

STORM LAKE COMMUNITY SCHOOL DISTRICT  
INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2013

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Storm Lake Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
Edward McKenna	President	2015
Peter Steinfeld	Vice President	2013
Dave Skibsted	Board Member	2015
Marcella Koth	Board Member	2013
Erika Dierking	Board Member	2015
<b>School Officials</b>		
Carl Turner	Superintendent	2013
Trudy Pedersen	Business Manager/ District Secretary/ Treasurer	2013
Ahlers & Cooney, P.C.	Attorney	2013
Cornwall, Avery, Bjornstad & Scott	Attorney	2013

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

**INDEPENDENT AUDITOR'S REPORT**

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

**Report on the Financial Statements**

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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Storm Lake Community School District as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Members American Institute & Iowa Society of Certified Public Accountants

## Other Matters

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 42 through 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Storm Lake Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the five years ended June 30, 2012 while another auditor previously audited the financial statements for the four years ended June 30, 2007 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 13, 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.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

### Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 7, 2014 on our consideration of Storm Lake Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Storm Lake Community School District's internal control over financial reporting and compliance.

  
NOLTE, CORNMAN & JOHNSON, P.C.

January 7, 2014  
Newton, Iowa

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

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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, 2013. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2013 FINANCIAL HIGHLIGHTS**

- General Fund revenues decreased from \$22,975,171 in fiscal 2012 to \$22,583,316 in fiscal 2013 due in part to a decrease in local and federal source revenues. General Fund expenditures increased from \$20,838,618 in fiscal 2012 to \$21,826,380 in fiscal 2013 due in part to an increase in expenses in the instructional and support services functional areas. The difference between fiscal 2013 revenues of \$22,583,316 and expenses of \$21,826,380 results in a net increase in fund balance of \$756,936. As a result, the District's General Fund balance increased from \$6,892,843 in fiscal 2012 to a balance of \$7,649,779 in fiscal 2013. This represents a 10.98% increase from the prior year.
- The District's solvency ratio increased from 29.89% at the end of fiscal 2012 to 32.10% at the end of fiscal 2013. The District anticipates the solvency ratio will gradually move to the target range of 10-15% in upcoming years.
- The Management Levy Fund increased from a fund balance of \$971,872 at June 30, 2012 to a fund balance of \$1,372,126 at June 30, 2013. The reason for the increase in fund balance of the Management Levy Fund is due to property tax revenues in excess of outlays for property insurance and early retirement benefits. This increase in fund balance was purposeful due to the number of employees eligible for early retirement benefits.

### **USING THIS ANNUAL REPORT**

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

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

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of 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.

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

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

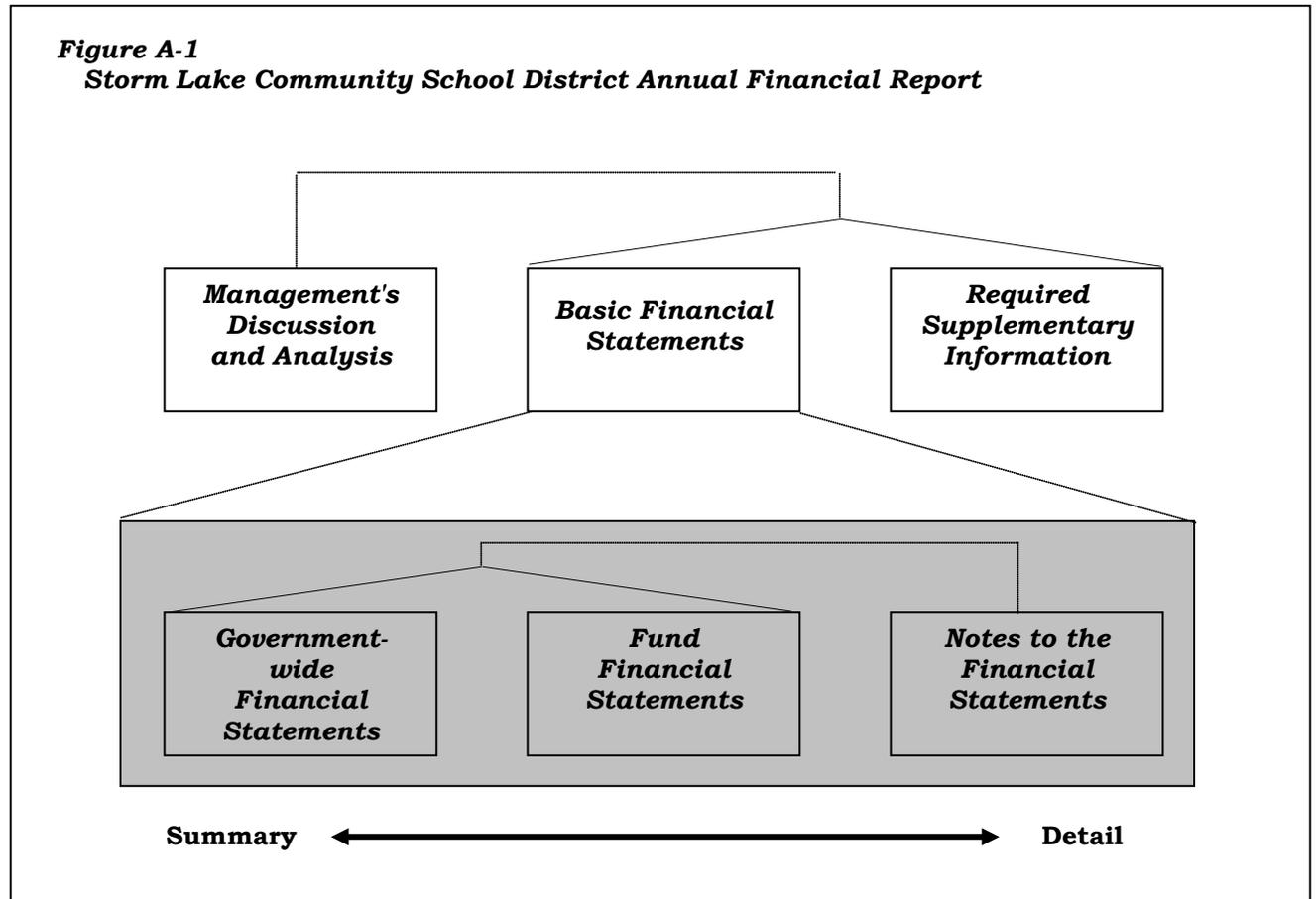


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

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The two government-wide financial statements report the District's net position and how they have changed. Net position – 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 position is 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 position, a statement of revenues, expenses and changes in net position and a statement of cash flows.

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2013 compared to June 30, 2012.

Figure A-3  
Condensed Statement of Net Position

	Governmental		Business type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Current and other assets	\$ 24,675,951	22,827,522	577,111	325,455	25,253,062	23,152,977	9.07%
Capital assets	21,815,494	21,926,172	159,658	158,524	21,975,152	22,084,696	-0.50%
Total assets	46,491,445	44,753,694	736,769	483,979	47,228,214	45,237,673	4.40%
Long-term obligations	11,591,163	12,335,305	7,044	4,268	11,598,207	12,339,573	-6.01%
Other liabilities	8,987,666	8,798,059	226,626	12,434	9,214,292	8,810,493	4.58%
Total liabilities	20,578,829	21,133,364	233,670	16,702	20,812,499	21,150,066	-1.60%
Net position:							
Invested in capital assets, net of related debt	11,025,494	10,226,172	159,658	158,524	11,185,152	10,384,696	7.71%
Restricted	7,030,139	5,884,049	-	-	7,030,139	5,884,049	19.48%
Unrestricted	7,856,983	7,510,109	343,441	308,753	8,200,424	7,818,862	4.88%
Total net position	\$ 25,912,616	23,620,330	503,099	467,277	26,415,715	24,087,607	9.67%

The District's combined net position increased by 9.67%, or \$2,328,108, over the prior year. The largest portion of the District's net position 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 position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased 19.48%, or \$1,146,090, over the prior year. The increase in restricted net position is due primarily to an increase in fund balance of the Capital Projects Fund and Management Levy Fund.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$381,562, or 4.88 %. The increase in fund balance of the General Fund was the main factor in the increase in unrestricted net position.

Figure A-4 shows the changes in net position for the year ended June 30, 2013 as compared to the year ended June 30, 2012.

Figure A-4  
Changes in Net Assets

	Governmental		Business type		Total		Total
	Activities		Activities		School District		Change
	June 30,	June 30,	June 30,	June 30,	June 30,	June 30,	2012-13
	2013	2012	2013	2012	2013	2012	
Revenues:							
Program revenues:							
Charges for services	\$ 1,775,036	1,565,091	466,531	444,055	2,241,567	2,009,146	11.57%
Operating grants and contributions and restricted interest	2,995,015	2,913,571	1,209,238	1,172,693	4,204,253	4,086,264	2.89%
Capital grants and contributions and restricted interest	12,737	2,500	-	-	12,737	2,500	409.48%
General revenues:							
Property tax	6,579,622	6,870,922	-	-	6,579,622	6,870,922	-4.24%
Income surtax	194,760	251,789	-	-	194,760	251,789	-22.65%
Statewide sales, services and use tax	1,766,840	1,599,343	-	-	1,766,840	1,599,343	10.47%
Unrestricted state grants	12,948,920	12,335,798	-	-	12,948,920	12,335,798	4.97%
Nonspecific program federal grants	-	226,588	-	-	-	226,588	-100.00%
Unrestricted investment earnings	31,207	44,386	74	160	31,281	44,546	-29.78%
Other	148,142	158,282	63	173,500	148,205	331,782	-55.33%
Gain on sale of capital assets	-	290,985	-	-	-	290,985	-100.00%
Total revenues	26,452,279	26,259,255	1,675,906	1,790,408	28,128,185	28,049,663	0.28%
Program expenses:							
Governmental activities:							
Instructional	15,929,171	14,955,170	6,917	178,025	15,936,088	15,133,195	5.31%
Support services	6,246,685	6,045,124	121,558	131,439	6,368,243	6,176,563	3.10%
Non-instructional programs	22,955	2,117	1,511,609	1,439,672	1,534,564	1,441,789	6.43%
Other expenses	1,961,182	1,930,527	-	-	1,961,182	1,930,527	1.59%
Total expenses	24,159,993	22,932,938	1,640,084	1,749,136	25,800,077	24,682,074	4.53%
Changes in net position	2,292,286	3,326,317	35,822	41,272	2,328,108	3,367,589	-30.87%
Net position beginning of year	23,620,330	20,294,013	467,277	426,005	24,087,607	20,720,018	16.25%
Net position end of year	\$ 25,912,616	23,620,330	503,099	467,277	26,415,715	24,087,607	9.67%

In fiscal 2013, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants account for 81.24% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.99% of the revenue from business type activities.

The District's total revenues were approximately \$28.13 million of which approximately \$26.45 million was for governmental activities and approximately \$1.68 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 0.28% increase in revenues and a 4.53% increase in expenses. Property tax decreased \$291,300 and unrestricted state grants increased \$613,122. The increase in expenditures was attributable to an increase in expenditures in the instructional and non-instructional functional areas.

## Governmental Activities

Revenues for governmental activities were \$26,452,279 and expenses were \$24,159,993 for the year ended June 30, 2013. The District was able to balance the budget while still meeting the needs of students in a fiscally responsible manner.

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, 2013 compared to the year ended June 30, 2012.

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2013	2012	Change 2012-13	2013	2012	Change 2012-13
Instruction	\$ 15,929,171	14,955,170	6.51%	12,055,904	11,520,096	4.65%
Support services	6,246,685	6,045,124	3.33%	6,223,579	5,827,551	6.80%
Non-instructional	22,955	2,117	984.32%	22,955	1,905	1104.99%
Other expenses	1,961,182	1,930,527	1.59%	1,074,767	1,102,224	2.49%
Totals	\$ 24,159,993	22,932,938	5.35%	19,377,205	18,451,776	5.02%

For the year ended June 30, 2013:

- The cost financed by users of the District's programs was \$1,775,036.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$3,007,752.
- The net cost of governmental activities was financed with \$6,579,622 in property tax, \$194,760 in income surtax, \$1,766,840 in statewide sales, service and use tax, \$12,948,920 in unrestricted state grants, \$148,142 in other general revenues, and \$31,207 in interest income.

## Business type Activities

Revenues of the District's business type activities were \$1,675,906 and expenses were \$1,640,084. 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 \$14,152,663, above last year's ending fund balances of \$12,503,352. The primary reason for the increase in combined fund balances is because of the increase in fund balance of the General Fund, Management Fund and Capital Projects Fund.

## Governmental Fund Highlights

- The District's General Fund position is the product of many factors. A decrease in local source funding as compared to the previous year was the main contributing factor to the decrease in total General Fund revenues. Although General Fund expenditures increased as compared to the previous year, revenues still exceeded expenses causing an increase in fund balance of the General Fund.

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- The Capital Projects Fund balance increased from \$3,041,861 in fiscal 2012 to \$3,505,407 in fiscal 2013. The increase in fund balance for the Capital Projects Fund was a result of property tax and statewide sales, services and use tax revenues in excess of capital expenditures and transfers to the Debt Service Fund. The District anticipates using the Capital Project Funds in future years to fund District improvements, including a HS Renovation/Auditorium project.

### **Proprietary Fund Highlights**

- The School Nutrition Fund net position increased from \$384,440 at June 30, 2012 to \$415,413 at June 30, 2013, representing an increase of 8.06%. An increase 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 position for the Community Education Fund increased from \$82,188 at June 30, 2012 to \$87,030 at June 30, 2013, representing an increase of 5.89%.
- The Student Construction Fund net assets increased from \$649 to \$656, representing an increase of 1.08%.

### **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 42 and 43.

The District's revenues were \$490,645 more than budgeted revenues, a variance of 1.77%. The most significant variance resulted from the District receiving more in federal sources than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year. During the year ended, June 30, 2013, the District adopted one budget amendment increasing budgeted expenditures by \$1,641,662 in the Non-Instructional and Total Other Expenditure functions.

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

#### **Capital Assets**

At June 30, 2013, the District had invested \$21,975,152, 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 0.50% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$900,509.

The original cost of the District's capital assets was \$33,525,505. Governmental funds account for \$32,921,101 with the remainder of \$604,404 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 construction in progress category. At June 30, 2012, the District's construction in progress totaled \$0 as compared to \$663,705 at June 30, 2013. This increase is due to the beginning of construction on a HS Renovation/auditorium and baseball/softball re-lighting projects. The District will receive a reimbursement of 45% (approximately \$177,600) of the baseball/softball re-lighting project costs from Buena Vista University.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Land	\$ 860,325	860,325	-	-	860,325	860,325	0.00%
Construction in progress	663,705	-	-	-	663,705	-	100.00%
Buildings	18,382,466	18,923,891	-	-	18,382,466	18,923,891	-2.86%
Land improvements	812,447	886,990	-	-	812,447	886,990	-8.40%
Machinery and equipment	1,096,551	1,254,966	159,658	158,524	1,256,209	1,413,490	-11.13%
Total	\$ 21,815,494	21,926,172	159,658	158,524	21,975,152	22,084,696	-0.50%

### Long-Term Debt

At June 30, 2013, the District had \$11,598,207 in general obligation bonds, revenue bonds and other long-term debt outstanding. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

Figure A-7  
Outstanding Long-Term Obligations

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Revenue Bonds	\$ 6,620,000	7,155,000	-	-	6,620,000	7,155,000	-7.48%
General Obligation Bonds	4,170,000	4,545,000	-	-	4,170,000	4,545,000	-8.25%
Compensated Absences	58,889	54,087	-	-	58,889	54,087	8.88%
Net OPEB Liability	742,274	581,218	7,044	4,268	749,318	585,486	27.98%
Total	\$ 11,591,163	12,335,305	7,044	4,268	11,598,207	12,339,573	-6.01%

### ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The District experienced an enrollment decrease of 12.8 students in 2012-2013. Early projections would indicate an increase of approximately 88 students in 2013-2014. The District is optimistic that enrollment numbers will remain steady or continue to increase in the future.
- Increasing enrollment finds District facilities at full capacity. Construction on a High School Renovation and Auditorium project has begun and the District will undergo an internal facilities study to prioritize needs and maximize use of existing space.

- 
- As a result of the District's favorable financial position, the District was able to decrease its total tax levy by \$.397/\$1,000 valuation for Fiscal Year 2014.
  - At a special election on December 4, 2012, voters approved extending the District's Sales Tax Revenue purpose statement and revising the current, and approving a new, voted Physical Plant and Equipment Levy (PPEL) up to a maximum of \$1.34/\$1,000 valuation. Funds generated will be used to help finance the HS Renovation/Auditorium project and for other District needs.
  - Based upon anticipated facility needs in the District, the Board will be asked in 2013-2014 to consider increasing the District's Instructional Support Levy (ISL) from 4% to 10% effective for Fiscal Year 2015. The ISL will generate a mixture of property tax and income surtax funds to help with technology and other needs that are currently being funded with PPEL and Sales Tax dollars. The re-distribution of expenditures will free up PPEL and Sales Tax dollars to be used for facility needs.

### **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 POSITION  
JUNE 30, 2013

	Governmental Activities	Business type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 16,049,036	381,958	16,430,994
Receivables:			
Property tax:			
Delinquent	84,220	-	84,220
Succeeding year	6,679,535	-	6,679,535
Income surtax	168,390	-	168,390
Accounts	43,834	7,422	51,256
Accrued interest	1,336	3	1,339
Due from other governments	1,649,600	7,445	1,657,045
Inventories	-	180,283	180,283
Capital assets, net of accumulated depreciation	21,815,494	159,658	21,975,152
<b>TOTAL ASSETS</b>	<b>46,491,445</b>	<b>736,769</b>	<b>47,228,214</b>
<b>LIABILITIES</b>			
Accounts payable	237,088	51,143	288,231
Salaries and benefits payable	1,904,740	-	1,904,740
Loans payable	-	163,675	163,675
Accrued interest payable	157,886	-	157,886
Deferred revenue:			
Succeeding year property tax	6,679,535	-	6,679,535
Other	8,417	-	8,417
Unearned revenue	-	11,808	11,808
Long-term liabilities:			
Portion due within one year:			
Revenue bonds payable	555,000	-	555,000
General obligation bonds payable	390,000	-	390,000
Compensated absences payable	58,889	-	58,889
Portion due after one year:			
Revenue bonds payable	6,065,000	-	6,065,000
General obligation bonds payable	3,780,000	-	3,780,000
Net OPEB liability	742,274	7,044	749,318
<b>TOTAL LIABILITIES</b>	<b>20,578,829</b>	<b>233,670</b>	<b>20,812,499</b>
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	11,025,494	159,658	11,185,152
Restricted for:			
Categorical funding	685,141	-	685,141
Management levy purposes	1,372,126	-	1,372,126
School infrastructure	2,710,470	-	2,710,470
Physical plant and equipment levy	794,937	-	794,937
Student activities	52,763	-	52,763
Debt service	1,414,702	-	1,414,702
Unrestricted	7,856,983	343,441	8,200,424
<b>TOTAL NET POSITION</b>	<b>\$ 25,912,616</b>	<b>503,099</b>	<b>26,415,715</b>

SEE NOTES TO FINANCIAL STATEMENTS.

STORM LAKE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2013

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	Total
<b>Functions/Programs:</b>							
Governmental activities:							
Instruction:							
Regular	\$ 7,651,945	396,949	310,949	-	(6,944,047)	-	(6,944,047)
Special	3,534,044	1,122,605	198,246	-	(2,213,193)	-	(2,213,193)
Other	4,743,182	255,482	1,589,036	-	(2,898,664)	-	(2,898,664)
	15,929,171	1,775,036	2,098,231	-	(12,055,904)	-	(12,055,904)
Support services:							
Student	840,788	-	-	-	(840,788)	-	(840,788)
Instructional staff	919,046	-	-	-	(919,046)	-	(919,046)
Administration	2,172,832	-	-	-	(2,172,832)	-	(2,172,832)
Operation and maintenance of plant	1,625,404	-	-	12,737	(1,612,667)	-	(1,612,667)
Transportation	688,615	-	10,369	-	(678,246)	-	(678,246)
	6,246,685	-	10,369	12,737	(6,223,579)	-	(6,223,579)
Non-instructional programs:							
Food service operations	1,894	-	-	-	(1,894)	-	(1,894)
Community service operations	21,061	-	-	-	(21,061)	-	(21,061)
	22,955	-	-	-	(22,955)	-	(22,955)
Long-term debt interest	458,799	-	-	-	(458,799)	-	(458,799)
Other expenses:							
AEA flowthrough	886,415	-	886,415	-	-	-	-
Depreciation(unallocated)*	615,968	-	-	-	(615,968)	-	(615,968)
	1,502,383	-	886,415	-	(615,968)	-	(615,968)
Total governmental activities	24,159,993	1,775,036	2,995,015	12,737	(19,377,205)	-	(19,377,205)
Business type activities:							
Instruction:							
Other	6,917	-	-	-	-	(6,917)	(6,917)
Support services:							
Administration	112,140	-	-	-	-	(112,140)	(112,140)
Operation and maintenance of plant	9,418	-	-	-	-	(9,418)	(9,418)
Total support services	121,558	-	-	-	-	(121,558)	(121,558)
Non-instructional programs:							
Nutrition services	1,416,647	369,785	1,087,141	-	-	40,279	40,279
Community education services	94,962	96,746	122,097	-	-	123,881	123,881
Total non-instructional programs:	1,511,609	466,531	1,209,238	-	-	164,160	164,160
Total business type activities	1,640,084	466,531	1,209,238	-	-	35,685	35,685
Total	\$ 25,800,077	2,241,567	4,204,253	12,737	(19,377,205)	35,685	(19,341,520)
<b>General Revenues:</b>							
Property tax levied for:							
General purposes				\$ 5,815,918	-	5,815,918	
Debt service				551,292	-	551,292	
Capital outlay				212,412	-	212,412	
Income surtax				194,760	-	194,760	
Statewide sales, services and use tax				1,766,840	-	1,766,840	
Unrestricted state grants				12,948,920	-	12,948,920	
Unrestricted investment earnings				31,207	74	31,281	
Other				148,142	63	148,205	
Total general revenues				21,669,491	137	21,669,628	
Changes in net position				2,292,286	35,822	2,328,108	
Net position beginning of year				23,620,330	467,277	24,087,607	
Net position end of year				\$ 25,912,616	503,099	26,415,715	

\* 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, 2013

	General	Capital Projects	Nonmajor Governmental Funds	Total
<b>ASSETS</b>				
Cash and pooled investments	\$ 8,404,801	3,138,946	2,980,196	14,523,943
Receivables:				
Property tax:				
Delinquent	62,293	2,663	19,264	84,220
Succeeding year	4,896,740	729,176	1,053,619	6,679,535
Income surtax	84,195	84,195	-	168,390
Accounts	43,834	-	-	43,834
Accrued interest	1,085	48	178	1,311
Due from other governments	1,240,791	408,758	51	1,649,600
<b>TOTAL ASSETS</b>	<b>\$ 14,733,739</b>	<b>4,363,786</b>	<b>4,053,308</b>	<b>23,150,833</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 189,868	45,008	2,212	237,088
Salaries and benefits payable	1,904,740	-	-	1,904,740
Deferred revenue:				
Succeeding year property tax	4,896,740	729,176	1,053,619	6,679,535
Income surtax	84,195	84,195	-	168,390
Other	8,417	-	-	8,417
Total liabilities	7,083,960	858,379	1,055,831	8,998,170
Fund balances:				
Restricted for:				
Categorical funding	685,141	-	-	685,141
Debt service	-	-	1,572,588	1,572,588
Management levy purposes	-	-	1,372,126	1,372,126
School infrastructure	-	2,710,470	-	2,710,470
Physical plant and equipment levy	-	794,937	-	794,937
Student activities	-	-	52,763	52,763
Unassigned	6,964,638	-	-	6,964,638
Total fund balances	7,649,779	3,505,407	2,997,477	14,152,663
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 14,733,739</b>	<b>4,363,786</b>	<b>4,053,308</b>	<b>23,150,833</b>

SEE NOTES TO FINANCIAL STATEMENTS.

STORM LAKE COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET POSITION  
 JUNE 30, 2013

<b>Total fund balances of governmental funds(page 20)</b>	\$ 14,152,663
<b>Amounts reported for governmental activities in the Statement of Net Position are different because:</b>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	21,815,494
Blending of the Internal Service Funds to be reflected on an entity-wide basis.	1,525,118
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	168,390
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.	(157,886)
Long-term liabilities, including general obligation bonds, revenue bonds, compensated absences, and other postemployment benefits payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(11,591,163)</u>
<b>Net position of governmental activities(page 18)</b>	<u><u>\$ 25,912,616</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

STORM LAKE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2013

	General	Capital Projects	Nonmajor Governmental Funds	Total
<b>REVENUES:</b>				
Local sources:				
Local tax	\$ 4,946,013	2,155,910	1,509,394	8,611,317
Tuition	1,488,579	-	-	1,488,579
Other	251,578	21,988	251,020	524,586
State sources	14,222,610	90	656	14,223,356
Federal sources	1,674,536	-	-	1,674,536
<b>TOTAL REVENUES</b>	<b>22,583,316</b>	<b>2,177,988</b>	<b>1,761,070</b>	<b>26,522,374</b>
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular	7,558,286	29,821	274,956	7,863,063
Special	3,323,732	-	31,324	3,355,056
Other	4,370,125	-	240,096	4,610,221
	<b>15,252,143</b>	<b>29,821</b>	<b>546,376</b>	<b>15,828,340</b>
Support services:				
Student	819,141	-	19,094	838,235
Instructional staff	826,070	29,011	32,934	888,015
Administration	2,129,274	1,622	28,406	2,159,302
Operation and maintenance of plant	1,429,218	28,805	129,809	1,587,832
Transportation	463,058	99,140	29,653	591,851
	<b>5,666,761</b>	<b>158,578</b>	<b>239,896</b>	<b>6,065,235</b>
Non-instructional programs:				
Food service operations	-	-	1,894	1,894
Community service operations	21,061	-	-	21,061
	<b>21,061</b>	<b>-</b>	<b>1,894</b>	<b>22,955</b>
Capital outlay	-	691,643	-	691,643
Long-term debt:				
Principal	-	-	910,000	910,000
Interest and fiscal charges	-	15,000	453,475	468,475
	<b>-</b>	<b>15,000</b>	<b>1,363,475</b>	<b>1,378,475</b>
Other expenditures:				
AEA flowthrough	886,415	-	-	886,415
<b>TOTAL EXPENDITURES</b>	<b>21,826,380</b>	<b>895,042</b>	<b>2,151,641</b>	<b>24,873,063</b>
Excess(Deficiency) of revenues over(under) expenditures	756,936	1,282,946	(390,571)	1,649,311
Other financing sources(uses):				
Transfer in	-	-	819,400	819,400
Transfer out	-	(819,400)	-	(819,400)
Total other financing sources(uses)	<b>-</b>	<b>(819,400)</b>	<b>819,400</b>	<b>-</b>
Change in fund balance	756,936	463,546	428,829	1,649,311
Fund balance beginning of year	6,892,843	3,041,861	2,568,648	12,503,352
Fund balance end of year	<b>\$ 7,649,779</b>	<b>3,505,407</b>	<b>2,997,477</b>	<b>14,152,663</b>

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  
 YEAR ENDED JUNE 30, 2013

Net change in fund balances - total governmental funds(page 22)	\$	1,649,311
 <i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
 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	\$ 824,911	
Depreciation expense	(880,610)	
Loss on asset disposal	(54,979)	(110,678)
Net change in Internal Service Funds charged back against expenditures made for the flex benefit program at an entity-wide basis.		69,930
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		910,000
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.		9,676
Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds.		(70,095)
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	(4,802)	
Other postemployment benefits	(161,056)	(165,858)
<b>Changes in net position of governmental activities(page 19)</b>	<b>\$</b>	<b><u>2,292,286</u></b>

SEE NOTES TO FINANCIAL STATEMENTS.

STORM LAKE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2013

	Business Type Activities: Enterprise Fund			Governmental Activities: Internal Service Fund
	School	Nonmajor	Total	
	Nutrition			
<b>ASSETS</b>				
Current assets:				
Cash and pooled investments	\$ 286,217	95,741	381,958	1,525,093
Receivables:				
Accounts	1,644	5,778	7,422	-
Accrued interest	2	1	3	25
Due from other governments	7,445	-	7,445	-
Inventories	17,779	162,504	180,283	-
Total current assets	313,087	264,024	577,111	1,525,118
Non-current assets:				
Capital assets:				
Machinery and equipment, net of accumulated depreciation	159,658	-	159,658	-
Total non-current assets	159,658	-	159,658	-
<b>TOTAL ASSETS</b>	472,745	264,024	736,769	1,525,118
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	45,524	5,619	51,143	-
On demand line of credit	-	163,675	163,675	-
Unearned revenue	11,808	-	11,808	-
Total current liabilities	57,332	169,294	226,626	-
Long-term liabilities:				
Net OPEB liability	-	7,044	7,044	-
Total long-term liabilities	-	7,044	7,044	-
<b>TOTAL LIABILITIES</b>	57,332	176,338	233,670	-
<b>NET POSITION</b>				
Invested in capital assets	159,658	-	159,658	-
Unrestricted	255,755	87,686	343,441	1,525,118
<b>TOTAL NET POSITION</b>	\$ 415,413	87,686	503,099	1,525,118

SEE NOTES TO FINANCIAL STATEMENTS.

STORM LAKE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2013

	Business Type Activities: Enterprise Fund			Governmental Activities: Internal Service Fund
	School Nutrition	Nonmajor	Total	
OPERATING REVENUE:				
Local sources:				
Charges for services	\$ 369,785	96,746	466,531	-
Donations	-	122,097	122,097	-
Miscellaneous	63	-	63	2,711,527
<b>TOTAL OPERATING REVENUES</b>	<b>369,848</b>	<b>218,843</b>	<b>588,691</b>	<b>2,711,527</b>
OPERATING EXPENSES:				
Instruction:				
Other:				
Salaries	-	6,082	6,082	-
Benefits	-	835	835	-
	-	6,917	6,917	-
Support services:				
Administration:				
Salaries	-	78,345	78,345	-
Benefits	-	31,006	31,006	2,900
Services	-	2,789	2,789	2,639,151
	-	112,140	112,140	2,642,051
Operation and maintenance of plant:				
Services	6,592	-	6,592	-
Supplies	2,826	-	2,826	-
	9,418	-	9,418	-
Total support services	9,418	112,140	121,558	2,642,051
Non-instructional programs:				
Food service operations:				
Salaries	10,986	-	10,986	-
Benefits	626	-	626	-
Services	590,551	-	590,551	-
Supplies	794,585	-	794,585	-
Depreciation	19,899	-	19,899	-
	1,416,647	-	1,416,647	-
Community service operations:				
Salaries	-	25,358	25,358	-
Benefits	-	13,428	13,428	-
Services	-	10,958	10,958	-
Supplies	-	45,218	45,218	-
	-	94,962	94,962	-
Total non-instructional programs	1,416,647	94,962	1,511,609	-
<b>TOTAL OPERATING EXPENSES</b>	<b>1,426,065</b>	<b>214,019</b>	<b>1,640,084</b>	<b>2,642,051</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(1,056,217)</b>	<b>4,824</b>	<b>(1,051,393)</b>	<b>69,476</b>
NON-OPERATING REVENUES:				
State sources	11,761	-	11,761	-
Federal sources	1,075,380	-	1,075,380	-
Interest income	49	25	74	454
<b>TOTAL NON-OPERATING REVENUES</b>	<b>1,087,190</b>	<b>25</b>	<b>1,087,215</b>	<b>454</b>
Change in net position	30,973	4,849	35,822	69,930
Net position beginning of year	384,440	82,837	467,277	1,455,188
Net position end of year	\$ 415,413	87,686	503,099	1,525,118

SEE NOTES TO FINANCIAL STATEMENTS.

STORM LAKE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2013

	Business Type Activities:			Governmental
	Enterprise Fund			Activities:
	School			Internal
	Nutrition	Nonmajor	Total	Service
				Fund
Cash flows from operating activities:				
Cash received from operating activities *	\$ 369,806	213,067	582,873	-
Cash received from miscellaneous operating activities	63	-	63	2,711,567
Cash payments to employees for services	(14,467)	(149,423)	(163,890)	(2,642,051)
Cash payments to suppliers for goods or services	(1,314,991)	(217,698)	(1,532,689)	-
Net cash provided by(used in) operating activities	(959,589)	(154,054)	(1,113,643)	69,516
Cash flows from non-capital financing activities:				
Proceeds from disposal of assets	972	959	1,931	-
State grants received	11,761	-	11,761	-
Federal grants received	1,038,999	-	1,038,999	-
Net cash provided by non-capital financing activities	1,051,732	959	1,052,691	-
Cash flows from capital activities:				
Proceeds from on demand line of credit	-	163,675	163,675	-
Acquisition of assets	(22,964)	-	(22,964)	-
Net cash used in capital activities	(22,964)	163,675	140,711	-
Cash flows from investing activities:				
Interest on investment	57	26	83	454
Net increase in cash and cash equivalents	69,236	10,606	79,842	69,970
Cash and cash equivalents at beginning of year	216,981	85,135	302,116	1,455,123
Cash and cash equivalents at end of year	\$ 286,217	95,741	381,958	1,525,093
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:				
Operating income(loss)	\$ (1,056,217)	4,824	(1,051,393)	69,476
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:				
Commodities consumed	37,741	-	37,741	-
Depreciation	19,899	-	19,899	-
Increase in inventories	(3,592)	(162,504)	(166,096)	-
Decrease(Increase) in accounts receivable	(1,311)	(5,776)	(7,087)	40
Increase in accounts payable	45,414	3,771	49,185	-
Increase in unearned revenues	1,332	-	1,332	-
Increase(Decrease) in other postemployment benefits	(2,855)	5,631	2,776	-
Net cash provided by(used in) operating activities	\$ (959,589)	(154,054)	(1,113,643)	69,516

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

During the year ended June 30, 2013, the District received Federal commodities valued at \$37,741.

\* 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  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

**(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 Position (previously referred to as 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 Position presents the District's non-fiduciary assets and liabilities, with the difference reported as net position. Net position is 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 position* results when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has 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 and other capital assets, with the exception of those that are financed through enterprise funds.

The District reports the following major proprietary fund:

The School Nutrition Fund is used to account for the food service operations of the District.

The District reports the following nonmajor proprietary funds:

The Community Education Fund is used to account for the community wide recreation and 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 District also reports the following other proprietary funds:

The Internal Service Funds are used to account for partially self-funded health benefits and flex spending benefits received by District employees.

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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.

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, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2012.

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 Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 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 Position 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 Position 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, 2013. 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 Position.

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 Position - In the government-wide Statement of Net Position, net position is reported as restricted when constraints placed on net position 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, 2013 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, 2013, the District had no investments.

(3) **Interfund Transfers**

The detail of transfers for the year ended June 30, 2013 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 819,400

The transfer from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was for principal and interest payments on the District's revenue bond indebtedness.

(4) **On Demand Line of Credit**

During the year ended June 30, 2013, the District entered into an agreement for an on demand line of credit with Central Bank of Storm Lake, Iowa, (see comment IV-M-13, page 69-70) to help finance the operation of the Building Trades Fund. The line of credit was issued interest free for the first six months and then at an interest rate of 5.0%. Details of the District's on demand line of credit activity for the year ended June 30, 2013 are as follows:

Fund	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year	Interest Paid
Building Trades	\$ -	163,675	-	163,675	2,411

(5) **Capital Assets**

Capital assets activity for the year ended June 30, 2013 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 860,325	-	-	860,325
Construction in progress	-	663,705	-	663,705
Total capital assets not being depreciated	<u>860,325</u>	<u>663,705</u>	<u>-</u>	<u>1,524,030</u>
Capital assets being depreciated:				
Buildings	24,941,829	-	-	24,941,829
Land improvements	1,805,241	-	-	1,805,241
Machinery and equipment	4,687,800	161,206	199,005	4,650,001
Total capital assets being depreciated	<u>31,434,870</u>	<u>161,206</u>	<u>199,005</u>	<u>31,397,071</u>
Less accumulated depreciation for:				
Buildings	6,017,938	541,425	-	6,559,363
Land improvements	918,251	74,543	-	992,794
Machinery and equipment	3,432,834	264,642	144,026	3,553,450
Total accumulated depreciation	<u>10,369,023</u>	<u>880,610</u>	<u>144,026</u>	<u>11,105,607</u>
Total capital assets being depreciated, net	<u>21,065,847</u>	<u>(719,404)</u>	<u>(54,979)</u>	<u>20,291,464</u>
Governmental activities capital assets, net	<u>\$ 21,926,172</u>	<u>(55,699)</u>	<u>(54,979)</u>	<u>21,815,494</u>
<b>Business type activities:</b>				
Machinery and equipment	\$ 589,035	22,964	7,595	604,404
Less accumulated depreciation	430,511	19,899	5,664	444,746
Business type activities capital assets, net	<u>\$ 158,524</u>	<u>3,065</u>	<u>1,931</u>	<u>159,658</u>

Depreciation expense was charged by the District as follows:

<b>Governmental activities:</b>	
Instruction:	
Regular	\$ 53,800
Other	18,897
Support services:	
Instructional staff	62,286
Administration	2,999
Operation and maintenance	27,017
Transportation	99,643
	<u>264,642</u>
Unallocated depreciation	<u>615,968</u>
Total governmental activities depreciation expense	<u>\$ 880,610</u>
<b>Business type activities:</b>	
Food services	<u>\$ 19,899</u>

**(6) Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2013 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
<b>Governmental Activities:</b>					
General Obligation Bonds	4,545,000	-	375,000	4,170,000	390,000
Revenue Bonds	7,155,000	-	535,000	6,620,000	555,000
Compensated Absences	54,087	58,889	54,087	58,889	58,889
Net OPEB Liability	581,218	161,056	-	742,274	-
<b>Total</b>	<b>12,335,305</b>	<b>219,945</b>	<b>964,087</b>	<b>11,591,163</b>	<b>1,003,889</b>
<b>Business Type Activities:</b>					
Net OPEB Liability	4,268	2,776	-	7,044	-

General Obligation Bonds Payable

Details of the District's June 30, 2013 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond issue of May 1, 2007			
	Interest Rates	Principal	Interest	Total
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	3.875	440,000	114,119	554,119
2018	3.875	460,000	97,069	557,069
2019-2022	3.875	2,045,000	202,273	2,247,273
<b>Total</b>		<b>\$ 4,170,000</b>	<b>855,218</b>	<b>5,025,218</b>

Revenue Bonds Payable

Details of the District's June 30, 2013 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
2014	3.70 %	\$ 150,000	108,100	3.50 %	\$ 405,000	143,438	555,000	251,538	806,538
2015	3.75	150,000	102,512	3.50	425,000	128,913	575,000	231,425	806,425
2016	3.75	200,000	95,950	4.00	395,000	113,576	595,000	209,526	804,526
2017	3.80	200,000	88,400	4.00	420,000	97,275	620,000	185,675	805,675
2018	3.85	200,000	80,750	4.00	445,000	79,975	645,000	160,725	805,725
2018-2023	3.85-4.00	1,930,000	214,651	4.00-4.25	1,700,000	169,198	3,630,000	383,849	4,013,849
<b>Total</b>		<b>\$ 2,830,000</b>	<b>690,363</b>		<b>\$ 3,790,000</b>	<b>732,375</b>	<b>\$ 6,620,000</b>	<b>1,422,738</b>	<b>8,042,738</b>

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 46 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$8,042,738. For the current year, principal of \$535,000 and interest of \$270,856 was paid on the bonds and total statewide sales, services and use tax revenues were \$1,766,840.

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.

#### Termination Benefits

During the years ended June 30, 2011, June 30, 2012, and June 30, 2013 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. There is not an early retirement liability recorded due to the liability being recorded based on actuarial valuations used in calculating the District's net OPEB liability.

**(7) Pension and Retirement Benefits**

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

Plan members are required to contribute 5.78% of their annual covered salary and the District is required to contribute 8.67% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$1,153,123, \$1,026,429 and \$851,749 respectively, equal to the required contributions for each year.

**(8) Other Postemployment Benefits (OPEB)**

Plan Description - The District operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 300 active and 16 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, 2013, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 215,953
Interest on net OPEB obligation	14,637
Adjustment to annual required contribution	(40,400)
Annual OPEB cost (expense)	<u>190,190</u>
Contributions made	<u>(26,358)</u>
Increase in net OPEB obligation	163,832
Net OPEB obligation - beginning of year	<u>585,486</u>
Net OPEB obligation - end of year	<u><u>\$ 749,318</u></u>

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, 2013.

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, 2013 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 164,231	16.9%	\$ 446,097
2012	165,769	15.9%	585,486
2013	190,190	13.9%	749,318

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$1.315 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.315 million. The covered payroll (annual payroll of active employees covered by the plan) was \$12.805 million, and the ratio of the UAAL to the covered payroll was 10.3%. As of June 30, 2013, 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, 2012 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.

**(9) Risk Management**

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(10) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$886,415 for the year ended June 30, 2013 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(11) Categorical Funding**

The District's ending restricted balances for categorical funding as of June 30, 2013 are broken out by the following programs:

Program	Amount
Home school assistance program	\$ 53,310
Gifted and talented	127,743
Returning dropout and dropout prevention program	429,480
Teacher salary supplement	5,675
Text book aid for non-public students	19
Teacher quality, professional development	26,672
Teacher quality, professional development, model core curriculum	30,501
Teacher quality, market factor incentives	11,741
Total	<u>\$ 685,141</u>

**(12) Sharing Agreement**

The District participates in a sharing agreement with the City of Storm Lake to provide services through the District's Community Education program. The agreement is to remain in effect for any fiscal year that the District accepts the subsidy from the City of Storm Lake to operate the community education programs.

The following are the terms agreed upon by the District and the City of Storm Lake concerning the Community Education programs:

The City of Storm Lake agrees to subsidize the District in its efforts to continue the employment of Storm Lake Community Education Staff. The exact amount of the subsidy, if any, shall be determined by the City of Storm Lake during the City's budgeting process. At the end of each month of the agreement, the District may request reimbursement of expenses in an amount not to exceed 1/12<sup>th</sup> of the annual subsidy budgeted for by the City of Storm Lake.

The District operates and pays all expenses incurred from offering the community education programs. Subsidies paid by the City of Storm Lake to the District cannot be used to make capital improvements to facilities, acquiring real estate or funding debt retirement. A designee of the City of Storm Lake will serve on the Storm Lake Community Education Advisory Board as an ex-officio member. The District further agrees that all community education programs are available to all residents of Storm Lake and that scholarships will be available for low income residents of the District.

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, 2013

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to
	Fund Types	Fund Type		Original	Final	Actual
	Actual	Actual				Variance
Revenues:						
Local sources	\$ 10,624,482	588,765	11,213,247	10,700,970	10,700,970	512,277
State sources	14,223,356	11,761	14,235,117	14,771,665	14,771,665	(536,548)
Federal sources	1,674,536	1,075,380	2,749,916	2,235,000	2,235,000	514,916
Total revenues	<u>26,522,374</u>	<u>1,675,906</u>	<u>28,198,280</u>	<u>27,707,635</u>	<u>27,707,635</u>	<u>490,645</u>
Expenditures/Expenses:						
Instruction	15,828,340	6,917	15,835,257	16,945,500	16,945,500	1,110,243
Support services	6,065,235	121,558	6,186,793	7,359,150	7,359,150	1,172,357
Non-instructional programs	22,955	1,511,609	1,534,564	1,508,000	1,750,000	215,436
Other expenditures	2,956,533	-	2,956,533	3,100,338	4,500,000	1,543,467
Total expenditures/expenses	<u>24,873,063</u>	<u>1,640,084</u>	<u>26,513,147</u>	<u>28,912,988</u>	<u>30,554,650</u>	<u>4,041,503</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	1,649,311	35,822	1,685,133	(1,205,353)	(2,847,015)	4,532,148
Balance beginning of year	<u>12,503,352</u>	<u>467,277</u>	<u>12,970,629</u>	<u>10,223,857</u>	<u>10,223,857</u>	<u>2,746,772</u>
Balance end of year	<u>\$ 14,152,663</u>	<u>503,099</u>	<u>14,655,762</u>	<u>9,018,504</u>	<u>7,376,842</u>	<u>7,278,920</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

STORM LAKE COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2013

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, the District adopted one budget amendment, increasing budget expenditures by \$1,641,662.

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 (UAAL) (b-a)			
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%
2012	July 1, 2010	-	1,127	1,127	0.0%	12,719	8.9%
2013	July 1, 2012	-	1,315	1,315	0.0%	12,805	10.3%

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SUPPLEMENTARY INFORMATION

STORM LAKE COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2013

	Special Revenue				
	Manage- ment Levy	Student Activity	Total	Debt Service	Total
<b>ASSETS</b>					
Cash and pooled investments	\$ 1,361,810	52,763	1,414,573	1,565,623	2,980,196
Receivables:					
Property tax:					
Delinquent	12,352	-	12,352	6,912	19,264
Succeeding year	500,000	-	500,000	553,619	1,053,619
Accrued interest	176	-	176	2	178
Due from other governments	-	-	-	51	51
<b>TOTAL ASSETS</b>	<b>\$ 1,874,338</b>	<b>52,763</b>	<b>1,927,101</b>	<b>2,126,207</b>	<b>4,053,308</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 2,212	-	2,212	-	2,212
Deferred revenue:					
Succeeding year property tax	500,000	-	500,000	553,619	1,053,619
Total liabilities	502,212	-	502,212	553,619	1,055,831
Fund balances:					
Restricted for:					
Debt service	-	-	-	1,572,588	1,572,588
Management	1,372,126	-	1,372,126	-	1,372,126
Student activities	-	52,763	52,763	-	52,763
Total fund balances	1,372,126	52,763	1,424,889	1,572,588	2,997,477
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,874,338</b>	<b>52,763</b>	<b>1,927,101</b>	<b>2,126,207</b>	<b>4,053,308</b>

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, 2013

	Special Revenue				
	Manage- ment Levy	Student Activity	Total	Debt Service	Total
REVENUES:					
Local sources:					
Local tax	\$ 958,102	-	958,102	551,292	1,509,394
Other	10,866	239,803	250,669	351	251,020
State sources	422	-	422	234	656
TOTAL REVENUES	969,390	239,803	1,209,193	551,877	1,761,070
EXPENDITURES:					
Current:					
Instruction:					
Regular	274,956	-	274,956	-	274,956
Special	31,324	-	31,324	-	31,324
Other	21,066	219,030	240,096	-	240,096
Support services:					
Student	19,094	-	19,094	-	19,094
Instructional staff	32,934	-	32,934	-	32,934
Administration	28,406	-	28,406	-	28,406
Operation and maintenance of plant	129,809	-	129,809	-	129,809
Transportation	29,653	-	29,653	-	29,653
Non-instructional programs:					
Food service operations	1,894	-	1,894	-	1,894
Long-term debt:					
Principal	-	-	-	910,000	910,000
Interest and fiscal charges	-	-	-	453,475	453,475
TOTAL EXPENDITURES	569,136	219,030	788,166	1,363,475	2,151,641
Deficiency of revenues under expenditures	400,254	20,773	421,027	(811,598)	(390,571)
Other financing sources:					
Transfer in	-	-	-	819,400	819,400
Change in fund balance	400,254	20,773	421,027	7,802	428,829
Fund balance beginning of year	971,872	31,990	1,003,862	1,564,786	2,568,648
Fund balance end of year	\$ 1,372,126	52,763	1,424,889	1,572,588	2,997,477

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

STORM LAKE COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECT ACCOUNTS  
 JUNE 30, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 2,339,145	799,801	3,138,946
Receivables:			
Property tax:			
Delinquent	-	2,663	2,663
Succeeding year	-	729,176	729,176
Income surtax	-	84,195	84,195
Accrued interest	-	48	48
Due from other governments	408,758	-	408,758
<b>TOTAL ASSETS</b>	<b>\$ 2,747,903</b>	<b>1,615,883</b>	<b>4,363,786</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 37,433	7,575	45,008
Deferred revenue:			
Succeeding year property tax	-	729,176	729,176
Income surtax	-	84,195	84,195
Total liabilities	37,433	820,946	858,379
Fund balances:			
Restricted for:			
School infrastructure	2,710,470	-	2,710,470
Physical plant and equipment levy	-	794,937	794,937
Total fund balances	2,710,470	794,937	3,505,407
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 2,747,903</b>	<b>1,615,883</b>	<b>4,363,786</b>

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, 2013

	Capital Project Fund		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
REVENUES:			
Local sources:			
Local tax	\$ 1,766,840	389,070	2,155,910
Other	20,830	1,158	21,988
State sources	-	90	90
TOTAL REVENUES	<u>1,787,670</u>	<u>390,318</u>	<u>2,177,988</u>
EXPENDITURES:			
Current:			
Instruction:			
Regular instruction	29,821	-	29,821
Support services:			
Instructional staff	29,011	-	29,011
Administration	1,622	-	1,622
Operation and maintenance of plant	-	28,805	28,805
Transportation	-	99,140	99,140
Capital outlay	643,948	47,695	691,643
Long-term debt:			
Interest and fiscal charges	15,000	-	15,000
TOTAL EXPENDITURES	<u>719,402</u>	<u>175,640</u>	<u>895,042</u>
Excess of revenues over expenditures	1,068,268	214,678	1,282,946
Other financing sources(uses):			
Transfer out	(819,400)	-	(819,400)
Change in fund balance	248,868	214,678	463,546
Fund balance beginning of year	2,461,602	580,259	3,041,861
Fund balance end of year	<u>\$ 2,710,470</u>	<u>794,937</u>	<u>3,505,407</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, 2013

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
School Musical	\$ 6,499	6,052	4,571	7,980
Speech	-	2,951	2,951	-
Vocal Music	712	-	712	-
Cheerleaders	3,388	10,603	11,139	2,852
Dance Squad	2,385	13,861	15,058	1,188
Breeze of 2011	-	10,714	10,714	-
Breeze of 2012	-	225	225	-
Art Club	2,701	2,321	1,351	3,671
Kreative Kitchens	655	3,364	3,115	904
FCCLA	2,094	-	366	1,728
International Club	79	300	116	263
AVID Club	-	600	-	600
Key Club	671	2,543	2,594	620
Student Council	-	2,557	2,316	241
Prom	147	4,560	4,291	416
All State Music	116	4,243	3,819	540
Vending Machines	1,013	4,932	5,418	527
Student Activities	736	1,739	2,336	139
Concessions	4,811	19,802	21,229	3,384
Interest	-	139	139	-
DECA	-	12,247	12,247	-
Orchestra	400	-	-	400
Cross Country	453	1,613	2,066	-
Boys Basketball	-	6,840	6,840	-
Football	249	12,792	6,229	6,812
Boys Soccer	-	6,093	6,093	-
Baseball	190	5,977	6,167	-
Boys Track	-	2,958	2,479	479
Boys Tennis	-	516	516	-
Boys Golf	-	783	404	379
Boys Swimming	416	1,169	1,021	564
Wrestling	90	12,014	10,367	1,737
Girls Basketball	124	4,314	3,655	783
Volleyball	1,177	10,107	8,914	2,370
Girls Soccer	98	1,447	1,545	-
Softball	452	3,481	3,191	742
Girls Track	1,024	2,999	773	3,250
Girls Tennis	-	319	319	-
Girls Golf	-	325	325	-
Girls Swimming	1,148	2,011	1,635	1,524
General Athletics	162	60,292	51,784	8,670
<b>Total</b>	<b>\$ 31,990</b>	<b>239,803</b>	<b>219,030</b>	<b>52,763</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

STORM LAKE COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF NET POSITION  
 NONMAJOR PROPRIETARY FUNDS  
 JUNE 30, 2013

	Business Type Activities:		
	Enterprise Funds		
	Community Education	Building Trades	Total
<b>ASSETS</b>			
Current assets:			
Cash and pooled investments	\$ 94,721	1,020	95,741
Receivables:			
Accounts	4,778	1,000	5,778
Accrued interest	1	-	1
Inventories	-	162,504	162,504
<b>TOTAL ASSETS</b>	<b>99,500</b>	<b>164,524</b>	<b>264,024</b>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	5,426	193	5,619
On demand line of credit	-	163,675	163,675
Total current liabilities	5,426	163,868	169,294
Long-term liabilities:			
Net OPEB liability	7,044	-	7,044
<b>TOTAL LIABILITIES</b>	<b>12,470</b>	<b>163,868</b>	<b>176,338</b>
<b>NET POSITION</b>			
Unrestricted	87,030	656	87,686
<b>TOTAL NET POSITION</b>	<b>\$ 87,030</b>	<b>656</b>	<b>87,686</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

STORM LAKE COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET  
 POSITION  
 NONMAJOR PROPRIETARY FUNDS  
 YEAR ENDED JUNE 30, 2013

	Business Type Activities:		
	Enterprise Funds		
	Community Education	Building Trades	Total
OPERATING REVENUE:			
Local sources:			
Charges for services	\$ 96,746	-	96,746
Donations	122,097	-	122,097
Miscellaneous	-	-	-
TOTAL OPERATING REVENUES	<u>218,843</u>	<u>-</u>	<u>218,843</u>
OPERATING EXPENSES:			
Instruction:			
Other:			
Salaries	6,082	-	6,082
Benefits	835	-	835
Supplies	-	-	-
	<u>6,917</u>	<u>-</u>	<u>6,917</u>
Support services:			
Administration:			
Salaries	78,345	-	78,345
Benefits	31,006	-	31,006
Services	2,789	-	2,789
	<u>112,140</u>	<u>-</u>	<u>112,140</u>
Operation and maintenance of plant:			
Supplies	-	-	-
Total support services	<u>112,140</u>	<u>-</u>	<u>112,140</u>
Community service operations:			
Salaries	25,358	-	25,358
Benefits	13,428	-	13,428
Services	10,958	-	10,958
Supplies	45,218	-	45,218
Total non-instructional programs	<u>94,962</u>	<u>-</u>	<u>94,962</u>
TOTAL OPERATING EXPENSES	<u>214,019</u>	<u>-</u>	<u>214,019</u>
OPERATING INCOME(LOSS)	<u>4,824</u>	<u>-</u>	<u>4,824</u>
NON-OPERATING REVENUES(EXPENSES):			
Interest income	18	7	25
Change in net position	4,842	7	4,849
Net position beginning of year	82,188	649	82,837
Net position end of year	<u>\$ 87,030</u>	<u>656</u>	<u>87,686</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

STORM LAKE COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF CASH FLOWS  
 NONMAJOR PROPRIETARY FUNDS  
 YEAR ENDED JUNE 30, 2013

	Business Type Activities:		
	Enterprise Fund		
	Community Education	Building Trades	Total
Cash flows from operating activities:			
Cash received from operating activities *	\$ 214,067	(1,000)	213,067
Cash payments to employees for services	(149,423)	-	(149,423)
Cash payments to suppliers for goods or services	(53,539)	(164,159)	(217,698)
Net cash provided by(used in) operating activities	<u>11,105</u>	<u>(165,159)</u>	<u>(154,054)</u>
Cash flows from non-capital financing activities:			
Proceeds from disposal of assets	959	-	959
Cash flows from capital activities:			
Proceeds from on demand line of credit	-	163,675	163,675
Cash flows from investing activities:			
Interest on investment	18	8	26
Net increase(decrease) in cash and cash equivalents	12,082	(1,476)	10,606
Cash and cash equivalents at beginning of year	82,639	2,496	85,135
Cash and cash equivalents at end of year	<u>\$ 94,721</u>	<u>1,020</u>	<u>95,741</u>
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:			
Operating income(loss)	\$ 4,824	-	4,824
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:			
Increase in inventories	-	(162,504)	(162,504)
Increase in accounts receivable	(4,776)	(1,000)	(5,776)
Increase(Decrease) in accounts payable	5,426	(1,655)	3,771
Increase in other postemployment benefits	5,631	-	5,631
Net cash provided by(used in) operating activities	<u>\$ 11,105</u>	<u>(165,159)</u>	<u>(154,054)</u>

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

\* Cash received from operating activities is comprised of cash received from fees charged by the District to persons taking part in the Community Education programs offered by the District.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

STORM LAKE COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF NET POSITION  
 INTERNAL SERVICE FUNDS  
 JUNE 30, 2013

	Governmental Activities:		
	Internal Service Funds		
	Self		
	Insurance	Flex	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 1,448,696	76,397	1,525,093
Accrued interest	11	14	25
<b>TOTAL ASSETS</b>	<u>1,448,707</u>	<u>76,411</u>	<u>1,525,118</u>
<b>LIABILITIES</b>	-	-	-
<b>NET POSITION</b>			
Unrestricted	1,448,707	76,411	1,525,118
<b>TOTAL NET POSITION</b>	<u>\$ 1,448,707</u>	<u>76,411</u>	<u>1,525,118</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

STORM LAKE COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENSES  
 AND CHANGES IN FUND NET POSITION  
 INTERNAL SERVICE FUNDS  
 YEAR ENDED JUNE 30, 2013

	Governmental Activities:		
	Internal Service Funds		
	Self Insurance	Flex	Total
OPERATING REVENUE:			
Local sources:			
Miscellaneous	\$ 2,481,506	230,021	2,711,527
OPERATING EXPENSES:			
Support services:			
Benefits	2,900	-	2,900
Services	2,414,546	224,605	2,639,151
TOTAL OPERATING EXPENSES	2,417,446	224,605	2,642,051
OPERATING INCOME	64,060	5,416	69,476
NON-OPERATING REVENUES:			
Interest income	260	194	454
Change in net position	64,320	5,610	69,930
Net position beginning of year	1,384,387	70,801	1,455,188
Net position end of year	\$ 1,448,707	76,411	1,525,118

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

STORM LAKE COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF CASH FLOWS  
 INTERNAL SERVICE FUNDS  
 YEAR ENDED JUNE 30, 2013

	Governmental Activities:		
	Internal Service Funds		
	Self Insurance	Flex	Total
Cash flows from operating activities:			
Cash received from miscellaneous operating activities	\$ 2,481,547	230,020	2,711,567
Cash payments to employees for services	(2,417,446)	(224,605)	(2,642,051)
Net cash provided by operating activities	<u>64,101</u>	<u>5,415</u>	<u>69,516</u>
Cash flows from investing activities:			
Interest on investments	260	194	454
Net increase in cash and cash equivalents	64,361	5,609	69,970
Cash and cash equivalents at beginning of year	<u>1,384,335</u>	<u>70,788</u>	<u>1,455,123</u>
Cash and cash equivalents at end of year	<u>\$ 1,448,696</u>	<u>76,397</u>	<u>1,525,093</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 64,060	5,416	69,476
Adjustments to reconcile operating income to net cash provided by operating activities:			
Decrease(Increase) in accounts receivable	41	(1)	40
Net cash provided by operating activities	<u>\$ 64,101</u>	<u>5,415</u>	<u>69,516</u>

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 TEN YEARS

	Modified Accrual Basis									
	Years Ended June 30,									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:										
Local sources:										
Local tax	\$ 8,611,317	8,722,501	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	1,488,579	1,279,472	1,435,199	971,826	1,228,962	1,156,687	1,103,062	1,200,001	1,242,735	1,218,276
Other	524,586	550,270	740,568	742,255	938,920	1,937,069	978,588	880,274	656,852	735,030
Intermediate sources	-	-	-	-	15,000	-	-	-	-	-
State sources	14,223,356	13,524,151	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	1,674,536	1,892,323	2,350,503	3,299,710	2,722,323	2,129,213	2,218,014	2,429,642	2,140,287	1,478,466
<b>Total</b>	<b>\$ 26,522,374</b>	<b>25,968,717</b>	<b>26,016,968</b>	<b>23,773,597</b>	<b>24,308,031</b>	<b>23,960,423</b>	<b>21,231,445</b>	<b>20,118,463</b>	<b>19,319,532</b>	<b>17,111,881</b>
Expenditures:										
Instruction:										
Regular	\$ 7,863,063	7,246,620	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	3,355,056	3,167,067	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	4,610,221	4,520,749	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	838,235	738,775	760,828	666,280	791,485	718,580	699,051	611,262	436,231	495,212
Instructional staff	888,015	939,815	960,722	920,496	773,874	845,095	661,859	842,155	612,465	191,888
Administration	2,159,302	2,034,646	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	1,587,832	1,585,092	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	591,851	636,321	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	1,894	1,905	1,608	6,822	2,904	3,541	2,988	-	5,000	-
Community service operations	21,061	212	814	3,093	24,122	2,529	-	-	51,000	51,000
Capital outlay	691,643	311,332	747,495	1,683,433	8,951,786	6,119,309	564,714	300,168	73,402	557,907
Long-term debt:										
Principal	910,000	880,000	845,000	990,000	500,000	485,000	475,000	530,000	515,000	520,000
Interest and other charges	468,475	486,482	517,131	549,871	516,862	326,352	39,456	51,243	60,428	43,490
Other expenditures:										
AEA flow-through	886,415	828,303	900,299	858,542	747,876	712,056	646,571	591,183	586,325	568,957
<b>Total</b>	<b>\$ 24,873,063</b>	<b>23,377,319</b>	<b>23,393,739</b>	<b>24,341,400</b>	<b>31,767,124</b>	<b>27,985,152</b>	<b>20,174,264</b>	<b>19,511,357</b>	<b>17,803,750</b>	<b>17,455,400</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

STORM LAKE COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2013

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
DIRECT:			
GAINING EARLY AWARENESS AND READINESS FOR UNDERGRADUATE PROGRAMS	84.334	FY 12	\$ 25,908
GAINING EARLY AWARENESS AND READINESS FOR UNDERGRADUATE PROGRAMS	84.334	FY 13	<u>21,632</u>
			<u>47,540</u>
INDIRECT:			
U.S. DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 13	234,580
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 13	776,320 *
SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	10.559	FY 13	<u>11,939</u>
			<u>1,022,839</u>
FRESH FRUIT AND VEGETABLE PROGRAM	10.582	FY 13	<u>52,541</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 13	15,920
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	FY 13	<u>730,103</u>
			<u>746,023</u>
MIGRANT EDUCATION - STATE GRANT PROGRAM	84.011	FY 13	<u>342,176</u>
21ST CENTURY COMMUNITY LEARNING CENTERS	84.287	FY 12	<u>122,960</u>
ENGLISH LANGUAGE ACQUISITION STATE GRANTS	84.365	FY 13	<u>47,377 **</u>
IMPROVING TEACHER QUALITY STATE GRANTS	84.367	FY 13	<u>67,905</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES	84.369	FY 13	<u>14,352</u>
PRAIRIE LAKES AREA EDUCATION AGENCY:			
SPECIAL EDUCATION CLUSTER PROGRAMS:			
SPECIAL EDUCATION - GRANTS TO STATES(PART B)	84.027	FY 13	<u>137,803</u>
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 13	<u>24,471</u>
ENGLISH LANGUAGE ACQUISITION STATE GRANTS	84.365	FY 13	<u>96,436 **</u>
TOTAL			<u>\$ 2,722,423</u>

\* Includes \$37,741 of non-cash awards.

\*\* The total for CFDA 84.365 is \$143,813.

**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 in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Storm Lake Community School District as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 7, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Storm Lake Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Storm Lake Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Storm Lake Community School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified deficiencies in internal control we consider to be material weaknesses and 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 misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-13 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-B-13 and II-C-13 to be significant deficiencies.

### **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 which 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, 2013 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**

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. Storm Lake Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

January 7, 2014  
Newton, Iowa

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

**Independent Auditor's Report on Compliance for Each Major Federal Program,  
on Internal Control over Compliance and on the Schedule of Expenditures  
of Federal Awards Required by OMB Circular A-133**

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

**Report on Compliance for Each Major Federal Program**

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, 2013. Storm Lake Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Storm Lake Community School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Storm Lake Community School District's compliance.

**Opinion on Each Major Federal Program**

In our opinion, Storm Lake Community School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

## Report on Internal Control Over Compliance

The management of Storm Lake Community School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Storm Lake Community School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Sample Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a deficiency in internal control over compliance we consider to be a material weakness.

A deficiency in 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 a 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-13 to be a material weakness.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

  
NOLTE, CORNMAN & JOHNSON, P.C.

January 7, 2014  
Newton, Iowa

STORM LAKE COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2013

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

- (a) Unmodified opinions were issued on the financial statements.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) A material weakness in internal control over the major programs was disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
- Clustered Programs
    - 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
  
  - 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 84.011 - Title I - Migrant
- (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, 2013

**Part II: Findings Related to the Financial Statements:**

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

II-A-13 Segregation of Duties - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over each of the following areas for the District:

- 1) Cash - initiating cash receipt and disbursement transactions and handling and recording cash.
- 2) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 3) Receipts - collecting, recording, depositing, journalizing, posting and reconciling.
- 4) Disbursements - purchase order processing, check preparation, mailing and recording.
- 5) Capital assets - purchasing, recording and reconciling.
- 6) Wire transfers - processing and approving.
- 7) Financial reporting - preparing, reconciling and approving.
- 8) Computer systems - performing all general accounting functions and controlling all data input and output.
- 9) School lunch program - collecting, recording, journalizing, posting, reconciling, purchase order processing, check preparation, mailing and recording.

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

Response - We will continue to perform compensating controls among existing personnel to help make up for the absence of true segregation of duties. We will also continue to review and implement new procedures, when possible, to achieve the maximum segregation of duties with existing personnel.

Conclusion - Response accepted.

II-B-13 Check Addresses - We noted during our audit that in the Community Education Fund, the District had checks made out to individuals and vendors with no addresses affixed on the checks.

Recommendation - The District should review its procedures for adding new vendors and ensure that when vendors are added to the system the vendor's file is completed with all pertinent information.

Response - We will implement procedures to ensure that new vendor information is complete.

Conclusion - Response accepted.

II-C-13 Payments to Officials - We noted instances in the Community Education Fund of the District writing checks to "Petty Cash" and subsequently using the cash to pay officials of a youth tournament. The current practice prohibits the Board from approving payment to specific officials and creates an impossible environment for accurate 1099 tax reporting. According to Chapter 279.29 of the Code of Iowa, the District's Board of Directors is required to audit and allow all bills prior to payment.

Recommendation - The District should review its procedures in place for payments of officials. Pursuant to a valid contractual agreement between the school board and the officials, officials could be paid the night of the event, after services have been rendered. For non-contract officials or substitute officials, payments should be made after the services have been rendered and audited and allowed similar to other vendor payments.

Response - We will implement procedures to ensure proper payment to officials.

Conclusion - Response accepted.

STORM LAKE COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2013

**Part III: Findings and Questioned Costs For Federal Awards:**

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

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: 2013  
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 84.011 - Title I - Migrant  
Federal Award Year: 2013  
U.S. Department of Education  
Passed through the Iowa Department of Education

III-A-13 Segregation of Duties - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over each of the following areas for the District:

- 1) Cash - initiating cash receipt and disbursement transactions and handling and recording cash.
- 2) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 3) Receipts - collecting, recording, depositing, journalizing, posting and reconciling.
- 4) Disbursements - purchase order processing, check preparation, mailing and recording.
- 5) Capital assets - purchasing, recording and reconciling.
- 6) Wire transfers - processing and approving.
- 7) Financial reporting - preparing, reconciling and approving.
- 8) Computer systems - performing all general accounting functions and controlling all data input and output.
- 9) School lunch program - collecting, recording, journalizing, posting, reconciling, purchase order processing, check preparation, mailing and recording.

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

Response - We will continue to perform compensating controls among existing personnel to help make up for the absence of true segregation of duties. We will also continue to review and implement new procedures, when possible, to achieve the maximum segregation of duties with existing personnel.

Conclusion - Response accepted.

STORM LAKE COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 YEAR ENDED JUNE 30, 2013

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

IV-A-13 Certified Budget - District disbursements for the year ended June 30, 2013 did not exceed the amount budgeted.

IV-B-13 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-13 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-13 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Becky Stille, Teacher Spouse co-owner Stille, Pierce & Pertzborn Insurance Agency	Insurance premiums	\$ 284,671
Jolene Davis, Teacher Spouse owns Buena Vista Stationery	Supplies	\$ 63,717

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

IV-E-13 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-13 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-13 Certified Enrollment - No variances in the basic enrollment data certified in the Iowa Department of Education were noted.

IV-H-13 Supplementary Weighting - We noted a variance in the supplementary weighting certified to the Department of Education. The amount certified was overstated by 0.37.

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-I-13 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-13 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-13 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.

IV-L-13 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, 2013, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning Balance		\$ 2,461,602
Revenues:		
Statewide sales, services and use tax revenue	\$ 1,766,840	
Other local revenues	20,830	1,787,670
		<u>4,249,272</u>
Expenditures/transfer out:		
School infrastructure construction	48,510	
Equipment	73,717	
Other	597,175	
Transfer to another fund:		
Debt service fund	819,400	1,538,802
		<u>1,538,802</u>
Ending balance		<u><u>\$ 2,710,470</u></u>

For the year ended June 30, 2013, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

IV-M-13 Borrowings from a Local Bank in the Buildings Trade Fund- School Districts operate under Dillon's Rule which states that each fund is allowed to be used for the purposes authorized in the Code and no other. In the Buildings Trade Fund it is allowable to borrow internally from any fund with funds available to loan (including General Fund, Physical Plant and Equipment Levy, and Statewide Sales, Services, and Use Fund), with approval from the Board of Education. We noted that the District issued a line of credit from a local bank to help finance the construction costs. Borrowing from a local bank does not appear to be authorized by the code in the Building Trades Fund.

Recommendation - The District should repay the line of credit from the bank with the proceeds from the sale of the home. In the future the District should refrain from borrowing from a local bank to help finance costs. The District should use the proceeds from the sale of previous student construction to finance subsequent student construction. If the proceeds are insufficient, Districts can then borrow from any fund with funds available to loan.

Response - We will comply with this requirement.

Conclusion - Response accepted.