or more 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 and Corrective Action Plan - The District will review internal control procedures and implement changes as allowable with our current staff.

Conclusion - Response accepted.

III-B-15 Free and Reduced Lunch Applications - We noted an instance of free and reduced lunch (2015-002) applications not being determined properly according to the guidelines released by the Iowa Department of Education.

Recommendation - The District should review the policies and procedures for determining free and reduced lunch applications to ensure compliance with Iowa Department of Education guidelines.

Response and Corrective Action Plan - The District has reviewed the procedure for processing the free and reduced application to ensure all guidelines are followed.

Conclusion - Response accepted.

**Part IV: Other Findings Related to Required Statutory Reporting:**

IV-A-15 Certified Budget - District disbursements for the year ended June 30, 2015 did not exceed the amounts budgeted.

IV-B-15 Questionable Disbursements – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

IV-C-15 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-15 Business Transactions - Business transactions between the District and District officials are noted as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
John Baker, Board Member President, Suter Services, C.W.	HVAC Services, per bid	\$ 82,821
Dave Schaar, Board member Sales Representative, RTI	Network Services, per bid	32,708

In accordance with the Chapter 279.7A of the Code of Iowa, the above transactions with board members do not appear to represent a conflict of interest as the District Received bids for services performed and each board member abstained from their respective vote.

IV-E-15 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-15 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-15 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Iowa Department of Education.

- IV-H-15 Supplementary Weighting - We noted no variances in the supplementary weighting data certified to the Iowa Department of Education.
- IV-I-15 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-15 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-15 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- IV-L-15 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, 2015, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning Balance		\$ 734,817
Revenues:		
Sales tax revenues	\$ 1,286,598	
Other local revenues	10,217	
Revenue bond proceeds	1,599,000	2,895,815
Total revenues		<u>3,630,632</u>
Expenditures:		
School infrastructure construction	113,490	
Equipment	545,327	
Other	49,840	
Transfers to other funds:		
Debt service fund	2,120,315	
Other	77,045	2,906,017
Ending balance		<u><u>\$ 724,615</u></u>

For the year ended June 30, 2015 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-15 Physical Plant and Equipment Levy(PPEL) Expenditures - We noted during our audit that the District made purchases from the PPEL Fund which do not appear to be in compliance with Chapter 423 and 298.3 of the Code of Iowa. The District purchased instructional software which would appear to be more appropriate from the General Fund.

Recommendation - Expenditures for instructional software are more appropriate from the General Fund. The District should review Chapter 423 and Chapter 298 of the Code of Iowa for allowability of expenditures from the PPEL Fund. Since the District had allowable PPEL expenditures from the General Fund, we did not request a corrective transfer on the financial statements.

Response - The District will review all software invoices to ensure the proper fund is expended.

Conclusion - Response accepted.

IV-N-15 Financial Condition - At June 30, 2015, the District had a deficit unrestricted net position of \$6,657,814 in the governmental activities. The primary reason for these deficit net positions is due to the implementation of GASB Statements No. 68 and No. 71 during the year.

Recommendation - The District should take steps to ensure the District's administration and Board of Education understand this accounting change/restatement and how GASB Statements No. 68 and 71 will affect the District's financials moving forward.

Response - The District's governmental activities went deficit due to the implementation of GASB Statement No. 68 and No. 71 in fiscal year 2015 which require the District to show its proportionate share of the IPERS funding deficit as a liability on the Statement of Net Position. The District's governmental activities net pension liability was \$5,132,324 at June 30, 2015.

Conclusion - Response accepted.