

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

JUNE 30, 2014

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Storm Lake Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2013 Election)		
Edward McKenna	President	2015
Peter Steinfeld	Vice President	2013
Dave Skibsted	Board Member	2015
Marcella Koth	Board Member	2013
Erika Dierking	Board Member	2015
(After September 2013 Election)		
Edward McKenna	President (Resigned December 31, 2013)	2015
Peter Steinfeld	Vice President (Appointed President December 31, 2013)	2017
Dave Skibsted	Board Member (Appointed Vice President December 31, 2013)	2015
Marcella Koth	Board Member	2017
Erika Dierking	Board Member	2015
Melea Raveling	Board Member (Appointed December 31, 2013)	2015
School Officials		
Carl Turner	Superintendent	2014
Trudy Pedersen	Business Manager/ District Secretary/Treasurer	2014
Ahlers & Cooney, P.C.	Attorney	2014
Cornwall, Avery, Bjornstad & Scott	Attorney	2014

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, 2014, 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, 2014, 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 six years ended June 30, 2013 while another auditor previously audited the financial statements for the three years ended June 30, 2007 (none of which are presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 10, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, 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 December 17, 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.

December 17, 2014
Newton, Iowa

STORM LAKE COMMUNITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Storm Lake Community School District provides the Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$22,583,316 in fiscal 2013 to \$23,362,253 in fiscal 2014 due in part to an increase in state source revenues. General Fund expenditures increased from \$21,826,380 in fiscal 2013 to \$23,171,083 in fiscal 2014 due in part to an increase in expenses in the instructional and support services functional areas. The difference between fiscal 2014 revenues of \$23,362,253 and expenses of \$23,171,083 results in a net increase in fund balance of \$191,170. As a result, the District's General Fund balance increased from \$7,649,779 in fiscal 2013 to a balance of \$7,840,949 in fiscal 2014. This represents a 2.50% increase from the prior year.
- The District's solvency ratio decreased from 32.10% at the end of fiscal 2013 to 29.04% at the end of fiscal 2014. The District anticipates the solvency ratio will gradually move to the target range of 10-15% in upcoming years.
- The District experienced an enrollment increase of 88.05 students in 2013-2014.
- The Board approved a new Debt Management Policy in July 2013.
- The District began construction on a \$20 million High School Renovation/Auditorium Project in 2013-2014 and issued \$10 million in Sales Tax Revenue Bonds and \$6.32 million in PPEL Capital Loan Notes to finance the project. The remainder of the project will be funded with local option sales tax and voter approved PPEL dollars.
- The District experienced a net Open Enrollment gain of 35 students in 2013-2014. This is up from a net gain of 14 in 2012-2013.
- The District reduced the General Fund tax levy by \$0.34 to \$11.77/thousand and the total tax levy by \$0.39 to \$15.92/thousand while starting a multi-million dollar building project, maintaining existing facilities and continuing to provide quality programming for students.
- The District's Unspent Authorized Budget increased \$1.5 million to \$11,057,405. The majority of the increase is a result of the District's Special Education deficit of \$643,480 due to serving 66 more students than we received funding for on the November 2012 official count and the District's SBRC application in the amount of \$708,322, which is comprised of increased enrollment (88 students) and serving LEP students beyond 5 years (126 students).
- The District's property valuation per student increased slightly to \$191,387 per student, primarily due to the slight enrollment decrease that was experienced in 2012-2013.
- The District's 2013-2014 salaries and benefits comprised of 81.74% of the General Fund expenditures. This is slightly outside the target range of 75-80%, but is not a concern because it is down from 82.43% in 2012-2013 and the District has been adding staff due to increased student enrollment.

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.

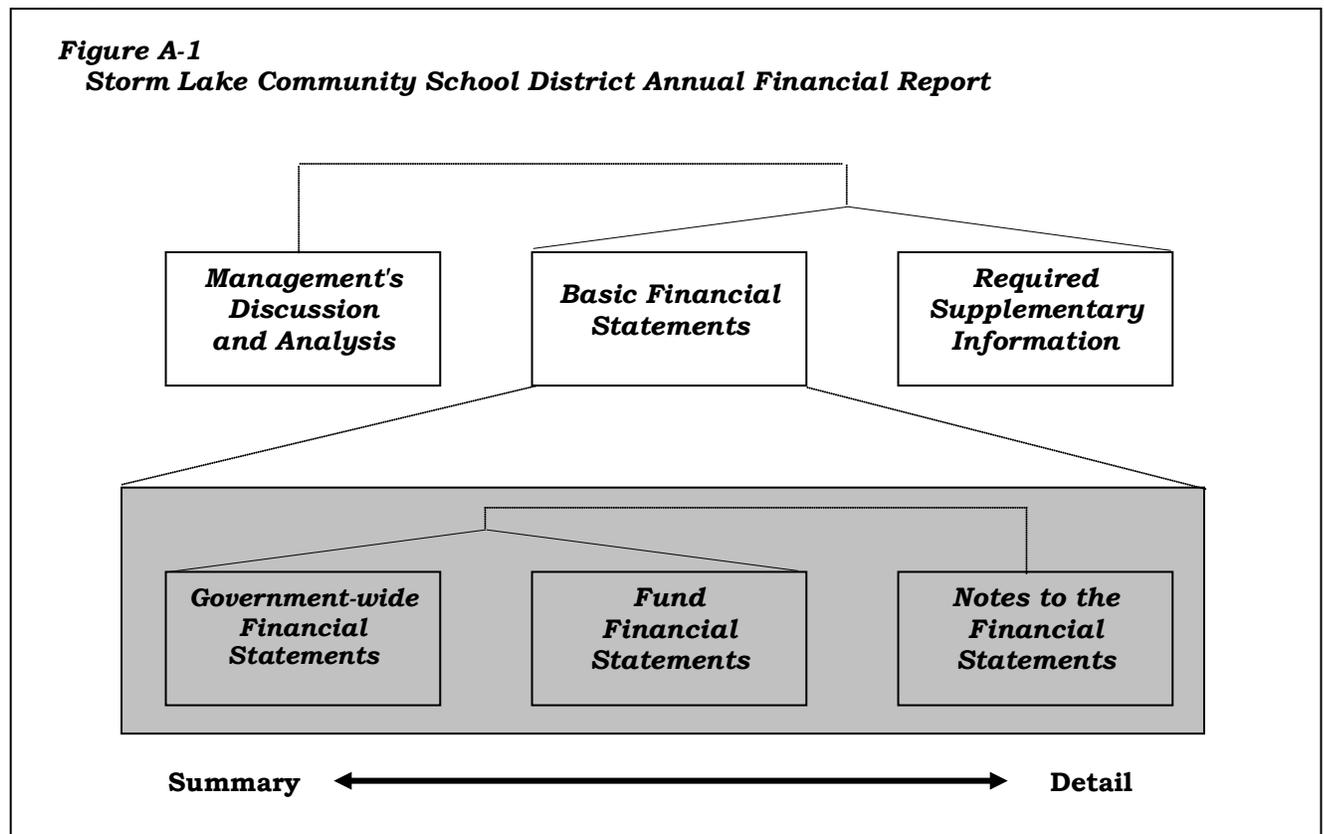


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, e.g., food service, community education and building trades	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in fund net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
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, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. All of the current year’s revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net position and how they have changed. Net position is one way to measure the District's financial health or financial 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 governmental fund financial statements follow the governmental fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2014 compared to June 30, 2013.

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,
	2014	2013	2014	2013	2014	2013	2013-14
Current and other assets	\$ 37,463,792	24,675,951	454,227	577,111	37,918,019	25,253,062	50.15%
Capital assets	26,751,879	21,815,494	165,690	159,658	26,917,569	21,975,152	22.49%
Total assets	64,215,671	46,491,445	619,917	736,769	64,835,588	47,228,214	37.28%
Long-term obligations	27,145,288	11,591,163	8,580	7,044	27,153,868	11,598,207	134.12%
Other liabilities	2,544,791	2,308,131	31,594	226,626	2,576,385	2,534,757	1.64%
Total liabilities	29,690,079	13,899,294	40,174	233,670	29,730,253	14,132,964	110.36%
Deferred inflows of resources	6,812,165	6,679,535	-	-	6,812,165	6,679,535	1.99%
Net position:							
Net investment in capital assets	9,996,508	11,025,494	165,690	159,658	10,162,198	11,185,152	-9.15%
Restricted	10,189,274	7,030,139	-	-	10,189,274	7,030,139	44.94%
Unrestricted	7,527,645	7,856,983	414,053	343,441	7,941,698	8,200,424	-3.16%
Total net position	\$ 27,713,427	25,912,616	579,743	503,099	28,293,170	26,415,715	7.11%

The District's combined net position increased by 7.11%, or \$1,877,455, over the prior year. The largest portion of the District's net position is comprised of restricted fund balances due mainly to the District having unspent revenue bond proceeds and unspent capital loan note proceeds for the High School renovation/auditorium construction project.

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 44.94%, or \$3,159,135, over the prior year. The increase in restricted net position is due primarily to an increase in fund balance of the Capital Projects 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 - decreased \$258,726, or 3.16%.

Figure A-4 shows the changes in net position for the year ended June 30, 2014 as compared to the year ended June 30, 2013.

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,
	2014	2013	2014	2013	2014	2013	2013-14
Revenues:							
Program revenues:							
Charges for services	\$ 1,765,951	1,775,036	411,856	466,531	2,177,807	2,241,567	-2.84%
Operating grants and contributions and restricted interest	3,014,859	2,995,015	1,336,375	1,209,238	4,351,234	4,204,253	3.50%
Capital grants and contributions and restricted interest	-	12,737	-	-	-	12,737	-100.00%
General revenues:							
Property tax	6,873,166	6,579,622	-	-	6,873,166	6,579,622	4.46%
Income surtax	17,136	194,760	-	-	17,136	194,760	-91.20%
Statewide sales, services and use tax	1,905,775	1,766,840	-	-	1,905,775	1,766,840	7.86%
Unrestricted state grants	13,546,070	12,948,920	-	-	13,546,070	12,948,920	4.61%
Unrestricted investment earnings	57,219	31,207	47	74	57,266	31,281	83.07%
Other	367,045	148,142	388,267	63	755,312	148,205	409.64%
Total revenues	27,547,221	26,452,279	2,136,545	1,675,906	29,683,766	28,128,185	5.53%
Program expenses:							
Governmental activities:							
Instructional	17,070,889	15,929,171	357,924	6,917	17,428,813	15,936,088	9.37%
Support services	6,393,380	6,246,685	150,941	121,558	6,544,321	6,368,243	2.76%
Non-instructional programs	53,786	22,955	1,551,036	1,511,609	1,604,822	1,534,564	4.58%
Other expenses	2,228,355	1,961,182	-	-	2,228,355	1,961,182	13.62%
Total expenses	25,746,410	24,159,993	2,059,901	1,640,084	27,806,311	25,800,077	7.78%
Changes in net position	1,800,811	2,292,286	76,644	35,822	1,877,455	2,328,108	-19.36%
Net position beginning of year	25,912,616	23,620,330	503,099	467,277	26,415,715	24,087,607	9.67%
Net position end of year	\$ 27,713,427	25,912,616	579,743	503,099	28,293,170	26,415,715	7.11%

In fiscal 2014, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants account for 81.10% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 81.83% of the revenue from business type activities.

The District's total revenues were approximately \$29.68 million of which approximately \$27.55 million was for governmental activities and approximately \$2.13 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 5.53% increase in revenues and a 7.78% increase in expenses. Property tax increased \$293,544 and unrestricted state grants increased \$597,150. The increase in expenditures was attributable to an increase in the instructional and non-instructional functional areas.

Governmental Activities

Revenues for governmental activities were \$27,547,221 and expenses were \$25,746,410 for the year ended June 30, 2014. 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, 2014 compared to the year ended June 30, 2013.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2014	2013	Change 2013-14	2014	2013	Change 2013-14
Instruction	\$ 17,070,889	15,929,171	7.17%	13,217,085	12,055,904	9.63%
Support services	6,393,380	6,246,685	2.35%	6,383,845	6,223,579	2.58%
Non-instructional	53,786	22,955	134.31%	53,786	22,955	134.31%
Other expenses	2,228,355	1,961,182	13.62%	1,310,884	1,074,767	-21.97%
Totals	<u>\$ 25,746,410</u>	<u>24,159,993</u>	<u>6.57%</u>	<u>20,965,600</u>	<u>19,377,205</u>	<u>8.20%</u>

For the year ended June 30, 2014:

- The cost financed by users of the District's programs was \$1,765,951.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$3,014,859.
- The net cost of governmental activities was financed with \$6,873,166 in property tax, \$17,136 in income surtax, \$1,905,775 in statewide sales, service and use tax, \$13,546,070 in unrestricted state grants, \$367,045 in other general revenues and \$57,219 in interest income.

Business type Activities

Revenues of the District's business type activities were \$2,136,545 and expenses were \$2,059,901. 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 \$26,807,659, above last year's ending fund balances of \$14,152,663. The primary reason for the increase in combined fund balances is because of unspent debt proceeds for the High School renovation/auditorium construction project.

Governmental Fund Highlights

- The District's General Fund position is the product of many factors. An increase in state source funding as compared to the previous year was the main contributing factor to the increase 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.
- The Capital Projects Fund balance increased from \$3,505,407 in fiscal 2013 to \$16,575,547 in fiscal 2014. The increase in fund balance for the Capital Projects Fund was a result of the district issuing revenue bonds and capital loan notes in fiscal 2014.

Proprietary Fund Highlights

- The School Nutrition Fund net position increased from \$415,413 at June 30, 2013 to \$488,004 at June 30, 2014, representing an increase of 17.47%. 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 decreased from \$87,030 at June 30, 2013 to \$84,407 at June 30, 2014, representing a decrease of 3.01%.
- The Student Construction Fund net assets increased from \$656 to \$7,332, representing an increase of 1,017.68%.

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 \$910,360 more than budgeted revenues, a variance of 3.16%. The most significant variance resulted from the District receiving more in state sources than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year. During the year ended, June 30, 2014, the District adopted one budget amendment increasing budgeted expenditures by \$3,724,277 in the Non-Instructional and Total Other Expenditure functions.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had invested \$26,917,569, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities and transportation equipment. (See Figure A-6) This amount represents a net increase of 22.49% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$915,138.

The original cost of the District's capital assets was \$39,329,322. Governmental funds account for \$38,701,855 with the remainder of \$627,467 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, 2013, the District's construction in progress totaled \$663,705 as compared to \$5,827,995 at June 30, 2014. This increase is due to the High School Renovation/auditorium construction project and completion of a baseball/softball re-lighting project. The District will receive a reimbursement of 45% (\$191,791.35) of the baseball/softball re-lighting project costs from Buena Vista University.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental		Business type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Land	\$ 860,325	860,325	-	-	860,325	860,325	0.00%
Construction in progress	5,827,995	663,705	-	-	5,827,995	663,705	778.10%
Buildings	17,852,489	18,382,466	-	-	17,852,489	18,382,466	-2.88%
Land improvements	1,145,217	812,447	-	-	1,145,217	812,447	40.96%
Machinery and equipment	1,065,853	1,096,551	165,690	159,658	1,231,543	1,256,209	-1.96%
Total	\$ 26,751,879	21,815,494	165,690	159,658	26,917,569	21,975,152	22.49%

Long-Term Debt

At June 30, 2014, the District had \$27,153,868 in general obligation bonds, revenue bonds and other long-term debt outstanding. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

Figure A-7
Outstanding Long-Term Obligations

	Governmental		Business type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Revenue Bonds	\$ 16,065,000	6,620,000	-	-	16,065,000	6,620,000	142.67%
General Obligation Bonds	3,780,000	4,170,000	-	-	3,780,000	4,170,000	-9.35%
Capital Loan Notes	6,320,000	-	-	-	6,320,000	-	100.00%
Compensated Absences	76,114	58,889	-	-	76,114	58,889	29.25%
Net OPEB Liability	904,174	742,274	8,580	7,044	912,754	749,318	21.81%
Total	\$ 27,145,288	11,591,163	8,580	7,044	27,153,868	11,598,207	134.12%

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:

- Early projections would indicate an enrollment increase of approximately 8.6 students in 2014-2015. 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 \$0.19/\$1,000 valuation for Fiscal Year 2015.
 - Based upon anticipated facility needs in the District, the Board passed a resolution in January 2014 that increased 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. It is anticipated that the increased ISL will generate an additional \$488,263 for the General Fund in 2014-2015. The re-distribution of expenditures will free up PPEL and Sales Tax dollars to be used for facility needs.
 - Due to increased enrollment and student needs, the Board approved adding 5.0 fte teaching positions for 2014-2015. Approximately 2.7 administrative and support (Migrant Coordinator & Asst. Transportation Director) positions will also be added.
 - The District was successful in getting its Charter School application renewed for an additional 4 years beginning in 2014-2015. The Charter School allows students who have completed their 4 year graduation requirements to stay enrolled at Storm Lake High School for an additional year to take post-secondary classes and potentially earn an AA degree.

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, 2014

	Governmental Activities	Business type Activities	Total
ASSETS			
Cash and pooled investments	\$ 28,591,274	430,955	29,022,229
Receivables:			
Property tax:			
Delinquent	75,952	-	75,952
Succeeding year	6,812,165	-	6,812,165
Income surtax	88,346	-	88,346
Accounts	35,229	2,090	37,319
Due from other governments	1,860,826	7,944	1,868,770
Inventories	-	13,238	13,238
Capital assets, net of accumulated depreciation	26,751,879	165,690	26,917,569
TOTAL ASSETS	64,215,671	619,917	64,835,588
LIABILITIES			
Accounts payable	173,283	19,951	193,234
Salaries and benefits payable	1,921,627	-	1,921,627
Advances from grantors	25,255	177	25,432
Accrued interest payable	424,626	-	424,626
Unearned revenue	-	11,466	11,466
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	410,000	-	410,000
Revenue bonds payable	575,000	-	575,000
Capital loan notes payable	480,000	-	480,000
Compensated absences payable	76,114	-	76,114
Portion due after one year:			
General obligation bonds payable	3,370,000	-	3,370,000
Revenue bonds payable	15,490,000	-	15,490,000
Capital loan notes payable	5,840,000	-	5,840,000
Net OPEB liability	904,174	8,580	912,754
TOTAL LIABILITIES	29,690,079	40,174	29,730,253
DEFERRED INFLOWS OF RESOURCES			
Unavailable property tax revenue	6,812,165	-	6,812,165
NET POSITION			
Net investment in capital assets	9,996,508	165,690	10,162,198
Restricted for:			
Categorical funding	1,056,819	-	1,056,819
Debt service	2,433,597	-	2,433,597
Management levy purposes	1,344,480	-	1,344,480
School infrastructure	3,783,534	-	3,783,534
Physical plant and equipment levy	1,516,884	-	1,516,884
Student activities	53,960	-	53,960
Unrestricted	7,527,645	414,053	7,941,698
TOTAL NET POSITION	\$ 27,713,427	579,743	28,293,170

SEE NOTES TO FINANCIAL STATEMENTS.

STORM LAKE COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 9,092,881	508,680	367,803	(8,216,398)	-	(8,216,398)
Special	3,515,911	1,028,643	217,857	(2,269,411)	-	(2,269,411)
Other	4,462,097	228,628	1,502,193	(2,731,276)	-	(2,731,276)
	<u>17,070,889</u>	<u>1,765,951</u>	<u>2,087,853</u>	<u>(13,217,085)</u>	<u>-</u>	<u>(13,217,085)</u>
Support services:						
Student	819,715	-	-	(819,715)	-	(819,715)
Instructional staff	793,661	-	-	(793,661)	-	(793,661)
Administration	2,446,090	-	-	(2,446,090)	-	(2,446,090)
Operation and maintenance of plant	1,713,511	-	-	(1,713,511)	-	(1,713,511)
Transportation	620,403	-	9,535	(610,868)	-	(610,868)
	<u>6,393,380</u>	<u>-</u>	<u>9,535</u>	<u>(6,383,845)</u>	<u>-</u>	<u>(6,383,845)</u>
Non-instructional programs:						
Food service operations	428	-	-	(428)	-	(428)
Community service operations	53,358	-	-	(53,358)	-	(53,358)
	<u>53,786</u>	<u>-</u>	<u>-</u>	<u>(53,786)</u>	<u>-</u>	<u>(53,786)</u>
Long-term debt interest	685,146	-	-	(685,146)	-	(685,146)
Other expenses:						
AEA flowthrough	917,471	-	917,471	-	-	-
Depreciation(unallocated)*	625,738	-	-	(625,738)	-	(625,738)
	<u>1,543,209</u>	<u>-</u>	<u>917,471</u>	<u>(625,738)</u>	<u>-</u>	<u>(625,738)</u>
Total governmental activities	25,746,410	1,765,951	3,014,859	(20,965,600)	-	(20,965,600)
Business type activities:						
Instruction:						
Other	357,924	-	4,500	-	(353,424)	(353,424)
Support services:						
Administration	141,596	-	-	-	(141,596)	(141,596)
Operation and maintenance of plant	9,345	-	-	-	(9,345)	(9,345)
Total support services	<u>150,941</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(150,941)</u>	<u>(150,941)</u>
Non-instructional programs:						
Nutrition services	1,453,878	332,503	1,192,678	-	71,303	71,303
Community education services	97,158	79,353	139,197	-	121,392	121,392
Total non-instructional programs	<u>1,551,036</u>	<u>411,856</u>	<u>1,331,875</u>	<u>-</u>	<u>192,695</u>	<u>192,695</u>
Total business type activities	<u>2,059,901</u>	<u>411,856</u>	<u>1,336,375</u>	<u>-</u>	<u>(311,670)</u>	<u>(311,670)</u>
Total	\$ 27,806,311	2,177,807	4,351,234	(20,965,600)	(311,670)	(21,277,270)
General Revenues:						
Property tax levied for:						
General purposes				\$ 5,476,969	-	5,476,969
Debt service				560,620	-	560,620
Capital outlay				835,577	-	835,577
Income surtax				17,136	-	17,136
Statewide sales, services and use tax				1,905,775	-	1,905,775
Unrestricted state grants				13,546,070	-	13,546,070
Unrestricted investment earnings				57,219	47	57,266
Other				367,045	388,267	755,312
Total general revenues				<u>22,766,411</u>	<u>388,314</u>	<u>23,154,725</u>
Change in net position				1,800,811	76,644	1,877,455
Net position beginning of year				<u>25,912,616</u>	<u>503,099</u>	<u>26,415,715</u>
Net position end of year				\$ 27,713,427	579,743	28,293,170

* 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, 2014

	General	Capital Projects	Nonmajor Governmental Funds	Total
ASSETS				
Cash and pooled investments	\$ 8,570,430	16,003,641	2,381,746	26,955,817
Receivables:				
Property tax:				
Delinquent	55,102	8,641	12,209	75,952
Succeeding year	4,816,928	750,933	1,244,304	6,812,165
Income surtax	88,346	-	-	88,346
Accounts	35,229	-	-	35,229
Due from other governments	1,275,854	584,935	37	1,860,826
TOTAL ASSETS	\$ 14,841,889	17,348,150	3,638,296	35,828,335
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 148,784	21,670	2,829	173,283
Salaries and benefits payable	1,921,627	-	-	1,921,627
Advances from grantors	25,255	-	-	25,255
Total liabilities	2,095,666	21,670	2,829	2,120,165
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	4,816,928	750,933	1,244,304	6,812,165
Income surtax	88,346	-	-	88,346
Total deferred inflows of resources	4,905,274	750,933	1,244,304	6,900,511
Fund balances:				
Restricted for:				
Categorical funding	1,056,819	-	-	1,056,819
Debt service	-	1,865,500	992,723	2,858,223
Management levy purposes	-	-	1,344,480	1,344,480
School infrastructure	-	13,193,163	-	13,193,163
Physical plant and equipment levy	-	1,516,884	-	1,516,884
Student activities	-	-	53,960	53,960
Unassigned	6,784,130	-	-	6,784,130
Total fund balances	7,840,949	16,575,547	2,391,163	26,807,659
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 14,841,889	17,348,150	3,638,296	35,828,335

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, 2014

Total fund balances of governmental funds(page 20)	\$	26,807,659
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		26,751,879
Blending of the Internal Service Funds to be reflected on an entity-wide basis.		1,635,457
Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds		88,346
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.		(424,626)
Long-term liabilities, including general obligation bonds payable, revenue bonds payable, capital loan notes payable, compensated absences payable, 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>(27,145,288)</u>
Net position of governmental activities(page 18)	\$	<u>27,713,427</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, 2014

	General	Capital Projects	Nonmajor Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 5,066,662	835,577	1,068,107	6,970,346
Tuition	1,502,292	-	-	1,502,292
Other	276,467	217,554	237,306	731,327
State sources	14,932,152	1,906,055	413	16,838,620
Federal sources	1,584,680	-	-	1,584,680
TOTAL REVENUES	23,362,253	2,959,186	1,305,826	27,627,265
EXPENDITURES:				
Current:				
Instruction:				
Regular	8,690,893	69,423	261,662	9,021,978
Special	3,468,446	-	32,197	3,500,643
Other	4,212,241	-	207,788	4,420,029
	16,371,580	69,423	501,647	16,942,650
Support services:				
Student	797,027	-	21,414	818,441
Instructional staff	780,742	7,659	2,865	791,266
Administration	2,230,695	83,516	48,315	2,362,526
Operation and maintenance of plant	1,546,443	59,180	155,558	1,761,181
Transportation	473,767	87,572	30,694	592,033
	5,828,674	237,927	258,846	6,325,447
Non-instructional programs:				
Food service operations	-	-	428	428
Community service operations	53,358	-	-	53,358
	53,358	-	428	53,786
Capital outlay	-	5,617,201	-	5,617,201
Long-term debt:				
Principal	-	-	945,000	945,000
Interest and fiscal charges	-	-	418,406	418,406
	-	-	1,363,406	1,363,406
Other expenditures:				
AEA flowthrough	917,471	-	-	917,471
TOTAL EXPENDITURES	23,171,083	5,924,551	2,124,327	31,219,961
Excess(Deficiency) of revenues over(under) expenditures	191,170	(2,965,365)	(818,501)	(3,592,696)
Other financing sources(uses):				
Transfer in	-	865,500	1,077,687	1,943,187
Transfer out	-	(1,077,687)	(865,500)	(1,943,187)
Revenue bond issuance	-	10,000,000	-	10,000,000
Capital loan note issuance	-	6,320,000	-	6,320,000
Premium on debt issuances	-	48,468	-	48,468
Discount on debt issuances	-	(120,776)	-	(120,776)
Total other financing sources(uses)	-	16,035,505	212,187	16,247,692
Change in fund balance	191,170	13,070,140	(606,314)	12,654,996
Fund balance beginning of year	7,649,779	3,505,407	2,997,477	14,152,663
Fund balance end of year	\$ 7,840,949	16,575,547	2,391,163	26,807,659

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, 2014

Change in fund balances - total governmental funds(page 22) \$ 12,654,996

Amounts reported for governmental activities in the Statement of Activities are different because:

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

Capital outlay	\$ 5,873,478	
Depreciation expense	(892,965)	
Loss on asset disposal	<u>(44,128)</u>	4,936,385

Net change in Internal Service Funds charged back against expenditures made for the flex benefit program at an entity-wide basis. 110,339

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year repayments are as follows:

Issued	\$ (16,320,000)	
Repaid	<u>945,000</u>	(15,375,000)

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. (266,740)

Income surtax account receivable is not available to finance expenditures of the current year period and is recognized as deferred inflows of resources in the governmental funds. (80,044)

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	\$ (17,225)	
Other postemployment benefits	<u>(161,900)</u>	<u>(179,125)</u>

Change in net position of governmental activities(page 19) \$ 1,800,811

SEE NOTES TO FINANCIAL STATEMENTS.

STORM LAKE COMMUNITY SCHOOL DISTRICT
 STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 JUNE 30, 2014

	Business Type Activities: Nonmajor Enterprise Funds				Governmental Activities: Internal Service Fund
	School Nutrition	Community Education	Building Trades	Total	
ASSETS					
Current assets:					
Cash and pooled investments	\$ 322,290	101,875	6,790	430,955	1,635,457
Accounts receivable	1,090	-	1,000	2,090	-
Due from other governments	7,944	-	-	7,944	-
Inventories	13,238	-	-	13,238	-
Total current assets	344,562	101,875	7,790	454,227	1,635,457
Non-current assets:					
Capital assets:					
Machinery and equipment, net of accumulated depreciation	164,691	999	-	165,690	-
TOTAL ASSETS	509,253	102,874	7,790	619,917	1,635,457
LIABILITIES					
Current liabilities:					
Accounts payable	9,606	9,887	458	19,951	-
Advances from grantors	177	-	-	177	-
Unearned revenue	11,466	-	-	11,466	-
Total current liabilities	21,249	9,887	458	31,594	-
Long-term liabilities:					
Net OPEB liability	-	8,580	-	8,580	-
TOTAL LIABILITIES	21,249	18,467	458	40,174	-
NET POSITION					
Invested in capital assets	164,691	999	-	165,690	-
Unrestricted	323,313	83,408	7,332	414,053	1,635,457
TOTAL NET POSITION	\$ 488,004	84,407	7,332	579,743	1,635,457

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, 2014

	Business Type Activities:				Governmental Activities: Internal Service Fund
	Nonmajor Enterprise Funds			Total	
	School Nutrition	Community Education	Building Trades		
OPERATING REVENUE:					
Local sources:					
Charges for services	\$ 332,503	79,353	-	411,856	-
Donations	-	139,197	4,500	143,697	-
Miscellaneous	1,257	-	387,010	388,267	3,002,234
TOTAL OPERATING REVENUES	333,760	218,550	391,510	943,820	3,002,234
OPERATING EXPENSES:					
Instruction:					
Other:					
Salaries	-	6,087	-	6,087	-
Benefits	-	850	-	850	-
Supplies	-	-	350,987	350,987	-
	-	6,937	350,987	357,924	-
Support services:					
Administration:					
Salaries	-	79,956	-	79,956	-
Benefits	-	33,672	-	33,672	3,040
Services	-	1,812	26,156	27,968	2,889,205
Other	-	-	-	-	-
	-	115,440	26,156	141,596	2,892,245
Operation and maintenance of plant:					
Services	-	258	2,588	2,846	-
Supplies	-	1,390	1,447	2,837	-
	-	1,648	4,035	5,683	-
Total support services	-	117,088	30,191	147,279	2,892,245
Non-instructional programs:					
Food service operations:					
Salaries	6,411	-	-	6,411	-
Benefits	967	-	-	967	-
Services	626,504	-	-	626,504	-
Supplies	798,073	-	-	798,073	-
Depreciation	21,923	-	-	21,923	-
	1,453,878	-	-	1,453,878	-
Community service operations:					
Salaries	-	25,608	-	25,608	-
Benefits	-	8,197	-	8,197	-
Services	-	9,399	-	9,399	-
Supplies	-	53,704	-	53,704	-
Depreciation	-	250	-	250	-
	-	97,158	-	97,158	-
Total non-instructional programs	1,453,878	97,158	-	1,551,036	-
TOTAL OPERATING EXPENSES	1,453,878	221,183	381,178	2,056,239	2,892,245
OPERATING INCOME(LOSS)	(1,120,118)	(2,633)	10,332	(1,112,419)	109,989
NON-OPERATING REVENUES:					
State sources	12,945	-	-	12,945	-
Federal sources	1,179,733	-	-	1,179,733	-
Interest income	31	10	6	47	350
Interest expense on demand lines of credit	-	-	(3,662)	(3,662)	-
TOTAL NON-OPERATING REVENUES	1,192,709	10	(3,656)	1,189,063	350
Change in net position	72,591	(2,623)	6,676	76,644	110,339
Net position beginning of year	415,413	87,030	656	503,099	1,525,118
Net position end of year	\$ 488,004	84,407	7,332	579,743	1,635,457

SEE NOTES TO FINANCIAL STATEMENTS.

**STORM LAKE COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2014**

	Business Type Activities:				Governmental Activities: Internal Service Fund
	Nonmajor Enterprise Funds			Total	
	School Nutrition	Community Education	Building Trades		
Cash flows from operating activities:					
Cash received from operating activities *	\$ 332,892	84,132	-	417,024	-
Cash received from donations	-	139,197	4,500	143,697	-
Cash received from miscellaneous operating activities	1,257	-	387,010	388,267	3,002,259
Cash payments to employees for services	(7,378)	(152,834)	-	(160,212)	(232,932)
Cash payments to suppliers for goods or services	(1,418,808)	(62,102)	(218,409)	(1,699,319)	(2,659,313)
Net cash provided by(used in) operating activities	(1,092,037)	8,393	173,101	(910,543)	110,014
Cash flows from non-capital financing activities:					
State grants received	12,945	-	-	12,945	-
Federal grants received	1,142,088	-	-	1,142,088	-
Net cash provided by non-capital financing activities	1,155,033	-	-	1,155,033	-
Cash flows from capital activities:					
Proceeds from on demand line of credit	-	-	151,000	151,000	-
Repayment of on demand lines of credit	-	-	(314,675)	(314,675)	-
Interest paid for on demand line of credit	-	-	(3,662)	(3,662)	-
Acquisition of assets	(26,956)	(1,249)	-	(28,205)	-
Net cash used in capital activities	(26,956)	(1,249)	(167,337)	(195,542)	-
Cash flows from investing activities:					
Interest on investment	33	10	6	49	350
Net increase in cash and cash equivalents	36,073	7,154	5,770	48,997	110,364
Cash and cash equivalents at beginning of year	286,217	94,721	1,020	381,958	1,525,093
Cash and cash equivalents at end of year	\$ 322,290	101,875	6,790	430,955	1,635,457
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:					
Operating income(loss)	\$ (1,120,118)	(2,633)	10,332	(1,112,419)	109,989
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:					
Commodities consumed	37,146	-	-	37,146	-
Depreciation	21,923	250	-	22,173	-
Decrease in inventories	4,541	-	162,504	167,045	-
Decrease in accounts receivable	554	4,779	-	5,333	25
Increase(Decrease) in accounts payable	(35,918)	4,461	265	(31,192)	-
Decrease in unearned revenues	(165)	-	-	(165)	-
Increase in other postemployment benefits	-	1,536	-	1,536	-
Net cash provided by(used in) operating activities	\$ (1,092,037)	8,393	173,101	(910,543)	110,014

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2014, the District received Federal commodities valued at \$37,146.

* 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, 2014

Note 1. Summary of Significant Accounting Policies

The Storm Lake Community School District is a political sub-division 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, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Net position is reported in three categories:

Net investment in capital assets 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 position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources 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 nonmajor proprietary funds:

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

The Community Education Fund is used to account for the community wide 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, Deferred Inflows of Resources 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, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2013.

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.

Advances from Grantors - Grant proceeds which have been received by the District but will be spent in a succeeding year.

Deferred Inflows of Resources - Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources 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 inflows of resources consist of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

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

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, 2014. 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.

E. Budgeting and Budgetary Control

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

Note 2. Cash and Pooled Investments

The District's deposits at June 30, 2014 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, 2014, the District had no investments.

At June 30, 2014, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$10,374,207 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAA by Standard & Poor's Financial Services.

Note 3. Interfund Transfers

The detail of transfers for the year ended June 30, 2014 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 1,077,687
Capital Projects: Statewide Sales, Services and Use Tax	Debt Service	865,500
Total		<u>\$ 1,943,187</u>

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

The transfer from the Debt Service Fund to the Capital Projects: Statewide Sales, Services and Use Tax Fund was for the transfer of the reserve fund.

Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2014 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 860,325	-	-	860,325
Construction in progress	663,705	5,164,290	-	5,827,995
Total capital assets not being depreciated	<u>1,524,030</u>	<u>5,164,290</u>	<u>-</u>	<u>6,688,320</u>
Capital assets being depreciated:				
Buildings	24,941,829	-	-	24,941,829
Land improvements	1,805,241	428,531	-	2,233,772
Machinery and equipment	4,650,001	280,657	92,724	4,837,934
Total capital assets being depreciated	<u>31,397,071</u>	<u>709,188</u>	<u>92,724</u>	<u>32,013,535</u>
Less accumulated depreciation for:				
Buildings	6,559,363	529,977	-	7,089,340
Land improvements	992,794	95,761	-	1,088,555
Machinery and equipment	3,553,450	267,227	48,596	3,772,081
Total accumulated depreciation	<u>11,105,607</u>	<u>892,965</u>	<u>48,596</u>	<u>11,949,976</u>
Total capital assets being depreciated, net	<u>20,291,464</u>	<u>(183,777)</u>	<u>(44,128)</u>	<u>20,063,559</u>
Governmental activities capital assets, net	<u>\$ 21,815,494</u>	<u>4,980,513</u>	<u>(44,128)</u>	<u>26,751,879</u>
Business type activities:				
Machinery and equipment	\$ 604,404	28,205	5,142	627,467
Less accumulated depreciation	444,746	22,173	5,142	461,777
Business type activities capital assets, net	<u>\$ 159,658</u>	<u>6,032</u>	<u>-</u>	<u>165,690</u>

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:		
Regular	\$	113,353
Other		30,628
Support services:		
Operation and maintenance		21,663
Transportation		101,583
		<u>267,227</u>
Unallocated depreciation		<u>625,738</u>
Total governmental activities depreciation expense	\$	<u>892,965</u>

Business type activities:

Food services	\$	21,923
Community education		250
		<u>22,173</u>
Total business type activities depreciation expense	\$	<u>22,173</u>

Note 5. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2014 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental Activities:					
General Obligation Bonds	\$ 4,170,000	-	390,000	3,780,000	410,000
Revenue Bonds	6,620,000	10,000,000	555,000	16,065,000	575,000
Capital Loan Notes	-	6,320,000	-	6,320,000	480,000
Compensated Absences	58,889	76,114	58,889	76,114	76,114
Net OPEB Liability	742,274	161,900	-	904,174	-
Total	\$ 11,591,163	16,558,014	1,003,889	27,145,288	1,541,114
Business Type Activities:					
Net OPEB Liability	\$ 7,044	1,536	-	8,580	-

General Obligation Bonds Payable

Details of the District's June 30, 2014 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond issue of May 1, 2007			
	Interest Rates	Principal	Interest	Total
2015	4.00	% \$ 410,000	147,519	557,519
2016	4.00	425,000	131,119	556,119
2017	3.88	440,000	114,119	554,119
2018	3.88	460,000	97,069	557,069
2019	3.88	480,000	79,244	559,244
2020-2022	3.88	1,565,000	123,029	1,688,029
Total		\$ 3,780,000	692,099	4,472,099

Revenue Bonds Payable

Details of the District's June 30, 2014 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		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2015	3.75	% \$ 150,000	102,512	3.50	% \$ 425,000	128,913
2016	3.75	200,000	95,950	4.00	395,000	113,576
2017	3.80	200,000	88,400	4.00	420,000	97,275
2018	3.85	200,000	80,750	4.00	445,000	79,975
2019	3.85	200,000	73,050	4.00	470,000	61,676
2020-2023	3.85-4.00	1,730,000	141,601	4.00-4.25	1,230,000	107,522
Total		<u>\$ 2,680,000</u>	<u>582,263</u>		<u>\$ 3,385,000</u>	<u>588,937</u>

Year Ending June 30,	Bond Issue of October 3, 2013			Total		
	Interest Rates	Principal	Interest	Principal	Interest	Total
2015	1.50	% \$ -	348,598	575,000	580,023	1,155,023
2016	1.50	225,000	348,598	820,000	558,124	1,378,124
2017	1.50	225,000	345,222	845,000	530,897	1,375,897
2018	1.80	230,000	341,848	875,000	502,573	1,377,573
2019	2.20	235,000	337,708	905,000	472,434	1,377,434
2020-2024	2.40-3.25	2,935,000	1,571,343	5,895,000	1,820,466	7,715,466
2025-2029	3.60-4.15	6,150,000	763,736	6,150,000	763,736	6,913,736
Total		<u>\$ 10,000,000</u>	<u>4,057,053</u>	<u>\$ 16,065,000</u>	<u>5,228,253</u>	<u>21,293,253</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$18,655,000 bonds issued May 1, 2007, April 1, 2008 and October 3, 2013. The bonds were issued for the purpose of defraying a portion of the cost of building the new elementary school building and a high school renovation/auditorium project. 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 2029. 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 61 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$21,293,253. For the current year, principal of \$575,000 and interest of \$580,023 was paid on the bonds and total statewide sales, services and use tax revenues were \$1,905,775.

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

- a) \$1,865,500 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.

Capital Loan Notes Payable

Details of the District's June 30, 2014 capital loan notes indebtedness are as follows:

Year Ending June 30,	Capital Loan Notes of May 1, 2014				
	Interest Rates	Principal	Interest	Total	
2015	1.50	% \$ 480,000	118,145	598,145	
2016	1.50	490,000	110,945	600,945	
2017	1.50	495,000	103,595	598,595	
2018	1.50	505,000	96,170	601,170	
2019	1.50	510,000	88,596	598,596	
2020-2024	1.50-2.30	2,685,000	314,187	2,999,187	
2025-2026	2.45-2.65	1,155,000	44,970	1,199,970	
Total		\$ 6,320,000	876,608	7,196,608	

Termination Benefits Payable

During the years ended June 30, 2011, June 30, 2012, June 30, 2013, and June 30, 2014 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.

Note 6. On Demand Line of Credit

During the year ended June 30, 2013, the District entered into one agreement for an on demand line of credit with Central Bank of Storm Lake, Iowa. Proceeds from the line of credit were used to finance construction of the house built on 1001 West 6th Street in Storm Lake by students participating in the building trades program offered by the District. The line of credit was issued interest free for the first six months and then at an interest rate of 5.0%.

During the year ended June 30, 2014, the District entered into one agreement for an on demand line of credit with Central Bank of Storm Lake, Iowa. Proceeds from the line of credit were used to finance construction of the house built on 1107 West 6th Street in Storm Lake by students participating in the building trades program offered by the District. 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, 2014 are as follows:

Building Trades Fund						
Line of Credit	Line of Credit	Balance	Advances	Advances	Balance	Interest
Date	Maturity Date	Beginning of Year	Received	Repaid	End of Year	Paid
9/14/2012	9/4/2013	\$ 163,675	-	163,675	-	2,412
10/16/2013	10/16/2014	-	151,000	151,000	-	1,250
Total		\$ 163,675	151,000	314,675	-	3,662

Note 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 5.95% of their annual covered salary and the District is required to contribute 8.93% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$1,244,431, \$1,153,123 and \$1,026,429 respectively, equal to the required contributions for each year.

Note 8. Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 300 active and 16 retired members in the plan. Retired participants 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, 2014, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 226,616
Interest on net OPEB obligation	18,733
Adjustment to annual required contribution	(57,261)
Annual OPEB cost (expense)	<u>188,088</u>
Contributions made	<u>(24,652)</u>
Increase in net OPEB obligation	163,436
Net OPEB obligation - beginning of year	<u>749,318</u>
Net OPEB obligation - end of year	<u><u>\$ 912,754</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, 2014.

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, 2014 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 165,769	15.9%	\$ 585,486
2013	190,190	13.9%	749,318
2014	188,088	13.1%	912,754

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$1.243 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.243 million. The covered payroll (annual payroll of active employees covered by the plan) was \$12.948 million, and the ratio of the UAAL to the covered payroll was 9.6%. As of June 30, 2014, 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.

Note 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.

Note 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 \$917,471 for the year ended June 30, 2014 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 11. Categorical Funding

The District’s ending restricted balances for categorical funding as of June 30, 2014 are broken out by the following programs:

Program	Amount
Home school assistance program	\$ 61,919
Gifted and talented	161,632
Returning dropout and dropout prevention program	721,980
Teacher salary supplement	11,600
Text book aid for non-public students	43
Successful progression for early readers	27,527
Teacher leadership grants	12,186
Teacher quality, professional development	41,525
Teacher quality, professional development, model core curriculum	6,666
Teacher quality, market factor incentives	11,741
Total	<u>\$ 1,056,819</u>

Note 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 1/12th 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.

Note 13. Construction Commitments

The District has entered into various contracts totaling \$20,052,153 for the High School renovation/auditorium construction project. As of June 30, 2014, costs of \$5,827,995 had been incurred against the contracts. The balance of \$14,224,158 remaining at June 30, 2014 will be paid as work on the projects progresses.

Note 14. Reconciliation of Governmental Fund Balances to Net Position

The following is the detailed reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position:

	Invested in Capital Assets	Debt Service	School Infrastructure	Unassigned/ Unrestricted
Fund balance (Exhibit C)	\$ -	2,858,223	13,193,163	6,784,130
Invested in capital assets, net of accumulated depreciation	26,751,879	-	-	-
Revenue bond capitalized indebtedness	(12,929,132)	-	-	-
General obligation bond capitalized indebtedness	(3,780,000)	-	-	-
Capital loan note capitalized indebtedness	(46,239)	-	-	-
Unspent revenue bond proceeds	-	-	(3,135,868)	-
Unspent capital loan note proceeds	-	-	(6,273,761)	-
Accrued interest payable	-	(424,626)	-	-
Internal service fund	-	-	-	1,635,457
Income surtax	-	-	-	88,346
Compensated absences	-	-	-	(76,114)
Net OPEB liability	-	-	-	(904,174)
Net position (Exhibit A)	<u>\$ 9,996,508</u>	<u>2,433,597</u>	<u>3,783,534</u>	<u>7,527,645</u>

Note 15. Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

STORM LAKE COMMUNITY SCHOOL 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, 2014

	Governmental Fund Types Actual	Proprietary Fund Type Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 9,203,965	943,867	10,147,832	11,676,994	11,676,994	(1,529,162)
State sources	16,838,620	12,945	16,851,565	14,441,456	14,441,456	2,410,109
Federal sources	1,584,680	1,179,733	2,764,413	2,735,000	2,735,000	29,413
Total revenues	<u>27,627,265</u>	<u>2,136,545</u>	<u>29,763,810</u>	<u>28,853,450</u>	<u>28,853,450</u>	<u>910,360</u>
Expenditures/Expenses:						
Instruction	16,942,650	357,924	17,300,574	18,668,000	18,668,000	1,367,426
Support services	6,325,447	147,279	6,472,726	8,231,889	8,231,889	1,759,163
Non-instructional programs	53,786	1,551,036	1,604,822	1,698,250	2,150,000	545,178
Other expenditures	7,898,078	-	7,898,078	5,602,473	8,875,000	976,922
Total expenditures/expenses	<u>31,219,961</u>	<u>2,056,239</u>	<u>33,276,200</u>	<u>34,200,612</u>	<u>37,924,889</u>	<u>4,648,689</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	(3,592,696)	80,306	(3,512,390)	(5,347,162)	(9,071,439)	5,559,049
Other financing sources, net	<u>16,247,692</u>	<u>(3,662)</u>	<u>16,244,030</u>	-	-	<u>16,244,030</u>
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	12,654,996	76,644	12,731,640	(5,347,162)	(9,071,439)	21,803,079
Balance beginning of year	<u>14,152,663</u>	<u>503,099</u>	<u>14,655,762</u>	<u>12,243,495</u>	<u>12,243,495</u>	<u>2,412,267</u>
Balance end of year	<u>\$ 26,807,659</u>	<u>579,743</u>	<u>27,387,402</u>	<u>6,896,333</u>	<u>3,172,056</u>	<u>24,215,346</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

STORM LAKE COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2014

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 \$3,724,277.

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

REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial		Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
			Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)			
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%
2014	July 1, 2012	-	1,243	1,243	0.0%	12,948	9.6%

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, 2014

	Special Revenue				
	Manage- ment Levy	Student Activity	Total	Debt Service	Total
ASSETS					
Cash and pooled investments	\$ 1,341,660	53,960	1,395,620	986,126	2,381,746
Receivables:					
Property tax:					
Delinquent	5,649	-	5,649	6,560	12,209
Succeeding year	686,284	-	686,284	558,020	1,244,304
Due from other governments	-	-	-	37	37
TOTAL ASSETS	\$ 2,033,593	53,960	2,087,553	1,550,743	3,638,296
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 2,829	-	2,829	-	2,829
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	686,284	-	686,284	558,020	1,244,304
Fund balances:					
Restricted for:					
Debt service	-	-	-	992,723	992,723
Management	1,344,480	-	1,344,480	-	1,344,480
Student activities	-	53,960	53,960	-	53,960
Total fund balances	1,344,480	53,960	1,398,440	992,723	2,391,163
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 2,033,593	53,960	2,087,553	1,550,743	3,638,296

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, 2014

	Special Revenue				
	Manage- ment Levy	Student Activity	Total	Debt Service	Total
REVENUES:					
Local sources:					
Local tax	\$ 507,487	-	507,487	560,620	1,068,107
Other	17,799	208,985	226,784	10,522	237,306
State sources	201	-	201	212	413
TOTAL REVENUES	525,487	208,985	734,472	571,354	1,305,826
EXPENDITURES:					
Current:					
Instruction:					
Regular	261,662	-	261,662	-	261,662
Special	32,197	-	32,197	-	32,197
Other	-	207,788	207,788	-	207,788
Support services:					
Student	21,414	-	21,414	-	21,414
Instructional staff	2,865	-	2,865	-	2,865
Administration	48,315	-	48,315	-	48,315
Operation and maintenance of plant	155,558	-	155,558	-	155,558
Transportation	30,694	-	30,694	-	30,694
Non-instructional programs:					
Food service operations	428	-	428	-	428
Long-term debt:					
Principal	-	-	-	945,000	945,000
Interest and fiscal charges	-	-	-	418,406	418,406
TOTAL EXPENDITURES	553,133	207,788	760,921	1,363,406	2,124,327
Excess(Deficiency) of revenues over(under) expenditures	(27,646)	1,197	(26,449)	(792,052)	(818,501)
Other financing sources(uses):					
Transfer in	-	-	-	1,077,687	1,077,687
Transfer out	-	-	-	(865,500)	(865,500)
Total other financing sources(uses)	-	-	-	212,187	212,187
Change in fund balance	(27,646)	1,197	(26,449)	(579,865)	(606,314)
Fund balance beginning of year	1,372,126	52,763	1,424,889	1,572,588	2,997,477
Fund balance end of year	<u>\$ 1,344,480</u>	<u>53,960</u>	<u>1,398,440</u>	<u>992,723</u>	<u>2,391,163</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

STORM LAKE COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
ASSETS			
Cash and pooled investments	\$ 8,221,686	7,781,955	16,003,641
Receivables:			
Property tax:			
Delinquent	-	8,641	8,641
Succeeding year	-	750,933	750,933
Due from other governments	584,886	49	584,935
TOTAL ASSETS	\$ 8,806,572	8,541,578	17,348,150
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 21,670	-	21,670
Deferred revenue:			
Unavailable resources:			
Succeeding year property tax	-	750,933	750,933
Fund balances:			
Restricted for:			
Debt service	1,865,500	-	1,865,500
School infrastructure	6,919,402	6,273,761	13,193,163
Physical plant and equipment levy	-	1,516,884	1,516,884
Total fund balances	8,784,902	7,790,645	16,575,547
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 8,806,572	8,541,578	17,348,150

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, 2014

	Capital Project Fund		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
REVENUES:			
Local sources:			
Local tax	\$ -	835,577	835,577
Other	212,526	5,028	217,554
State sources	1,905,775	280	1,906,055
TOTAL REVENUES	2,118,301	840,885	2,959,186
EXPENDITURES:			
Current:			
Instruction:			
Regular	69,423	-	69,423
Support services:			
Instructional staff	7,659	-	7,659
Administration	53,826	29,690	83,516
Operation and maintenance of plant	5,976	53,204	59,180
Transportation	-	87,572	87,572
Capital outlay	5,605,200	12,001	5,617,201
TOTAL EXPENDITURES	5,742,084	182,467	5,924,551
Excess(Deficiency) of revenues over(under) expenditures	(3,623,783)	658,418	(2,965,365)
Other financing sources(uses):			
Transfer in	865,500	-	865,500
Transfer out	(1,077,687)	-	(1,077,687)
Revenue bond issuance	10,000,000	-	10,000,000
Capital loan note issuance	-	6,320,000	6,320,000
Premium on debt issuances		48,468	48,468
Discount on debt issuances	(89,598)	(31,178)	(120,776)
Total other financing sources(uses)	9,698,215	6,337,290	16,035,505
Change in fund balance	6,074,432	6,995,708	13,070,140
Fund balance beginning of year	2,710,470	794,937	3,505,407
Fund balance end of year	\$ 8,784,902	7,790,645	16,575,547

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, 2014

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
School Musical	\$ 7,980	2,712	2,720	7,972
Speech	-	3,755	3,755	-
Cheerleaders	2,852	7,521	7,330	3,043
Dance Squad	1,188	20,388	21,576	-
Breeze of 2012	-	7,901	7,614	287
Art Club	3,671	2,640	1,709	4,602
Kreative Kitchens	904	3,535	2,999	1,440
FCCLA	1,728	-	-	1,728
International Club	263	-	24	239
AVID Club	600	150	453	297
Key Club	620	1,593	1,075	1,138
Student Council	241	2,823	2,684	380
Prom	416	4,625	3,753	1,288
All State Music	540	3,459	3,999	-
Vending Machines	527	1,501	2,028	-
Student Activities	139	2,895	2,025	1,009
Concessions	3,384	14,873	15,637	2,620
Interest	-	150	150	-
DECA	-	8,528	8,120	408
Orchestra	400	-	339	61
Cross Country	-	1,476	1,476	-
Boys Basketball	-	5,060	5,060	-
Football	6,812	10,694	15,621	1,885
Boys Soccer	-	2,643	2,503	140
Baseball	-	5,817	5,227	590
Boys Track	479	1,868	2,347	-
Boys Tennis	-	362	362	-
Boys Golf	379	620	999	-
Boys Swimming	564	250	814	-
Wrestling	1,737	2,443	2,322	1,858
Girls Basketball	783	5,635	5,376	1,042
Volleyball	2,370	8,629	8,991	2,008
Girls Soccer	-	5,240	5,240	-
Softball	742	3,901	4,643	-
Girls Track	3,250	1,445	4,695	-
Girls Tennis	-	2,216	2,216	-
Girls Golf	-	490	490	-
Girls Swimming	1,524	2,232	3,756	-
General Athletics	8,670	58,915	47,660	19,925
Total	\$ 52,763	208,985	207,788	53,960

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

STORM LAKE COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF NET POSITION
 INTERNAL SERVICE FUNDS
 JUNE 30, 2014

	Governmental Activities:		
	Internal Service Funds		
	Self Insurance	Flex	Total
ASSETS			
Cash and pooled investments	\$ 1,555,137	80,320	1,635,457
TOTAL ASSETS	<u>1,555,137</u>	<u>80,320</u>	<u>1,635,457</u>
LIABILITIES	-	-	-
NET POSITION			
Unrestricted	1,555,137	80,320	1,635,457
TOTAL NET POSITION	<u>\$ 1,555,137</u>	<u>80,320</u>	<u>1,635,457</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, 2014

	Governmental Activities: Internal Service Funds		
	Self Insurance	Flex	Total
OPERATING REVENUE:			
Local sources:			
Miscellaneous	\$ 2,765,598	236,636	3,002,234
OPERATING EXPENSES:			
Support services:			
Administration:			
Benefits	3,040	-	3,040
Services	2,656,273	232,932	2,889,205
TOTAL OPERATING EXPENSES	2,659,313	232,932	2,892,245
OPERATING INCOME	106,285	3,704	109,989
NON-OPERATING REVENUES:			
Interest income	145	205	350
Change in net position	106,430	3,909	110,339
Net position beginning of year	1,448,707	76,411	1,525,118
Net position end of year	\$ 1,555,137	80,320	1,635,457

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

STORM LAKE COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF CASH FLOWS
 INTERNAL SERVICE FUNDS
 YEAR ENDED JUNE 30, 2014

	Governmental Activities: Internal Service Funds		
	Self Insurance	Flex	Total
Cash flows from operating activities:			
Cash received from miscellaneous operating activities	\$ 2,765,609	236,650	3,002,259
Cash payments to employees for services	-	(232,932)	(232,932)
Cash payments to suppliers for goods or services	(2,659,313)	-	(2,659,313)
Net cash provided by operating activities	<u>106,296</u>	<u>3,718</u>	<u>110,014</u>
Cash flows from investing activities:			
Interest on investments	145	205	350
Net increase in cash and cash equivalents	106,441	3,923	110,364
Cash and cash equivalents at beginning of year	1,448,696	76,397	1,525,093
Cash and cash equivalents at end of year	<u>\$ 1,555,137</u>	<u>80,320</u>	<u>1,635,457</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 106,285	3,704	109,989
Adjustments to reconcile operating income to net cash provided by operating activities:			
Decrease in accounts receivable	11	14	25
Net cash provided by operating activities	<u>\$ 106,296</u>	<u>3,718</u>	<u>110,014</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,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues:										
Local sources:										
Local tax	\$ 6,970,346	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
Tuition	1,502,292	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
Other	731,327	524,586	550,270	740,568	742,255	938,920	1,937,069	978,588	880,274	656,852
Intermediate sources	-	-	-	-	-	15,000	-	-	-	-
State sources	16,838,620	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
Federal sources	1,584,680	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
Total	\$ 27,627,265	26,522,374	25,968,717	26,016,968	23,773,597	24,308,031	23,960,423	21,231,445	20,118,463	19,319,532
Expenditures:										
Instruction:										
Regular	\$ 9,021,978	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
Special	3,500,643	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
Other	4,420,029	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
Support services:										
Student	818,441	838,235	738,775	760,828	666,280	791,485	718,580	699,051	611,262	436,231
Instructional staff	791,266	888,015	939,815	960,722	920,496	773,874	845,095	661,859	842,155	612,465
Administration	2,362,526	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
Operation and maintenance of plant	1,761,181	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
Transportation	592,033	591,851	636,321	539,498	461,729	530,477	635,848	587,385	405,597	389,466
Other support	-	-	-	-	-	-	-	-	-	15,723
Non-instructional programs:										
Food service operations	428	1,894	1,905	1,608	6,822	2,904	3,541	2,988	-	5,000
Community service operations	53,358	21,061	212	814	3,093	24,122	2,529	-	-	51,000
Capital outlay	5,617,201	691,643	311,332	747,495	1,683,433	8,951,786	6,119,309	564,714	300,168	73,402
Long-term debt:										
Principal	945,000	910,000	880,000	845,000	990,000	500,000	485,000	475,000	530,000	515,000
Interest and other charges	418,406	468,475	486,482	517,131	549,871	516,862	326,352	39,456	51,243	60,428
Other expenditures:										
AEA flow-through	917,471	886,415	828,303	900,299	858,542	747,876	712,056	646,571	591,183	586,325
Total	\$ 31,219,961	24,873,063	23,377,319	23,393,739	24,341,400	31,767,124	27,985,152	20,174,264	19,511,357	17,803,750

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

STORM LAKE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2014

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
DIRECT:			
U.S. DEPARTMENT OF EDUCATION:			
GAINING EARLY AWARENESS AND READINESS FOR UNDERGRADUATE PROGRAMS	84.334	FY 13	\$ 8,417
GAINING EARLY AWARENESS AND READINESS FOR UNDERGRADUATE PROGRAMS	84.334	FY 14	16,566
			<u>24,983</u>
INDIRECT:			
U.S. DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 14	260,192
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 14	860,973 *
SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	10.559	FY 14	14,392
			<u>1,135,557</u>
FRESH FRUIT AND VEGETABLE PROGRAM	10.582	FY 13	106
FRESH FRUIT AND VEGETABLE PROGRAM	10.582	FY 14	44,070
			<u>44,176</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	4,660
TITLE I - SCHOOLS IN NEED OF ASSISTANCE (SINA)	84.010	FY 14	30,883
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	FY 14	754,001
			<u>789,544</u>
MIGRANT EDUCATION - STATE GRANT PROGRAM	84.011	FY 14	186,537
MIGRANT EDUCATION - STATE GRANT PROGRAM	84.011	6219-MC	6,852
			<u>193,389</u>
21ST CENTURY COMMUNITY LEARNING CENTERS	84.287	FY 14	177,040
ENGLISH LANGUAGE ACQUISITION STATE GRANTS	84.365	FY 14	135,991
IMPROVING TEACHER QUALITY STATE GRANTS	84.367	FY 14	61,004
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES	84.369	FY 14	12,095
PRAIRIE LAKES AREA EDUCATION AGENCY:			
SPECIAL EDUCATION CLUSTER PROGRAMS:			
SPECIAL EDUCATION - GRANTS TO STATES(PART B)	84.027	FY 14	124,511
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 14	23,211
TOTAL			<u>\$ 2,721,501</u>

* Includes \$37,146 of non-cash awards.

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, 2014, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 17, 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-14 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 identified no deficiencies in internal control over financial reporting that we consider 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, 2014 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.

December 17, 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
and on Internal Control over Compliance 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, 2014. 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, 2014.

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 Storm Lake Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and 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-14 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.

December 17, 2014
Newton, Iowa

STORM LAKE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014

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
- (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.

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

II-A-14 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) Journal entries - writing, approving and posting
- 8) Financial reporting - preparing, reconciling and approving.
- 9) Computer systems - performing all general accounting functions and controlling all data input and output.
- 10) 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 look for ways to implement new procedures to achieve additional segregation of duties based upon the skills and abilities of existing personnel.

Conclusion - Response accepted.

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: 2014
 U.S. Department of Agriculture
 Passed through the Iowa Department of Education

CFDA Number 84.010 - Title I - Grants to Local Educational Agencies
 CFDA Number 84.010 - Title I - Schools in Need of Assistance (SINA)
 Federal Award Year: 2014
 U.S. Department of Education
 Passed through the Iowa Department of Education

III-A-14 Segregation of Duties - One important aspect of internal accounting control is the (2014-001) 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) Journal entries - writing, approving and posting
- 8) Financial reporting - preparing, reconciling and approving.

- 9) Computer systems - performing all general accounting functions and controlling all data input and output.
- 10) 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 look for ways to implement new procedures to achieve additional segregation of duties based upon the skills and abilities of existing personnel.

Conclusion - Response accepted.

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-14 Certified Budget - District disbursements for the year ended June 30, 2014 did not exceed the amount budgeted.
- IV-B-14 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-14 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-14 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Jolene Davis, Teacher Spouse owns Buena Vista Stationery	Supplies	\$ 62,223
Lori Porsch, Special Education Director Spouse is a pharmacist at Hy-Vee	Supplies	\$ 70

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-14 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-14 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- IV-G-14 Certified Enrollment - No variances in the basic enrollment data certified in the Iowa Department of Education were noted.

- IV-H-14 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- IV-I-14 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-14 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-14 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- IV-L-14 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, 2014, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning Balance		\$ 2,710,470
Revenues:		
Statewide sales, services and use tax revenue	\$ 1,905,775	
Other local revenues	212,526	
Sale of Long-Term Debt	10,000,000	
Transfer from Other Funds	865,500	12,983,801
		<u>15,694,271</u>
Expenditures/transfer out:		
School infrastructure construction	5,120,228	
Equipment	83,058	
Other	628,396	
Transfer to another fund:		
Debt service fund	1,077,687	6,909,369
		<u>8,784,902</u>
Ending balance		<u>\$ 8,784,902</u>

For the year ended June 30, 2014, 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-14 Non-certified Time Sheets - We noted during our audit that the District does not maintain documentation of hours worked by coaches who are non-certified staff. This creates a situation where calculating wage per hour amounts is not possible.

Recommendation - In order to comply with the Department of Labor requirements on wage per hour contracts, the District needs to keep track of the hours worked for non-certified staff coaches. The District should then determine if wages paid comply with minimum wage and overtime requirements.

Response - We will comply with this requirement.

Conclusion - Response accepted.