

STORM LAKE COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2009

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Storm Lake Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2008 Election)		
Dan Douglas	President	2009
Edward McKenna	Vice President	2011
Barb Seiler	Board Member	2011
Todd Nicholson	Board Member	2009
Leslie Cutler	Board Member	2008
Board of Education (After September 2008 Election)		
Dan Douglas	President	2009
Edward McKenna	Vice President	2011
Barb Seiler	Board Member	2011
Dave Jennett	Board Member	2011
Todd Nicholson	Board Member	2009
School Officials		
Paul Tedesco	Superintendent	2009
Trudy Peterson	Business Manager/ District Secretary/ Treasurer	2009
Ahlers & Cooney, P.C.	Attorney	2009
Cornwall, Avery, Bjornstad & Scott	Attorney	2009

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Storm Lake Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Storm Lake Community School District, Storm Lake, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Storm Lake Community School District at June 30, 2009, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

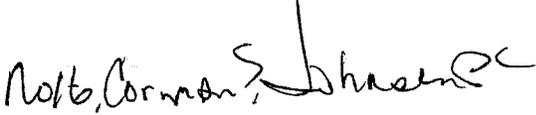
In accordance with Government Auditing Standards, we have also issued our report dated March 2, 2010 on our consideration of Storm Lake Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant 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 and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 13 and 37 through 39 are not required parts of the

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basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Storm Lake Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2008 while another auditor previously audited the financial statements for the four years ended June 30, 2007, (none of which are presented herein) in accordance with the standards referred to in the second paragraph of this report and unqualified opinions were expressed on those financial statements. The supplemental information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

March 2, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Storm Lake Community School District provides the 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, 2009. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2009 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$20,088,025 in fiscal 2008 to \$21,191,852 in fiscal 2009, while General Fund expenditures increased from \$20,275,746 in fiscal 2008 to \$21,102,979 in fiscal 2009. This resulted in an increase in the District's General Fund balance from \$1,362,737 in fiscal 2008 to a balance of \$1,451,610 in fiscal 2009, which is a 6.52% increase from the prior year.
- The increase in General Fund revenues was attributable to increases in local and federal sources in fiscal 2009. The increase in expenditures was due primarily to increases in negotiated salaries and benefits as well as increases in expenditures funded by grants received by the District.
- In January 2009, the Board took action to set a \$2 million General Fund GAAP Fund Balance goal for FY 2014. Due to the 08-09 mid-year 1.5% Across the Board cut in State Funding, and the resulting freeze on discretionary spending, the District was able to make progress towards this goal. The Board also approved nearly \$500,000 in cuts, as recommended by administrators, for FY 2010.
- The District's solvency ratio (unreserved-undesignated fund balance/general fund revenues) decreased from 6.5% at the end of fiscal 2008 to 6.4% at the end of fiscal 2009. Although the District's solvency ratio decreased during the year, it is still within the State School Budget Review Committee's recommendation of a solvency ratio between 5% and 10%.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Storm Lake 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 Storm Lake 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 Storm Lake Community School District acts solely as an agent or custodial for the benefit of those outside of School District.

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the schedule of funding progress for the retiree health plan.

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

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

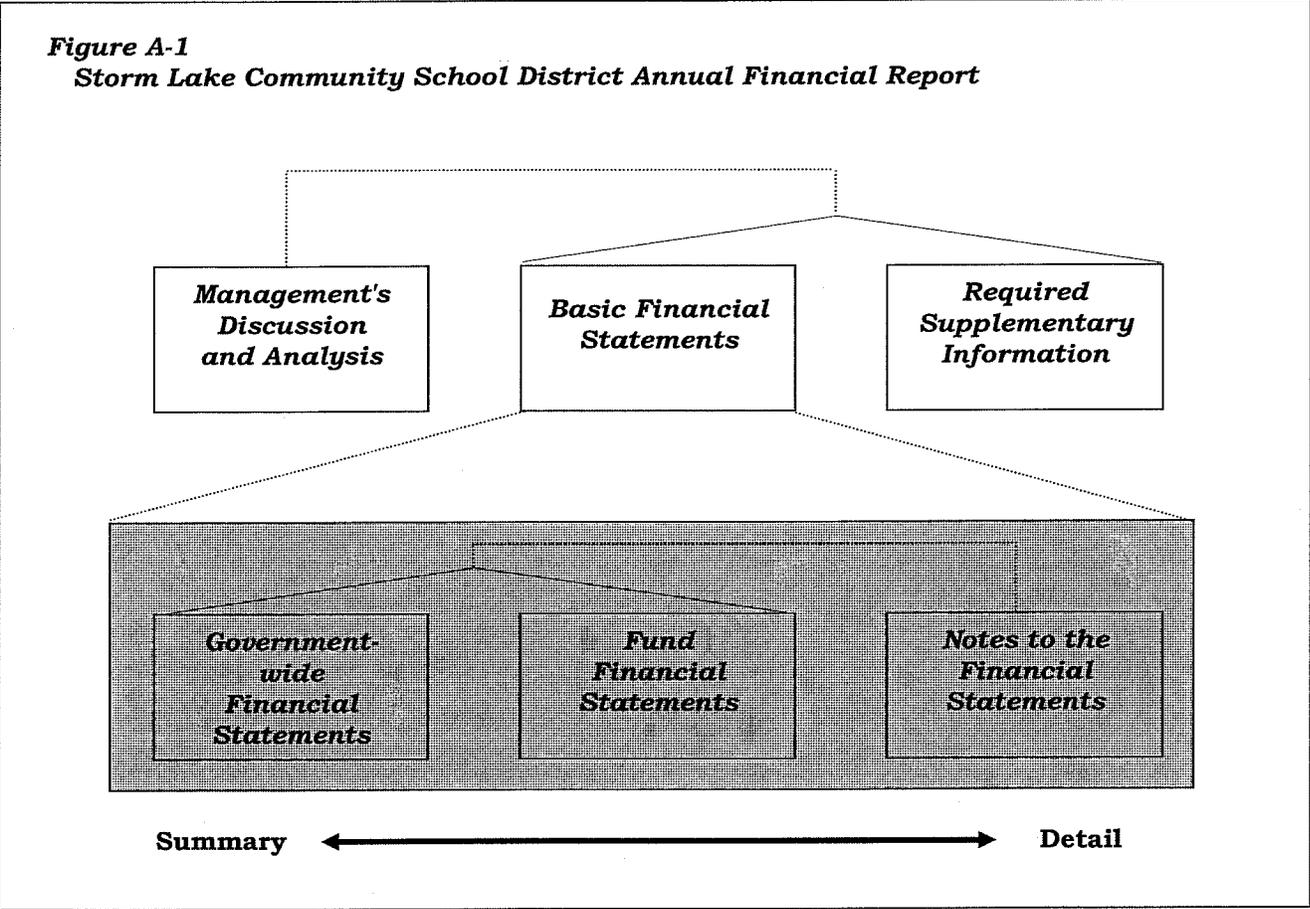


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2			
Major Features of the Government-wide and Fund Financial Statements			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of revenues, expenses and changes in net assets • Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is 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

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has two kinds of funds:

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

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

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 Community Education Fund.

The District's internal service fund (another type of proprietary fund) is the same as its governmental activities but provide more detail and additional information, such as cash flows. The District has two internal service funds: Self-funded Insurance and the Flexible Spending Plan.

The required financial statements for the proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in net assets and a statement of cash flows.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2009 compared to June 30, 2008.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
Current and other assets	\$ 22,530,716	27,900,846	454,313	171,157	22,985,029	28,072,003	-18.12%
Capital assets	22,030,468	14,964,086	47,790	65,766	22,078,258	15,029,852	46.90%
Total assets	44,561,184	42,864,932	502,103	236,923	45,063,287	43,101,855	4.55%
Long-term obligations	14,593,187	14,966,081	1,182	0	14,594,369	14,966,081	-2.48%
Other liabilities	13,651,230	11,765,041	102,102	19,198	13,753,332	11,784,239	16.71%
Total liabilities	28,244,417	26,731,122	103,284	19,198	28,347,701	26,750,320	5.97%
Net assets:							
Invested in capital assets, net of related debt	7,615,468	8,614,545	47,790	65,766	7,663,258	8,680,311	-11.72%
Restricted	6,195,058	5,133,448	0	0	6,195,058	5,133,448	20.68%
Unrestricted	2,506,241	2,385,817	351,029	151,959	2,857,270	2,537,776	12.59%
Total net assets	\$ 16,316,767	16,133,810	398,819	217,725	16,715,586	16,351,535	2.23%

The District's combined net assets increased by 2.23%, or \$364,051, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased 20.68%, or \$1,061,610, over the prior year. The increase in restricted net assets is mainly attributable to the increase in fund balances of the Management Levy and Physical Plant and Equipment Levy Funds.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$319,494, or 12.59%. The increase in fund balance of the General Fund was a contributing factor in the increase of unrestricted net assets.

Figure A-4 shows the changes in net assets for the year ended June 30, 2009 compared to the year ended June 30, 2008.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
Revenues & Transfers:							
Program revenues:							
Charges for services	\$ 1,597,123	1,506,042	412,895	574,627	2,010,018	2,080,669	-3.40%
Operating grants and contributions and restricted interest	5,223,174	4,394,010	757,005	652,595	5,980,179	5,046,605	18.50%
Capital grants and contributions and restricted interest	5,084	712,120	0	0	5,084	712,120	-99.29%
General revenues:							
Property tax	5,881,957	5,138,648	0	0	5,881,957	5,138,648	14.47%
Income surtax	91,099	174,073	0	0	91,099	174,073	-47.67%
Statewide sales and services tax	1,286,364	1,171,134	0	0	1,286,364	1,171,134	9.84%
Unrestricted state grants	9,698,068	9,967,228	0	0	9,698,068	9,967,228	-2.70%
Other	542,027	864,420	146,796	1,442	688,823	865,862	-20.45%
Transfers	(164,441)	0	164,441	0	0	0	0.00%
Total revenues & transfers	24,160,455	23,927,675	1,481,137	1,228,664	25,641,592	25,156,339	1.93%
Program expenses:							
Governmental activities:							
Instructional	15,772,322	13,693,326	0	0	15,772,322	13,693,326	15.18%
Support services	6,054,309	5,374,264	131,095	137,698	6,185,404	5,511,962	12.22%
Non-instructional programs	27,026	6,070	1,168,948	1,172,566	1,195,974	1,178,636	1.47%
Other expenses	2,123,841	1,388,896	0	0	2,123,841	1,388,896	52.92%
Total expenses	23,977,498	20,462,556	1,300,043	1,310,264	25,277,541	21,772,820	16.10%
Changes in net assets	182,957	3,465,119	181,094	(81,600)	364,051	3,383,519	-89.24%
Beginning net assets	16,133,810	12,668,691	217,725	299,325	16,351,535	12,968,016	26.09%
Ending net assets	\$ 16,316,767	16,133,810	398,819	217,725	16,715,586	16,351,535	2.23%

In fiscal 2009, property tax, income surtax, local option (statewide) sales and services tax and unrestricted state grants account for 70.19% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 78.99% of the revenue from business type activities.

The District's total revenues were approximately \$25.64 million of which \$24.16 million was for governmental activities and approximately \$1.48 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 1.93% increase in revenues and a 16.10% increase in expenses. Property tax increased \$743,309 to fund increases in expenditures. The increase in expenses related to increases in the negotiated salary and benefits as well as increases in expenses related to the net OPEB liability.

Governmental Activities

Revenues net of transfers for governmental activities were \$24,160,455 and expenses were \$23,977,498. The following table presents the total and net cost of the District’s major governmental activities: instruction, support services and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2009	2008	Change 2008-09	2009	2008	Change 2008-09
Instruction	\$ 15,772,322	13,693,326	15.18%	9,719,016	8,533,652	13.89%
Support services	6,054,309	5,374,264	12.65%	6,035,194	5,345,942	12.89%
Non-instructional	27,026	6,070	345.24%	27,026	6,070	345.24%
Other expenses	2,123,841	1,388,896	52.92%	1,370,881	(35,280)	3985.72%
Totals	\$ 23,977,498	20,462,556	17.18%	17,152,117	13,850,384	23.84%

- The cost financed by users of the District’s programs was \$1,597,123.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$5,228,258.
- The net cost of governmental activities was financed with \$5,881,957 in property tax, \$91,099 in income surtax, \$1,286,364 in local option (statewide) sales and service tax, \$9,698,068 in state grants and \$360,383 in interest income.

Business type Activities

Revenues of the District’s business type activity were \$1,481,137 and expenses were \$1,300,043. The District’s business type activity is the School Nutrition Fund and the Community Education Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$7,551,070, below last year’s ending fund balances of \$15,010,163. The primary reason for the decrease in combined fund balances is because of the decrease in fund balance of the Capital Projects Fund.

Governmental Fund Highlights

- The District’s General Fund financial position is the product of many factors. Growth during the year in local and federal source revenues resulted in an increase in revenues. The increase in salaries and benefits is one of the reasons for the increase in expenditures. The increase in revenues was more than enough to offset the increase in expenditures; the net result was an increase in fund balance from \$1,362,737 in fiscal 2008 to \$1,451,610 in fiscal 2009.
- The Capital Projects fund balance overall decreased from \$13,171,774 in fiscal 2008 to \$5,376,663 in fiscal 2009. The decrease in fund balance for the Capital Projects Fund is a result of continuing construction costs for the new elementary building.

Proprietary Fund Highlights

The School Nutrition Fund's increase in revenues was more than enough to offset the continued increase in food costs and salaries and benefits. Overall, net assets increased from \$195,225 at June 30, 2008 to \$374,493 at June 30, 2009, representing an increase of 91.83%. The primary reason for the increase in net assets for the Nutrition Fund is the amount of prepaid items for the costs associated with new food service equipment at the new elementary building. The cost for the equipment will be capitalized in fiscal 2010.

Overall, net assets for the Community Education Fund increased from \$22,500 at June 30, 2008 to \$24,326 at June 30, 2009, representing an increase of 8.12%. Fund revenues were more than fund expenditures thus ensuring the gain in fund balance.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. Although the budget document presents functional area expenditures by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund and major Special Revenue Funds are not presented in the budgetary comparison on pages 37 and 38.

The District's revenues were \$238,272 more than budgeted revenues, a variance of less than 1%. Other than intermediate sources, the most significant variance resulted from the District receiving more in federal sources than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year. During the year ended, June 30, 2009, an amendment to the certified budget was not necessary.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2009, the District had invested \$22,078,258, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities and transportation equipment. (See Figure A-6) This amount represents a net increase of 46.90% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$1,191,485.

The original cost of the District's capital assets was \$30,513,487. Governmental funds account for \$30,109,717 with the remainder of \$403,770 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. At June 30, 2008, the District's construction in progress totaled \$6,442,718 as compared to \$14,218,445 at June 30, 2009. This increase is due to the continued construction of the new elementary building.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental		Business type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
Land	\$ 860,325	860,325	0	0	860,325	860,325	0.00%
Construction in progress	14,218,445	6,442,718	0	0	14,218,445	6,442,718	120.69%
Buildings	5,889,687	5,690,113	0	0	5,889,687	5,690,113	3.51%
Land improvements	308,678	304,415	0	0	308,678	304,415	1.40%
Machinery and equipment	753,333	1,666,515	47,790	65,766	801,123	1,732,281	-53.75%
Total	\$ 22,030,468	14,964,086	47,790	65,766	22,078,258	15,029,852	46.90%

Long-Term Debt

At June 30, 2009, the District had \$14,594,369 in general obligation bonds, revenue bonds and other long-term debt outstanding. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

Figure A-7
Outstanding Long-Term Obligations

	Governmental		Business type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
Revenue Bonds	\$ 8,655,000	8,655,000	0	0	8,655,000	8,655,000	0.00%
General Obligation Bonds	5,760,000	6,260,000	0	0	5,760,000	6,260,000	-7.99%
Compensated Absences	53,849	51,081	0	0	53,849	51,081	5.42%
Net OPEB Liability	124,338	0	1,182	0	125,520	0	100.00%
Total	\$ 14,593,187	14,966,081	1,182	0	14,594,369	14,966,081	-2.48%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could affect its financial health in the future:

- The District experienced an increase in enrollment for 2008-09. Early projections would indicate an increase in official enrollment for 2009-10. The District is optimistic that enrollment numbers will remain steady or increase slightly in the future.
- On July 1, 2007 IPERS implemented an employers' contribution increase over a 4-year period. The employers' portion of IPERS increased from 5.75% to 6.05% on July 1, 2007, and will increase to 6.35% on July 1, 2008, to 6.65% on July 1, 2009 and finally to 6.95% on July 1, 2010. This will increase the Storm Lake Community Schools employer benefit costs over the next four years.
- With the September 25, 2009 ten percent across-the-board reduction, the district will continue to implement cost-saving measures and put together a plan for the remainder of the 2009/2010 year. The Board of Education will determine what cost saving measures we will implement and how much we can spend from our reserves.
- Construction continues on the new \$15.3 million Elementary building project, with an anticipated completion date in early fiscal 2010.

-
- The District's Elementary 21st Century Learning Center (Before & After School Program) & Reading First grants concluded in fiscal year 2009. The District will be seeking additional grant/revenue sources to help sustain these successful programs.

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 Trudy Peterson, Business Manager/District Secretary/Treasurer, Storm Lake Community School District, 419 Lake Avenue, Storm Lake, Iowa, 50588.

BASIC FINANCIAL STATEMENTS

STORM LAKE COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2009

	Governmental Activities	Business type Activities	Total
ASSETS			
Cash and pooled investments:			
ISCAP	\$ 5,024,032	0	5,024,032
Other	9,754,615	186,057	9,940,672
Receivables:			
Property tax:			
Delinquent	69,108	0	69,108
Succeeding year	6,180,770	0	6,180,770
Income surtax	205,120	0	205,120
Accounts	26,662	82,973	109,635
Accrued ISCAP interest	23,293	0	23,293
Due from other governments	1,247,116	10,060	1,257,176
Inventories	0	10,782	10,782
Prepaid items	0	164,441	164,441
Capital assets, net of accumulated depreciation	22,030,468	47,790	22,078,258
TOTAL ASSETS	44,561,184	502,103	45,063,287
LIABILITIES			
Accounts payable	445,749	89,426	535,175
Salaries and benefits payable	1,697,283	2,129	1,699,412
ISCAP warrants payable	4,953,000	0	4,953,000
ISCAP interest payable	33,115	0	33,115
ISCAP unamortized premium	75,157	0	75,157
Accrued interest payable	203,757	0	203,757
Deferred revenue:			
Succeeding year property tax	6,180,770	0	6,180,770
Other	62,399	0	62,399
Unearned revenue	0	10,547	10,547
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	510,000	0	510,000
Revenue bonds payable	480,000	0	480,000
Compensated absences payable	53,849	0	53,849
Portion due after one year:			
General obligation bonds payable	5,250,000	0	5,250,000
Revenue bonds payable	8,175,000	0	8,175,000
Net OPEB liability	124,338	1,182	125,520
TOTAL LIABILITIES	28,244,417	103,284	28,347,701
NET ASSETS			
Invested in capital assets, net of related debt	7,615,468	47,790	7,663,258
Restricted for:			
Debt service	21,323	0	21,323
Categorical funding	95,598	0	95,598
Management levy	441,113	0	441,113
Physical plant and equipment levy	199,821	0	199,821
Capital projects	5,376,663	0	5,376,663
Other special revenue purposes	60,540	0	60,540
Unrestricted	2,506,241	351,029	2,857,270
TOTAL NET ASSETS	\$ 16,316,767	398,819	16,715,586

SEE NOTES TO FINANCIAL STATEMENTS.

STORM LAKE COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2009

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	Total
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 8,649,226	473,296	3,989,353	0	(4,186,577)	0	(4,186,577)
Special	3,330,957	791,196	466,830	0	(2,072,931)	0	(2,072,931)
Other	3,792,139	332,631	0	0	(3,459,508)	0	(3,459,508)
	<u>15,772,322</u>	<u>1,597,123</u>	<u>4,456,183</u>	<u>0</u>	<u>(9,719,016)</u>	<u>0</u>	<u>(9,719,016)</u>
Support services:							
Student	786,081	0	0	0	(786,081)	0	(786,081)
Instructional staff	765,443	0	0	0	(765,443)	0	(765,443)
Administration	2,164,599	0	0	0	(2,164,599)	0	(2,164,599)
Operation and maintenance of plant	1,778,615	0	0	0	(1,778,615)	0	(1,778,615)
Transportation	558,571	0	19,115	0	(540,456)	0	(540,456)
	<u>6,054,309</u>	<u>0</u>	<u>19,115</u>	<u>0</u>	<u>(6,035,194)</u>	<u>0</u>	<u>(6,035,194)</u>
Non-instructional programs:							
Food service operations	2,904	0	0	0	(2,904)	0	(2,904)
Community service operations	24,122	0	0	0	(24,122)	0	(24,122)
	<u>27,026</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(27,026)</u>	<u>0</u>	<u>(27,026)</u>
Other expenditures:							
Facilities acquisitions	733,881	0	0	5,084	(728,797)	0	(728,797)
Long-term debt interest	568,184	0	0	0	(568,184)	0	(568,184)
AEA flowthrough	747,876	0	747,876	0	0	0	0
Depreciation(unallocated)*	73,900	0	0	0	(73,900)	0	(73,900)
	<u>2,123,841</u>	<u>0</u>	<u>747,876</u>	<u>5,084</u>	<u>(1,370,881)</u>	<u>0</u>	<u>(1,370,881)</u>
Total governmental activities	23,977,498	1,597,123	5,223,174	5,084	(17,152,117)	0	(17,152,117)
Business Type activities:							
Instruction:							
Other	6,937	0	0	0	0	(6,937)	(6,937)
Support services:							
Administration	109,937	0	0	0	0	(109,937)	(109,937)
Operation and maintenance of plant	14,221	0	0	0	0	(14,221)	(14,221)
Total support services	<u>124,158</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(131,095)</u>	<u>(131,095)</u>
Non-instructional programs:							
Nutrition services	1,080,300	366,585	741,376	0	0	27,661	27,661
Community education services	88,648	46,310	15,629	0	0	(26,709)	(26,709)
Total non-instructional programs:	<u>1,168,948</u>	<u>412,895</u>	<u>757,005</u>	<u>0</u>	<u>0</u>	<u>952</u>	<u>952</u>
Total business type activities	<u>1,300,043</u>	<u>412,895</u>	<u>757,005</u>	<u>0</u>	<u>0</u>	<u>(130,143)</u>	<u>(130,143)</u>
Total	\$ 25,277,541	2,010,018	5,980,179	5,084	(17,152,117)	(130,143)	(17,282,260)
General Revenues & Transfers:							
General Revenues:							
Property tax levied for:							
General purposes					\$ 5,072,523	0	5,072,523
Debt service					517,654	0	517,654
Capital outlay					291,780	0	291,780
Income surtax					91,099	0	91,099
Statewide sales and services					1,286,364	0	1,286,364
Unrestricted state grants					9,698,068	0	9,698,068
Unrestricted investment earnings					360,383	852	361,235
Other					181,644	145,944	327,588
Transfers					(164,441)	164,441	0
Total general revenues & transfers					<u>17,335,074</u>	<u>311,237</u>	<u>17,646,311</u>
Changes in net assets					182,957	181,094	364,051
Net assets beginning of year					<u>16,133,810</u>	<u>217,725</u>	<u>16,351,535</u>
Net assets end of year					\$ <u>16,316,767</u>	<u>398,819</u>	<u>16,715,586</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

STORM LAKE COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
ASSETS				
Cash and pooled investments:				
ISCAP	\$ 5,024,032	0	0	5,024,032
Other	2,534,227	5,177,476	715,859	8,427,562
Receivables:				
Property tax:				
Delinquent	55,595	0	13,513	69,108
Succeeding year	5,091,301	0	1,089,469	6,180,770
Income surtax	68,373	0	136,747	205,120
Accounts	20,897	0	5,765	26,662
Accrued ISCAP interest	23,293	0	0	23,293
Due from other governments	1,028,934	218,182	0	1,247,116
TOTAL ASSETS	\$ 13,846,652	5,395,658	1,961,353	21,203,663
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 414,414	18,995	12,340	445,749
Salaries and benefits payable	1,697,283	0	0	1,697,283
ISCAP warrants payable	4,953,000	0	0	4,953,000
ISCAP interest payable	33,115	0	0	33,115
ISCAP unamortized premium	75,157	0	0	75,157
Deferred revenue:				
Succeeding year property tax	5,091,301	0	1,089,469	6,180,770
Income surtax	68,373	0	136,747	205,120
Other	62,399	0	0	62,399
Total liabilities	12,395,042	18,995	1,238,556	13,652,593
Fund balances:				
Reserved for:				
Debt service	0	0	21,323	21,323
Categorical funding	95,598	0	0	95,598
Unreserved	1,356,012	5,376,663	701,474	7,434,149
Total fund balances	1,451,610	5,376,663	722,797	7,551,070
TOTAL LIABILITIES AND FUND BALANCES	\$ 13,846,652	5,395,658	1,961,353	21,203,663

SEE NOTES TO FINANCIAL STATEMENTS.

STORM LAKE COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2009

Total fund balances of governmental funds (page 16)	\$	7,551,070
 <i>Amounts reported for governmental activities in the statement of net assets 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.		22,030,468
Blending of the Internal Service Funds to be reflected on an entity-wide basis.		1,327,053
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		205,120
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.		(203,757)
Long-term liabilities, including general obligation bonds, revenue bonds, compensated absences and postemployment benefits payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(14,593,187)</u>
Net assets of governmental activities (page 14)	\$	<u><u>16,316,767</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

STORM LAKE COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2009

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 4,696,799	1,286,364	1,259,392	7,242,555
Tuition	1,228,962	0	0	1,228,962
Other	366,292	228,325	344,303	938,920
Intermediate sources	15,000	0	0	15,000
State sources	12,159,628	0	643	12,160,271
Federal sources	2,722,323	0	0	2,722,323
TOTAL REVENUES	21,189,004	1,514,689	1,604,338	24,308,031
EXPENDITURES:				
Current:				
Instruction:				
Regular	7,734,472	0	77,977	7,812,449
Special	3,369,881	0	20,384	3,390,265
Other	3,470,776	0	327,967	3,798,743
	14,575,129	0	426,328	15,001,457
Support services:				
Student services	780,315	0	11,170	791,485
Instructional staff	771,949	0	1,925	773,874
Administration	2,147,256	2,785	11,195	2,161,236
Operation and maintenance of plant	1,642,433	0	122,612	1,765,045
Transportation	413,899	0	116,578	530,477
	5,755,852	2,785	263,480	6,022,117
Non-instructional programs:				
Food service operations	0	0	2,904	2,904
Community service operations	24,122	0	0	24,122
	24,122	0	2,904	27,026
Other expenditures:				
Facilities acquisitions	0	8,812,605	139,181	8,951,786
Long-term debt:				
Principal	0	0	500,000	500,000
Interest and fiscal charges	0	0	516,862	516,862
AEA flowthrough	747,876	0	0	747,876
	747,876	8,812,605	1,156,043	10,716,524
TOTAL EXPENDITURES	21,102,979	8,815,390	1,848,755	31,767,124
Excess(Deficiency) of revenues over(under) expenditures	86,025	(7,300,701)	(244,417)	(7,459,093)
Other financing sources(uses):				
Transfer in	2,848	356,303	494,410	853,561
Transfer out	0	(850,713)	(2,848)	(853,561)
Total other financing sources(uses)	2,848	(494,410)	491,562	0
Net change in fund balances	88,873	(7,795,111)	247,145	(7,459,093)
Fund balance beginning of year	1,362,737	13,171,774	475,652	15,010,163
Fund balance end of year	\$ 1,451,610	5,376,663	722,797	7,551,070

SEE NOTES TO FINANCIAL STATEMENTS.

STORM LAKE COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 JUNE 30, 2009

Net change in fund balances - total governmental funds (page 18) \$ (7,459,093)

*Amounts reported for governmental activities in the
 statement of activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures and depreciation expense in the current year are as follows:

Expenditures for capital assets	\$ 8,230,702	
Depreciation expense	<u>(1,164,320)</u>	7,066,382

Net change in Internal Service Funds charged back against expenditures made for the flex benefit program at an entity-wide basis. 237,231

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments are as follows:

Repaid		500,000
--------	--	---------

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. (51,322)

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 16,865

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.

Compensated absences	\$ (2,768)	
Other postemployment benefits	<u>(124,338)</u>	<u>(127,106)</u>

Changes in net assets of governmental activities (page 15) \$ 182,957

SEE NOTES TO FINANCIAL STATEMENTS.

STORM LAKE COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2009

	Business Type Activities: Enterprise Fund			Governmental Activities:
	School	Community	Total	Internal Service Fund
	Nutrition	Education		
ASSETS				
Current assets:				
Cash and pooled investments	\$ 151,834	34,223	186,057	1,327,053
Accounts receivable	81,542	1,431	82,973	0
Due from other governments	10,060	0	10,060	0
Inventories	10,782	0	10,782	0
Prepaid items	164,441	0	164,441	0
Total current assets	418,659	35,654	454,313	1,327,053
Non-current assets:				
Capital assets:				
Machinery and equipment, net of accumulated depreciation	46,994	796	47,790	0
Total non-current assets	46,994	796	47,790	0
TOTAL ASSETS	465,653	36,450	502,103	1,327,053
LIABILITIES				
Current liabilities:				
Accounts payable	79,667	9,759	89,426	0
Salaries and benefits payable	158	1,971	2,129	0
Unearned revenue	10,547	0	10,547	0
Total current liabilities	90,372	11,730	102,102	0
Long-term liabilities:				
Net OPEB liability	788	394	1,182	0
Total long-term liabilities	788	394	1,182	0
TOTAL LIABILITIES	91,160	12,124	103,284	0
NET ASSETS				
Invested in capital assets	46,994	796	47,790	0
Reserve for prepaid items	164,441	0	164,441	0
Unrestricted	163,058	23,530	186,588	1,327,053
TOTAL NET ASSETS	\$ 374,493	24,326	398,819	1,327,053

SEE NOTES TO FINANCIAL STATEMENTS.

STORM LAKE COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2009

	Business Type Activities: Enterprise Fund			Governmental Activities:
	School Nutrition	Community Education	Total	Internal Service Fund
OPERATING REVENUE:				
Local sources:				
Charges for services	\$ 366,585	46,310	412,895	0
Donations	0	15,629	15,629	0
Miscellaneous	698	145,246	145,944	2,458,020
TOTAL OPERATING REVENUES	367,283	207,185	574,468	2,458,020
OPERATING EXPENSES:				
Instruction:				
Other:				
Salaries	0	6,153	6,153	0
Benefits	0	784	784	0
	0	6,937	6,937	0
Support services:				
Administration:				
Salaries	0	83,126	83,126	0
Benefits	0	24,606	24,606	2,250
Services	0	2,205	2,205	2,223,494
	0	109,937	109,937	2,225,744
Operation and maintenance of plant:				
Services	4,706	0	4,706	0
Supplies	9,515	0	9,515	0
	14,221	0	14,221	0
Total support services	14,221	116,874	131,095	2,225,744
Non-instructional programs:				
Food service operations:				
Salaries	48,617	0	48,617	0
Benefits	20,222	0	20,222	0
Services	356,022	0	356,022	0
Supplies	632,622	0	632,622	0
Depreciation	22,817	0	22,817	0
	1,080,300	0	1,080,300	0
Community service operations:				
Salaries	0	35,107	35,107	0
Benefits	0	11,745	11,745	0
Services	0	5,195	5,195	0
Supplies	0	32,253	32,253	0
Depreciation	0	4,348	4,348	0
	0	88,648	88,648	0
Total non-instructional programs	1,080,300	88,648	1,168,948	0
TOTAL OPERATING EXPENSES	1,094,521	205,522	1,300,043	2,225,744
OPERATING INCOME(LOSS)	(727,238)	1,663	(725,575)	232,276
NON-OPERATING REVENUES:				
State sources	11,098	0	11,098	0
Federal sources	730,278	0	730,278	0
Interest income	689	163	852	4,955
TOTAL NON-OPERATING REVENUES	742,065	163	742,228	4,955
Change in net assets before other financing sources	14,827	1,826	16,653	237,231
OTHER FINANCING SOURCES:				
Contributed capital	164,441	0	164,441	0
Change in net assets	179,268	1,826	181,094	237,231
Net assets beginning of year	195,225	22,500	217,725	1,089,822
Net assets end of year	\$ 374,493	24,326	398,819	1,327,053

SEE NOTES TO FINANCIAL STATEMENTS.

STORM LAKE COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2009

	Business Type Activities:			Governmental
	Enterprise Fund			Activities:
	School Nutrition	Community Education	Total	Internal Service Fund
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 291,322	0	291,322	0
Cash received from miscellaneous operating activities	698	209,222	209,920	2,458,020
Cash payments to employees for services	(67,893)	(161,663)	(229,556)	(2,225,744)
Cash payments to suppliers for goods or services	(888,117)	(30,962)	(919,079)	0
Net cash provided by(used in) operating activities	<u>(663,990)</u>	<u>16,597</u>	<u>(647,393)</u>	<u>232,276</u>
Cash flows from non-capital financing activities:				
State grants received	11,098	0	11,098	0
Federal grants received	690,996	0	690,996	0
Net cash provided by non-capital financing activities	<u>702,094</u>	<u>0</u>	<u>702,094</u>	<u>0</u>
Cash flows from capital activities:				
Acquisition of assets	(9,189)	0	(9,189)	0
Cash flows from investing activities:				
Interest on investment	689	163	852	4,955
Net increase in cash and cash equivalents	29,604	16,760	46,364	237,231
Cash and cash equivalents at beginning of year	122,230	17,463	139,693	1,089,822
Cash and cash equivalents at end of year	<u>\$ 151,834</u>	<u>34,223</u>	<u>186,057</u>	<u>1,327,053</u>
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:				
Operating income(loss)	\$ (727,238)	1,663	(725,575)	232,276
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:				
Commodities consumed	39,282	0	39,282	0
Depreciation	22,817	4,348	27,165	0
Decrease in inventories	3,084	0	3,084	0
(Increase)Decrease in accounts receivable	(77,472)	2,037	(75,435)	0
Increase in accounts payable	72,382	8,691	81,073	0
(Decrease)Increase in salaries and benefits payable	158	(536)	(378)	0
Increase in unearned revenues	2,209	0	2,209	0
Increase in other postemployment benefits	788	394	1,182	0
Net cash provided by(used in) operating activities	<u>\$ (663,990)</u>	<u>16,597</u>	<u>(647,393)</u>	<u>232,276</u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2009, the District received Federal commodities valued at \$39,282.

During the year ended June 30, 2009, the Nutrition Fund received contributed capital from the Capital Projects Fund valued at \$164,441.

SEE NOTES TO FINANCIAL STATEMENTS.

STORM LAKE COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

(1) **Summary of Significant Accounting Policies**

The Storm Lake Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served primarily includes the City of Storm Lake, Iowa, and agricultural territory in Buena Vista and Sac Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

For financial reporting purposes, Storm Lake 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 Storm Lake 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 Buena Vista and Sac County Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

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

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

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but 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 that 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 other nonmajor governmental 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 utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through enterprise funds.

The District's proprietary funds are the Enterprise Funds (School Nutrition Fund and Community Education Fund) and the Internal Service Fund. The Nutrition Fund is used to account for the food service operations of the District while the Community Education Fund is used to account for the community wide education operations of the District. The Internal Service Funds are used to account for health and flex spending benefits received by District employees.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

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

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

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

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

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to

customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Assets, Liabilities and Fund Balances

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

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year.

Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become 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, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2008.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and 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	\$ 2,000
Buildings	10,000
Land improvements	10,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20-50 years
Machinery and equipment	5-15 years

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

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

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

Unearned Revenue - Unearned revenues in the School Nutrition Fund are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The revenue will be considered earned when services are provided. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary Funds.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2009. The compensated absences liability attributable to the governmental activities will be paid primarily by the General 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 Assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

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

E. Budgeting and Budgetary Control

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

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2009 were entirely covered by federal depository insurance or 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, 2009, the District had investments in the Iowa Schools Joint Investment trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	\$ 64

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investor's Service.

(3) Interfund Transfers

The detail of transfers for the year ended June 30, 2009 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Capital Projects: Statewide Sales Tax	Capital Projects: Building Projects	\$ 356,303
Debt Service	Capital Projects: Statewide Sales Tax	494,410
General	Activity	<u>2,848</u>
Total		<u>\$ 853,561</u>

The transfer from the Capital Projects Building Projects Fund to the Capital Projects Statewide Sales Tax Fund was to transfer remaining general obligation bond proceeds. The transfer closed out the Capital Projects Building Projects Fund.

The transfer from the Capital Projects Statewide Sales Tax Fund to the Debt Service Fund was needed for interest and administrative fees related to the District's May 1, 2007 and April 1, 2008 revenue bond issuance as well as interest and administrative fees for the District's May 1, 2007 general obligation bond issuance.

The transfer from the Activity Fund to the General Fund was to close out the middle school activities account which was an audit recommendation from the previous year.

(4) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. These accounts are reflected as restricted assets on the balance sheet. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2009 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2008-09B	1/21/2009	1/21/2010	\$ 2,484,448	22,979	2,453,000	32,259
2009-10A	6/25/2009	6/23/2010	2,539,584	314	2,500,000	856
Total			\$ 5,024,032	23,293	4,953,000	33,115

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts, and must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2009 is as follows:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2008-09A	\$ 0	600,000	600,000	0

The warrants bear an interest rate and the available proceeds of the warrants are invested at an interest rate as shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2008-09A	3.500%	3.469%
2008-09B	3.000%	2.110%
2009-10A	2.500%	0.902%

(5) Capital Assets

Capital assets activity for the year ended June 30, 2009 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 391,601	9,189	(2,980)	403,770
Less accumulated depreciation	325,835	27,165	(2,980)	355,980
Business type activities capital assets, net	\$ 65,766	(17,976)	0	47,790

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 860,325	0	0	860,325
Construction in progress	6,442,718	7,775,727	0	14,218,445
Total capital assets not being depreciated	<u>7,303,043</u>	<u>7,775,727</u>	<u>0</u>	<u>15,078,770</u>
Capital assets being depreciated:				
Buildings	9,942,154	256,741	0	10,198,895
Land improvements	950,830	20,996	0	971,826
Machinery and equipment	3,825,127	177,238	142,139	3,860,226
Total capital assets being depreciated	<u>14,718,111</u>	<u>454,975</u>	<u>142,139</u>	<u>15,030,947</u>
Less accumulated depreciation for:				
Buildings	4,252,041	57,167	0	4,309,208
Land improvements	646,415	16,733	0	663,148
Machinery and equipment	2,158,612	1,090,420	142,139	3,106,893
Total accumulated depreciation	<u>7,057,068</u>	<u>1,164,320</u>	<u>142,139</u>	<u>8,079,249</u>
Total capital assets being depreciated, net	<u>7,661,043</u>	<u>(709,345)</u>	<u>0</u>	<u>6,951,698</u>
Governmental activities capital assets, net	<u>\$ 14,964,086</u>	<u>7,066,382</u>	<u>0</u>	<u>22,030,468</u>

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 890,247
Other		29,502
Support services:		
Administration		14,413
Operation and maintenance		16,685
Transportation		139,573
		<u>1,090,420</u>
Unallocated depreciation		<u>73,900</u>
Total governmental activities depreciation expense		<u>\$ 1,164,320</u>
Business type activities:		
Food services		\$ 22,817
Community education		<u>4,348</u>
Total business type activities depreciation expense		<u>\$ 27,165</u>

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2009 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental Activities:					
Revenue Bonds	\$ 8,655,000	0	0	8,655,000	480,000
General Obligation Bonds	6,260,000	0	500,000	5,760,000	510,000
Compensated Absences	51,081	53,849	51,081	53,849	53,849
Net OPEB Liability	0	124,338	0	124,338	0
Total	<u>\$ 14,966,081</u>	<u>178,187</u>	<u>551,081</u>	<u>14,593,187</u>	<u>1,043,849</u>

Business Type Activities:	Balance			Balance	Due
	Beginning	Additions	Deletions	End of	Within
	of Year			Year	One Year
Net OPEB Liability	\$ 0	1,182	0	1,182	0

Revenue Bonds Payable

Details of the District's June 30, 2009 local option (statewide) sales and services tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of May 1, 2007			Bond Issue of April 1, 2008			Total		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2010	3.60 %	\$ -	119,037	3.50 %	\$ 480,000	205,475	\$ 480,000	324,512	804,512
2011	3.60	-	119,037	3.50	500,000	188,325	500,000	307,362	807,362
2012	3.60	100,000	117,239	3.50	420,000	172,225	520,000	289,464	809,464
2013	3.65	125,000	113,156	3.50	410,000	157,700	535,000	270,856	805,856
2014	3.70	150,000	108,100	3.50	405,000	143,438	555,000	251,538	806,538
2015-2019	3.75-3.85	950,000	440,663	3.50-4.00	2,155,000	481,413	3,105,000	922,076	4,027,076
2020-2023	4.00	1,730,000	141,600	4.00-4.25	1,230,000	107,524	2,960,000	249,124	3,209,124
Total		\$ 3,055,000	1,158,832		\$ 5,600,000	1,456,100	\$ 8,655,000	2,614,932	11,269,932

The District has pledged future local option (statewide) sales and services tax revenues to repay the \$8,655,000 bonds issued May 1, 2006 and April 1, 2008. The bonds were issued for the purpose of defraying a portion of the cost of building the new elementary school building. The bonds are payable solely from the proceeds of the local option (statewide) sales and services tax revenues received by the District and are payable through 2023. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 63 percent of the local option (statewide) sales and services tax revenues. The total principal and interest remaining to be paid on the notes is \$11,269,932. For the current year \$279,443 in interest was paid on the bonds and total local option (statewide) sales and services tax revenues were \$1,259,392.

The resolution providing for the issuance of the local option (statewide) sales and services tax revenue bonds includes the following provisions:

- a) \$865,500 of the proceeds from the issuance of the revenue bonds shall be deposited to the Reserve Account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking Account. The balance of the proceeds shall be deposited to the Project Account.
- b) All proceeds from the local option (statewide) sales and services tax shall be placed in a Revenue Account.

- c) Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

General Obligation Bonds Payable

Details of the District's June 30, 2009 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond issue of May 1, 2007			Bond issue of May 1, 2003			Total		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2010	4.000	% \$ 250,000	216,319	2.80-3.00	% \$ 260,000	5,240	\$ 510,000	221,559	731,559
2011	4.000	345,000	206,319	-	-	-	345,000	206,319	551,319
2012	4.000	360,000	192,519	-	-	-	360,000	192,519	552,519
2013	4.000	375,000	178,119	-	-	-	375,000	178,119	553,119
2014	4.000	390,000	163,119	-	-	-	390,000	163,119	553,119
2015-2019	3.875-4.00	2,215,000	569,069	-	-	-	2,215,000	569,069	2,784,069
2020-2022	3.875	1,565,000	123,030	-	-	-	1,565,000	123,030	1,688,030
Total		\$ 5,500,000	1,648,494	\$ 260,000	5,240	\$ 5,760,000	1,653,734	7,413,734	

(7) Pension and Retirement Benefits

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

Plan members are required to contribute 4.10% of their annual covered salary and the District is required to contribute 6.35% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$809,234, \$735,899 and \$642,749 respectively, equal to the required contributions for each year.

(8) Other Postemployment Benefits (OPEB)

The District implemented GASB Statement No.45, Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions during the year ended June 30, 2009.

Plan Description - The District operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 300 active and 17 retired members in the plan. Employees must be age 55 or older at retirement and have ten or more years of service to the District.

The medical/prescription drug benefit, which is a self-funded medical plan, is administered by Wellmark Blue Cross Blue Shield high deductible plan. Additional benefits are provided through the District's partially self-funded plan which is administered by PRIME Benefit Systems of Cedar Rapids, Iowa. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit and explicit subsidy and an OPEB liability.

Funding Policy - the contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution of the District (ARC), 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 June 30, 2009, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 125,520
Interest on net OPEB obligation	0
Adjustment to annual required contribution	0
Annual OPEB cost (expense)	<u>125,520</u>
Contributions made	<u>0</u>
Increase in net OPEB obligation	125,520
Net OPEB obligation - beginning of year	<u>0</u>
Net OPEB obligation - end of year	<u><u>\$ 125,520</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the plans actual contributions for the year ended June 30, 2009.

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, 2009 are summarized as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2009	\$ 125,520	0%	\$ 125,520

Funded Status and Funding Progress - As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2008 through June 30, 2009, the actuarial accrued liability was \$1.300 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.300 million. The covered payroll (annual payroll of active employees covered by the plan) was \$11.495 million, and the ratio of the UAAL to the covered payroll was 11.3%. As of June 30, 2009, 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 healthcare 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 the 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 July 1, 2008 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The ultimate medical trend rate is 6%.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement probabilities were developed from the retirement probabilities from the IPERS Actuarial Valuation Report as of June 30, 2008 and applying the termination factors used in IPERS Actuarial Report as of June 30, 2008. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(9) Risk Management

The 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.

(10) 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 \$747,876 for the year ended June 30, 2009 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Construction Commitment

As of June 30, 2009, costs of \$14,218,445 had been incurred on various construction contracts for construction of a new elementary building. When construction is completed, the final cost of the projects will be added to the District's capital asset listing.

(12) Prepaid Items

As of June 30, 2009, the District had continuing costs associated with construction of the new elementary building. The prepaid items on Exhibit G, page 20, represent equipment costs paid from the Statewide Sales Tax (Capital Projects) Fund to furnish the food service areas of the new building. Since construction of the building is not complete, food service equipment costs of \$164,441 have been recognized as prepaid items on Exhibit G and as contributed capital on Exhibit H, page 21, in the Nutrition Fund. The costs of the equipment will be added to the Nutrition Fund capital assets listing and begin depreciating upon completion of the building.

(13) Categorical Funding

The District's ending reserved balances for categorical funding as of June 30, 2009 are broken out by the following projects:

Project	Amount
Home school assistance program	\$ 10,025
Talented and gifted	21,054
Beginning administrator mentoring	2,250
Text book aid for non-public students	2,632
Model core curriculum	21,462
Teacher quality, professional development	24,261
Market factor incentives	13,914
Total	<u>\$ 95,598</u>

(14) Contingencies

As of June 30, 2009, the District is involved in various claims and lawsuits against the District that arise in the normal course of operations, which are covered by insurance. The outcome and eventual liability of the District, if any, from these claims and any unasserted claims is not known at this time; however, management does not believe they will be material to the basic financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

STORM LAKE COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2009

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Fund Types	Fund Type		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 9,410,437	575,320	9,985,757	10,005,146	10,005,146	(19,389)
Intermediate sources	15,000	0	15,000	0	0	15,000
State sources	12,160,271	11,098	12,171,369	12,603,309	12,603,309	(431,940)
Federal sources	2,722,323	730,278	3,452,601	2,778,000	2,778,000	674,601
Total revenues	<u>24,308,031</u>	<u>1,316,696</u>	<u>25,624,727</u>	<u>25,386,455</u>	<u>25,386,455</u>	<u>238,272</u>
Expenditures/Expenses:						
Instruction	15,001,457	0	15,001,457	15,735,006	15,735,006	733,549
Support services	6,022,117	131,095	6,153,212	7,719,088	7,719,088	1,565,876
Non-instructional programs	27,026	1,168,948	1,195,974	1,536,651	1,536,651	340,677
Other expenditures	10,716,524	0	10,716,524	11,775,336	11,775,336	1,058,812
Total expenditures/expenses	<u>31,767,124</u>	<u>1,300,043</u>	<u>33,067,167</u>	<u>36,766,081</u>	<u>36,766,081</u>	<u>3,698,914</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	(7,459,093)	16,653	(7,442,440)	(11,379,626)	(11,379,626)	3,937,186
Other financing sources, net	0	164,441	164,441	2,000	2,000	162,441
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	(7,459,093)	181,094	(7,277,999)	(11,377,626)	(11,377,626)	4,099,627
Balance beginning of year	15,010,163	217,725	15,227,888	14,343,834	14,343,834	884,054
Balance end of year	<u>\$ 7,551,070</u>	<u>398,819</u>	<u>7,949,889</u>	<u>2,966,208</u>	<u>2,966,208</u>	<u>4,983,681</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

STORM LAKE COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2009

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private-Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by 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.

STORM LAKE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE
RETIREE HEALTH PLAN
(IN THOUSANDS)

REQUIRED SUPPLEMENTARY INFORMATION

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial		Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
		Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)			
July 1, 2008	\$ -	\$1,300	\$1,300	0.0%	\$11,495	11.3%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

STORM LAKE COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2009

	Special Revenue Funds					Total
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds	Debt Service	Other Nonmajor Governmental Funds
ASSETS						
Cash and pooled investments	\$ 438,285	60,540	202,056	700,881	14,978	715,859
Receivables:						
Property tax:						
Current year delinquent	5,412	0	1,756	7,168	6,345	13,513
Succeeding year	450,000	0	139,610	589,610	499,859	1,089,469
Income surtax	0	0	136,747	136,747	0	136,747
Accounts	0	0	5,765	5,765	0	5,765
TOTAL ASSETS	\$ 893,697	60,540	485,934	1,440,171	521,182	1,961,353
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 2,584	0	9,756	12,340	0	12,340
Deferred revenue:						
Succeeding year property tax	450,000	0	139,610	589,610	499,859	1,089,469
Income surtax	0	0	136,747	136,747	0	136,747
Total liabilities	452,584	0	286,113	738,697	499,859	1,238,556
Fund balances:						
Reserved for debt service	0	0	0	0	21,323	21,323
Unreserved	441,113	60,540	199,821	701,474	0	701,474
Total fund balances	441,113	60,540	199,821	701,474	21,323	722,797
TOTAL LIABILITIES AND FUND BALANCES	\$ 893,697	60,540	485,934	1,440,171	521,182	1,961,353

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

STORM LAKE COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2009

	Special Revenue Funds				Debt Service	Total Other Nonmajor Governmental Funds
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds		
REVENUES:						
Local sources:						
Local tax	\$ 449,958	0	291,780	741,738	517,654	1,259,392
Other	30,676	311,126	2,166	343,968	335	344,303
State sources	264	0	82	346	297	643
TOTAL REVENUES	480,898	311,126	294,028	1,086,052	518,286	1,604,338
EXPENDITURES:						
Current:						
Instruction:						
Regular	77,977	0	0	77,977	0	77,977
Special	20,384	0	0	20,384	0	20,384
Other	0	327,967	0	327,967	0	327,967
Support services:						
Student	11,170	0	0	11,170	0	11,170
Instructional staff	1,925	0	0	1,925	0	1,925
Administration	11,195	0	0	11,195	0	11,195
Operation and maintenance of plant	122,007	0	605	122,612	0	122,612
Transportation	28,726	0	87,852	116,578	0	116,578
Non-instructional programs:						
Food service operations	2,904	0	0	2,904	0	2,904
Other expenditures:						
Facilities acquisition	0	0	139,181	139,181	0	139,181
Long-term debt:						
Principal	0	0	0	0	500,000	500,000
Interest and fiscal charges	0	0	0	0	516,862	516,862
TOTAL EXPENDITURES	276,288	327,967	227,638	831,893	1,016,862	1,848,755
Excess (deficiency) of revenues over (under) expenditures	204,610	(16,841)	66,390	251,311	(498,576)	(244,417)
Other financing sources (uses):						
Transfers in	0	0	0	0	494,410	494,410
Transfers out	0	(2,848)	0	(2,848)	0	(2,848)
Total other financing sources (uses)	0	(2,848)	0	(2,848)	494,410	491,562
Net change in fund balance	204,610	(19,689)	66,390	251,311	(4,166)	247,145
Fund balance beginning of year	236,503	80,229	133,431	450,163	25,489	475,652
Fund balance end of year	\$ 441,113	60,540	199,821	701,474	21,323	722,797

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

STORM LAKE COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2009

Account	Balance Beginning of Year	Revenues	Expenditures and Interfund Transfers	Balance End of Year
School Musical	\$ 7,239	3,985	4,552	6,672
Speech	0	6,002	5,983	19
Vocal Music	1,108	952	952	1,108
Cheerleaders	3,611	6,702	8,236	2,077
Dance Squad	1,060	12,037	12,615	482
Hi Breeze	66	0	0	66
Breeze of 2009	0	19,882	14,704	5,178
Breeze of 2008	4,448	45	4,493	0
Art Club	379	2,887	2,849	417
Kreative Kitchens	1,188	3,336	2,589	1,935
FACS	3,571	2,704	5,807	468
Nado Nook	1,683	10,282	10,640	1,325
International Club	198	734	694	238
Spanish Club	318	111	429	0
AVID Club	0	871	15	856
Key Club	334	798	869	263
Library Club	192	474	666	0
Close-Up	135	0	0	135
Student Council	509	5,454	4,484	1,479
Class of 2009	1,178	30	1,208	0
Class of 2010	200	28,847	27,715	1,332
All State Music	62	3,830	3,892	0
Jazz Band	1	390	0	391
Vending Machines	0	26,907	21,348	5,559
Student Activities	2,766	6,981	3,496	6,251
Concessions	3,025	0	769	2,256
Interest	0	487	487	0
DECA	1,533	11,648	11,023	2,158
Alternative HS	1,038	548	732	854
VICA Club	183	0	0	183
ACE	4,500	10,079	12,098	2,481
Model UN	165	0	0	165
Orchestra	552	120	109	563
Cross Country	0	1,269	1,269	0
Boys Basketball	0	5,983	5,983	0
Football	0	16,816	16,816	0
Boys Soccer	0	5,451	5,451	0
Baseball	0	9,717	9,737	(20)

STORM LAKE COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2009

Account	Balance Beginning of Year	Revenues	Expenditures and Interfund Transfers	Balance End of Year
Boys Track	0	3,714	3,714	0
Boys Tennis	0	2,255	2,255	0
Boys Golf	0	1,432	1,432	0
Boys Swimming	0	1,166	1,166	0
Wrestling	0	8,029	8,029	0
Girls Basketball	0	17,391	17,391	0
Volleyball	0	7,487	7,487	0
Girls Soccer	0	3,440	3,440	0
Softball	0	10,558	11,149	(591)
Girls Track	0	5,539	5,539	0
Girls Tennis	0	586	586	0
Girls Golf	0	700	700	0
Girls Swimming	0	2,338	2,338	0
General Athletics	36,139	40,132	60,031	16,240
MS Activities	2,848	0	2,848	0
Total	\$ 80,229	311,126	330,815	60,540

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

STORM LAKE COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE
 CAPITAL PROJECT FUND
 YEAR ENDED JUNE 30, 2009

	Capital Project Fund		
	Building	Statewide	Total
	Projects	Sales Tax	
Revenues:			
Local sources:			
Local tax	\$ 0	1,286,364	1,286,364
Other	0	228,325	228,325
Total revenues	0	1,514,689	1,514,689
Expenditures:			
Current:			
Support services:			
Administration	0	2,785	2,785
Other expenditures:			
Facilities acquisitions	0	8,812,605	8,812,605
Total expenditures	0	8,815,390	8,815,390
Deficiency of revenues under expenditures	0	(7,300,701)	(7,300,701)
Other financing sources(uses):			
Transfer in	0	356,303	356,303
Transfer out	(356,303)	(494,410)	(850,713)
Total other financing sources(uses)	(356,303)	(138,107)	(494,410)
Deficiency of revenues under expenditures and other financing sources(uses)	(356,303)	(7,438,808)	(7,795,111)
Fund balance beginning of year	356,303	12,815,471	13,171,774
Fund balance end of year	\$ 0	5,376,663	5,376,663

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

STORM LAKE COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST SIX YEARS

	Modified Accrual Basis					
	Years Ended June 30,					
	2009	2008	2007	2006	2005	2004
Revenues:						
Local sources:						
Local tax	\$ 7,242,555	6,516,603	6,424,067	6,324,196	6,220,883	5,323,603
Tuition	1,228,962	1,156,687	1,103,062	1,200,001	1,242,735	1,218,276
Other	938,920	1,937,069	978,588	880,274	656,852	735,030
Intermediate sources	15,000	0	0	0	0	0
State sources	12,160,271	12,220,851	10,507,714	9,284,350	9,058,775	8,356,506
Federal sources	2,722,323	2,129,213	2,218,014	2,429,642	2,140,287	1,478,466
Total	\$ 24,308,031	23,960,423	21,231,445	20,118,463	19,319,532	17,111,881
Expenditures:						
Instruction:						
Regular	\$ 7,812,449	8,394,735	7,461,085	7,357,714	6,886,448	7,011,486
Special	3,390,265	3,063,321	2,655,116	2,543,743	4,012,454	3,923,867
Other	3,798,743	2,679,735	2,641,499	2,704,033	979,714	942,497
Support services:						
Student	791,485	718,580	699,051	611,262	436,231	495,212
Instructional staff	773,874	845,095	661,859	842,155	612,465	191,888
Administration	2,161,236	2,154,815	2,051,335	1,830,017	1,654,095	1,385,254
Operation and maintenance						
of plant	1,765,045	1,844,236	1,688,205	1,744,242	1,525,999	1,334,772
Transportation	530,477	635,848	587,385	405,597	389,466	336,087
Other support	0	0	0	0	15,723	92,983
Non-instructional programs:						
Food service operations	2,904	3,541	2,988	0	5,000	0
Community service operations	24,122	2,529	0	0	51,000	51,000
Other expenditures:						
Facilities acquisitions	8,951,786	6,119,309	564,714	300,168	73,402	557,907
Long-term debt:						
Principal	500,000	485,000	475,000	530,000	515,000	520,000
Interest and other charges	516,862	326,352	39,456	51,243	60,428	43,490
AEA flow-through	747,876	712,056	646,571	591,183	586,325	568,957
Total	\$ 31,767,124	27,985,152	20,174,264	19,511,357	17,803,750	17,455,400

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

STORM LAKE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2009

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
DIRECT:			
DEPARTMENT OF EDUCATION:			
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - NATIONAL PROGRAMS	84.184	FY 09	\$ 43,894
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 09	151,884
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 09	535,578
SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	10.559	FY 09	10,060
			<u>697,522</u>
STATE ADMINISTRATIVE MATCHING			
GRANTS FOR FOOD STAMP PROGRAM			
(BASICS - BUILDING AND STRENGTHENING IOWA COMMUNITY SUPPORT FOR NUTRITION AND HEALTH)	10.561	FY 09	11,220
FRESH FRUIT AND VEGETABLE PROGRAM	10.582	FY 09	32,756
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I (SINA - SCHOOLS IN NEED OF ASSISTANCE)	84.010	FY 09	111,609
TITLE I (DINA - DISTRICTS IN NEED OF ASSISTANCE)	84.010	FY 09	137,926
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	6219-G	518,577
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	6219-GC	7,261
			<u>775,373</u>
MIGRANT EDUCATION - STATE GRANT PROGRAM	84.011	FY 09	336,240
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 09	10,925
21st CENTURY COMMUNITY LEARNING CENTERS	84.287	FY 09	391,056
GAINING EARLY AWARENESS AND READINESS FOR UNDERGRADUATE PROGRAMS	84.334	FY 09	48,407
READING FIRST STATE GRANTS	84.357	FY 09	126,644
ENGLISH LANGUAGE ACQUISITION STATE GRANTS(TITLE III)	84.365	FY 09	15,954
TITLE IIA - FEDERAL TEACHER QUALITY PROGRAM	84.367	FY 09	76,910
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES(TITLE VI A)	84.369	FY 09	13,286
ARRA - STATE FISCAL STABILIZATION FUND(SFSF)			
EDUCATION STATE GRANTS, RECOVERY ACT	84.394	FY 09	175,032

STORM LAKE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2009

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
PRAIRIE LAKES AREA EDUCATION AGENCY:			
SPECIAL EDUCATION CLUSTER PROGRAMS:			
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 09	123,751
ARRA - SPECIAL EDUCATION - GRANTS TO STATES (PART B), RECOVERY ACT	84.391	FY 09	69,555
			<u>193,306</u>
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 09	<u>15,498</u>
EVEN START - STATE EDUCATION AGENCIES	84.213	FY 09	<u>12,703</u>
READING FIRST STATE GRANTS	84.357	FY 09	<u>3,900</u>
ENGLISH LANGUAGE ACQUISITION STATE GRANTS (TITLE III)	84.365	FY 09	<u>113,918</u>
IOWA CENTRAL COMMUNITY COLLEGE:			
EVEN START - STATE EDUCATION AGENCIES	84.213	FY 09	<u>96,937</u>
DEPARTMENT OF LABOR:			
IOWA DEPARTMENT OF EDUCATION:			
WIA PILOTS, DEMONSTRATIONS AND RESEARCH PROJECTS	17.261	FY 09	<u>5,230</u>
INSTITUTE OF MUSEUM AND LIBRARY SERVICES:			
IOWA DEPARTMENT OF EDUCATION:			
NATIONAL LEADERSHIP GRANTS	45.312	FY 09	<u>1,216</u>
DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
IOWA DEPARTMENT OF EDUCATION:			
PROMOTING SAFE AND STABLE FAMILIES (DHS DECATEGORIZATION)	93.556	FY 09	<u>1,332</u>
TOTAL			<u><u>\$ 3,199,259</u></u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Storm Lake Community School District and is presented in conformity with 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 basic financial statements.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.
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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
Storm Lake Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Storm Lake Community School District as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 2, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Storm Lake Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Storm Lake Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Storm Lake Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Storm Lake Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Storm Lake Community School District's financial statements that is more than inconsequential will not be prevented or detected by Storm Lake Community School District's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Storm Lake Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item II-A-09 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Storm Lake 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, 2009 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.

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

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

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


NOLTE, CORNMAN & JOHNSON, P.C.

March 2, 2010

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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Telephone (641) 792-1910

Independent Auditor's Report on Compliance with Requirements Applicable
to Each Major Program and Internal Control over Compliance
in Accordance with OMB Circular A-133

To the Board of Education of
Storm Lake Community School District

Compliance

We have audited the compliance of Storm Lake Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2009. Storm Lake Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Storm Lake Community School District's management. Our responsibility is to express an opinion on Storm Lake Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether 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 Storm Lake Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Storm Lake Community School District's compliance with those requirements.

In our opinion, Storm Lake Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of Storm Lake Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Storm Lake Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Storm Lake 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 would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-09 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control. We consider the significant deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-09 to be a material weakness.

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

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


NOLTE, CORNMAN & JOHNSON, P.C.

March 2, 2010

STORM LAKE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009

Part I: Summary of the Independent Auditor's Results

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A significant deficiency in internal control over major programs were disclosed by the audit of the financial statements, including a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose any 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
 - CFDA Number 10.553 - School Breakfast Program
 - CFDA Number 10.555 - National School Lunch Program
 - CFDA Number 10.559 - Summer Food Service Program for Children
 - Individual
 - CFDA Number 84.010 - Title I Grants to Local Educational Agencies
 - CFDA Number 84.011 - Migrant Education - State Grant Programs
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Storm Lake Community School District did not qualify as a low-risk auditee.

STORM LAKE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

II-A-09 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. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

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 - We will continue to review and implement new procedures, when possible, to achieve the maximum segregation with existing personnel.

Conclusion - Response accepted.

STORM LAKE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

CFDA Number 10.553: School Breakfast Program and
CFDA Number 10.555: National School Lunch Program
CFDA Number 10.559: Summer Food Service Program for Children
Federal Award Year: 2009
U.S. Department of Agriculture
Passed through the Iowa Department of Education

CFDA Number 84.010: Title I Grants to Local Educational Agencies
Federal Award Year: 2009
U.S. Department of Education
Passed through the Iowa Department of Education

CFDA Number 84.011: Migrant Education - State Grant Programs
Federal Award Year: 2009
U.S. Department of Education
Passed through the Iowa Department of Education

III-A-09 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. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

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 - We will continue to review and implement new procedures, when possible, to achieve the maximum segregation with existing personnel.

Conclusion - Response accepted.

STORM LAKE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-09 Certified Budget - District disbursements for the year ended June 30, 2009, did not exceed the amount budgeted.

IV-B-09 Questionable Disbursements - We noted during our audit that the District wrote checks from the Student Activity Fund that were subsequently cashed to buy gift cards/gift certificates to give to students as prizes. Gift cards/gift certificates do not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

Recommendation - The District should review the procedures in place, and make necessary adjustments to comply.

Response - The District will review procedures to ensure that prizes will be nonmonetary in nature.

Conclusion - Response accepted.

IV-C-09 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-09 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Becky Stille, Teacher Spouse co-owner Stille, Pierce & Pertzborn Insurance Agency	Insurance premiums	\$235,000
Kathy Bodholdt, Instructional Assistant Sally Bodholdt, Special Education Teacher Spouses co-own Bodholdt Brothers	HS Boiler/Services	\$95,145
Lori Porsch, Special Education Director Spouse is a pharmacist at Hy-Vee	Supplies	\$5,939
Barb Seiler, Board Member Spouse owns Seiler Plumbing	Plumbing services	\$15,251
Jolene Davis, Teacher Spouse owns Buena Vista Stationery	Supplies	\$49,593
Sharon Butterfield, Teacher Spouse owns Silkscreen Ink	Supplies	\$17,275

In accordance with the Attorney General's opinion dated November 9, 1976, the above transactions with spouses of District employees do not appear to represent a conflict of interest.

- IV-E-09 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-09 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- IV-G-09 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of students counted on Line 1 as resident students was understated by 2.9 students.
- Recommendation - The Iowa Department of Education and the Department of Management should be contacted to resolve this matter.
- Response - The District's auditors will contact the Iowa Department of Education and Department of Management on our behalf to resolve this matter.
- Conclusion - Response accepted.
- IV-H-09 Deposits and Investments - We noted 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.
- IV-I-09 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- IV-J-09 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- IV-K-09 Statewide Sales and Services 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 and services tax. For the year ended June 30, 2009, the District's financial activity and other required information for the statewide sales and services tax are as follows:

Beginning Balance		\$	0
Statewide sales and services tax revenue			1,286,364
Expenditures/transfers out:			
School infrastructure:			
Buildings	\$	791,954	
Debt service for school infrastructure:			
General obligation debt		216,719	
Revenue debt		277,691	
			<u>1,286,364</u>
Ending balance		\$	<u>0</u>

Levies reduced as a result of statewide sales and services tax received:

	<u>Per \$1,000 of Taxable Valuation</u>	<u>Property Tax Dollars</u>
Debt service levy	<u>\$ 0.65513</u>	<u>\$ 216,719</u>