

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

JUNE 30, 2011

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Storm Lake Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (After September 2010 Reorganizational Meeting)		
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	2011
Trudy Pedersen	Business Manager/ District Secretary/ Treasurer	2011
Ahlers & Cooney, P.C.	Attorney	2011
Cornwall, Avery, Bjornstad & Scott	Attorney	2011

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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, 2011, 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, 2011, 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 5, 2012 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 44 through 46 are not required parts of the

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

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Storm Lake Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2010 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 7, 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 5, 2012

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, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$20,849,171 in fiscal 2010 to \$23,192,412 in fiscal 2011 due in part to increases in local and state source revenues. General Fund expenditures increased from \$20,167,732 in fiscal 2010 to \$20,527,276 in fiscal 2011 due in part to increases in expenses in the instructional and support services functional areas. The difference between fiscal 2011 revenues of \$23,192,412 and expenses of \$20,527,276 results in a net increase in fund balance of \$2,623,241. As a result, the District's General Fund balance increased from \$2,133,049 in fiscal 2010 to a balance of \$4,756,290 in fiscal 2011. This represents a 122.98% increase from the prior year.
- The District's solvency ratio increased from 9.2% at the end of fiscal 2010 to 19.0% at the end of fiscal 2011. The State School Budget Review Committee recommends of a solvency ratio between 5% and 10%.
- Due to current economic conditions in the state and nation and to prepare for the upcoming American Reinvestment and Recovery Act (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 estimated to have saved the District over \$700,000 and include expenditure reductions/efficiencies and staff attrition, retirements and reductions.
- In August 2010, the District received notification of unanticipated revenues of \$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.

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.

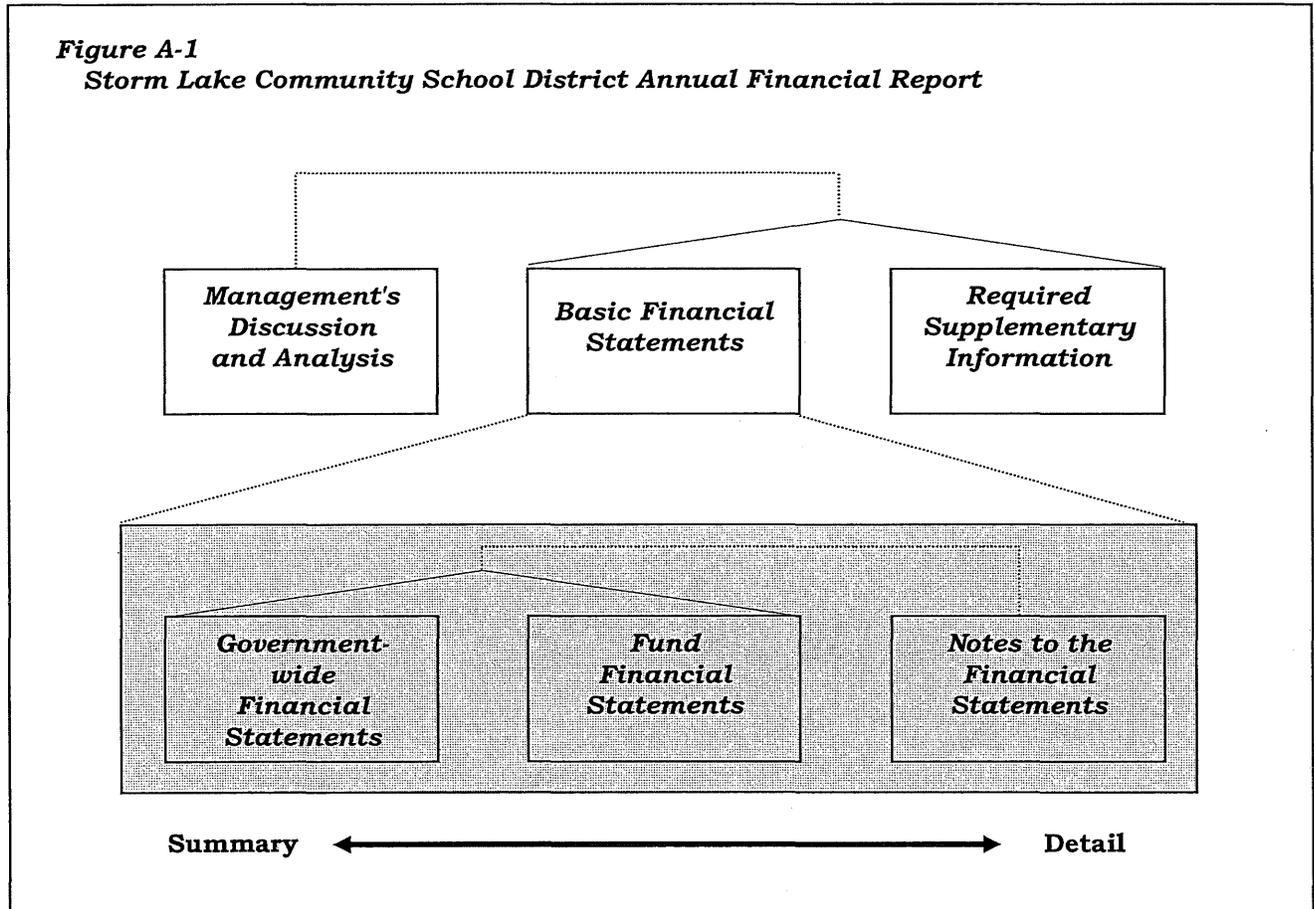


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

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

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, community education program and student construction house 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 three kinds of funds:

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

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

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

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

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

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

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

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

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, 2011 compared to June 30, 2010.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-11
Current and other assets	\$ 20,466,430	17,551,754	288,993	235,314	20,755,423	17,787,068	16.69%
Capital assets	22,428,303	22,952,090	158,878	178,032	22,587,181	23,130,122	-2.35%
Total assets	42,894,733	40,503,844	447,871	413,346	43,342,604	40,917,190	5.93%
Long-term obligations	13,258,571	14,035,440	3,585	2,916	13,262,156	14,038,356	-5.53%
Other liabilities	9,342,149	9,011,340	18,281	25,658	9,360,430	9,036,998	3.58%
Total liabilities	22,600,720	23,046,780	21,866	28,574	22,622,586	23,075,354	-1.96%
Net assets:							
Invested in capital assets, net of related debt	9,848,303	9,527,090	158,878	178,032	10,007,181	9,705,122	3.11%
Restricted	4,974,660	4,798,774	-	-	4,974,660	4,798,774	3.67%
Unrestricted	5,471,050	3,131,200	267,127	206,740	5,738,177	3,337,940	71.91%
Total net assets	\$ 20,294,013	17,457,064	426,005	384,772	20,720,018	17,841,836	16.13%

The District's combined net assets increased by 16.13%, or \$2,878,182, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, intangibles, buildings and equipment), less related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased 3.67%, or \$175,886, over the prior year. The increase in restricted net assets is due mainly to an increase in carryover balances for state categorical funding from \$208,658 at June 30, 2010 as compared to \$341,664 at June 30, 2011.

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 \$2,400,237, or 71.91%. The increase in fund balance of the General Fund was the main factor in the increase in unrestricted net assets.

Figure A-4 shows the changes in net assets for the year ended June 30, 2011 as compared to the year ended June 30, 2010.

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,
	2011	2010	2011	2010	2011	2010	2010-11
Revenues & Transfers:							
Program revenues:							
Charges for services	\$ 1,686,312	1,276,359	362,645	394,386	2,048,957	1,670,745	22.64%
Operating grants and contributions and restricted interest	4,666,063	5,939,802	922,598	860,859	5,588,661	6,800,661	-17.82%
Capital grants and contributions and restricted interest	-	7,316	-	-	-	7,316	-100.00%
General revenues:							
Property tax	6,617,150	6,000,588	-	-	6,617,150	6,000,588	10.28%
Income surtax	256,306	95,549	-	-	256,306	95,549	168.25%
Statewide sales, services and use tax	1,431,916	1,371,675	-	-	1,431,916	1,371,675	4.39%
Unrestricted state grants	10,501,535	8,735,354	-	-	10,501,535	8,735,354	20.22%
Nonspecific program federal grants	452,780	-	-	-	452,780	-	100.00%
Other	422,807	362,865	300,747	129,162	723,554	492,027	47.06%
Transfers	(25,919)	500	25,919	(500)	-	-	0.00%
Total revenues & transfers	26,008,950	23,790,008	1,611,909	1,383,907	27,620,859	25,173,915	9.72%
Program expenses:							
Governmental activities:							
Instructional	14,996,039	14,582,513	145,806	8,201	15,141,845	14,590,714	3.78%
Support services	6,102,368	5,576,456	150,983	119,479	6,253,351	5,695,935	9.79%
Non-instructional programs	2,422	9,915	1,273,887	1,270,274	1,276,309	1,280,189	-0.30%
Other expenses	2,071,172	2,480,827	-	-	2,071,172	2,480,827	-16.51%
Total expenses	23,172,001	22,649,711	1,570,676	1,397,954	24,742,677	24,047,665	2.89%
Changes in net assets	2,836,949	1,140,297	41,233	(14,047)	2,878,182	1,126,250	155.55%
Beginning net assets, as restated	17,457,064	16,316,767	384,772	398,819	17,841,836	16,715,586	6.74%
Ending net assets	\$ 20,294,013	17,457,064	426,005	384,772	20,720,018	17,841,836	16.13%

In fiscal 2011, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants account for 72.31% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 79.73% of the revenue from business type activities.

The District's total revenues were approximately \$27.62 million of which approximately \$26.01 million was for governmental activities and approximately \$1.61 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 9.72% increase in revenues and a 2.89% increase in expenses. Property tax increased \$616,562 and unrestricted state grants increased \$1,766,181 to fund increases in expenditures. The increase in expenditures was attributable to increases in expenditures in the instruction and support services functional areas.

Governmental Activities

Revenues net of transfers for governmental activities were \$26,008,950 and expenses were \$23,172,001 for the year ended June 30, 2011. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District’s major governmental activities, instruction, support services, non-instructional programs and other expenses for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2011	2010	Change 2010-11	2011	2010	Change 2010-11
	Instruction	\$ 14,996,039	14,582,513	2.84%	9,548,727	8,232,723
Support services	6,102,368	5,576,456	9.43%	6,097,604	5,568,627	9.50%
Non-instructional	2,422	9,915	-75.57%	2,422	9,915	-75.57%
Other expenses	2,071,172	2,480,827	-16.51%	1,170,873	1,614,969	27.50%
Totals	<u>\$ 23,172,001</u>	<u>22,649,711</u>	<u>2.31%</u>	<u>16,819,626</u>	<u>15,426,234</u>	<u>9.03%</u>

For the year ended June 30, 2011:

- The cost financed by users of the District’s programs was \$1,686,312.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$4,666,063.
- The net cost of governmental activities was financed with \$6,617,150 in property tax, \$256,306 in income surtax, \$1,431,916 in statewide sales, service and use tax, \$10,501,535 in unrestricted state grants, \$452,780 in nonspecific program federal grants \$378,751 in other general revenues and \$44,056 in interest income.

Business type Activities

Revenues net of transfers of the District’s business type activities were \$1,611,909 and expenses were \$1,570,676. The District’s business type activities are the School Nutrition Fund, the Community Education Fund and the Student Construction Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements as well as other general revenues.

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 \$9,582,352, above last year’s ending fund balances of \$6,985,042. The primary reason for the increase in combined fund balances is because of the increases in fund balance of the General Fund and Management Levy Fund.

Governmental Fund Highlights

- The District’s General Fund position is the product of many factors. An increase in local and state source funding as compared to the previous year were the main contributing factors to the increase in total General Fund revenues. Although General Fund

expenditures increased as compared to the previous year, the increase in revenues was more than enough to offset the increase in expenditures thus ensuring the gain in fund balance of the General Fund.

- Another significant factor in the General Fund Balance was the fact that the District did not have a special education deficit in 2010-11. This is attributable to staff reductions based on student needs, the amount of tuition out paid for resident students in placement and the use of remaining ARRA Special Ed Part B funding.
- The Capital Projects account balances overall decreased from \$4,231,916 in fiscal 2010 to \$2,443,216 in fiscal 2011. The decrease in fund balance for the Capital Projects accounts is a result of completion of construction of the new elementary building as well as transfers to the debt service fund for principal, interest and bond reserve amounts for the District's bond indebtedness. In previous years, the Physical Plant and Equipment Levy was not considered a Capital Project account. Now, due to reclassification as a result of GASB Statement No. 54, the Physical Plant and Equipment Levy is now considered a Capital Project account along with the Statewide Sales, Services and Use Tax Fund.
- During the year ended June 30, 2011, the Statewide Sales, Services and Use Tax Fund decreased from \$4,088,818 to \$2,154,085 as a result of completion of construction of the new elementary building as well as transfers to the debt service fund for principal, interest and bond reserve amounts for the District's bond indebtedness. The Physical Plant and Equipment Levy Fund increased from \$143,098 to \$289,131 as a result of increased revenues and decreased expenditures as compared to the previous year.
- The Debt Service Fund increased from a fund balance of \$22,004 at June 30, 2010, to a fund balance of \$1,556,895 at June 30, 2011. The main reason for the increase in fund balance of the Debt Service Fund is due to a transfer from the Statewide Sales, Services and Use Tax Fund for the debt reserve and sinking amount of the District's revenue bond indebtedness.

Proprietary Fund Highlights

- The School Nutrition Fund net assets increased from \$341,602 at June 30, 2010 to \$356,561 at June 30, 2011, representing an increase of 4.38%. A decrease in expenditures and an increase in federal source revenues as compared to the previous year led to the increase in fund balance for the School Nutrition Fund.
- Overall, net assets for the Community Education Fund increased from \$43,170 at June 30, 2010 to \$60,916 at June 30, 2011, representing an increase of 41.11%. As compared to the previous year, fund revenues increased by \$2,203, thus in part ensuring the positive gain in fund balance for the Community Education Fund.
- During the year ended June 30, 2011, the District created the Student Construction Fund to record revenues and expense related to construction and subsequent sale of a construction house that is built by students of the Storm Lake Community School District. At year end, the fund had a balance of \$8,528.

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 an accrual 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 44 and 45.

The District's revenues were \$749,511 less than budgeted revenues, a variance of 2.64%. 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, 2011, the District adopted one budget amendment that was a reclassification of expenditures between the instruction, non-instructional programs and other expenditures portion of the budget. This amendment was necessary due to delayed completion of the Elementary Building Project and anticipation of increased expenditures due to the creation of the Student Construction Fund.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the District had invested \$22,587,181, 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 decrease of 2.35% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$908,163.

The original cost of the District's capital assets was \$33,109,900. Governmental funds account for \$32,537,090 with the remainder of \$572,810 in the Proprietary, School Nutrition Fund and the Community Education Fund.

The largest percentage change in capital asset activity during the year occurred in the machinery and equipment category. At June 30, 2010, the District's machinery and equipment totaled \$1,146,001 as compared to \$1,261,937 at June 30, 2011. This increase is due to additions to machinery and equipment exceeding the amount of depreciation expense taken during the year.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental		Business type		Total		Total Change June 30, 2010-11
	Activities		Activities		District		
	June 30,		June 30,		June 30,		
	2011	2010	2011	2010	2011	2010	
Land	\$ 860,325	860,325	-	-	860,325	860,325	0.00%
Buildings	19,503,350	20,071,965	-	-	19,503,350	20,071,965	-2.83%
Land improvements	961,569	1,051,831	-	-	961,569	1,051,831	-8.58%
Machinery and equipment	1,103,059	967,969	158,878	178,032	1,261,937	1,146,001	10.12%
Total	\$ 22,428,303	22,952,090	158,878	178,032	22,587,181	23,130,122	-2.35%

Long-Term Debt

At June 30, 2011, the District had \$13,262,156 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 5 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,
	2011	2010	2011	2010	2011	2010	2010-11
Revenue Bonds	\$ 7,675,000	8,175,000	-	-	7,675,000	8,175,000	-6.12%
General Obligation Bonds	4,905,000	5,250,000	-	-	4,905,000	5,250,000	-6.57%
Early Retirement	193,066	261,877	-	-	193,066	261,877	100.00%
Compensated Absences	42,993	41,916	-	-	42,993	41,916	2.57%
Net OPEB Liability	442,512	306,647	3,585	2,916	446,097	309,563	44.11%
Total	\$ 13,258,571	14,035,440	3,585	2,916	13,262,156	14,038,356	-5.53%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The District experienced a slight decrease (approximately 8 students) in enrollment for 2010-11. Early projections would indicate a significant increase (approximately 100 students) in official enrollment for 2011-12. The District is optimistic that enrollment numbers will remain steady or increase slightly in the future.
- On July 1, 2011, the IPERS increase to 8.07% will increase the Storm Lake Community Schools employer benefit costs during fiscal 2012. An additional increase to 8.67% is anticipated for FY13.

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, 2011

	Governmental Activities	Business type Activities	Total
ASSETS			
Cash and pooled investments	\$ 11,387,763	266,174	11,653,937
Receivables:			
Property tax:			
Delinquent	86,803	-	86,803
Succeeding year	6,879,127	-	6,879,127
Income surtax	238,932	-	238,932
Interest	2,512	14	2,526
Accounts	45,102	325	45,427
Due from other governments	1,826,191	7,873	1,834,064
Inventories	-	14,607	14,607
Capital assets, net of accumulated depreciation	22,428,303	158,878	22,587,181
TOTAL ASSETS	42,894,733	447,871	43,342,604
LIABILITIES			
Accounts payable	288,945	7,606	296,551
Salaries and benefits payable	1,743,327	347	1,743,674
Accrued interest payable	169,843	-	169,843
Deferred revenue:			
Succeeding year property tax	6,879,127	-	6,879,127
Other	260,907	-	260,907
Unearned revenue	-	10,328	10,328
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	360,000	-	360,000
Revenue bonds payable	520,000	-	520,000
Compensated absences payable	42,993	-	42,993
Early retirement payable	62,305	-	62,305
Portion due after one year:			
General obligation bonds payable	4,545,000	-	4,545,000
Revenue bonds payable	7,155,000	-	7,155,000
Early retirement payable	130,761	-	130,761
Net OPEB liability	442,512	3,585	446,097
TOTAL LIABILITIES	22,600,720	21,866	22,622,586
NET ASSETS			
Invested in capital assets, net of related debt	9,848,303	158,878	10,007,181
Restricted for:			
Categorical funding	341,664	-	341,664
Debt service	1,556,895	-	1,556,895
Management levy purposes	581,402	-	581,402
Student activities	51,483	-	51,483
School infrastructure	2,154,085	-	2,154,085
Physical plant and equipment levy	289,131	-	289,131
Unrestricted	5,471,050	267,127	5,738,177
TOTAL NET ASSETS	\$ 20,294,013	426,005	20,720,018

SEE NOTES TO FINANCIAL STATEMENTS.

STORM LAKE COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	Total
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 7,840,091	467,777	1,106,191	(6,266,123)	-	(6,266,123)
Special	3,177,524	998,216	763,086	(1,416,222)	-	(1,416,222)
Other	3,978,424	220,319	1,891,723	(1,866,382)	-	(1,866,382)
	<u>14,996,039</u>	<u>1,686,312</u>	<u>3,761,000</u>	<u>(9,548,727)</u>	<u>-</u>	<u>(9,548,727)</u>
Support services:						
Student	755,165	-	-	(755,165)	-	(755,165)
Instructional staff	1,014,650	-	-	(1,014,650)	-	(1,014,650)
Administration	1,950,203	-	-	(1,950,203)	-	(1,950,203)
Operation and maintenance of plant	1,851,959	-	-	(1,851,959)	-	(1,851,959)
Transportation	530,391	-	4,764	(525,627)	-	(525,627)
	<u>6,102,368</u>	<u>-</u>	<u>4,764</u>	<u>(6,097,604)</u>	<u>-</u>	<u>(6,097,604)</u>
Non-instructional programs:						
Food service operations	1,608	-	-	(1,608)	-	(1,608)
Community service operations	814	-	-	(814)	-	(814)
	<u>2,422</u>	<u>-</u>	<u>-</u>	<u>(2,422)</u>	<u>-</u>	<u>(2,422)</u>
Other expenses:						
Long-term debt interest	520,322	-	-	(520,322)	-	(520,322)
AEA flowthrough	900,299	-	900,299	-	-	-
Depreciation (unallocated)*	650,551	-	-	(650,551)	-	(650,551)
	<u>2,071,172</u>	<u>-</u>	<u>900,299</u>	<u>(1,170,873)</u>	<u>-</u>	<u>(1,170,873)</u>
Total governmental activities	23,172,001	1,686,312	4,666,063	(16,819,626)	-	(16,819,626)
Business Type activities:						
Instruction:						
Other	145,806	-	1,600	-	(144,206)	(144,206)
Support services:						
Administration	107,210	-	-	-	(107,210)	(107,210)
Operation and maintenance of plant	43,773	-	-	-	(43,773)	(43,773)
Total support services	<u>150,983</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(295,189)</u>	<u>(295,189)</u>
Non-instructional programs:						
Nutrition services	1,185,694	305,219	909,693	-	29,218	29,218
Community education services	88,193	57,426	11,305	-	(19,462)	(19,462)
Total non-instructional programs:	<u>1,273,887</u>	<u>362,645</u>	<u>920,998</u>	<u>-</u>	<u>9,756</u>	<u>9,756</u>
Total business type activities	<u>1,570,676</u>	<u>362,645</u>	<u>922,598</u>	<u>-</u>	<u>(285,433)</u>	<u>(285,433)</u>
Total	\$ 24,742,677	2,048,957	5,588,661	(16,819,626)	(285,433)	(17,105,059)
General Revenues & Transfers:						
General Revenues:						
Property tax levied for:						
General purposes				\$ 6,269,154	-	6,269,154
Debt service				215,485	-	215,485
Capital outlay				132,511	-	132,511
Income surtax				256,306	-	256,306
Statewide sales, services and use tax				1,431,916	-	1,431,916
Unrestricted state grants				10,501,535	-	10,501,535
Nonspecific program federal grants				452,780	-	452,780
Unrestricted investment earnings				44,056	201	44,257
Other				378,751	300,546	679,297
Transfers				(25,919)	25,919	-
Total general revenues & transfers				<u>19,656,575</u>	<u>326,666</u>	<u>19,983,241</u>
Changes in net assets				2,836,949	41,233	2,878,182
Net assets beginning of year				<u>17,457,064</u>	<u>384,772</u>	<u>17,841,836</u>
Net assets end of year				\$ 20,294,013	426,005	20,720,018

* 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, 2011

	General	Capital Projects	Debt Service	Nonmajor Governmental Funds	Total
ASSETS					
Cash and pooled investments	\$ 5,297,548	2,245,003	1,554,117	818,337	9,915,005
Receivables:					
Property tax:					
Delinquent	74,266	1,705	2,773	8,059	86,803
Succeeding year	5,924,894	139,009	215,224	600,000	6,879,127
Income surtax	79,644	159,288	-	-	238,932
Interest	1,837	322	5	266	2,430
Accounts	45,102	-	-	-	45,102
Due from other governments	1,591,109	235,082	-	-	1,826,191
TOTAL ASSETS	\$ 13,014,400	2,780,409	1,772,119	1,426,662	18,993,590
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 249,338	38,896	-	711	288,945
Salaries and benefits payable	1,743,327	-	-	-	1,743,327
Deferred revenue:					
Succeeding year property tax	5,924,894	139,009	215,224	600,000	6,879,127
Income surtax	79,644	159,288	-	-	238,932
Other	260,907	-	-	-	260,907
Total liabilities	8,258,110	337,193	215,224	600,711	9,411,238
Fund balances:					
Restricted for:					
Categorical funding	341,664	-	-	-	341,664
Debt service	-	-	1,556,895	-	1,556,895
Management levy purposes	-	-	-	774,468	774,468
Student activities	-	-	-	51,483	51,483
School infrastructure	-	2,154,085	-	-	2,154,085
Physical plant and equipment levy	-	289,131	-	-	289,131
Unassigned	4,414,626	-	-	-	4,414,626
Total fund balances	4,756,290	2,443,216	1,556,895	825,951	9,582,352
TOTAL LIABILITIES AND FUND BALANCES	\$ 13,014,400	2,780,409	1,772,119	1,426,662	18,993,590

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, 2011

Total fund balances of governmental funds (page 20)	\$	9,582,352
 <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.		22,428,303
Blending of the Internal Service Funds to be reflected on an entity-wide basis.		1,472,840
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		238,932
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.		(169,843)
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.		(13,258,571)
		<u>(13,258,571)</u>
Net assets of governmental activities (page 18)	\$	<u>20,294,013</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, 2011

	General	Capital Projects	Debt Service	Nonmajor Governmental Funds	Total
REVENUES:					
Local sources:					
Local tax	\$ 5,734,895	1,723,372	215,485	613,719	8,287,471
Tuition	1,435,199	-	-	-	1,435,199
Other	469,049	37,277	1,770	232,472	740,568
State sources	13,202,766	62	101	298	13,203,227
Federal sources	2,350,503	-	-	-	2,350,503
TOTAL REVENUES	23,192,412	1,760,711	217,356	846,489	26,016,968
EXPENDITURES:					
Current:					
Instruction:					
Regular	7,272,038	-	-	156,087	7,428,125
Special	3,091,876	-	-	78,610	3,170,486
Other	3,755,389	-	-	208,417	3,963,806
	14,119,303	-	-	443,114	14,562,417
Support services:					
Student	740,550	-	-	20,278	760,828
Instructional staff	926,737	32,700	-	1,285	960,722
Administration	1,928,915	-	-	7,115	1,936,030
Operation and maintenance of plant	1,495,118	-	-	126,779	1,621,897
Transportation	415,540	105,526	-	18,432	539,498
	5,506,860	138,226	-	173,889	5,818,975
Non-instructional programs:					
Food service operations	-	-	-	1,608	1,608
Community service operations	814	-	-	-	814
	814	-	-	1,608	2,422
Other expenditures:					
Facilities acquisitions	-	747,495	-	-	747,495
Long-term debt:					
Principal	-	-	845,000	-	845,000
Interest and fiscal charges	-	-	517,131	-	517,131
AEA flowthrough	900,299	-	-	-	900,299
	900,299	747,495	1,362,131	-	3,009,925
TOTAL EXPENDITURES	20,527,276	885,721	1,362,131	618,611	23,393,739
Excess(Deficiency) of revenues over(under) expenditures	2,665,136	874,990	(1,144,775)	227,878	2,623,229
Other financing sources(uses):					
Transfer in	-	15,976	-	-	15,976
Transfer out	(41,895)	(2,679,666)	2,679,666	-	(41,895)
Total other financing sources(uses)	(41,895)	(2,663,690)	2,679,666	-	(25,919)
Net change in fund balance	2,623,241	(1,788,700)	1,534,891	227,878	2,597,310
Fund balance beginning of year, as restated	2,133,049	4,231,916	22,004	598,073	6,985,042
Fund balance end of year	\$ 4,756,290	2,443,216	1,556,895	825,951	9,582,352

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, 2011

Net change in fund balances - total governmental funds (page 22) \$ 2,597,310

*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	\$ 389,856	
Depreciation expense	(889,009)	
Loss on asset disposal	(24,634)	(523,787)

Net change in Internal Service Funds charged back against expenditures made for the flex benefit program at an entity-wide basis. (28,153)

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		845,000
--------	--	---------

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. (3,191)

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 17,901

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	\$ (1,077)	
Early retirement	68,811	
Other postemployment benefits	(135,865)	(68,131)

Changes in net assets of governmental activities (page 19) \$ 2,836,949

SEE NOTES TO FINANCIAL STATEMENTS.

STORM LAKE COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2011

	Business Type Activities: Enterprise Fund				Governmental Activities:
	School Nutrition	Community Education	Building Trades	Total	Internal Service Fund
ASSETS					
Current assets:					
Cash and pooled investments	\$ 195,523	62,450	8,201	266,174	1,472,758
Receivables:					
Interest	9	3	2	14	82
Accounts	-	-	325	325	-
Due from other governments	7,873	-	-	7,873	-
Inventories	14,607	-	-	14,607	-
Total current assets	218,012	62,453	8,528	288,993	1,472,840
Non-current assets:					
Capital assets:					
Machinery and equipment, net of accumulated depreciation	158,878	-	-	158,878	-
Total non-current assets	158,878	-	-	158,878	-
TOTAL ASSETS	376,890	62,453	8,528	447,871	1,472,840
LIABILITIES					
Current liabilities:					
Accounts payable	7,606	-	-	7,606	-
Salaries and benefits payable	-	347	-	347	-
Unearned revenue	10,328	-	-	10,328	-
Total current liabilities	17,934	347	-	18,281	-
Long-term liabilities:					
Net OPEB liability	2,395	1,190	-	3,585	-
Total long-term liabilities	2,395	1,190	-	3,585	-
TOTAL LIABILITIES	20,329	1,537	-	21,866	-
NET ASSETS					
Invested in capital assets	158,878	-	-	158,878	-
Unrestricted	197,683	60,916	8,528	267,127	1,472,840
TOTAL NET ASSETS	\$ 356,561	60,916	8,528	426,005	1,472,840

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, 2011

	Business Type Activities: Enterprise Fund				Governmental Activities:
	School Nutrition	Community Education	Building Trades	Total	Internal Service Fund
OPERATING REVENUE:					
Local sources:					
Charges for services	\$ 305,219	57,426	-	362,645	-
Donations	-	11,305	1,600	12,905	-
Miscellaneous	350	138,760	161,436	300,546	2,328,978
TOTAL OPERATING REVENUES	305,569	207,491	163,036	676,096	2,328,978
OPERATING EXPENSES:					
Instruction:					
Other:					
Salaries	-	6,239	-	6,239	-
Benefits	-	700	-	700	-
Supplies	-	-	138,867	138,867	-
	-	6,939	138,867	145,806	-
Support services:					
Administration:					
Salaries	-	66,958	-	66,958	-
Benefits	-	25,576	-	25,576	2,680
Services	-	2,136	12,540	14,676	2,357,543
	-	94,670	12,540	107,210	2,360,223
Operation and maintenance of plant:					
Services	6,077	-	28,724	34,801	-
Supplies	8,664	-	308	8,972	-
	14,741	-	29,032	43,773	-
Total support services	14,741	94,670	41,572	150,983	2,360,223
Non-instructional programs:					
Food service operations:					
Salaries	28,604	-	-	28,604	-
Benefits	10,812	-	-	10,812	-
Services	475,003	-	-	475,003	-
Supplies	652,121	-	-	652,121	-
Depreciation	19,154	-	-	19,154	-
	1,185,694	-	-	1,185,694	-
Community service operations:					
Salaries	-	23,305	-	23,305	-
Benefits	-	6,665	-	6,665	-
Services	-	10,433	-	10,433	-
Supplies	-	47,790	-	47,790	-
	-	88,193	-	88,193	-
Total non-instructional programs	1,185,694	88,193	-	1,273,887	-
TOTAL OPERATING EXPENSES	1,200,435	189,802	180,439	1,570,676	2,360,223
OPERATING INCOME (LOSS)	(894,866)	17,689	(17,403)	(894,580)	(31,245)
NON-OPERATING REVENUES:					
State sources	9,976	-	-	9,976	-
Federal sources	899,717	-	-	899,717	1,717
Interest income	132	57	12	201	1,375
TOTAL NON-OPERATING REVENUES	909,825	57	12	909,894	3,092
Change in net assets before other financing sources	14,959	17,746	(17,391)	15,314	(28,153)
OTHER FINANCING SOURCES:					
Transfer in	-	-	25,919	25,919	-
Change in net assets	14,959	17,746	8,528	41,233	(28,153)
Net assets beginning of year	341,602	43,170	-	384,772	1,500,993
Net assets end of year	\$ 356,561	60,916	8,528	426,005	1,472,840

SEE NOTES TO FINANCIAL STATEMENTS.

STORM LAKE COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2011

	Business Type Activities:				Governmental
	Enterprise Fund				Activities:
	School Nutrition	Community Education	Building Trades	Total	Internal Service Fund
Cash flows from operating activities:					
Cash received from operating activities *	\$ 306,975	57,423	-	364,398	-
Cash received from miscellaneous operating activities	350	150,065	162,709	313,124	2,330,956
Cash payments to employees for services	(38,965)	(130,589)	-	(169,554)	(2,360,223)
Cash payments to suppliers for goods or services	(1,095,597)	(60,359)	(180,439)	(1,336,395)	-
Net cash provided by(used in) operating activities	(827,237)	16,540	(17,730)	(828,427)	(29,267)
Cash flows from non-capital financing activities:					
Transfer in from General Fund	-	-	25,919	25,919	-
State grants received	9,976	-	-	9,976	-
Federal grants received	856,255	-	-	856,255	1,717
Net cash provided by non-capital financing activities	866,231	-	25,919	892,150	1,717
Cash flows from investing activities:					
Interest on investment	132	57	12	201	1,375
Net increase(decrease) in cash and cash equivalents	39,126	16,597	8,201	63,924	(26,175)
Cash and cash equivalents at beginning of year	156,397	45,853	-	202,250	1,498,933
Cash and cash equivalents at end of year	\$ 195,523	62,450	8,201	266,174	1,472,758
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:					
Operating income(loss)	\$ (894,866)	17,689	(17,403)	(894,580)	(31,245)
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:					
Commodities consumed	43,303	-	-	43,303	-
Depreciation	19,154	-	-	19,154	-
Decrease in inventories	9,349	-	-	9,349	-
Decrease(Increase) in accounts receivable	1,385	(3)	(327)	1,055	1,978
Decrease in accounts payable	(6,384)	-	-	(6,384)	-
Decrease in salaries and benefits payable	-	(1,364)	-	(1,364)	-
Increase in unearned revenues	371	-	-	371	-
Increase in other postemployment benefits	451	218	-	669	-
Net cash provided by(used in) operating activities	\$ (827,237)	16,540	(17,730)	(828,427)	(29,267)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2011, the District received Federal commodities valued at \$43,303.

* Cash received from operating activities is comprised of cash received from sale of lunches and breakfasts in the School Nutrition Fund and fees charged by the District to persons taking part in the Community Education programs offered by the District.

SEE NOTES TO FINANCIAL STATEMENTS.

STORM LAKE COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2011

	<u>Private Purpose</u> <u>Trust</u> <u>Scholarship</u>
ASSETS	
Cash and pooled investments	\$ 1,500
LIABILITIES:	<u>-</u>
NET ASSETS	
Reserved for scholarships	<u>\$ 1,500</u>

SEE NOTES TO FINANCIAL STATEMENTS.

STORM LAKE COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2011

	<u>Private Purpose Trust Scholarship</u>
Additions:	
Local sources:	
Donations	\$ 1,500
Deductions:	-
Change in net assets	1,500
Net assets beginning of year	-
Net assets end of year	<u>\$ 1,500</u>

SEE NOTES TO FINANCIAL STATEMENTS.

STORM LAKE COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

(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. Combining schedules are also included for the Capital Project Fund accounts.

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 Debt Service Fund is used to account for the payment of interest and principal on the District's general long-term debt.

The District's proprietary funds are the Enterprise Funds (School Nutrition Fund, Community Education Fund and Building Trades Fund) and the Internal Service Funds. The School Nutrition Fund is used to account for the food service operations of the District. The Community Education Fund is used to account for the community wide education operations of the District. The Building Trades Fund is used to account for activities associated with the construction of a project house by the students of the District. The Internal Service Funds are used to account for health and flex spending benefits received by District employees.

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

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

C. Measurement Focus and Basis of Accounting

The government-wide 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.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications-committed, assigned and then unassigned fund balances.

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, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2010.

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, 2011. 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 - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned - All amounts not included in other spendable classifications.

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, 2011 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, 2011, the District had no investments.

(3) **Interfund Transfers**

The detail of transfers for the year ended June 30, 2011 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 2,679,666
Capital Projects: Physical Plant and Equipment Levy	General	15,976
Enterprise: Building Trades	General	25,919
Total		<u>\$ 2,721,561</u>

The transfer from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was needed in part for principal and interest payments on the District's revenue and general obligation bond indebtedness. Part of this transfer was needed to move the revenue bond reserve required amount from the Statewide Sales, Services and Use Tax Fund to the Debt Service Fund.

The transfer from the General Fund to the Capital Projects: Physical Plant and Equipment Levy Fund was a corrective transfer requested by the auditors for computers that were purchased by the Physical Plant and Equipment Levy Fund in the previous year that were under the \$500 per unit restriction for allowable Physical Plant and Equipment Levy Fund expenditures.

The transfer from the General Fund to the Enterprise: Building Trades Fund was approved by the Board to move proceeds from the sale of the student project houses from the previous two years.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2011 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
Total capital assets not being depreciated	860,325	0	0	860,325
Capital assets being depreciated:				
Buildings	25,400,430	0	58,439	25,341,991
Land improvements	1,805,241	0	0	1,805,241
Machinery and equipment	4,230,694	389,856	91,017	4,529,533
Total capital assets being depreciated	31,436,365	389,856	149,456	31,676,765
Less accumulated depreciation for:				
Buildings	5,328,465	560,289	50,113	5,838,641
Land improvements	753,410	90,262	0	843,672
Machinery and equipment	3,262,725	238,458	74,709	3,426,474
Total accumulated depreciation	9,344,600	889,009	124,822	10,108,787
Total capital assets being depreciated, net	22,091,765	(499,153)	24,634	21,567,978
Governmental activities capital assets, net	\$ 22,952,090	(499,153)	24,634	22,428,303
Business type activities:				
Machinery and equipment	\$ 572,810	0	0	572,810
Less accumulated depreciation	394,778	19,154	0	413,932
Business type activities capital assets, net	\$ 178,032	(19,154)	0	158,878

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:			
Regular		\$	49,719
Other			19,435
Support services:			
Instructional staff			46,730
Administration			10,098
Operation and maintenance			28,545
Transportation			83,931
			<u>238,458</u>
Unallocated depreciation			<u>650,551</u>
Total governmental activities depreciation expense		\$	<u>889,009</u>

Business type activities:

Food services		\$	<u>19,154</u>
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(5) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2011 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental Activities:					
Revenue Bonds	\$ 8,175,000	0	500,000	7,675,000	520,000
General Obligation Bonds	5,250,000	0	345,000	4,905,000	360,000
Early Retirement	261,877	135,473	204,284	193,066	62,305
Compensated Absences	41,916	42,993	41,916	42,993	42,993
Net OPEB Liability	306,647	135,865	0	442,512	0
Total	<u>\$ 14,035,440</u>	<u>314,331</u>	<u>1,091,200</u>	<u>13,258,571</u>	<u>985,298</u>
	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Business Type Activities:					
Net OPEB Liability	\$ 2,916	669	0	3,585	0

Revenue Bonds Payable

Details of the District's June 30, 2011 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
2012	3.60	\$ 100,000	117,239	3.50	\$ 420,000	172,225	\$ 520,000	289,464	809,464
2013	3.60	125,000	113,156	3.50	410,000	157,700	535,000	270,856	805,856
2014	3.65	150,000	108,100	3.50	405,000	143,438	555,000	251,538	806,538
2015	3.70	150,000	102,512	3.50	425,000	128,913	575,000	231,425	806,425
2016	3.75	200,000	95,950	4.00	395,000	113,576	595,000	209,526	804,526
2017-2021	3.75-4.00	1,435,000	347,301	4.00-4.25	1,920,000	319,142	3,355,000	666,443	4,021,443
2022-2023	4.00	895,000	36,500	4.25	645,000	27,306	1,540,000	63,806	1,603,806
Total		<u>\$ 3,055,000</u>	<u>920,758</u>		<u>\$ 4,620,000</u>	<u>1,062,300</u>	<u>\$ 7,675,000</u>	<u>1,983,058</u>	<u>9,658,058</u>

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 36 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$9,658,058. For the current year, principal of \$500,000 and interest of \$307,362 was paid on the bonds and total statewide sales, services and use tax revenues were \$1,431,916.

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, 2011 general obligation bonded indebtedness are as follows:

Year	Bond issue of May 1, 2007				
	Ending June 30,	Interest Rates	Principal	Interest	Total
2012		4.000	% \$ 360,000	192,519	552,519
2013		4.000	375,000	178,119	553,119
2014		4.000	390,000	163,119	553,119
2015		4.000	410,000	147,519	557,519
2016		4.000	425,000	131,119	556,119
2017-2021		3.875	2,400,000	392,343	2,792,343
2022		3.875	545,000	21,118	566,118
Total			\$ 4,905,000	1,225,856	6,130,856

Early Retirement

During the years ended June 30, 2010 and June 30, 2011, 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.

(6) 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 4.50% of their annual covered salary and the District is required to contribute 6.95% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$851,749, \$837,870 and \$809,234 respectively, equal to the required contributions for each year.

(7) 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 282 active and 20 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 fully insured 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, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 156,492
Interest on net OPEB obligation	7,739
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	164,231
Contributions made	(27,697)
Increase in net OPEB obligation	136,534
Net OPEB obligation - beginning of year	309,563
Net OPEB obligation - end of year	\$ 446,097

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2010. 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, 2011.

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, 2011 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2009	\$ 125,520	-	\$ 125,520
2010	184,043	-	309,563
2011	164,231	16.9%	446,097

Funded Status and Funding Progress - As of July 1, 2010, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$1.127 million, with no actuarial value of assets, resulting in an

unfunded actuarial accrued liability (UAAL) of \$1.127 million. The covered payroll (annual payroll of active employees covered by the plan) was \$11.470 million, and the ratio of the UAAL to the covered payroll was 9.8%. As of June 30, 2011, 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, 2010 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 an aging curve based upon the 2006 Society of Actuaries Study. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(8) 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.

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$900,299 for the year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Categorical Funding

The District's ending restricted balances for categorical funding as of June 30, 2011 are broken out by the following projects:

Project	Amount
Weighted limited english proficiency	\$ 109,803
Home school assistance program	31,675
Talented and gifted	57,018
Weighted at-risk programs	27,259
Allowable growth for returning dropouts and dropout prevention	13,109
Teacher salary supplement	39,298
State aid for 4-year old preschool	24,697
Text book aid for non-public students	5,169
Teacher quality, professional development	14,222
Teacher quality, professional development, model core curriculum	5,500
Teacher quality, market factor incentives	13,914
Total	<u>\$ 341,664</u>

(11) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	Capital Projects	Special Revenue, Physical Plant and Equipment Levy
Balances June 30, 2010, as previously reported	\$ 4,088,818	143,098
Change in fund type classification per implementation of GASB Statement No. 54	143,098	(143,098)
Balances July 1, 2010, as restated	<u>\$ 4,231,916</u>	<u>-</u>

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, 2011

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to
	Fund Types	Fund Type		Original	Final	Actual
	Actual	Actual				Variance
Revenues:						
Local sources	\$ 10,463,238	676,297	11,139,535	10,703,338	10,703,338	436,197
State sources	13,203,227	9,976	13,213,203	14,379,131	14,379,131	(1,165,928)
Federal sources	2,350,503	899,717	3,250,220	3,270,000	3,270,000	(19,780)
Total revenues	26,016,968	1,585,990	27,602,958	28,352,469	28,352,469	(749,511)
Expenditures/Expenses:						
Instruction	14,562,417	145,806	14,708,223	17,708,295	16,808,295	2,100,072
Support services	5,818,975	150,983	5,969,958	6,657,000	6,657,000	687,042
Non-instructional programs	2,422	1,273,887	1,276,309	1,293,300	1,443,300	166,991
Other expenditures	3,009,925	-	3,009,925	2,491,663	3,241,663	231,738
Total expenditures/expenses	23,393,739	1,570,676	24,964,415	28,150,258	28,150,258	3,185,843
Excess (Deficiency) of revenues over (under) expenditures/expenses	2,623,229	15,314	2,638,543	202,211	202,211	2,436,332
Other financing sources, net	(25,919)	25,919	-	-	-	-
Excess (Deficiency) of revenues and other financing sources over (under) expenditures/expenses	2,597,310	41,233	2,638,543	202,211	202,211	2,436,332
Balance beginning of year	6,985,042	384,772	7,369,814	4,012,649	4,012,649	3,357,165
Balance end of year	\$ 9,582,352	426,005	10,008,357	4,214,860	4,214,860	5,793,497

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

STORM LAKE COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2011

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, 2011, the District adopted one budget amendment that was a reclassification of expenses with no increase or decrease to total expenditures. This amendment was necessary due to delayed completion of the Elementary Building Project and completion of other projects in the District as well as anticipation of increased expenditures in the non-instructional programs functional area due to the student construction house.

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)	UAAAL as a Percentage of Covered Payroll ((b-a)/c)
			Accrued Liability (AAL) (b)	Unfunded AAL (UAAAL) (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%
2011	July 1, 2010	-	1,127	1,127	0.0%	11,470	9.8%

See Note 7 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, 2011

	Special Revenue Funds		
	Manage- ment Levy	Student Activity	Total
ASSETS			
Cash and pooled investments	\$ 766,854	51,483	818,337
Receivables:			
Property tax:			
Delinquent	8,059	-	8,059
Succeeding year	600,000	-	600,000
Interest	266	-	266
TOTAL ASSETS	\$ 1,375,179	51,483	1,426,662
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 711	-	711
Deferred revenue:			
Succeeding year property tax	600,000	-	600,000
Total liabilities	600,711	-	600,711
Fund balances:			
Restricted for:			
Management levy purposes	774,468	-	774,468
Student activities	-	51,483	51,483
Total fund balances	774,468	51,483	825,951
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,375,179	51,483	1,426,662

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, 2011

	Special Revenue Funds		
	Manage- ment Levy	Student Activity	Total
REVENUES:			
Local sources:			
Local tax	\$ 613,719	-	613,719
Other	35,600	196,872	232,472
State sources	298	-	298
TOTAL REVENUES	649,617	196,872	846,489
EXPENDITURES:			
Current:			
Instruction:			
Regular	156,087	-	156,087
Special	78,610	-	78,610
Other	-	208,417	208,417
Support services:			
Student	20,278	-	20,278
Instructional staff	1,285	-	1,285
Administration	7,115	-	7,115
Operation and maintenance of plant	126,779	-	126,779
Transportation	18,432	-	18,432
Non-instructional programs:			
Food service operations	1,608	-	1,608
TOTAL EXPENDITURES	410,194	208,417	618,611
Net change in fund balance	239,423	(11,545)	227,878
Fund balance beginning of year, as restated	535,045	63,028	598,073
Fund balance end of year	\$ 774,468	51,483	825,951

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

STORM LAKE COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
ASSETS			
Cash and pooled investments	\$ 1,957,658	287,345	2,245,003
Receivables:			
Property tax:			
Delinquent	-	1,705	1,705
Succeeding year	-	139,009	139,009
Income surtax	-	159,288	159,288
Interest	241	81	322
Due from other governments	235,082	-	235,082
TOTAL ASSETS	\$ 2,192,981	587,428	2,780,409
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 38,896	-	38,896
Deferred revenue:			
Succeeding year property tax	-	139,009	139,009
Income surtax	-	159,288	159,288
Total liabilities	38,896	298,297	337,193
Fund balances:			
Restricted for:			
School infrastructure	2,154,085	-	2,154,085
Physical plant and equipment levy	-	289,131	289,131
Total fund balances	2,154,085	289,131	2,443,216
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,192,981	587,428	2,780,409

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

STORM LAKE COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECT ACCOUNTS
 YEAR ENDED JUNE 30, 2011

	Capital Project Fund		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
REVENUES:			
Local sources:			
Local tax	\$ 1,431,916	291,456	1,723,372
Other	17,776	19,501	37,277
State sources	-	62	62
TOTAL REVENUES	<u>1,449,692</u>	<u>311,019</u>	<u>1,760,711</u>
EXPENDITURES:			
Current:			
Support services:			
Instructional staff	-	32,700	32,700
Student transportation	-	105,526	105,526
Other expenditures:			
Facilities acquisitions	704,759	42,736	747,495
TOTAL EXPENDITURES	<u>704,759</u>	<u>180,962</u>	<u>885,721</u>
Excess of revenues over expenditures	744,933	130,057	874,990
Other financing sources(uses):			
Transfer in	-	15,976	15,976
Transfer out	(2,679,666)	-	(2,679,666)
Total other financing sources(uses)	<u>(2,679,666)</u>	<u>15,976</u>	<u>(2,663,690)</u>
Net change in fund balance	(1,934,733)	146,033	(1,788,700)
Fund balance beginning of year, as restated	<u>4,088,818</u>	<u>143,098</u>	<u>4,231,916</u>
Fund balance end of year	<u>\$ 2,154,085</u>	<u>289,131</u>	<u>2,443,216</u>

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, 2011

Account	Balance Beginning of Year	Revenues	Expenditures	Intrafund Transfers	Balance End of Year
School Musical	\$ 6,590	2,280	2,802	-	6,068
Speech	555	1,965	3,381	861	-
Vocal Music	712	-	-	-	712
Cheerleaders	543	8,184	7,723	-	1,004
Dance Squad	925	11,230	10,714	-	1,441
Breeze of 2011	-	10,873	10,241	844	1,476
Breeze of 2008	9,197	-	8,353	(844)	-
Art Club	1,230	5,245	5,181	-	1,294
Kreative Kitchens	1,076	2,125	2,839	-	362
FACS	2,725	1,932	1,232	-	3,425
Nado Nook	1,160	-	1,160	-	-
International Club	122	212	248	-	86
AVID Club	437	500	871	-	66
Key Club	76	4,311	3,960	-	427
Student Council	841	3,757	4,226	-	372
Class of 2011	1,586	773	4,127	1,768	-
Class of 2012	-	2,640	423	(2,217)	-
All State Music	1,361	2,600	3,018	-	943
Jazz Band	391	-	849	458	-
Vending Machines	7,040	8,603	7,210	(3,568)	4,865
Student Activities	2,731	1,227	741	(638)	2,579
Concessions	7,136	14,989	11,525	-	10,600
Interest	430	286	79	(430)	207
TCD	32	-	-	(32)	-
DECA	2,528	9,922	16,018	3,568	-
Orchestra	400	-	-	-	400
Cross Country	63	1,104	1,172	5	-
Boys Basketball	-	5,264	5,902	638	-
Football	-	12,203	10,341	-	1,862
Boys Soccer	675	2,756	3,138	-	293
Baseball	218	13,593	15,268	1,457	-
Boys Track	-	3,475	4,285	810	-
Boys Tennis	-	1,456	2,654	1,198	-
Boys Golf	-	942	976	34	-
Boys Swimming	88	255	165	-	178
Wrestling	-	12,932	14,822	1,890	-
Girls Basketball	2,515	3,364	3,946	-	1,933
Volleyball	-	5,026	5,352	326	-
Girls Soccer	-	2,081	3,652	1,571	-
Softball	810	5,149	4,535	-	1,424
Girls Track	-	2,508	1,527	-	981
Girls Tennis	-	1,173	1,759	586	-
Girls Golf	292	-	155	-	137
Girls Swimming	511	1,091	1,012	-	590
General Athletics	8,032	28,846	20,835	(8,285)	7,758
Total	\$ 63,028	196,872	208,417	-	51,483

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis							
	Years Ended June 30,							
	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:								
Local sources:								
Local tax	\$ 8,287,471	7,451,901	7,242,555	6,516,603	6,424,067	6,324,196	6,220,883	5,323,603
Tuition	1,435,199	971,826	1,228,962	1,156,687	1,103,062	1,200,001	1,242,735	1,218,276
Other	740,568	742,255	938,920	1,937,069	978,588	880,274	656,852	735,030
Intermediate sources	-	-	15,000	-	-	-	-	-
State sources	13,203,227	11,307,905	12,160,271	12,220,851	10,507,714	9,284,350	9,058,775	8,356,506
Federal sources	2,350,503	3,299,710	2,722,323	2,129,213	2,218,014	2,429,642	2,140,287	1,478,466
Total	\$ 26,016,968	23,773,597	24,308,031	23,960,423	21,231,445	20,118,463	19,319,532	17,111,881
Expenditures:								
Instruction:								
Regular	\$ 7,428,125	7,490,823	7,812,449	8,394,735	7,461,085	7,357,714	6,886,448	7,011,486
Special	3,170,486	2,994,433	3,390,265	3,063,321	2,655,116	2,543,743	4,012,454	3,923,867
Other	3,963,806	4,104,775	3,798,743	2,679,735	2,641,499	2,704,033	979,714	942,497
Support services:								
Student	760,828	666,280	791,485	718,580	699,051	611,262	436,231	495,212
Instructional staff	960,722	920,496	773,874	845,095	661,859	842,155	612,465	191,888
Administration	1,936,030	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	1,621,897	1,617,630	1,765,045	1,844,236	1,688,205	1,744,242	1,525,999	1,334,772
Transportation	539,498	461,729	530,477	635,848	587,385	405,597	389,466	336,087
Other support	-	-	-	-	-	-	15,723	92,983
Non-instructional programs:								
Food service operations	1,608	6,822	2,904	3,541	2,988	-	5,000	-
Community service operations	814	3,093	24,122	2,529	-	-	51,000	51,000
Other expenditures:								
Facilities acquisitions	747,495	1,683,433	8,951,786	6,119,309	564,714	300,168	73,402	557,907
Long-term debt:								
Principal	845,000	990,000	500,000	485,000	475,000	530,000	515,000	520,000
Interest and other charges	517,131	549,871	516,862	326,352	39,456	51,243	60,428	43,490
AEA flow-through	900,299	858,542	747,876	712,056	646,571	591,183	586,325	568,957
Total	\$ 23,393,739	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, 2011

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
DIRECT:			
GAINING EARLY AWARENESS AND READINESS FOR UNDERGRADUATE PROGRAMS	84.334	FY 11	\$ <u>23,049</u>
INDIRECT:			
U.S. DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 11	209,562
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 11	643,666 *
SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	10.559	FY 11	<u>7,873</u>
			<u>861,101</u>
STATE ADMINISTRATIVE MATCHING			
GRANTS FOR FOOD STAMP PROGRAM			
(BASICS - BUILDING AND STRENGTHENING IOWA COMMUNITY			
SUPPORT FOR NUTRITION AND HEALTH)			
	10.561	FY 11	<u>11,195</u>
FRESH FRUIT AND VEGETABLE PROGRAM	10.582	FY 11	<u>38,616</u>
U.S. DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I CLUSTER PROGRAMS:			
TITLE I - SCHOOLS IN NEED OF ASSISTANCE (SINA)	84.010	FY 11	5,900
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	6219-G	539,351
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	6219-GC	29,374
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES, RECOVERY ACT	84.389	FY 10	<u>185,082</u>
			<u>759,707</u>
MIGRANT EDUCATION - STATE GRANT PROGRAM	84.011	FY 11	<u>197,200</u>
21st CENTURY COMMUNITY LEARNING CENTERS	84.287	FY 11	<u>110,110</u>
READING FIRST STATE GRANTS	84.357	FY 11	<u>24,936</u>
TITLE IIA - FEDERAL TEACHER QUALITY PROGRAM	84.367	FY 11	<u>80,776</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES(TITLE VI A)	84.369	FY 11	<u>13,793</u>
ARRA STABILIZATION CLUSTER:			
STATE FISCAL STABILIZATION FUND(SFSF)			
EDUCATION STATE GRANTS, RECOVERY ACT	84.394	FY 10	4,935
STATE FISCAL STABILIZATION FUND(SFSF)			
EDUCATION STATE GRANTS, RECOVERY ACT	84.394	FY 11	<u>117,334</u>
			<u>122,269 **</u>
STATE FISCAL STABILIZATION FUND(SFSF)			
GOVERNMENT SERVICES, RECOVERY ACT	84.397	FY 11	<u>104,657 **</u>
EDUCATION JOBS FUND, RECOVERY ACT	84.410	FY 11	<u>225,854</u>

STORM LAKE COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2011

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
PRAIRIE LAKES AREA EDUCATION AGENCY:			
SPECIAL EDUCATION CLUSTER PROGRAMS:			
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 11	130,738
SPECIAL EDUCATION - GRANTS TO STATES (PART B), RECOVERY ACT	84.391	FY 10	74,593
			<u>205,331</u>
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 11	<u>24,569</u>
ENGLISH LANGUAGE ACQUISITION STATE GRANTS (TITLE III)	84.365	FY 11	<u>130,661</u>
DEPARTMENT OF HUMAN SERVICES:			
IOWA DEPARTMENT OF HUMAN SERVICES:			
COOPERATIVE AGREEMENTS TO SUPPORT COMPREHENSIVE SCHOOL HEALTH PROGRAMS TO PREVENT THE SPREAD OF HIV AND OTHER IMPORTANT HEALTH PROBLEMS	93.938	FY 11	<u>750</u>
TOTAL			<u>\$ 2,934,574</u>

* Includes \$43,303 of non-cash awards.

** Total for ARRA fiscal stabilization cluster is \$226,926.

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, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 5, 2012. 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 deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-11 to be material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Storm Lake Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2011 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 5, 2012

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Independent Auditor's Report on Compliance with Requirements
That Could Have a Direct and Material Effect on 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 Storm Lake Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Storm Lake Community School District's major federal programs for the year ended June 30, 2011. 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, 2011.

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.

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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-11 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 5, 2012

STORM LAKE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

Part I: Summary of the Independent Auditor's Results

- (a) Unqualified opinions were issued on the financial statements.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) A material weakness in internal control over 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 10.553 - School Breakfast Program
 - CFDA Number 10.555 - National School Lunch Program
 - CFDA Number 10.559 - Summer Food Service Program for Children
 - Clustered*
 - CFDA Number 84.010 - Title I - Schools in Need of Assistance (SINA)
 - CFDA Number 84.010 - Title I - Grants to Local Educational Agencies
 - CFDA Number 84.389 - Title I - Grants to Local Educational Agencies, 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, 2011

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

II-A-11 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, 2011

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

CFDA Number 10.553- School Breakfast Program
CFDA Number 10.555- National School Lunch Program
CFDA Number 10.559- Summer Food Service Program for Children
Federal Award Year: 2011
U.S. Department of Agriculture
Passed through the Iowa Department of Education

CFDA Number 84.010 - Title I - Schools in Need of Assistance (SINA)
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: 2010 & 2011
U.S. Department of Education
Passed through the Iowa Department of Education

III-A-11 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, 2011

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-11 Certified Budget - District disbursements for the year ended June 30, 2011, did not exceed the amount budgeted.
- IV-B-11 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-11 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 \$1,111 in fiscal 2011 from B&B Development as its share of the agreement for the 2010 project house.

Name, Title and Business Connection	Transaction Description	Amount
Becky Stille, Teacher Spouse co-owner Stille, Pierce & Pertzborn Insurance Agency	Insurance premiums	\$ 211,665
Lori Porsch, Special Education Director Spouse is a pharmacist at Hy-Vee	Supplies	\$ 4,117
Barb Seiler, Board Member Spouse owns Seiler Plumbing	Plumbing services	\$ 18,661
Jolene Davis, Teacher Spouse owns Buena Vista Stationery	Supplies	\$ 109,106
Sharon Butterfield, Teacher Spouse owns Silkscreen Ink	Supplies	\$ 27,530
Janet Wiegand, Teacher Spouse owns Lake Electric	Electrical services	\$ 9,856
Ed McKenna, Board Member Pharmacist at Hy-Vee	Supplies	\$ 4,117

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-11 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-11 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- IV-G-11 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of resident students was overstated by 2.17 students.

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

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

Conclusion - Response accepted.

- IV-H-11 Supplementary Weighting - No variances in the supplementary weighting data certified to the Iowa Department of Education were noted. However, we noted during our audit that one student reported on the English Language Learner summary on Project Easier had exceeded their funding by 0.22.

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

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

Conclusion - Response accepted.

- IV-I-11 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-11 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-11 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- IV-L-11 Statewide Sales, Services and Use 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 revenue. Districts are required to include these reporting elements in the Certified Annual Report

(CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning Balance		\$	4,088,818
Revenues:			
Statewide sales, services and use tax revenue	\$	1,431,916	
Other local revenues		17,776	1,449,692
			<u>5,538,510</u>
Expenditures/transfer out:			
School infrastructure construction	\$	239,399	
Equipment		461,689	
Other		3,671	
Transfer to another fund:			
Debt service fund		2,679,666	3,384,425
			<u>3,384,425</u>
Ending balance			<u>\$ 2,154,085</u>

For the year ended June 30, 2011, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	Rate of Levy Reduction Per \$1,000 of Taxable Valuation	Property Tax Dollars Reduced
Debt service levy	\$ 0.88000	\$ 334,497

IV-M-11 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-11 Checks Outstanding - We noted during our audit that the District had checks included in the bank reconciliations of the General, Community Education, Nutrition and Activity Funds which have been outstanding for over a year.

Recommendation - The District should research outstanding checks to determine if they should be reissued or voided. Once checks have been outstanding for two years, the checks should be submitted to the Treasurer of Iowa as unclaimed property. Per Chapter 556.1(10) and 556.11 of the Code of Iowa, the District is required to report unclaimed property to the State Treasurer annually before November 1st.

Response - The District will implement procedures to monitor aging of outstanding checks.

Conclusion - Response accepted.

