

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

JUNE 30, 2010

Contents

		<u>Page</u>
Officials		3
Independent Auditor's Report		5-6
Management's Discussion and Analysis (MD&A)		7-16
Basic Financial Statements:	<u>Exhibit</u>	
Government-Wide Financial Statements:		
Statement of Net Assets	A	18
Statement of Activities	B	19
Governmental Fund Financial Statements:		
Balance Sheet	C	20
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	21
Statement of Revenues, Expenditures and Changes in Fund Balances	E	22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	23
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	24
Statement of Revenues, Expenses and Changes in Net Assets	H	25
Statement of Cash Flows	I	26
Notes to Financial Statements		27-40
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		42
Notes to Required Supplementary Information - Budgetary Reporting		43
Schedule of Funding Progress for the Retiree Health Plan		44
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	46
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2	47
Schedule of Changes in Student Activity Accounts	3	48-49
Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types	4	50
Schedule of Expenditures of Federal Awards	5	51-52
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 <u>Government Auditing Standards</u>		53-54
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance		55-56
Schedule of Findings and Questioned Costs		57-62

Storm Lake Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2009 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
Board of Education (After September 2009 Election)		
Edward McKenna	President	2011
Dave Jennett	Vice President	2011
Peter Steinfeld	Board Member	2013
Marcella Koth	Board Member	2013
Barb Seiler	Board Member	2011
School Officials		
Paul Tedesco	Superintendent	2010
Trudy Pedersen	Business Manager/ District Secretary/ Treasurer	2010
Ahlers & Cooney, P.C.	Attorney	2010
Cornwall, Avery, Bjornstad & Scott	Attorney	2010

Storm Lake Community School District

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

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, 2010, 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, 2010, 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 January 7, 2011 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 7 through 16 and 42 through 44 are not required parts of the

Members American Institute & Iowa Society of Certified Public Accountants

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 two years ended June 30, 2009 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 5, 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 PC
NOLTE, CORNMAN & JOHNSON, P.C.

January 7, 2011

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, 2010. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2010 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$21,191,852 in fiscal 2009 to \$20,849,171 in fiscal 2010 due in part to the reduction of funding received from the state because of the September 25, 2009 ten percent across-the-board cut. General Fund expenditures decreased from \$21,102,979 in fiscal 2009 to \$20,167,732 in fiscal 2010 due in part to decreases in expenses in the instructional and support services functions. The difference between fiscal 2010 revenues of \$20,849,171 and expenses of \$20,167,732 results in a net increase in fund balance of \$681,439. As a result, the District's General Fund balance increased from \$1,451,610 in fiscal 2009 to a balance of \$2,133,049 in fiscal 2010. This represents a 46.94% increase from the prior year.
- The District's solvency ratio (unreserved-undesignated fund balance/general fund revenues) increased from 6.4% at the end of fiscal 2009 to 9.2% at the end of fiscal 2010. Although the District's solvency ratio increased 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.

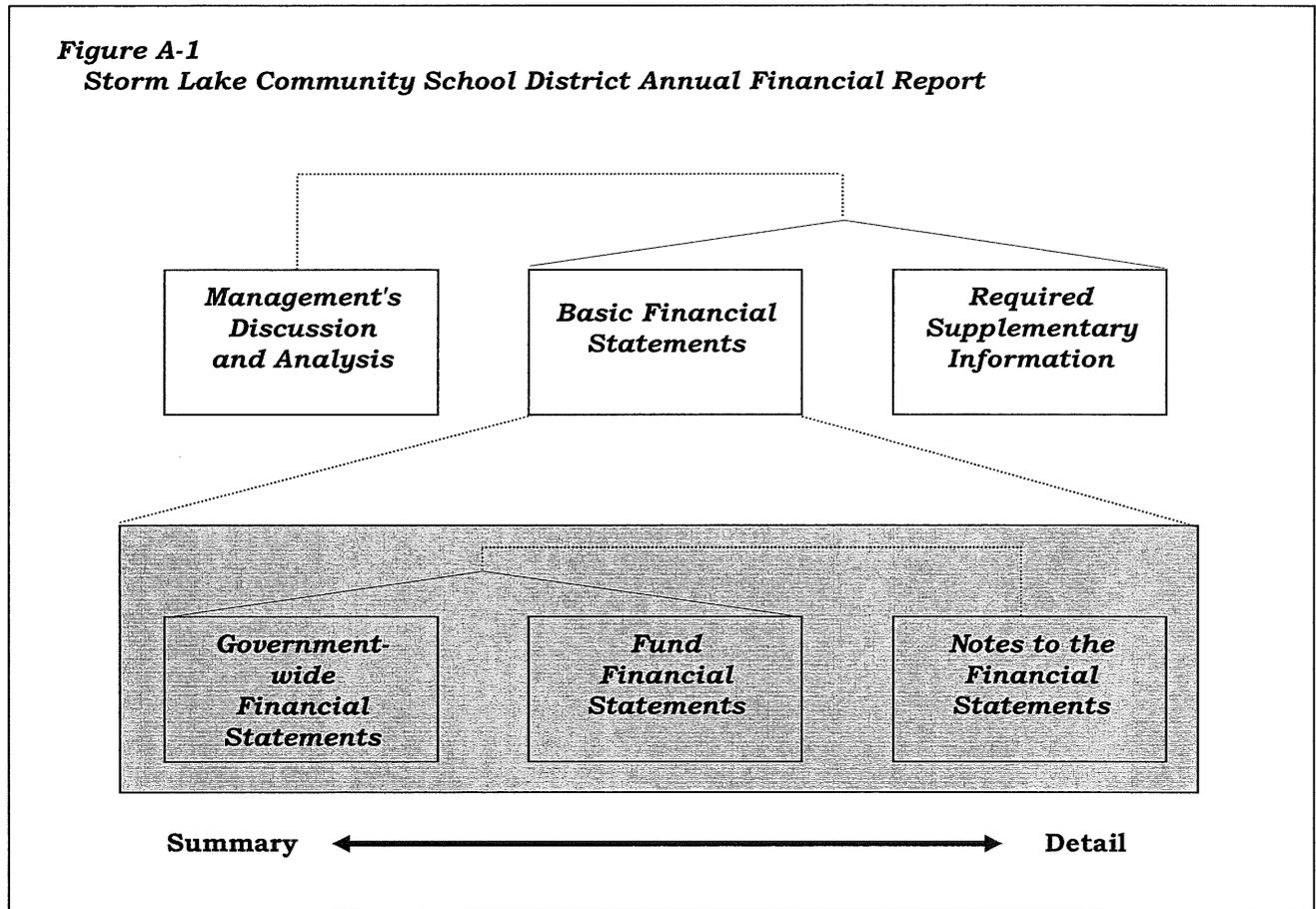


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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, 2010 compared to June 30, 2009.

Figure A-3
Condensed Statement of Net Assets

	Governmental		Business type		Total		Total Change June 30, 2009-10
	Activities		Activities		District		
	June 30,		June 30,		June 30,		
	2010	2009	2010	2009	2010	2009	
Current and other assets	\$ 17,551,754	22,530,716	235,314	454,313	17,787,068	22,985,029	-22.61%
Capital assets	22,952,090	22,030,468	178,032	47,790	23,130,122	22,078,258	4.76%
Total assets	40,503,844	44,561,184	413,346	502,103	40,917,190	45,063,287	-9.20%
Long-term obligations	14,035,440	14,593,187	2,916	1,182	14,038,356	14,594,369	-3.81%
Other liabilities	9,011,340	13,651,230	25,658	102,102	9,036,998	13,753,332	-34.29%
Total liabilities	23,046,780	28,244,417	28,574	103,284	23,075,354	28,347,701	-18.60%
Net assets:							
Invested in capital assets, net of related debt	9,527,090	7,615,468	178,032	47,790	9,705,122	7,663,258	26.64%
Restricted	4,798,774	6,195,058	0	0	4,798,774	6,195,058	-22.54%
Unrestricted	3,131,200	2,506,241	206,740	351,029	3,337,940	2,857,270	16.82%
Total net assets	\$ 17,457,064	16,316,767	384,772	398,819	17,841,836	16,715,586	6.74%

The District's combined net assets increased by 6.74%, or \$1,126,250, 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 decreased 22.54%, or \$1,396,284, over the prior year. The decrease in restricted net assets is mainly attributable to the decrease in fund balances of the Physical Plant and Equipment Levy Fund and the Capital Projects Fund.

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 \$480,670, or 16.82%. 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, 2010 compared to the year ended June 30, 2009.

Figure A-4
Changes of Net Assets

	Governmental		Business type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-10
Revenues & Transfers:							
Program revenues:							
Charges for services	\$ 1,276,359	1,597,123	394,386	412,895	1,670,745	2,010,018	-16.88%
Operating grants and contributions and restricted interest	5,939,802	5,223,174	860,859	757,005	6,800,661	5,980,179	13.72%
Capital grants and contributions and restricted interest	7,316	5,084	0	0	7,316	5,084	43.90%
General revenues:							
Property tax	6,000,588	5,881,957	0	0	6,000,588	5,881,957	2.02%
Income surtax	95,549	91,099	0	0	95,549	91,099	4.88%
Statewide sales, services and use tax	1,371,675	1,286,364	0	0	1,371,675	1,286,364	6.63%
Unrestricted state grants	8,735,354	9,698,068	0	0	8,735,354	9,698,068	-9.93%
Other	362,865	542,027	129,162	146,796	492,027	688,823	-28.57%
Transfers	500	(164,441)	(500)	164,441	0	0	0.00%
Total revenues & transfers	23,790,008	24,160,455	1,383,907	1,481,137	25,173,915	25,641,592	-1.82%
Program expenses:							
Governmental activities:							
Instructional	14,582,513	15,772,322	8,201	0	14,590,714	15,772,322	-7.49%
Support services	5,576,456	6,054,309	119,479	131,095	5,695,935	6,185,404	-7.91%
Non-instructional programs	9,915	27,026	1,270,274	1,168,948	1,280,189	1,195,974	7.04%
Other expenses	2,480,827	2,123,841	0	0	2,480,827	2,123,841	16.81%
Total expenses	22,649,711	23,977,498	1,397,954	1,300,043	24,047,665	25,277,541	-4.87%
Changes in net assets	1,140,297	182,957	(14,047)	181,094	1,126,250	364,051	209.37%
Beginning net assets	16,316,767	16,133,810	398,819	217,725	16,715,586	16,351,535	2.23%
Ending net assets	\$ 17,457,064	16,316,767	384,772	398,819	17,841,836	16,715,586	6.74%

In fiscal 2010, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants account for 68.11% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 90.70% of the revenue from business type activities.

The District's total revenues were approximately \$25.17 million of which \$23.79 million was for governmental activities and approximately \$1.38 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 1.82% decrease in revenues and a 4.87% decrease in expenses. Property tax increased \$118,631 to fund increases in expenditures. The decrease in expenditures was attributable to decreases in expenditures in the instruction and support services functions.

Governmental Activities

Revenues net of transfers for governmental activities were \$23,790,008 and expenses were \$22,649,711. 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		
	2010	2009	Change 2009-10	2010	2009	Change 2009-10
Instruction	\$ 14,582,513	15,772,322	-7.54%	8,232,723	9,719,016	-15.29%
Support services	5,576,456	6,054,309	-7.89%	5,568,627	6,035,194	-7.73%
Non-instructional	9,915	27,026	-63.31%	9,915	27,026	-63.31%
Other expenses	2,480,827	2,123,841	16.81%	1,614,969	1,370,881	-17.81%
Totals	\$ 22,649,711	23,977,498	-5.54%	15,426,234	17,152,117	-10.06%

- The cost financed by users of the District's programs was \$1,276,359.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$5,947,118.
- The net cost of governmental activities was financed with \$6,000,588 in property tax, \$95,549 in income surtax, \$1,371,675 in statewide sales, service and use tax and \$8,735,354 in state grants and \$73,270 in interest income.

Business type Activities

Revenues net of transfers of the District's business type activities were \$1,383,907 and expenses were \$1,397,954. 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 \$6,985,042, below last year's ending fund balances of \$7,551,070. The primary reason for the decrease in combined fund balances is because of the decrease in fund balance of the Capital Projects Fund due to the completion of construction of the new elementary building.

Governmental Fund Highlights

- The District's General Fund position is the product of many factors. The State's 10% across-the-board cut in September 2009 resulted in a decrease in revenues. As a response to the State's reduction in funding, the District implemented a freeze in discretionary spending effective in October 2009 for the remainder of the 2009-10 school year.

Further expenditure reductions were accomplished by expenditure/staff reductions totaling approximately \$600,000 that the Board had approved in Spring 2009 for the 2009-10 school year.

Another significant factor in the General Fund balance was the fact that the District's special education deficit decreased from a deficit \$249,607 in 2008-09 to a deficit \$1,829 in 2009-10. This reduction in the special education deficit is attributable to staff reductions based on student needs, a decrease in tuition out expenditures and an increase in the American Recovery and Reinvestment Act (ARRA) Special Education Part B funding.

As a result, the General Fund balance increased from \$1,451,610 in fiscal 2009 to \$2,133,049 in fiscal 2010.

- The Capital Projects fund balance overall decreased from \$5,376,663 in fiscal 2009 to \$4,088,818 in fiscal 2010. The decrease in fund balance for the Capital Projects Fund is a result of completion of construction of the new elementary building.

Proprietary Fund Highlights

- The School Nutrition Fund net assets decreased from \$374,493 at June 30, 2009 to \$341,602 at June 30, 2010, representing a decrease of 8.78%. The decrease in net assets was due to increases in fund expenditures during the fiscal year as compared to the year previous as well as the increase of expenditures related to the District's net OPEB liability.
- Overall, net assets for the Community Education Fund increased from \$24,326 at June 30, 2009 to \$43,170 at June 30, 2010, representing an increase of 77.46%. As compared to the previous year, fund revenues remained relatively unchanged while fund expenditures decreased by approximately \$19,000.

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 42 and 43.

The District's revenues were \$1,314,022 less than budgeted revenues, a variance of 4.96%. The most significant variance resulted from the District receiving less in state 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, 2010, the District adopted one budget amendment increasing total expenditures by \$1,962,073. This amendment was necessary due to delayed completion of the Elementary Building Project and completion of PPEL projects (technology & HS Roof/Canopy) prior to June 30, 2010.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2010, the District had invested \$23,130,122, 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 4.76% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$1,403,475.

The original cost of the District's capital assets was \$32,869,500. Governmental funds account for \$32,296,690 with the remainder of \$572,810 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, 2010, the District's construction in progress totaled \$0 as compared to \$14,218,445 at June 30, 2009. This decrease is due to the completion of 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,
	2010	2009	2010	2009	2010	2009	2009-10
Land	\$ 860,325	860,325	0	0	860,325	860,325	0.00%
Construction in progress	0	14,218,445	0	0	0	14,218,445	-100.00%
Buildings	20,071,965	5,889,687	0	0	20,071,965	5,889,687	240.80%
Land improvements	1,051,831	308,678	0	0	1,051,831	308,678	240.75%
Machinery and equipment	967,969	753,333	178,032	47,790	1,146,001	801,123	43.05%
Total	\$ 22,952,090	22,030,468	178,032	47,790	23,130,122	22,078,258	4.76%

Long-Term Debt

At June 30, 2010, the District had \$14,038,356 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,
	2010	2009	2010	2009	2010	2009	2009-10
Revenue Bonds	\$ 8,175,000	8,655,000	0	0	8,175,000	8,655,000	-5.55%
General Obligation Bonds	5,250,000	5,760,000	0	0	5,250,000	5,760,000	-8.85%
Early Retirement	261,877	0	0	0	261,877	0	100.00%
Compensated Absences	41,916	53,849	0	0	41,916	53,849	-22.16%
Net OPEB Liability	306,647	124,338	2,916	1,182	309,563	125,520	146.62%
Total	\$ 14,035,440	14,593,187	2,916	1,182	14,038,356	14,594,369	-3.81%

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:

- Due to current economic conditions in the state and nation and to prepare for the upcoming ARRA funding cliff, the District and the Board spent a considerable amount of time in committee work and public meetings to come up with additional expenditure reductions for 2010-2011 and beyond that would have the least impact on instructional programming. The results, approved by the Board, are anticipated to save the District over \$700,000 and include expenditure reductions/efficiencies and staff attrition, retirements and reductions.

-
- In August 2010, the District was notified that it will receive \$445,840 in Federal Education Jobs funding in 2010-11. The Board approved a plan to use the funds in Fiscal 2011 and Fiscal 2012 to reinstate three positions that had previously been cut and to create two new positions based on student needs.
 - As part of the planning process, and prior to receiving additional ARRA Stabilization and General Education Jobs Funding, the Board included a property tax increase of \$1/thousand in the 2010-11 budget. This tax increase will help the District maintain its favorable financial position in the upcoming years.
 - The District experienced an increase in enrollment for 2009-10. Early projections would indicate a slight decrease in official enrollment for 2010-11. The District is optimistic that enrollment numbers will remain steady or increase slightly in the future.
 - On July 1, 2010, the IPERS increase to 6.95% will increase the Storm Lake Community Schools employer benefit costs during fiscal 2011.

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 Pedersen, 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, 2010

	Governmental Activities	Business type Activities	Total
ASSETS			
Cash and pooled investments	\$ 9,182,456	202,250	9,384,706
Receivables:			
Property tax:			
Delinquent	70,567	0	70,567
Succeeding year	6,657,424	0	6,657,424
Income surtax	221,031	0	221,031
Accounts	18,124	1,394	19,518
Due from other governments	1,402,152	7,714	1,409,866
Inventories	0	23,956	23,956
Capital assets, net of accumulated depreciation	22,952,090	178,032	23,130,122
TOTAL ASSETS	40,503,844	413,346	31,532,484
LIABILITIES			
Accounts payable	204,378	13,990	218,368
Salaries and benefits payable	1,600,586	1,711	1,602,297
Retainage payable	90,582	0	90,582
Accrued interest payable	166,652	0	166,652
Deferred revenue:			
Succeeding year property tax	6,657,424	0	6,657,424
Other	291,718	0	291,718
Unearned revenue	0	9,957	9,957
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	345,000	0	345,000
Revenue bonds payable	500,000	0	500,000
Compensated absences payable	41,916	0	41,916
Early retirement payable	76,072	0	76,072
Portion due after one year:			
General obligation bonds payable	4,905,000	0	4,905,000
Revenue bonds payable	7,675,000	0	7,675,000
Early retirement payable	185,805	0	185,805
Net OPEB liability	306,647	2,916	309,563
TOTAL LIABILITIES	23,046,780	28,574	23,075,354
NET ASSETS			
Invested in capital assets, net of related debt	9,527,090	178,032	9,705,122
Restricted for:			
Debt service	22,004	0	22,004
Categorical funding	208,658	0	208,658
Management levy	273,168	0	273,168
Physical plant and equipment levy	143,098	0	143,098
Capital projects	4,088,818	0	4,088,818
Other special revenue purposes	63,028	0	63,028
Unrestricted	3,131,200	206,740	3,337,940
TOTAL NET ASSETS	\$ 17,457,064	384,772	17,841,836

SEE NOTES TO FINANCIAL STATEMENTS.

STORM LAKE COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010

	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	\$ 7,719,437	450,494	4,322,040	0	(2,946,903)	0	(2,946,903)
Special	2,950,948	555,406	751,391	0	(1,644,151)	0	(1,644,151)
Other	3,912,128	270,459	0	0	(3,641,669)	0	(3,641,669)
	<u>14,582,513</u>	<u>1,276,359</u>	<u>5,073,431</u>	<u>0</u>	<u>(8,232,723)</u>	<u>0</u>	<u>(8,232,723)</u>
Support services:							
Student	730,174	0	0	0	(730,174)	0	(730,174)
Instructional staff	853,390	0	0	0	(853,390)	0	(853,390)
Administration	1,951,283	0	0	0	(1,951,283)	0	(1,951,283)
Operation and maintenance of plant	1,578,658	0	0	0	(1,578,658)	0	(1,578,658)
Transportation	462,951	0	7,829	0	(455,122)	0	(455,122)
	<u>5,576,456</u>	<u>0</u>	<u>7,829</u>	<u>0</u>	<u>(5,568,627)</u>	<u>0</u>	<u>(5,568,627)</u>
Non-instructional programs:							
Food service operations	6,822	0	0	0	(6,822)	0	(6,822)
Community service operations	3,093	0	0	0	(3,093)	0	(3,093)
	<u>9,915</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(9,915)</u>	<u>0</u>	<u>(9,915)</u>
Other expenditures:							
Facilities acquisitions	0	0	0	7,316	7,316	0	7,316
Long-term debt interest	512,766	0	0	0	(512,766)	0	(512,766)
AEA flowthrough	858,542	0	858,542	0	0	0	0
Depreciation(unallocated)*	1,109,519	0	0	0	(1,109,519)	0	(1,109,519)
	<u>2,480,827</u>	<u>0</u>	<u>858,542</u>	<u>7,316</u>	<u>(1,614,969)</u>	<u>0</u>	<u>(1,614,969)</u>
Total governmental activities	<u>22,649,711</u>	<u>1,276,359</u>	<u>5,939,802</u>	<u>7,316</u>	<u>(15,426,234)</u>	<u>0</u>	<u>(15,426,234)</u>
Business Type activities:							
Instruction:							
Other	8,201	0	0	0	0	(8,201)	(8,201)
Support services:							
Administration	95,186	0	0	0	0	(95,186)	(95,186)
Operation and maintenance of plant	24,293	0	0	0	0	(24,293)	(24,293)
Total support services	<u>119,479</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(127,680)</u>	<u>(127,680)</u>
Non-instructional programs:							
Nutrition services	1,187,160	330,104	848,444	0	0	(8,612)	(8,612)
Community education services	83,114	64,282	12,415	0	0	(6,417)	(6,417)
Total non-instructional programs:	<u>1,270,274</u>	<u>394,386</u>	<u>860,859</u>	<u>0</u>	<u>0</u>	<u>(15,029)</u>	<u>(15,029)</u>
Total business type activities	<u>1,397,954</u>	<u>394,386</u>	<u>860,859</u>	<u>0</u>	<u>0</u>	<u>(142,709)</u>	<u>(142,709)</u>
Total	<u>\$ 24,047,665</u>	<u>1,670,745</u>	<u>6,800,661</u>	<u>7,316</u>	<u>(15,426,234)</u>	<u>(142,709)</u>	<u>(15,568,943)</u>
General Revenues & Transfers:							
General Revenues:							
Property tax levied for:							
General purposes				\$ 5,216,594	0	5,216,594	
Debt service				488,321	0	488,321	
Capital outlay				295,673	0	295,673	
Income surtax				95,549	0	95,549	
Statewide sales, services and use tax				1,371,675	0	1,371,675	
Unrestricted state grants				8,735,354	0	8,735,354	
Unrestricted investment earnings				73,270	205	73,475	
Other				289,595	128,957	418,552	
Transfers				500	(500)	0	
Total general revenues & transfers				<u>16,566,531</u>	<u>128,662</u>	<u>16,695,193</u>	
Changes in net assets				<u>1,140,297</u>	<u>(14,047)</u>	<u>1,126,250</u>	
Net assets beginning of year				<u>16,316,767</u>	<u>398,819</u>	<u>16,715,586</u>	
Net assets end of year				<u>\$ 17,457,064</u>	<u>384,772</u>	<u>17,841,836</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, 2010

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
ASSETS				
Cash and pooled investments	2,963,106	3,969,006	751,411	7,683,523
Receivables:				
Property tax:				
Delinquent	57,666	0	12,901	70,567
Succeeding year	5,689,240	0	968,184	6,657,424
Income surtax	73,677	0	147,354	221,031
Accounts	18,124	0	0	18,124
Due from other governments	1,177,011	223,044	37	1,400,092
TOTAL ASSETS	\$ 9,978,824	4,192,050	1,879,887	16,050,761
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 190,554	12,650	1,174	204,378
Salaries and benefits payable	1,600,586	0	0	1,600,586
Retainage payable	0	90,582	0	90,582
Deferred revenue:				
Succeeding year property tax	5,689,240	0	968,184	6,657,424
Income surtax	73,677	0	147,354	221,031
Other	291,718	0	0	291,718
Total liabilities	7,845,775	103,232	1,116,712	9,065,719
Fund balances:				
Reserved for:				
Debt service	0	0	22,004	22,004
Categorical funding	208,658	0	0	208,658
Unreserved	1,924,391	4,088,818	741,171	6,754,380
Total fund balances	2,133,049	4,088,818	763,175	6,985,042
TOTAL LIABILITIES AND FUND BALANCES	\$ 9,978,824	4,192,050	1,879,887	16,050,761

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, 2010

Total fund balances of governmental funds (page 20)	\$	6,985,042
 <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.		22,952,090
Blending of the Internal Service Funds to be reflected on an entity-wide basis.		1,500,993
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		221,031
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.		(166,652)
Long-term liabilities, including general obligation bonds, revenue bonds, compensated absences, early retirement 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>(14,035,440)</u>
Net assets of governmental activities (page 18)	\$	<u>17,457,064</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, 2010

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 4,850,045	1,371,675	1,230,181	7,451,901
Tuition	971,826	0	0	971,826
Other	418,490	37,410	286,355	742,255
State sources	11,307,325	0	580	11,307,905
Federal sources	3,299,710	0	0	3,299,710
TOTAL REVENUES	20,847,396	1,409,085	1,517,116	23,773,597
EXPENDITURES:				
Current:				
Instruction:				
Regular	7,115,773	210,260	164,790	7,490,823
Special	2,972,831	0	21,602	2,994,433
Other	3,859,551	0	245,224	4,104,775
	13,948,155	210,260	431,616	14,590,031
Support services:				
Student	651,281	0	14,999	666,280
Instructional staff	812,130	0	108,366	920,496
Administration	1,976,621	2,734	14,118	1,993,473
Operation and maintenance of plant	1,484,380	0	133,250	1,617,630
Transportation	433,530	0	28,199	461,729
	5,357,942	2,734	298,932	5,659,608
Non-instructional programs:				
Food service operations	0	0	6,822	6,822
Community service operations	3,093	0	0	3,093
	3,093	0	6,822	9,915
Other expenditures:				
Facilities acquisitions	0	1,432,553	250,880	1,683,433
Long-term debt:				
Principal	0	0	990,000	990,000
Interest and fiscal charges	0	0	549,871	549,871
AEA flowthrough	858,542	0	0	858,542
	858,542	1,432,553	1,790,751	4,081,846
TOTAL EXPENDITURES	20,167,732	1,645,547	2,528,121	24,341,400
Excess(Deficiency) of revenues over(under) expenditures	679,664	(236,462)	(1,011,005)	(567,803)
Other financing sources(uses):				
Transfer in	500	0	1,051,383	1,051,883
Transfer out	0	(1,051,383)	0	(1,051,383)
Sale of equipment	1,275	0	0	1,275
Total other financing sources(uses)	1,775	(1,051,383)	1,051,383	1,775
Net change in fund balances	681,439	(1,287,845)	40,378	(566,028)
Fund balance beginning of year	1,451,610	5,376,663	722,797	7,551,070
Fund balance end of year	\$ 2,133,049	4,088,818	763,175	6,985,042

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, 2010

Net change in fund balances - total governmental funds (page 22) \$ (566,028)

**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	\$ 2,293,896	
Depreciation expense	(1,362,659)	
Loss on asset disposal	<u>(9,615)</u>	921,622

Net change in Internal Service Funds charged back against expenditures made for the flex benefit program at an entity-wide basis. 173,940

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		990,000
--------	--	---------

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. 37,105

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 15,911

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	\$ 11,933	
Early retirement	(261,877)	
Other postemployment benefits	<u>(182,309)</u>	<u>(432,253)</u>

Changes in net assets of governmental activities (page 19) \$ 1,140,297

SEE NOTES TO FINANCIAL STATEMENTS.

STORM LAKE COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2010

	Business Type Activities: Enterprise Fund			Governmental Activities: Internal Service Fund
	School Nutrition	Community Education	Total	
ASSETS				
Current assets:				
Cash and pooled investments	\$ 156,397	45,853	202,250	1,498,933
Accounts receivable	1,394	0	1,394	0
Due from other governments	7,714	0	7,714	2,060
Inventories	23,956	0	23,956	0
Total current assets	<u>189,461</u>	<u>45,853</u>	<u>235,314</u>	<u>1,500,993</u>
Non-current assets:				
Capital assets:				
Machinery and equipment, net of accumulated depreciation	178,032	0	178,032	0
Total non-current assets	<u>178,032</u>	<u>0</u>	<u>178,032</u>	<u>0</u>
TOTAL ASSETS	<u>367,493</u>	<u>45,853</u>	<u>413,346</u>	<u>1,500,993</u>
LIABILITIES				
Current liabilities:				
Accounts payable	13,990	0	13,990	0
Salaries and benefits payable	0	1,711	1,711	0
Unearned revenue	9,957	0	9,957	0
Total current liabilities	<u>23,947</u>	<u>1,711</u>	<u>25,658</u>	<u>0</u>
Long-term liabilities:				
Net OPEB liability	1,944	972	2,916	0
Total long-term liabilities	<u>1,944</u>	<u>972</u>	<u>2,916</u>	<u>0</u>
TOTAL LIABILITIES	<u>25,891</u>	<u>2,683</u>	<u>28,574</u>	<u>0</u>
NET ASSETS				
Invested in capital assets	178,032	0	178,032	0
Unrestricted	163,570	43,170	206,740	1,500,993
TOTAL NET ASSETS	<u>\$ 341,602</u>	<u>43,170</u>	<u>384,772</u>	<u>1,500,993</u>

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, 2010

	Business Type Activities: Enterprise Fund			Governmental Activities:
	School Nutrition	Community Education	Total	Internal Service Fund
OPERATING REVENUE:				
Local sources:				
Charges for services	\$ 330,104	64,282	394,386	0
Donations	0	12,415	12,415	0
Miscellaneous	360	128,597	128,957	2,336,993
TOTAL OPERATING REVENUES	<u>330,464</u>	<u>205,294</u>	<u>535,758</u>	<u>2,336,993</u>
OPERATING EXPENSES:				
Instruction:				
Other:				
Salaries	0	7,367	7,367	0
Benefits	0	834	834	0
	<u>0</u>	<u>8,201</u>	<u>8,201</u>	<u>0</u>
Support services:				
Administration:				
Salaries	0	68,812	68,812	0
Benefits	0	24,359	24,359	2,550
Services	0	2,015	2,015	2,169,044
	<u>0</u>	<u>95,186</u>	<u>95,186</u>	<u>2,171,594</u>
Operation and maintenance of plant:				
Services	14,784	0	14,784	0
Supplies	9,509	0	9,509	0
	<u>24,293</u>	<u>0</u>	<u>24,293</u>	<u>0</u>
Total support services	<u>24,293</u>	<u>95,186</u>	<u>119,479</u>	<u>2,171,594</u>
Non-instructional programs:				
Food service operations:				
Salaries	52,173	0	52,173	0
Benefits	23,153	0	23,153	0
Services	408,641	0	408,641	0
Supplies	663,173	0	663,173	0
Depreciation	40,020	0	40,020	0
	<u>1,187,160</u>	<u>0</u>	<u>1,187,160</u>	<u>0</u>
Community service operations:				
Salaries	0	26,557	26,557	0
Benefits	0	8,056	8,056	0
Services	0	11,867	11,867	0
Supplies	0	35,838	35,838	0
Depreciation	0	796	796	0
	<u>0</u>	<u>83,114</u>	<u>83,114</u>	<u>0</u>
Total non-instructional programs	<u>1,187,160</u>	<u>83,114</u>	<u>1,270,274</u>	<u>0</u>
TOTAL OPERATING EXPENSES	<u>1,211,453</u>	<u>186,501</u>	<u>1,397,954</u>	<u>2,171,594</u>
OPERATING INCOME (LOSS)	<u>(880,989)</u>	<u>18,793</u>	<u>(862,196)</u>	<u>165,399</u>
NON-OPERATING REVENUES:				
State sources	10,156	0	10,156	0
Federal sources	838,288	0	838,288	6,868
Interest income	154	51	205	1,673
TOTAL NON-OPERATING REVENUES	<u>848,598</u>	<u>51</u>	<u>848,649</u>	<u>8,541</u>
Change in net assets before other financing uses	<u>(32,391)</u>	<u>18,844</u>	<u>(13,547)</u>	<u>173,940</u>
OTHER FINANCING USES:				
Transfer out	(500)	0	(500)	0
Change in net assets	<u>(32,891)</u>	<u>18,844</u>	<u>(14,047)</u>	<u>173,940</u>
Net assets beginning of year	<u>374,493</u>	<u>24,326</u>	<u>398,819</u>	<u>1,327,053</u>
Net assets end of year	<u>\$ 341,602</u>	<u>43,170</u>	<u>384,772</u>	<u>1,500,993</u>

SEE NOTES TO FINANCIAL STATEMENTS.

STORM LAKE COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2010

	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	\$ 409,662	0	409,662	0
Cash received from miscellaneous operating activities	360	206,725	207,085	2,334,933
Cash payments to employees for services	(74,328)	(135,667)	(209,995)	(2,171,594)
Cash payments to suppliers for goods or services	(1,114,673)	(59,479)	(1,174,152)	0
Net cash provided by(used in) operating activities	(778,979)	11,579	(767,400)	163,339
Cash flows from non-capital financing activities:				
Transfer to General Fund	(500)	0	(500)	0
State grants received	10,156	0	10,156	0
Federal grants received	780,349	0	780,349	6,868
Net cash provided by non-capital financing activities	790,005	0	790,505	6,868
Cash flows from capital activities:				
Acquisition of assets	(6,617)	0	(6,617)	0
Cash flows from investing activities:				
Interest on investment	154	51	205	1,673
Net increase in cash and cash equivalents	4,563	11,630	16,193	171,880
Cash and cash equivalents at beginning of year	151,834	34,223	186,057	1,327,053
Cash and cash equivalents at end of year	\$ 156,397	45,853	202,250	1,498,933
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:				
Operating income(loss)	\$ (880,989)	18,793	(862,196)	165,399
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:				
Commodities consumed	60,285	0	60,285	0
Depreciation	40,020	796	40,816	0
Increase in inventories	(13,174)	0	(13,174)	0
(Increase)Decrease in accounts receivable	80,148	1,431	81,579	(2,060)
Decrease in accounts payable	(65,677)	(9,759)	(75,436)	0
(Decrease)Increase in salaries and benefits payable	(158)	(260)	(418)	0
Decrease in unearned revenues	(590)	0	(590)	0
Increase in other postemployment benefits	1,156	578	1,734	0
Net cash provided by(used in) operating activities	\$ (778,979)	11,579	(767,400)	163,339

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2010, the District received Federal commodities valued at \$60,285.

Capital contributions of \$164,441 were recognized in the previous year as costs of kitchen equipment related to the construction of the new elementary building. These costs were not added to the District's capital asset listing until the year ended June 30, 2010 when construction of the elementary building was completed.

SEE NOTES TO FINANCIAL STATEMENTS.

STORM LAKE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

(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 early childhood programs, grades kindergarten through twelve and the charter high school. 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, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2009.

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 and intangibles, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and 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
Intangibles	178,000
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
Intangibles	2-10 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, 2010. 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, 2010 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. For the year ended June 30, 2010, the District had no investments.

(3) Interfund Transfers

The detail of transfers for the year ended June 30, 2010 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 1,051,383
General	Nutrition	500
Total		<u>\$ 1,051,883</u>

The transfer from the Capital Projects 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 one half of the yearly interest administrative fees for the District's May 1, 2007 general obligation bond issuance.

The transfer from the Nutrition Fund to the General Fund was to move the money received from the Team Nutrition federal grant.

(4) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School 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. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. Bankers Trust Co. NA is the trustee for the program.

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. The District must make minimum warrant repayments on the 25th of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The interest rate on the 2009-10A warrants was 2.50% The interest rate on the Series 2009-10B warrants is a variable rate, calculated daily based upon the Bankers Trust Co. NA prime rate plus 50 basis points with a minimum interest rate of 4.50%. The District had no ISCAP activity for the year ended June 30, 2010.

During the year ended June 30, 2010, the District paid \$102,627 of interest on the ISCAP warrants.

(5) Capital Assets

Capital assets activity for the year ended June 30, 2010 is as follows:

	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	14,218,445	1,716,400	15,934,845	0
Total capital assets not being depreciated	<u>15,078,770</u>	<u>1,716,400</u>	<u>15,934,845</u>	<u>860,325</u>
Capital assets being depreciated:				
Buildings	10,198,895	15,201,535	0	25,400,430
Land improvements	971,826	833,415	0	1,805,241
Machinery and equipment	3,860,226	477,391	106,923	4,230,694
Total capital assets being depreciated	<u>15,030,947</u>	<u>16,512,341</u>	<u>106,923</u>	<u>31,436,365</u>
Less accumulated depreciation for:				
Buildings	4,309,208	1,019,257	0	5,328,465
Land improvements	663,148	90,262	0	753,410
Machinery and equipment	3,106,893	253,140	97,308	3,262,725
Total accumulated depreciation	<u>8,079,249</u>	<u>1,362,659</u>	<u>97,308</u>	<u>9,344,600</u>
Total capital assets being depreciated, net	<u>6,951,698</u>	<u>15,149,682</u>	<u>9,615</u>	<u>22,091,765</u>
Governmental activities capital assets, net	<u>\$ 22,030,468</u>	<u>16,866,082</u>	<u>15,944,460</u>	<u>22,952,090</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 403,770	171,058	2,018	572,810
Less accumulated depreciation	355,980	40,816	2,018	394,778
Business type activities capital assets, net	<u>\$ 47,790</u>	<u>130,242</u>	<u>0</u>	<u>178,032</u>

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 50,895
Other		24,406
Support services:		
Instructional staff		53,608
Administration		12,963
Operation and maintenance		27,612
Transportation		83,656
		<u>253,140</u>
Unallocated depreciation		1,109,519
Total governmental activities depreciation expense		<u>\$ 1,362,659</u>
Business type activities:		
Food services		\$ 40,020
Community education		796
Total business type activities depreciation expense		<u>\$ 40,816</u>

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2010 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	480,000	8,175,000	500,000
General Obligation Bonds	5,760,000	0	510,000	5,250,000	345,000
Early Retirement	0	261,877	0	261,877	76,072
Compensated Absences	53,849	41,916	53,849	41,916	41,916
Net OPEB Liability	124,338	182,309	0	306,647	0
Total	\$ 14,593,187	486,102	1,043,849	14,035,440	962,988
Business Type Activities:					
Net OPEB Liability	\$ 1,182	1,734	0	2,916	0

Revenue Bonds Payable

Details of the District's June 30, 2010 statewide sales, services and use 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
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	3.75	150,000	102,512	3.50	425,000	128,913	575,000	231,425	806,425
2016-2020	3.75-4.00	1,215,000	399,050	4.00-4.25	2,010,000	398,830	3,225,000	797,880	4,022,880
2021-2023	4.00	1,315,000	80,701	4.25	950,000	61,194	2,265,000	141,895	2,406,895
Total		\$ 3,055,000	1,039,795		\$ 5,120,000	1,250,625	\$ 8,175,000	2,290,420	10,465,420

The District has pledged future statewide sales, services and use tax revenues to repay the \$8,655,000 bonds issued May 1, 2007 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 statewide sales, services and use 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 59 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$10,465,420. For the current year, principal of \$480,000 and interest of \$324,512 was paid on the bonds and total statewide sales, services and use tax revenues were \$1,371,675.

The resolution providing for the issuance of the statewide sales, services and use 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 statewide sales, services and use 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, 2010 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond issue of May 1, 2007				
	Interest Rates		Principal	Interest	Total
2011	4.00	% \$	345,000	206,319	551,319
2012	4.00		360,000	192,519	552,519
2013	4.00		375,000	178,119	553,119
2014	4.00		390,000	163,119	553,119
2015	4.00		410,000	139,318	549,318
2016-2020	3.875-4.00		2,305,000	511,029	2,816,029
2021-2022	3.875		1,065,000	41,752	1,106,752
Total			\$ 5,250,000	1,432,175	6,682,175

Early Retirement

During the year ended June 30, 2010, the District offered a voluntary early retirement plan to licensed teachers, support staff and administrators of the District. Licensed teachers and support staff must be at least age fifty-five and have completed fifteen years of full-time service (with the last ten years being continuous) to the District. Administrators must be at least age fifty-five and have completed ten years of continuous service to the District. Employees must complete an application which is subject to approval by the Board of Education.

The early retirement incentive for licensed teachers was determined as the difference between the employee's BA scheduled base and the current annual full-time equivalent salary less extended contract and extra duty pay amounts. The early retirement incentive for support staff was determined as the difference between the employee's salary schedule base and their current salary. The early retirement incentive for administrators was determined by their placement on the salary schedule with reference to years of tenure and training.

The District offered each retiring employee two options as to how to receive early retirement benefits. The first option was that the dollar amount determined as the early retirement incentive would be paid by the District as an employer contribution to a 403b plan in the employee's name within sixty months from the date of retirement. The second option was for the District to hold the total dollar amount to apply against the employee's cost of health insurance available to the employee each year and any amount of the benefit not used for insurance would be placed in a 403b plan in the employee's name.

(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 4.30% of their annual covered salary and the District is required to contribute 6.65% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2010, 2009 and 2008 were \$837,870, \$809,234 and \$735,899 respectively, equal to the required contributions for each year.

(8) Other Postemployment Benefits (OPEB)

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, 2010, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 186,110
Interest on net OPEB obligation	4,653
Adjustment to annual required contribution	(6,720)
Annual OPEB cost (expense)	<u>184,043</u>
Contributions made	<u>0</u>
Increase in net OPEB obligation	184,043
Net OPEB obligation - beginning of year	<u>125,520</u>
Net OPEB obligation - end of year	<u><u>\$ 309,563</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, 2010.

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, 2010 are summarized as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2010	\$ 184,043	0%	\$ 309,563

Funded Status and Funding Progress - As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, 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 \$12.810 million, and the ratio of the UAAL to the covered payroll was 10.1%. As of June 30, 2010, 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 \$858,542 for the year ended June 30, 2010 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Categorical Funding

The District's ending reserved balances for categorical funding as of June 30, 2010 are broken out by the following projects:

Project	Amount
Home school assistance program	\$ 22,358
Talented and gifted	43,618
Weighted at-risk programs	16,642
Allowable growth for returning dropouts and dropout prevention	67,623
Teacher salary supplement	506
State aid for 4-year old preschool	15,472
Text book aid for non-public students	2,487
Teacher quality, professional development model core curriculum	23,290
Teacher quality, professional development	2,748
Teacher quality, market factor incentives	13,914
Total	<u>\$ 208,658</u>

(12) Contingencies

As of June 30, 2010, 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, 2010

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to
	Fund Types	Fund Type		Original	Final	Actual
	Actual	Actual				Variance
Revenues:						
Local sources	\$ 9,165,982	535,963	9,701,945	9,934,890	9,934,890	(232,945)
State sources	11,307,905	10,156	11,318,061	13,856,142	13,856,142	(2,538,081)
Federal sources	3,299,710	838,288	4,137,998	2,680,994	2,680,994	1,457,004
Total revenues	<u>23,773,597</u>	<u>1,384,407</u>	<u>25,158,004</u>	<u>26,472,026</u>	<u>26,472,026</u>	<u>(1,314,022)</u>
Expenditures/Expenses:						
Instruction	14,590,031	8,201	14,598,232	16,125,611	16,125,611	1,527,379
Support services	5,659,608	119,479	5,779,087	6,719,200	6,719,200	940,113
Non-instructional programs	9,915	1,270,274	1,280,189	1,364,675	1,364,675	84,486
Other expenditures	4,081,846	0	4,081,846	2,537,927	4,500,000	418,154
Total expenditures/expenses	<u>24,341,400</u>	<u>1,397,954</u>	<u>25,739,354</u>	<u>26,747,413</u>	<u>28,709,486</u>	<u>2,970,132</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	(567,803)	(13,547)	(581,350)	(275,387)	(2,237,460)	1,656,110
Other financing sources, net	1,775	(500)	1,275	0	0	1,275
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	(566,028)	(14,047)	(580,075)	(275,387)	(2,237,460)	1,657,385
Balance beginning of year	7,551,070	398,819	7,949,889	3,331,471	3,331,471	4,618,418
Balance end of year	<u>\$ 6,985,042</u>	<u>384,772</u>	<u>7,369,814</u>	<u>3,056,084</u>	<u>1,094,011</u>	<u>6,275,803</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

STORM LAKE COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2010

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. During the year ended June 30, 2010, the District adopted one budget amendment increasing total expenditures by \$1,962,073. This amendment was necessary due to delayed completion of the Elementary Building Project and completion of PPEL projects (technology & HS Roof/Canopy) prior to June 30, 2010.

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

REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	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)			
2009	July 1, 2008	\$ -	\$1,300	\$1,300	0.0%	\$11,495	11.3%
2010	July 1, 2008	\$ -	\$1,300	\$1,300	0.0%	\$12,810	10.1%

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, 2010

	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	\$ 530,798	63,028	141,457	735,283	16,128	751,411
Receivables:						
Property tax:						
Delinquent	5,421	0	1,633	7,054	5,847	12,901
Succeeding year	617,387	0	133,577	750,964	217,220	968,184
Income surtax	0	0	147,354	147,354	0	147,354
Due from other governments	0	0	8	8	29	37
TOTAL ASSETS	\$ 1,153,606	63,028	424,029	1,640,663	239,224	1,879,887
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 1,174	0	0	1,174	0	1,174
Deferred revenue:						
Succeeding year property tax	617,387	0	133,577	750,964	217,220	968,184
Income surtax	0	0	147,354	147,354	0	147,354
Total liabilities	618,561	0	280,931	899,492	217,220	1,116,712
Fund balances:						
Reserved for debt service	0	0	0	0	22,004	22,004
Unreserved	535,045	63,028	143,098	741,171	0	741,171
Total fund balances	535,045	63,028	143,098	741,171	22,004	763,175
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,153,606	63,028	424,029	1,640,663	239,224	1,879,887

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, 2010

	Special Revenue Funds					Total
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds	Debt Service	Other Nonmajor Governmental Funds
REVENUES:						
Local sources:						
Local tax	\$ 446,187	0	295,673	741,860	488,321	1,230,181
Other	33,150	247,712	4,905	285,767	588	286,355
State sources	247	0	73	320	260	580
TOTAL REVENUES	479,584	247,712	300,651	1,027,947	489,169	1,517,116
EXPENDITURES:						
Current:						
Instruction:						
Regular	164,790	0	0	164,790	0	164,790
Special	21,602	0	0	21,602	0	21,602
Other	0	245,224	0	245,224	0	245,224
Support services:						
Student	14,999	0	0	14,999	0	14,999
Instructional staff	1,872	0	106,494	108,366	0	108,366
Administration	14,118	0	0	14,118	0	14,118
Operation and maintenance of plant	133,250	0	0	133,250	0	133,250
Transportation	28,199	0	0	28,199	0	28,199
Non-instructional programs:						
Food service operations	6,822	0	0	6,822	0	6,822
Other expenditures:						
Facilities acquisition	0	0	250,880	250,880	0	250,880
Long-term debt:						
Principal	0	0	0	0	990,000	990,000
Interest and fiscal charges	0	0	0	0	549,871	549,871
TOTAL EXPENDITURES	385,652	245,224	357,374	988,250	1,539,871	2,528,121
Excess(deficiency) of revenues over(under) expenditures	93,932	2,488	(56,723)	39,697	(1,050,702)	(1,011,005)
Other financing sources:						
Transfers in	0	0	0	0	1,051,383	1,051,383
Net change in fund balance	93,932	2,488	(56,723)	39,697	681	40,378
Fund balance beginning of year	441,113	60,540	199,821	701,474	21,323	722,797
Fund balance end of year	\$ 535,045	63,028	143,098	741,171	22,004	763,175

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, 2010

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
School Musical	\$ 6,672	0	82	6,590
Speech	19	5,412	4,876	555
Vocal Music	1,108	75	471	712
Cheerleaders	2,077	7,891	9,425	543
Dance Squad	482	10,990	10,547	925
Hi Breeze	66	65	131	0
Breeze of 2011	5,178	20	5,198	0
Breeze of 2008	0	14,400	5,203	9,197
Art Club	417	1,790	977	1,230
Kreative Kitchens	1,935	2,089	2,948	1,076
FACS	468	3,570	1,313	2,725
Nado Nook	1,325	8,335	8,500	1,160
International Club	238	586	702	122
AVID Club	856	2,230	2,649	437
Key Club	263	1,314	1,501	76
Library Club	0	92	92	0
Close-Up	135	0	135	0
Student Council	1,479	5,511	6,149	841
Class of 2010	1,332	2,282	3,614	0
Class of 2011	0	5,294	3,708	1,586
All State Music	0	3,211	1,850	1,361
Jazz Band	391	0	0	391
Vending Machines	5,559	13,618	12,137	7,040
Student Activities	6,251	1,702	5,222	2,731
Concessions	2,256	19,871	14,991	7,136
Interest	0	430	0	430
TCD	0	32	0	32
DECA	2,158	8,238	7,868	2,528
Alternative HS	854	0	854	0
VICA Club	183	0	183	0
ACE	2,481	9,495	11,976	0
Model UN	165	0	165	0
Orchestra	563	407	570	400
Cross Country	0	1,215	1,152	63
Boys Basketball	0	6,250	6,250	0
Football	0	16,775	16,775	0
Boys Soccer	0	1,683	1,008	675
Baseball	(20)	11,857	11,619	218

STORM LAKE COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2010

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Boys Track	0	8,160	8,160	0
Boys Tennis	0	1,470	1,470	0
Boys Golf	0	1,747	1,747	0
Boys Swimming	0	1,830	1,742	88
Wrestling	0	4,454	4,454	0
Girls Basketball	0	16,209	13,694	2,515
Volleyball	0	5,755	5,755	0
Girls Soccer	0	2,560	2,560	0
Softball	(591)	6,347	4,946	810
Girls Track	0	5,409	5,409	0
Girls Tennis	0	423	423	0
Girls Golf	0	890	598	292
Girls Swimming	0	1,215	704	511
General Athletics	16,240	24,513	32,721	8,032
MS Activities	0	0	0	0
Total	\$ 60,540	247,712	245,224	63,028

SEE ACCOMPANYING INDEPENDENT

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

	Modified Accrual Basis						
	Years Ended June 30,						
	2010	2009	2008	2007	2006	2005	2004
Revenues:							
Local sources:							
Local tax	\$ 7,451,901	7,242,555	6,516,603	6,424,067	6,324,196	6,220,883	5,323,603
Tuition	971,826	1,228,962	1,156,687	1,103,062	1,200,001	1,242,735	1,218,276
Other	742,255	938,920	1,937,069	978,588	880,274	656,852	735,030
Intermediate sources	0	15,000	0	0	0	0	0
State sources	11,307,905	12,160,271	12,220,851	10,507,714	9,284,350	9,058,775	8,356,506
Federal sources	3,299,710	2,722,323	2,129,213	2,218,014	2,429,642	2,140,287	1,478,466
Total	\$ 23,773,597	24,308,031	23,960,423	21,231,445	20,118,463	19,319,532	17,111,881
Expenditures:							
Instruction:							
Regular	\$ 7,490,823	7,812,449	8,394,735	7,461,085	7,357,714	6,886,448	7,011,486
Special	2,994,433	3,390,265	3,063,321	2,655,116	2,543,743	4,012,454	3,923,867
Other	4,104,775	3,798,743	2,679,735	2,641,499	2,704,033	979,714	942,497
Support services:							
Student	666,280	791,485	718,580	699,051	611,262	436,231	495,212
Instructional staff	920,496	773,874	845,095	661,859	842,155	612,465	191,888
Administration	1,993,473	2,161,236	2,154,815	2,051,335	1,830,017	1,654,095	1,385,254
Operation and maintenance							
of plant	1,617,630	1,765,045	1,844,236	1,688,205	1,744,242	1,525,999	1,334,772
Transportation	461,729	530,477	635,848	587,385	405,597	389,466	336,087
Other support	0	0	0	0	0	15,723	92,983
Non-instructional programs:							
Food service operations	6,822	2,904	3,541	2,988	0	5,000	0
Community service operations	3,093	24,122	2,529	0	0	51,000	51,000
Other expenditures:							
Facilities acquisitions	1,683,433	8,951,786	6,119,309	564,714	300,168	73,402	557,907
Long-term debt:							
Principal	990,000	500,000	485,000	475,000	530,000	515,000	520,000
Interest and other charges	549,871	516,862	326,352	39,456	51,243	60,428	43,490
AEA flow-through	858,542	747,876	712,056	646,571	591,183	586,325	568,957
Total	\$ 24,341,400	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, 2010

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
DIRECT:			
U.S. DEPARTMENT OF EDUCATION:			
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - NATIONAL PROGRAMS	84.184	FY 10	\$ 41,345
GAINING EARLY AWARENESS AND READINESS FOR UNDERGRADUATE PROGRAMS	84.334	FY 09	1,593
GAINING EARLY AWARENESS AND READINESS FOR UNDERGRADUATE PROGRAMS	84.334	FY 10	26,464
			<u>28,057</u>
INDIRECT:			
U.S. DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 10	182,156
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 10	604,634 *
SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	10.559	FY 10	7,714
			<u>794,504</u>
STATE ADMINISTRATIVE MATCHING			
GRANTS FOR FOOD STAMP PROGRAM			
(BASICS - BUILDING AND STRENGTHENING IOWA COMMUNITY			
SUPPORT FOR NUTRITION AND HEALTH)			
	10.561	FY 10	9,348
TEAM NUTRITION GRANTS	10.574	FY 10	500
FRESH FRUIT AND VEGETABLE PROGRAM	10.582	FY 10	43,284
U.S. DEPARTMENT OF LABOR:			
IOWA DEPARTMENT OF LABOR:			
EMPLOYEE BENEFITS SECURITY ADMINISTRATION			
(COBRA PREMIUM ASSISTANCE), RECOVERY ACT			
	17.151	FY 10	6,868
U.S. DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I - SCHOOLS IN NEED OF ASSISTANCE (SINA)	84.010	FY 10	45,471
TITLE I - SCHOOLS IN NEED OF ASSISTANCE			
(SINA - ELL LEADERSHIP ACADEMY)	84.010	FY 10	68,296
TITLE I (DINA - DISTRICTS IN NEED OF ASSISTANCE)	84.010	FY 10	76,875
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	6219-G	520,940
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES, RECOVERY ACT	84.389	FY 09	60,806
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES, RECOVERY ACT	84.389	FY 10	119,526
			<u>891,914</u>
MIGRANT EDUCATION - STATE GRANT PROGRAM	84.011	FY 10	213,760
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 10	10,522

STORM LAKE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2010

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
21st CENTURY COMMUNITY LEARNING CENTERS	84.287	FY 10	<u>154,292</u>
ADVANCED PLACEMENT PROGRAM	84.330	FY 10	<u>392</u>
READING FIRST STATE GRANTS	84.357	FY 10	<u>52,500</u>
ENGLISH LANGUAGE ACQUISITION STATE GRANTS(TITLE III)	84.365	FY 10	<u>25,950</u> **
TITLE IIA - FEDERAL TEACHER QUALITY PROGRAM	84.367	FY 10	<u>73,824</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES(TITLE VI A)	84.369	FY 10	<u>13,702</u>
STATE FISCAL STABILIZATION FUND(SFSF) EDUCATION STATE GRANTS, RECOVERY ACT	84.394	FY 10	<u>953,768</u>
PRAIRIE LAKES AREA EDUCATION AGENCY: SPECIAL EDUCATION CLUSTER PROGRAMS:			
SPECIAL EDUCATION - GRANTS TO STATES(PART B)	84.027	FY 10	127,187
SPECIAL EDUCATION - GRANTS TO STATES (PART B), RECOVERY ACT	84.391	FY 10	<u>203,627</u>
			<u>330,814</u>
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 10	<u>13,726</u>
ENGLISH LANGUAGE ACQUISITION STATE GRANTS(TITLE III)	84.365	FY 10	<u>83,202</u> **
TOTAL			<u>\$ 3,742,272</u>

* Includes \$60,285 of non-cash awards.

** Total for CFDA Number 84.365 is \$109,152.

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.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and
on Compliance and Other Matters

Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Board of Education of the
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, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 7, 2011. 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be a material weakness and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatement on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-10 to be material weaknesses.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-B-10 to be significant deficiency.

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, 2010 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 and Questioned Costs. 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.

January 7, 2011

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

Independent Auditor's Report on Compliance with Requirements Applicable
to Each Major Program and on 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, 2010. 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, 2010.

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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Storm Lake Community School District's internal control over compliance.

Members American Institute & Iowa Society of Certified Public Accountants

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance we consider to be a material weakness.

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-10 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 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.



NOLTE, CORNMAN & JOHNSON, P.C.

January 7, 2011

STORM LAKE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

Part I: Summary of the Independent Auditor's Results

- (a) Unqualified opinions were issued on the financial statements.
- (b) A significant deficiency and material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) A material weakness in internal control over the major programs was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed 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 84.010 - Title I - Schools in Need of Assistance (SINA)
 - CFDA Number 84.010 - Schools in Need of Assistance (SINA - ELL Leadership Academy)
 - CFDA Number 84.010 - Title I - Districts in Need of Assistance (DINA)
 - CFDA Number 84.010 - Title I - Grants to Local Educational Agencies
 - CFDA Number 84.389 - Title I - Grants to Local Educational Agencies, Recovery Act
 - Clustered
 - CFDA Number 84.027 - Special Education - Grants to States (Part B)
 - CFDA Number 84.391 - Special Education - Grants to States (Part B), Recovery Act
 - Individual
 - CFDA Number 84.365 - English Language Acquisition State Grants (Title III)
 - CFDA Number 84.394 - State Fiscal Stabilization Fund (SFSF) Education State Grants, Recovery Act
- (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, 2010

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

INTERNAL CONTROL DEFICIENCIES:

II-A-10 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.

II-B-10 Gate Admissions - Although it appears the District is using pre-numbered tickets for event admissions, we noted during the audit it appeared that ticket takers responsible for cash collections at the gate were not always reconciling pre-numbered tickets to cash collected as well as not signing off on the reconciliation before giving custody of the change box to the designee responsible for safeguarding the cash until the deposit is made.

Recommendation - The exchange in custody of the change box from the ticket takers to the Athletic Director with no reconciliation procedures being performed by the ticket takers constitutes a breakdown in control procedures. The District should review internal control procedures established for handling cash for all activity events and communicate the procedures to the individuals involved.

At the end of the event, cash should be counted and reconciled by two or more individuals (usually the ticket takers) to pre-numbered tickets sold including the amount of the beginning cash. A reconciliation form should be completed and signed off by the individuals responsible for counting and reconciling the cash. The cash and change box should then be turned into the designee responsible for the accounting function at the event.

Response - The District will implement procedures for the sign off and reconciliation of cash boxes at District events.

Conclusion - Response accepted.

STORM LAKE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

INTERNAL CONTROL DEFICIENCIES:

CFDA Number 84.010 - Title I - Schools in Need of Assistance (SINA)

CFDA Number 84.010 - Title I - Schools in Need of Assistance
(SINA - ELL Leadership Academy)

CFDA Number 84.010 - Title I - Districts in Need of Assistance (DINA)

CFDA Number 84.010 - Title I - Grants to Local Educational Agencies

CFDA Number 84.389 - Title I - Grants to Local Educational Agencies, Recovery Act

Federal Award Year: 2009 & 2010

U.S. Department of Education

Passed through the Iowa Department of Education

CFDA Number 84.027: Special Education - Grants to States (Part B)

CFDA Number 84.391: Special Education - Grants to States (Part B), Recovery Act

Federal Award Year: 2010

U.S. Department of Education

Passed through Prairie Lakes Area Education Agency

CFDA Number 84.365: English Language Acquisition State Grants (Title III)

Federal Award Year: 2010

U.S. Department of Education

Passed through the Iowa Department of Education and the Prairie Lakes Area Education Agency

CFDA Number 84.394 - State Fiscal Stabilization Fund (SFSF) Education State Grants,
Recovery Act

Federal Award Year: 2010

U.S. Department of Education

Passed through the Iowa Department of Education

III-A-10 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, 2010

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-10 Certified Budget - District disbursements for the year ended June 30, 2010, did not exceed the amount budgeted.

IV-B-10 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-10 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-10 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

James Brown is employed by the District as a Building Trades technician and is also an owner of B&B Development. The District had a Board approved agreement with B&B Development to provide a project house for the District's Buildings Trades program during fiscal years 2009 and 2010.

Per terms of the agreement, B&B Development was to provide the project house, insurance and construction materials for the project while the District was to provide the instructor for the program. Upon completion and sale of the project house, the profit of the sale was to be split equally between the District and B&B Development. The District received \$30,999 in fiscal 2010 from B&B Development as its share of the agreement.

Name, Title and Business Connection	Transaction Description	Amount
Becky Stille, Teacher Spouse co-owner Stille, Pierce & Pertzborn Insurance Agency	Insurance premiums	\$251,239
Lori Porsch, Special Education Director Spouse is a pharmacist at Hy-Vee	Supplies	\$868
Barb Seiler, Board Member Spouse owns Seiler Plumbing	Plumbing services	\$10,823
Jolene Davis, Teacher Spouse owns Buena Vista Stationery	Supplies	\$50,872
Sharon Butterfield, Teacher Spouse owns Silkscreen Ink	Supplies	\$18,264
Jeff Tollefson, Teacher Spouse owns Peach Blossom	Supplies	\$1,365
Ed McKenna, Board Member Pharmacist at Hy-Vee	Supplies	\$868

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.

In accordance with Attorney General's Opinion dated July 2, 1990, the above transactions with the Board Member do not appear to present a conflict of interest.

- IV-E-10 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-10 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- IV-G-10 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- IV-H-10 Supplementary Weighting- No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- IV-I-10 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-J-10 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-K-10 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- IV-L-10 Statewide Sales and Services Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax. For the year ended June 30, 2010, the District's financial activity and other required information for the statewide sales and services tax are as follows:

Beginning Balance		\$	0
Statewide sales, services and use tax revenue	\$ 1,371,675		
Donations received for capital projects	34,140		
Interest on investments	3,270		1,409,085
Expenditures/transfers out:			
School infrastructure:			
Equipment	\$ 357,702		
Debt service for school infrastructure:			
General obligation debt	232,500		
Revenue debt	818,883		1,409,085
Ending balance		\$	0

As a result of the statewide sales, services and use tax revenue received during the year ended June 30, 2010, the District reduced the following levies:

	Per \$1,000 of Taxable Valuation	Property Tax Dollars
Debt service levy	\$ 0.64638	\$ 232,500

IV-M-10 District and Regional Rents - The District receives money for use of facilities when hosting district and regional events. Currently the District's practice is to receipt rents for hosting district and regional events in the Student Activity Fund.

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

Response - The District will review procedures and receipt rent into the General Fund.

Conclusion - Response accepted.

IV-N-10 Athletic Officials Contracts - We noted during our audit that the Athletic Director was signing Activity Fund officiating contracts.

Recommendation - According to Chapter 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District. The District should have the Board President sign all contracts entered into by the District to be in compliance with Chapter 291.1 of the Code of Iowa.

Response - The District will implement procedures to ensure proper signatures on District contracts.

Conclusion - Response accepted.

IV-O-10 Physical Plant and Equipment Levy (PPEL) Expenditures - We noted during our audit that the District purchased thirty computers for a total of \$15,976.23, which is under the \$500 per unit of equipment restriction on PPEL Fund expenditures.

Recommendation - According to Chapter 298.3 of the Code of Iowa PPEL monies may be used expressly for the purchase of a single unit of equipment or technology exceeding \$500 per unit. The District should review the Code of Iowa with regard to allowable expenditures from the PPEL Fund to avoid non compliance. The District should make a corrective transfer to the PPEL Fund from the General Fund.

Response - The District will make a corrective transfer to the PPEL fund from the General Fund and will implement procedures to comply with Chapter 298.3 of the Code of Iowa.

Conclusion - Response accepted.