

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

JUNE 30, 2015

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Storm Lake Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Peter Steinfeld	President	2017
Dave Skibsted	Vice President	2015
Marcella Koth	Board Member	2017
Erika Dierking	Board Member	2015
Melea Raveling	Board Member	2015

School Officials

Carl Turner	Superintendent	2015
Trudy Pedersen	Business Manager/ District Secretary/Treasurer	2015
Ahlers & Cooney, P.C.	Attorney	2015
Cornwall, Avery, Bjornstad & Scott	Attorney	2015

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, 2015, 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, 2015, 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

Emphasis of Matter

As discussed in Note 15 to the financial statements, Storm Lake Community School District adopted new accounting guidance related to Government Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 44 through 50 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 seven years ended June 30, 2014 while another auditor previously audited the financial statements for the two 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 January 11, 2016 on our consideration of Storm Lake Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Storm Lake Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

January 11, 2016
Newton, Iowa

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, 2015. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2015 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$23,362,253 in fiscal 2014 to \$24,625,645 in fiscal 2015 due in part to an increase in state source revenues. General Fund expenditures increased from \$23,171,083 in fiscal 2014 to \$25,266,608 in fiscal 2015 due in part to an increase in expenses in the instructional and support services functional areas. The difference between fiscal 2015 revenues of \$24,625,645 and expenses of \$25,266,608 results in a net decrease in fund balance of \$640,963. As a result, the District's General Fund balance decreased from \$7,840,949 in fiscal 2014 to a balance of \$7,199,986 in fiscal 2015. This represents a 8.17% decrease from the prior year.
- The District's solvency ratio decreased from 29.04% at the end of fiscal 2014 to 28.47% at the end of fiscal 2015. 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 8.61 students in 2014-2015.
- The District continued construction on a \$20 million High School Renovation/Auditorium Project in 2014-2015.
- The District experienced a net Open Enrollment gain of 40 students in 2014-2015. This is up from a net gain of 34 in 2013-2014.
- The District reduced the General Fund tax levy by \$0.56 to \$11.21/thousand and the total tax levy by \$0.19 to \$15.73/thousand while continuing a multi-million dollar building project, maintaining existing facilities and continuing to provide quality programming for students.
- The District's Unspent Authorized Budget increased \$515,909 to \$11,573,313. The majority of the increase is a result of the District's Special Education deficit of \$554,774 due to serving 46 more students than we received funding for on the November 2013 official count and the District's SBRC application in the amount of \$364,828, which is comprised of increased enrollment (8.7 students) and serving LEP students beyond 5 years (172 students).
- The District's property valuation per student decreased slightly to \$189,270 per student, primarily due to the enrollment increase that was experienced in 2013-2014 and the commercial property rollback that went into effect for 2014-2015.
- The District's 2014-2015 salaries and benefits comprised 80.09% of the General Fund expenditures. This is in the target range of 75-80% and is a decrease from 82.43 % in 2013-2014 even through 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, the District's proportionate share of the net pension liability and related contributions, 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.

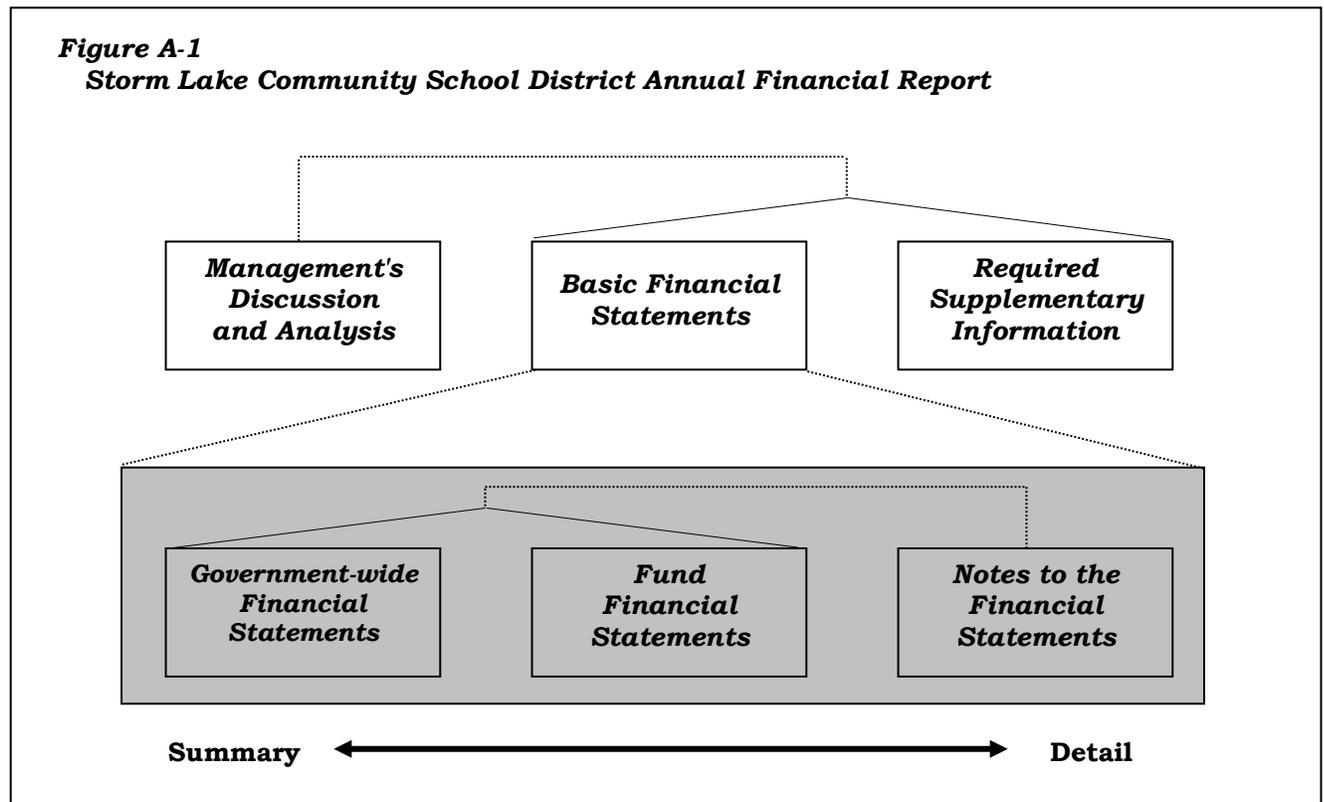


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2			
Major Features of the Government-Wide and Fund Financial Statements			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food service; community education; building trades
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
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of deferred outflow / inflow information	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/ acquisition of fund balance that is applicable to a future reporting period	Consumption/ acquisition of net position that is applicable to a future reporting period
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net 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 two kinds of funds:

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

The District's governmental funds include the General Fund, Special Revenue Funds, Capital Projects Fund and Debt Service 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 position at June 30, 2015 compared to June 30, 2014.

Figure A-3
Condensed Statement of Net Position

	Governmental Activities		Business type Activities		Total District	Total Change	
	June 30, 2015	June 30, 2014 (Not restated)	June 30, 2015	June 30, 2014 (Not restated)	June 30, 2015	June 30, 2014-15	
Current and other assets	\$ 30,300,474	37,463,792	768,255	454,227	31,068,729	37,918,019	-18.06%
Capital assets	34,522,715	26,751,879	159,231	165,690	34,681,946	26,917,569	28.85%
Total assets	64,823,189	64,215,671	927,486	619,917	65,750,675	64,835,588	1.41%
Deferred outflows of resources	1,892,285	-	10,416	-	1,902,701	-	100.00%
Long-term obligations	34,179,250	27,145,288	78,950	8,580	34,258,200	27,153,868	26.16%
Other liabilities	2,461,548	2,544,791	189,012	31,594	2,650,560	2,576,385	2.88%
Total liabilities	36,640,798	29,690,079	267,962	40,174	36,908,760	29,730,253	24.15%
Deferred inflows of resources	10,022,001	6,812,165	26,682	-	10,048,683	6,812,165	47.51%
Net position:							
Net investment in capital assets	9,822,715	9,996,508	159,231	165,690	9,981,946	10,162,198	-1.77%
Restricted	11,988,226	10,189,274	-	-	11,988,226	10,189,274	17.66%
Unrestricted	(1,758,266)	7,527,645	484,027	414,053	(1,274,239)	7,941,698	-116.04%
Total net position	\$ 20,052,675	27,713,427	643,258	579,743	20,695,933	28,293,170	-26.85%

The District's combined net position decreased by 26.85%, or \$7,597,237, over the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, intangibles, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased 17.66%, or \$1,798,952, over the prior year. The increase in restricted net position is due primarily to an increase in fund balance of the Management Levy Fund.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased \$9,215,937, or 116.04%. This reduction in unrestricted net position was primarily a result of the District's net pension liability net pension expense recorded in the current year.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities were restated by \$10,305,803 and \$86,254, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

Figure A-4 shows the changes in net position for the year ended June 30, 2015 as compared to the year ended June 30, 2014.

Figure A-4
Changes in Net Position

	Governmental		Business type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014 (Not restated)	2015	2014 (Not restated)	2015	2014 (Not restated)	2014-15
Revenues:							
Program revenues:							
Charges for services	\$ 1,883,662	1,765,951	426,246	411,856	2,309,908	2,177,807	6.07%
Operating grants and contributions and restricted interest	3,141,120	3,014,859	1,485,136	1,336,375	4,626,256	4,351,234	6.32%
Capital grants and contributions and restricted interest	-	-	6,720	-	6,720	-	100.00%
General revenues:							
Property tax	6,804,385	6,873,166	-	-	6,804,385	6,873,166	-1.00%
Income surtax	295,475	17,136	-	-	295,475	17,136	1624.29%
Statewide sales, services and use tax	2,132,829	1,905,775	-	-	2,132,829	1,905,775	11.91%
Unrestricted state grants	14,589,631	13,546,070	-	-	14,589,631	13,546,070	7.70%
Unrestricted investment earnings	68,798	57,219	87	47	68,885	57,266	20.29%
Other	368,952	367,045	230,078	388,267	599,030	755,312	-20.69%
Total revenues	29,284,852	27,547,221	2,148,267	2,136,545	31,433,119	29,683,766	5.89%
Program expenses:							
Governmental activities:							
Instructional	17,441,261	17,070,889	213,519	357,924	17,654,780	17,428,813	1.30%
Support services	6,673,694	6,393,380	129,980	150,941	6,803,674	6,544,321	3.96%
Non-instructional programs	74,088	53,786	1,654,999	1,551,036	1,729,087	1,604,822	7.74%
Other expenses	2,450,758	2,228,355	-	-	2,450,758	2,228,355	9.98%
Total expenses	26,639,801	25,746,410	1,998,498	2,059,901	28,638,299	27,806,311	2.99%
Changes in net position	2,645,051	1,800,811	149,769	76,644	2,794,820	1,877,455	48.86%
Net position beginning of year, as restated	17,407,624	25,912,616	493,489	503,099	17,901,113	26,415,715	-32.23%
Net position end of year	\$ 20,052,675	27,713,427	643,258	579,743	20,695,933	28,293,170	-26.85%

In fiscal 2015, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants account for 81.35% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 88.97% of the revenue from business type activities.

The District's total revenues were approximately \$31.43 million of which approximately \$29.28 million was for governmental activities and approximately \$2.15 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 5.87% increase in revenues and a 2.97% increase in expenses. Income surtax increased \$278,339 and unrestricted state grants increased \$1,043,561. The increase in expenditures was attributable to an increase in the instructional and non-instructional functional areas.

Governmental Activities

Revenues for governmental activities were \$29,284,852 and expenses were \$26,639,801 for the year ended June 30, 2015. 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, 2015 compared to the year ended June 30, 2014.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2015	2014 (Not restated)	Change 2014-15	2015	2014 (Not restated)	Change 2014-15
	Instruction	\$ 17,441,261	17,070,889	2.17%	13,417,810	13,217,085
Support services	6,673,694	6,393,380	4.38%	6,665,509	6,383,845	4.41%
Non-instructional	74,088	53,786	37.75%	74,088	53,786	37.75%
Other expenses	2,450,758	2,228,355	9.98%	1,457,612	1,310,884	-11.19%
Totals	<u>\$ 26,639,801</u>	<u>25,746,410</u>	<u>3.47%</u>	<u>21,615,019</u>	<u>20,965,600</u>	<u>3.10%</u>

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was \$1,883,662.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$3,141,120.
- The net cost of governmental activities was financed with \$6,804,385 in property tax, \$295,475 in income surtax, \$2,132,829 in statewide sales, service and use tax, \$14,589,631 in unrestricted state grants, \$362,232 in other general revenues, net of transfers and \$68,798 in interest income.

Business type Activities

Revenues of the District's business type activities were \$2,148,267 and expenses were \$1,998,498. 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 \$19,040,811, below last year's ending fund balances of \$26,807,659. The primary reason for the decrease in combined fund balances is because of construction costs for the High School renovation/auditorium 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. General fund expenditures also increased as compared to the previous fiscal year. This increase in expenditures caused the total General Fund Balance to decrease in the current fiscal year.
- The Capital Projects Fund balance decreased from \$16,575,547 in fiscal 2014 to \$9,296,136 in fiscal 2015. The decrease in fund balance for the Capital Projects Fund was a result of the construction on the district's High School renovation/auditorium project.

Proprietary Fund Highlights

- The School Nutrition Fund net position increased from a restated balance of \$483,847 at July 1, 2015 to \$604,018 at June 30, 2015, representing an increase of 24.84%. An increase in expenditures and an increase in federal source revenues as compared to the previous year led to the increase in fund balance for the School Nutrition Fund.
- Overall, net position for the Community Education Fund increased from a restated balance of \$2,310 at July 1, 2015 to \$31,334 at June 30, 2015, representing an increase of 1256.45%.
- The Student Construction Fund net position increased from \$7,332 to \$7,906, representing an increase of 7.83%.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. Although the budget document presents functional area expenditures by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on an accrual basis. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund and major Special Revenue Funds are not presented in the budgetary comparison on pages 44 and 45.

The District's revenues were \$321,973 more than budgeted revenues, a variance of 1.04%. The most significant variance resulted from the District receiving more in local 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, 2015, the District adopted one budget amendment increasing budgeted expenditures by \$1,550,000 in the Instruction, Support Services and Non-Instructional functions.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had invested \$34,681,946, 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 28.85% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$920,047.

The original cost of the District's capital assets was \$47,815,633. Governmental funds account for \$47,172,177 with the remainder of \$643,456 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, 2014, the District's construction in progress totaled \$5,827,995 as compared to \$14,219,629 at June 30, 2015. This increase is due to the High School Renovation/auditorium construction project.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2014-15
Land	\$ 860,325	860,325	-	-	860,325	860,325	0.00%
Construction in progress	14,219,629	5,827,995	-	-	14,219,629	5,827,995	143.99%
Buildings	17,322,565	17,852,489	-	-	17,322,565	17,852,489	-2.97%
Land improvements	1,056,032	1,145,217	-	-	1,056,032	1,145,217	-7.79%
Machinery and equipment	1,064,164	1,065,853	159,231	165,690	1,223,395	1,231,543	-0.66%
Total	\$ 34,522,715	26,751,879	159,231	165,690	34,681,946	26,917,569	28.85%

Long-Term Debt

At June 30, 2015, the District had \$34,258,200 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 Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2014-15
Revenue Bonds	\$ 15,490,000	16,065,000	-	-	15,490,000	16,065,000	-3.58%
General Obligation Bonds	3,370,000	3,780,000	-	-	3,370,000	3,780,000	-10.85%
Capital Loan Notes	5,840,000	6,320,000	-	-	5,840,000	6,320,000	100.00%
Compensated Absences	71,742	76,114	-	-	71,742	76,114	-5.74%
Net Pension Liability	8,359,336	-	69,964	-	8,429,300	-	100.00%
Net OPEB Liability	1,048,172	904,174	8,986	8,580	1,057,158	912,754	15.82%
Total	\$ 34,179,250	27,145,288	78,950	8,580	34,258,200	27,153,868	26.16%

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 56.3 students in 2015-2016. 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 continues 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 hold its total tax levy steady with a slight increase of \$0.08/\$1,000 valuation for Fiscal Year 2016.
- Based upon anticipated facility needs the District will seek Board approval in Fiscal Year 2016 to extend the Instructional Support Levy (ISL) for an additional 5 years. The ISL will generate a mixture of property tax and income surtax funds to continue funding technology and other needs. It is anticipated that the ISL will generate \$866,712 for the General Fund in 2015-2016 and will free up PPEL and Sales Tax dollars to be used for facility needs.
- The District continues to operate one of three charter schools in the state. 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, 2015

	Governmental Activities	Business type Activities	Total
ASSETS			
Cash and pooled investments	\$ 21,515,023	624,427	22,139,450
Receivables:			
Property tax:			
Delinquent	41,623	-	41,623
Succeeding year	6,833,991	-	6,833,991
Income surtax	291,549	-	291,549
Accounts	29,078	37,478	66,556
Due from other governments	1,589,210	88,752	1,677,962
Inventories	-	17,598	17,598
Capital assets, net of accumulated depreciation	34,522,715	159,231	34,681,946
TOTAL ASSETS	64,823,189	927,486	65,750,675
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferred outflows	1,892,285	10,416	1,902,701
LIABILITIES			
Accounts payable	132,500	175,992	308,492
Salaries and benefits payable	2,003,818	-	2,003,818
Accrued interest payable	325,230	-	325,230
Unearned revenue	-	13,020	13,020
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	425,000	-	425,000
Revenue bonds payable	595,000	-	595,000
Capital loan notes payable	490,000	-	490,000
Compensated absences payable	71,742	-	71,742
Portion due after one year:			
General obligation bonds payable	2,945,000	-	2,945,000
Revenue bonds payable	14,895,000	-	14,895,000
Capital loan notes payable	5,350,000	-	5,350,000
Net pension liability	8,359,336	69,964	8,429,300
Net OPEB liability	1,048,172	8,986	1,057,158
TOTAL LIABILITIES	36,640,798	267,962	36,908,760
DEFERRED INFLOWS OF RESOURCES			
Unavailable property tax revenue	6,833,991	-	6,833,991
Pension related deferred inflows	3,188,010	26,682	3,214,692
TOTAL DEFERRED INFLOWS OF RESOURCES	10,022,001	26,682	10,048,683
NET POSITION			
Net investment in capital assets	9,822,715	159,231	9,981,946
Restricted for:			
Categorical funding	472,631	-	472,631
Debt service	2,480,571	-	2,480,571
Management levy purposes	1,532,300	-	1,532,300
School infrastructure	4,783,998	-	4,783,998
Physical plant and equipment levy	2,646,638	-	2,646,638
Student activities	72,088	-	72,088
Unrestricted	(1,758,266)	484,027	(1,274,239)
TOTAL NET POSITION	\$ 20,052,675	643,258	20,695,933

SEE NOTES TO FINANCIAL STATEMENTS.

STORM LAKE COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 9,209,994	611,498	389,818	-	(8,208,678)	-	(8,208,678)
Special	3,437,994	1,033,629	198,632	-	(2,205,733)	-	(2,205,733)
Other	4,793,273	238,535	1,551,339	-	(3,003,399)	-	(3,003,399)
	<u>17,441,261</u>	<u>1,883,662</u>	<u>2,139,789</u>	<u>-</u>	<u>(13,417,810)</u>	<u>-</u>	<u>(13,417,810)</u>
Support services:							
Student	760,938	-	-	-	(760,938)	-	(760,938)
Instructional staff	1,050,277	-	-	-	(1,050,277)	-	(1,050,277)
Administration	2,363,755	-	-	-	(2,363,755)	-	(2,363,755)
Operation and maintenance of plant	1,835,334	-	-	-	(1,835,334)	-	(1,835,334)
Transportation	663,390	-	8,185	-	(655,205)	-	(655,205)
	<u>6,673,694</u>	<u>-</u>	<u>8,185</u>	<u>-</u>	<u>(6,665,509)</u>	<u>-</u>	<u>(6,665,509)</u>
Non-instructional programs:							
Food service operations	1,035	-	-	-	(1,035)	-	(1,035)
Community service operations	73,053	-	-	-	(73,053)	-	(73,053)
	<u>74,088</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(74,088)</u>	<u>-</u>	<u>(74,088)</u>
Long-term debt interest	838,503	-	-	-	(838,503)	-	(838,503)
Other expenses:							
AEA flowthrough	993,146	-	993,146	-	-	-	-
Depreciation(unallocated)*	619,109	-	-	-	(619,109)	-	(619,109)
	<u>1,612,255</u>	<u>-</u>	<u>993,146</u>	<u>-</u>	<u>(619,109)</u>	<u>-</u>	<u>(619,109)</u>
Total governmental activities	26,639,801	1,883,662	3,141,120	-	(21,615,019)	-	(21,615,019)
Business type activities:							
Instruction:							
Other	213,519	-	2,000	-	-	(211,519)	(211,519)
Support services:							
Administration	123,667	-	-	-	-	(123,667)	(123,667)
Operation and maintenance of plant	6,313	-	-	-	-	(6,313)	(6,313)
Total support services	<u>129,980</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(129,980)</u>	<u>(129,980)</u>
Non-instructional programs:							
Nutrition services	1,536,322	361,522	1,277,385	6,720	-	109,305	109,305
Community education services	118,677	64,724	205,751	-	-	151,798	151,798
Total non-instructional programs	<u>1,654,999</u>	<u>426,246</u>	<u>1,483,136</u>	<u>6,720</u>	<u>-</u>	<u>261,103</u>	<u>261,103</u>
Total business type activities	<u>1,998,498</u>	<u>426,246</u>	<u>1,485,136</u>	<u>6,720</u>	<u>-</u>	<u>(80,396)</u>	<u>(80,396)</u>
Total	\$ <u>28,638,299</u>	<u>2,309,908</u>	<u>4,626,256</u>	<u>6,720</u>	<u>(21,615,019)</u>	<u>(80,396)</u>	<u>(21,695,415)</u>
General Revenues:							
Property tax levied for:							
General purposes					\$ 5,496,870	-	5,496,870
Debt service					557,407	-	557,407
Capital outlay					750,108	-	750,108
Income surtax					295,475	-	295,475
Statewide sales, services and use tax					2,132,829	-	2,132,829
Unrestricted state grants					14,589,631	-	14,589,631
Unrestricted investment earnings					68,798	87	68,885
Other					368,952	230,078	599,030
Total general revenues					<u>24,260,070</u>	<u>230,165</u>	<u>24,490,235</u>
Change in net position					2,645,051	149,769	2,794,820
Net position beginning of year, as restated					<u>17,407,624</u>	<u>493,489</u>	<u>17,901,113</u>
Net position end of year					\$ <u>20,052,675</u>	<u>643,258</u>	<u>20,695,933</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

STORM LAKE COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

	General	Capital Projects	Nonmajor Governmental Funds	Total
ASSETS				
Cash and pooled investments	\$ 8,008,925	8,970,715	2,537,578	19,517,218
Receivables:				
Property tax:				
Delinquent	29,659	4,431	7,533	41,623
Succeeding year	4,776,311	751,059	1,306,621	6,833,991
Income surtax	291,549	-	-	291,549
Accounts	24,485	-	4,593	29,078
Due from other governments	1,257,248	331,962	-	1,589,210
TOTAL ASSETS	\$ 14,388,177	10,058,167	3,856,325	28,302,669
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 116,513	10,972	5,015	132,500
Salaries and benefits payable	2,003,818	-	-	2,003,818
Total liabilities	2,120,331	10,972	5,015	2,136,318
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	4,776,311	751,059	1,306,621	6,833,991
Income surtax	291,549	-	-	291,549
Total deferred inflows of resources	5,067,860	751,059	1,306,621	7,125,540
Fund balances:				
Restricted for:				
Categorical funding	472,631	-	-	472,631
Debt service	-	1,865,500	940,301	2,805,801
Management levy purposes	-	-	1,532,300	1,532,300
School infrastructure	-	4,783,998	-	4,783,998
Physical plant and equipment levy	-	2,646,638	-	2,646,638
Student activities	-	-	72,088	72,088
Unassigned	6,727,355	-	-	6,727,355
Total fund balances	7,199,986	9,296,136	2,544,689	19,040,811
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 14,388,177	10,058,167	3,856,325	28,302,669

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, 2015

Total fund balances of governmental funds (page 20)	\$	19,040,811
 <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.		34,522,715
Blending of the Internal Service Funds to be reflected on an entity-wide basis.		1,997,805
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		291,549
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:		
Deferred outflows of resources	\$ 1,892,285	
Deferred inflows of resources	<u>(3,188,010)</u>	(1,295,725)
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.		(325,230)
Long-term liabilities, including general obligation bonds payable, revenue bonds payable, capital loan notes payable, compensated absences payable, other postemployment benefits payable and net pension liability, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(34,179,250)</u>
Net position of governmental activities (page 18)	\$	<u><u>20,052,675</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

STORM LAKE COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015

	General	Capital Projects	Nonmajor Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 4,903,661	750,108	1,242,888	6,896,657
Tuition	1,585,087	-	-	1,585,087
Other	458,484	26,339	266,197	751,020
State sources	16,043,604	2,146,854	23,618	18,214,076
Federal sources	1,634,809	-	-	1,634,809
TOTAL REVENUES	24,625,645	2,923,301	1,532,703	29,081,649
EXPENDITURES:				
Current:				
Instruction:				
Regular	9,300,596	-	190,344	9,490,940
Special	3,601,764	-	23,770	3,625,534
Other	4,705,843	-	200,314	4,906,157
	17,608,203	-	414,428	18,022,631
Support services:				
Student	790,978	-	16,369	807,347
Instructional staff	1,020,803	-	2,707	1,023,510
Administration	2,479,962	-	38,374	2,518,336
Operation and maintenance of plant	1,589,104	18,203	199,486	1,806,793
Transportation	711,359	-	67,297	778,656
	6,592,206	18,203	324,233	6,934,642
Non-instructional programs:				
Food service operations	-	-	1,035	1,035
Community service operations	73,053	-	-	73,053
	73,053	-	1,035	74,088
Capital outlay	-	8,421,091	-	8,421,091
Long-term debt:				
Principal	-	-	1,465,000	1,465,000
Interest and fiscal charges	-	-	937,899	937,899
	-	-	2,402,899	2,402,899
Other expenditures:				
AEA flowthrough	993,146	-	-	993,146
TOTAL EXPENDITURES	25,266,608	8,439,294	3,142,595	36,848,497
Deficiency of revenues under expenditures	(640,963)	(5,515,993)	(1,609,892)	(7,766,848)
Other financing sources(uses):				
Transfer in	-	-	1,763,418	1,763,418
Transfer out	-	(1,763,418)	-	(1,763,418)
Total other financing sources(uses)	-	(1,763,418)	1,763,418	-
Change in fund balance	(640,963)	(7,279,411)	153,526	(7,766,848)
Fund balance beginning of year	7,840,949	16,575,547	2,391,163	26,807,659
Fund balance end of year	\$ 7,199,986	9,296,136	2,544,689	19,040,811

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, 2015

Change in fund balances - total governmental funds (page 22) \$ (7,766,848)

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	\$ 8,715,709	
Depreciation expense	(896,635)	
Loss on asset disposal	(48,238)	7,770,836

Net change in Internal Service Funds charged back against expenditures made for the self insurance and flex benefit program at an entity-wide basis. 362,348

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. 1,465,000

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. 99,396

The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflows of resources in the Statement of Net Position. 1,305,981

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. 203,203

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Compensated absences	\$ 4,372	
Pension expense	(655,239)	
Other postemployment benefits	(143,998)	(794,865)

Change in net position of governmental activities (page 19) \$ 2,645,051

SEE NOTES TO FINANCIAL STATEMENTS.

STORM LAKE COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015

	Business Type Activities: Enterprise Funds				Governmental Activities: Internal Service Fund
	School Nutrition	Community Education	Building Trades	Total	
ASSETS					
Current assets:					
Cash and pooled investments	\$ 535,191	81,314	7,922	624,427	1,997,805
Accounts receivable	36,832	646	-	37,478	-
Due from other governments	49,049	39,703	-	88,752	-
Inventories	17,598	-	-	17,598	-
Total current assets	638,670	121,663	7,922	768,255	1,997,805
Non-current assets:					
Capital assets:					
Machinery and equipment, net of accumulated depreciation	158,482	749	-	159,231	-
TOTAL ASSETS	797,152	122,412	7,922	927,486	1,997,805
DEFERRED OUTFLOWS OF RESOURCES					
Pension related deferred outflows	499	9,917	-	10,416	-
LIABILITIES					
Current liabilities:					
Accounts payable	175,955	21	16	175,992	-
Unearned revenue	13,020	-	-	13,020	-
Total current liabilities	188,975	21	16	189,012	-
Long-term liabilities:					
Net pension liability	3,372	66,592	-	69,964	-
Net OPEB liability	-	8,986	-	8,986	-
Total long-term liabilities	3,372	75,578	-	78,950	-
TOTAL LIABILITIES	192,347	75,599	16	267,962	-
DEFERRED INFLOWS OF RESOURCES					
Pension related deferred inflows	1,286	25,396	-	26,682	-
NET POSITION					
Invested in capital assets	158,482	749	-	159,231	-
Unrestricted	445,536	30,585	7,906	484,027	1,997,805
TOTAL NET POSITION	\$ 604,018	31,334	7,906	643,258	1,997,805

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, 2015**

	Business Type Activities: Enterprise Funds				Governmental Activities:
	School Nutrition	Community Education	Building Trades	Total	Internal Service Fund
OPERATING REVENUE:					
Local sources:					
Charges for services	\$ 361,522	64,724	-	426,246	-
Donations	-	205,751	2,000	207,751	-
Miscellaneous	14,930	-	215,148	230,078	3,213,972
TOTAL OPERATING REVENUES	376,452	270,475	217,148	864,075	3,213,972
OPERATING EXPENSES:					
Instruction:					
Other:					
Salaries	-	11,096	-	11,096	-
Benefits	-	1,289	-	1,289	-
Supplies	-	-	201,134	201,134	-
	-	12,385	201,134	213,519	-
Support services:					
Administration:					
Salaries	-	79,597	-	79,597	-
Benefits	-	28,783	-	28,783	2,720
Services	-	910	13,493	14,403	2,858,851
Other	-	-	884	884	-
	-	109,290	14,377	123,667	2,861,571
Operation and maintenance of plant:					
Services	3,404	1,108	101	4,613	-
Supplies	704	-	996	1,700	-
	4,108	1,108	1,097	6,313	-
Total support services	4,108	110,398	15,474	129,980	2,861,571
Non-instructional programs:					
Food service operations:					
Salaries	7,123	-	-	7,123	-
Benefits	1,043	-	-	1,043	-
Services	737,745	-	-	737,745	-
Supplies	767,249	-	-	767,249	-
Depreciation	23,162	-	-	23,162	-
	1,536,322	-	-	1,536,322	-
Community service operations:					
Salaries	-	28,238	-	28,238	-
Benefits	-	14,258	-	14,258	-
Services	-	7,440	-	7,440	-
Supplies	-	68,491	-	68,491	-
Depreciation	-	250	-	250	-
	-	118,677	-	118,677	-
Total non-instructional programs	1,536,322	118,677	-	1,654,999	-
TOTAL OPERATING EXPENSES	1,540,430	241,460	216,608	1,998,498	2,861,571
OPERATING INCOME(LOSS)	(1,163,978)	29,015	540	(1,134,423)	352,401
NON-OPERATING REVENUES:					
State sources	12,331	-	-	12,331	-
Federal sources	1,265,054	-	-	1,265,054	-
Interest income	44	9	34	87	9,947
TOTAL NON-OPERATING REVENUES	1,277,429	9	34	1,277,472	9,947
Change in net position before other financing sources	113,451	29,024	574	143,049	362,348
OTHER FINANCING SOURCES:					
Contributed capital	6,720	-	-	6,720	-
Change in net position	120,171	29,024	574	149,769	362,348
Net position beginning of year, as restated	483,847	2,310	7,332	493,489	1,635,457
Net position end of year	\$ 604,018	31,334	7,906	643,258	1,997,805

SEE NOTES TO FINANCIAL STATEMENTS.

**STORM LAKE COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2015**

	Business Type Activities: Enterprise Funds				Governmental Activities: Internal Service Fund
	School Nutrition	Community Education	Building Trades	Total	
Cash flows from operating activities:					
Cash received from operating activities *	\$ 327,334	64,078	-	391,412	-
Cash received from donations	-	205,751	3,000	208,751	-
Cash received from miscellaneous operating activities	14,930	-	215,148	230,078	3,213,972
Cash payments to employees for services	(8,164)	(162,881)	-	(171,045)	(136,822)
Cash payments to suppliers for goods or services	(1,285,065)	(87,815)	(217,050)	(1,589,930)	(2,724,749)
Net cash provided by(used in) operating activities	<u>(950,965)</u>	<u>19,133</u>	<u>1,098</u>	<u>(930,734)</u>	<u>352,401</u>
Cash flows from non-capital financing activities:					
State grants received	12,331	-	-	12,331	-
Federal grants received	1,161,724	(39,703)	-	1,122,021	-
Net cash provided by non-capital financing activities	<u>1,174,055</u>	<u>(39,703)</u>	<u>-</u>	<u>1,134,352</u>	<u>-</u>
Cash flows from capital activities:					
Acquisition of assets	(10,233)	-	-	(10,233)	-
Cash flows from investing activities:					
Interest on investment	44	9	34	87	9,947
Net increase(decrease) in cash and cash equivalents	212,901	(20,561)	1,132	193,472	362,348
Cash and cash equivalents at beginning of year	322,290	101,875	6,790	430,955	1,635,457
Cash and cash equivalents at end of year	<u>\$ 535,191</u>	<u>81,314</u>	<u>7,922</u>	<u>624,427</u>	<u>1,997,805</u>
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:					
Operating income(loss)	\$ (1,163,978)	29,015	540	(1,134,423)	352,401
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:					
Commodities consumed	62,048	-	-	62,048	-
Depreciation	23,162	250	-	23,412	-
Increase in inventories	(4,360)	-	-	(4,360)	-
Decrease(Increase) in accounts receivable	(35,742)	(646)	1,000	(35,388)	-
Increase(Decrease) in accounts payable	166,349	(9,866)	(442)	156,041	-
Increase in unearned revenues	1,554	-	-	1,554	-
Decrease in net pension liability	(1,282)	(25,317)	-	(26,599)	-
Increase in deferred outflows of resources	(2)	(105)	-	(107)	-
Increase in deferred inflows of resources	1,286	25,396	-	26,682	-
Increase in other postemployment benefits	-	406	-	406	-
Net cash provided by(used in) operating activities	<u>\$ (950,965)</u>	<u>19,133</u>	<u>1,098</u>	<u>(930,734)</u>	<u>352,401</u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2015, the District received Federal commodities valued at \$62,048.

During the year ended June 30, 2015, the Nutrition Fund received contributed capital from Lunchtime Solutions Incorporated valued at \$6,720.

* 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, 2015

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 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 major proprietary fund:

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

The District reports the following nonmajor proprietary funds:

The Community Education Fund is used to account for the community wide recreation and education operations of the District.

The Building Trades Fund is used to account for activities associated with the construction of a project house by the students of the District.

The District also reports the following other proprietary funds:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Assets, Deferred Outflows of Resources Liabilities, Deferred Inflows of Resources and Fund Equity

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, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2014.

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

Deferred Outflows of Resources - Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

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

Deferred Inflows of Resources - Deferred inflows of resources represent an acquisition of net position that applies to future period(s) and will not be recognized as an inflow of resources (revenue) until that time. 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 and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

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, 2015. 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 Equity - 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, 2015 were entirely covered by federal depository insurance or State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2015, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$1,616,437 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, 2015 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 1,164,773
Debt Service	Capital Projects: Physical Plant and Equipment Levy	598,645
Total		<u>\$ 1,763,418</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 Capital Projects: Physical Plant and Equipment Levy Fund to the Debt Service Fund was for principal and interest payments on the District's capital loan note.

Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2015 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	5,827,995	8,391,634	-	14,219,629
Total capital assets not being depreciated	6,688,320	8,391,634	-	15,079,954
Capital assets being depreciated:				
Buildings	24,941,829	-	-	24,941,829
Land improvements	2,233,772	-	-	2,233,772
Machinery and equipment	4,837,934	324,075	245,387	4,916,622
Total capital assets being depreciated	32,013,535	324,075	245,387	32,092,223
Less accumulated depreciation for:				
Buildings	7,089,340	529,924	-	7,619,264
Land improvements	1,088,555	89,185	-	1,177,740
Machinery and equipment	3,772,081	277,526	197,149	3,852,458
Total accumulated depreciation	11,949,976	896,635	197,149	12,649,462
Total capital assets being depreciated, net	20,063,559	(572,560)	(48,238)	19,442,761
Governmental activities capital assets, net	\$ 26,751,879	7,819,074	(48,238)	34,522,715

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 627,467	16,953	964	643,456
Less accumulated depreciation	461,777	23,412	964	484,225
Business type activities capital assets, net	<u>\$ 165,690</u>	<u>(6,459)</u>	<u>0</u>	<u>159,231</u>

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

Regular	\$ 98,601
Other	29,312

Support services:

Operation and maintenance	15,336
Transportation	134,277
	<u>277,526</u>

Unallocated depreciation 619,109

Total governmental activities depreciation expense \$ 896,635

Business type activities:

Food services \$ 23,162

Community education 250

Total business type activities depreciation expense \$ 23,412

Note 5. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2015 is as follows:

	Balance Beginning of Year Restated	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental Activities:					
General Obligation Bonds	\$ 3,780,000	-	410,000	3,370,000	425,000
Revenue Bonds	16,065,000	-	575,000	15,490,000	595,000
Capital Loan Notes	6,320,000	-	480,000	5,840,000	490,000
Compensated Absences	76,114	71,742	76,114	71,742	71,742
Net Pension Liability	11,537,476	-	3,178,140	8,359,336	-
Net OPEB Liability	904,174	143,998	-	1,048,172	-
Total	<u>\$ 38,682,764</u>	<u>215,740</u>	<u>4,719,254</u>	<u>34,179,250</u>	<u>1,581,742</u>
Business Type Activities:					
Net Pension Liability	\$ 96,563	-	26,599	69,964	-
Net OPEB Liability	8,580	406	-	8,986	-
Total	<u>\$ 105,143</u>	<u>406</u>	<u>26,599</u>	<u>78,950</u>	<u>-</u>

General Obligation Bonds Payable

Details of the District's June 30, 2015 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond issue of May 1, 2007				
	Interest Rates		Principal	Interest	Total
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	3.88		500,000	60,643	560,643
2021-2022	3.88		1,065,000	62,386	1,127,386
Total			\$ 3,370,000	544,580	3,914,580

Revenue Bonds Payable

Details of the District's June 30, 2015 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		
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	4.00		415,000	60,900	4.25		280,000	46,326
2021-2023	4.00		1,315,000	80,701	4.25		950,000	61,196
Total			\$ 2,530,000	479,751			\$ 2,960,000	460,024

Year Ending June 30,	Bond Issue of October 3, 2013			Total			
	Interest Rates	Principal	Interest	Principal	Interest	Total	
2016	1.50	% \$	-	348,598	595,000	558,124	1,153,124
2017	1.50		225,000	346,910	845,000	532,585	1,377,585
2018	1.80		225,000	343,535	870,000	504,260	1,374,260
2019	2.20		230,000	339,777	900,000	474,503	1,374,503
2020	2.40		235,000	335,122	930,000	442,348	1,372,348
2021-2025	2.75-3.60		2,935,000	1,526,680	5,200,000	1,668,577	6,868,577
2026-2029	3.75-4.15		6,150,000	642,132	6,150,000	642,132	6,792,132
Total			\$ 10,000,000	3,882,754	\$ 15,490,000	4,822,529	20,312,529

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 65 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$20,312,529. For the current year, principal of \$575,000 and interest of \$665,235 was paid on the bonds and total statewide sales, services and use tax revenues were \$2,132,829.

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, 2015 capital loan notes indebtedness are as follows:

Year Ending June 30,	Capital Loan Notes of May 1, 2014				
	Interest Rates	Principal	Interest	Total	
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	1.50	520,000	80,944	600,944	
2021-2025	1.50-2.45	2,735,000	262,711	2,997,711	
2026	2.65	585,000	15,502	600,502	
Total		\$ 5,840,000	758,463	6,598,463	

Termination Benefits Payable

During the years ended June 30, 2011, June 30, 2012, June 30, 2013, June 30, 2014 and June 30, 2015 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. Pension Plan

Plan Description - IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general information purposes only. Refer to the plan documents for more information.

Pension Benefits - A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the District contributed 8.93 percent for a total rate of 14.88 percent.

The District's contributions to IPERS for the year ended June 30, 2015 were \$1,311,489.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the District reported a liability of \$8,429,300 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District's collective proportion was 0.208281 percent, which was an increase of 0.002805 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$660,723. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 91,610	\$ -
Changes of assumptions	372,004	-
Net difference between projected and actual earnings on pension plan investments	-	3,214,692
Changes in proportion and differences between District contributions and proportionate share of contributions	127,598	-
District contributions subsequent to the measurement date	1,311,489	-
Total	\$ 1,902,701	\$ 3,214,692

\$1,311,489 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2016	\$ (665,539)
2017	(665,539)
2018	(665,539)
2019	(665,539)
2020	38,677
	<u>\$ (2,623,479)</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	2	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentagepoint higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	\$ 15,926,926	\$ 8,429,300	\$ 2,100,527

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to the Pension Plan - At June 30, 2015, the District reported payables to the defined benefit pension plan of \$178,941 for legally required employer contributions and \$119,227 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

Note 7. 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 332 active and 17 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, 2015, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 469,823
Interest on net OPEB obligation	22,819
Adjustment to annual required contribution	<u>(65,900)</u>
Annual OPEB cost (expense)	426,742
Contributions made	<u>(282,338)</u>
Increase in net OPEB obligation	144,404
Net OPEB obligation - beginning of year	<u>912,754</u>
Net OPEB obligation - end of year	<u><u>\$ 1,057,158</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, 2015.

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, 2015 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 190,190	13.9%	\$ 749,318
2014	188,088	13.1%	912,754
2015	426,742	66.2%	1,057,158

Funded Status and Funding Progress - As of July 1, 2014, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$1.461 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.461 million. The covered payroll (annual payroll of active employees covered by the plan) was \$14.404 million, and the ratio of the UAAL to the covered payroll was 10.1%. As of June 30, 2015, 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, 2014 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 8. Risk Management

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

Note 9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$993,146 for the year ended June 30, 2015 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 10. Categorical Funding

The District’s ending restricted balances for categorical funding as of June 30, 2015 are broken out by the following programs:

Program	Amount
Home school assistance program	\$ 66,283
Gifted and talented	199,251
Returning dropout and dropout prevention program	145,287
Teacher salary supplement	15,070
Text book aid for non-public students	218
Teacher leadership grants	10,356
Teacher quality, professional development	19,403
Teacher quality, professional development, model core curriculum	5,022
Teacher quality, market factor incentives	11,741
Total	<u>\$ 472,631</u>

Note 11. 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 12. Construction Commitments

The District has entered into various contracts totaling \$19,904,571 for the High School renovation/auditorium construction project. As of June 30, 2015, costs of \$14,219,629 had been incurred against the contracts. The balance of \$5,684,942 remaining at June 30, 2015 will be paid as work on the projects progresses.

Note 13. Deficit Net Position

At June 30, 2015, the District had a deficit unrestricted net position of \$1,758,266 in the governmental activities.

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	Unassigned/ Unrestricted
Fund balance (Exhibit C)	\$ -	2,805,801	6,727,355
Capital assets, net of accumulated depreciation	34,522,715	-	-
Revenue bond capitalized indebtedness	(15,490,000)	-	-
General obligation bond capitalized indebtedness	(3,370,000)	-	-
Capital loan note capitalized indebtedness	(5,840,000)	-	-
Accrued interest payable	-	(325,230)	-
Internal service fund	-	-	1,997,805
Net pension liability	-	-	(8,359,336)
Pension related deferred outflows of resources	-	-	1,892,285
Pension related deferred inflows of resources	-	-	(3,188,010)
Income surtax	-	-	291,549
Compensated absences	-	-	(71,742)
Net OPEB liability	-	-	(1,048,172)
Net position (Exhibit A)	<u>\$ 9,822,715</u>	<u>2,480,571</u>	<u>(1,758,266)</u>

Note 15. Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27 was implemented during fiscal year 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, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental and business type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	Governmental Activities	Business Type Activities
Net position June 30, 2014, as previously reported	\$ 27,713,427	\$ 579,743
Net pension liability at June 30, 2014	(11,537,476)	(96,563)
Deferred outflows of resources related to the contributions made after the June 30, 2013 measurement date	1,231,673	10,309
Net position July 1, 2014, as restated	<u>\$ 17,407,624</u>	<u>\$ 493,489</u>

REQUIRED SUPPLEMENTARY INFORMATION

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

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2015

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Fund Types	Fund Type		Original	Final	
	Actual	Actual	Actual			
Revenues:						
Local sources	\$ 9,232,764	864,162	10,096,926	9,848,036	9,848,036	248,890
State sources	18,214,076	12,331	18,226,407	18,228,187	18,228,187	(1,780)
Federal sources	1,634,809	1,265,054	2,899,863	2,825,000	2,825,000	74,863
Total revenues	29,081,649	2,141,547	31,223,196	30,901,223	30,901,223	321,973
Expenditures/Expenses:						
Instruction	18,022,631	213,519	18,236,150	19,143,500	19,643,500	1,407,350
Support services	6,934,642	129,980	7,064,622	7,366,275	8,116,275	1,051,653
Non-instructional programs	74,088	1,654,999	1,729,087	1,928,475	2,228,475	499,388
Other expenditures	11,817,136	-	11,817,136	17,375,990	17,375,990	5,558,854
Total expenditures/expenses	36,848,497	1,998,498	38,846,995	45,814,240	47,364,240	8,517,245
Excess(Deficiency) of revenues over(under) expenditures/expenses	(7,766,848)	143,049	(7,623,799)	(14,913,017)	(16,463,017)	8,839,218
Other financing sources, net	-	6,720	6,720	-	-	6,720
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	(7,766,848)	149,769	(7,617,079)	(14,913,017)	(16,463,017)	8,845,938
Balance beginning of year	26,807,659	493,489	27,301,148	24,504,801	24,504,801	2,796,347
Balance end of year	\$ 19,040,811	643,258	19,684,069	9,591,784	8,041,784	11,642,285

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

STORM LAKE COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2015

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budget expenditures by \$1,550,000.

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%
2015	July 1, 2014	-	1,461	1,461	0.0%	14,404	10.1%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

STORM LAKE COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
 LAST FISCAL YEAR*
 REQUIRED SUPPLEMENTARY INFORMATION

	2015
District's proportion of the net pension liability	0.208281%
District's proportionate share of the net pension liability	\$ 8,429,300
District's covered-employee payroll	\$ 14,686,319
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	57.40%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

* The amount presented for each fiscal year were determined as of June 30.

Note: Only the current fiscal year is being presented using a June 30, 2014 measurement date because 10-year data is not yet available.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

STORM LAKE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS
REQUIRED SUPPLEMENTARY INFORMATION

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statutorily required contribution	\$ 1,311,489	1,244,431	1,153,123	1,026,429	851,749	837,870	809,234	735,899	642,749	606,458
Contributions in relation to the statutorily required contribution	(1,311,489)	(1,244,431)	(1,153,123)	(1,026,429)	(851,749)	(837,870)	(809,234)	(735,899)	(642,749)	(606,458)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 14,686,327	13,935,398	13,300,150	12,719,071	12,255,381	12,055,683	12,743,843	12,163,620	11,178,243	10,547,096
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%	6.95%	6.95%	6.35%	6.05%	5.75%	5.75%

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

STORM LAKE COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY
YEAR ENDED JUNE 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

STORM LAKE COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY
YEAR ENDED JUNE 30, 2015

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

SUPPLEMENTARY INFORMATION

STORM LAKE COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2015

	Special Revenue			Debt Service	Total
	Management Levy	Student Activity	Total		
ASSETS					
Cash and pooled investments	\$ 1,528,482	72,088	1,600,570	937,008	2,537,578
Receivables:					
Property tax:					
Delinquent	4,240	-	4,240	3,293	7,533
Succeeding year	750,001	-	750,001	556,620	1,306,621
Accounts	4,593	-	4,593	-	4,593
TOTAL ASSETS	\$ 2,287,316	72,088	2,359,404	1,496,921	3,856,325
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 5,015	-	5,015	-	5,015
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	750,001	-	750,001	556,620	1,306,621
Fund balances:					
Restricted for:					
Debt service	-	-	-	940,301	940,301
Management	1,532,300	-	1,532,300	-	1,532,300
Student activities	-	72,088	72,088	-	72,088
Total fund balances	1,532,300	72,088	1,604,388	940,301	2,544,689
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 2,287,316	72,088	2,359,404	1,496,921	3,856,325

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, 2015

	Special Revenue			Debt Service	Total
	Management Levy	Student Activity	Total		
REVENUES:					
Local sources:					
Local tax	\$ 685,481	-	685,481	557,407	1,242,888
Other	28,525	218,442	246,967	19,230	266,197
State sources	13,196	-	13,196	10,422	23,618
TOTAL REVENUES	727,202	218,442	945,644	587,059	1,532,703
EXPENDITURES:					
Current:					
Instruction:					
Regular	190,344	-	190,344	-	190,344
Special	23,770	-	23,770	-	23,770
Other	-	200,314	200,314	-	200,314
Support services:					
Student	16,369	-	16,369	-	16,369
Instructional staff	2,707	-	2,707	-	2,707
Administration	38,374	-	38,374	-	38,374
Operation and maintenance of plant	199,486	-	199,486	-	199,486
Transportation	67,297	-	67,297	-	67,297
Non-instructional programs:					
Food service operations	1,035	-	1,035	-	1,035
Long-term debt:					
Principal	-	-	-	1,465,000	1,465,000
Interest and fiscal charges	-	-	-	937,899	937,899
TOTAL EXPENDITURES	539,382	200,314	739,696	2,402,899	3,142,595
Excess(Deficiency) of revenues over(under) expenditures	187,820	18,128	205,948	(1,815,840)	(1,609,892)
Other financing sources:					
Transfer in	-	-	-	1,763,418	1,763,418
Change in fund balance	187,820	18,128	205,948	(52,422)	153,526
Fund balance beginning of year	1,344,480	53,960	1,398,440	992,723	2,391,163
Fund balance end of year	\$ 1,532,300	72,088	1,604,388	940,301	2,544,689

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

STORM LAKE COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
ASSETS			
Cash and pooled investments	\$ 6,317,536	2,653,179	8,970,715
Receivables:			
Property tax:			
Delinquent	-	4,431	4,431
Succeeding year	-	751,059	751,059
Due from other governments	331,962	-	331,962
TOTAL ASSETS	\$ 6,649,498	3,408,669	10,058,167
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	10,972	10,972
Deferred revenue:			
Unavailable resources:			
Succeeding year property tax	-	751,059	751,059
Fund balances:			
Restricted for:			
Debt service	1,865,500	-	1,865,500
School infrastructure	4,783,998	-	4,783,998
Physical plant and equipment levy	-	2,646,638	2,646,638
Total fund balances	6,649,498	2,646,638	9,296,136
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 6,649,498	3,408,669	10,058,167

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, 2015

	Capital Project Fund		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
REVENUES:			
Local sources:			
Local tax	\$ -	750,108	750,108
Other	11,515	14,824	26,339
State sources	2,132,829	14,025	2,146,854
TOTAL REVENUES	<u>2,144,344</u>	<u>778,957</u>	<u>2,923,301</u>
EXPENDITURES:			
Current:			
Support services:			
Operation and maintenance of plant	-	18,203	18,203
Capital outlay	3,114,975	5,306,116	8,421,091
TOTAL EXPENDITURES	<u>3,114,975</u>	<u>5,324,319</u>	<u>8,439,294</u>
Deficiency of revenues under expenditures	(970,631)	(4,545,362)	(5,515,993)
Other financing uses:			
Transfer out	(1,164,773)	(598,645)	(1,763,418)
Change in fund balance	(2,135,404)	(5,144,007)	(7,279,411)
Fund balance beginning of year	8,784,902	7,790,645	16,575,547
Fund balance end of year	<u>\$ 6,649,498</u>	<u>2,646,638</u>	<u>9,296,136</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

STORM LAKE COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2015

Account	Balance Beginning of Year	Revenues	Expenditures	Intrafund Transfers	Balance End of Year
School Musical	\$ 7,972	4,577	4,262	(2,637)	5,650
Speech	-	1,636	3,371	1,762	27
Cheerleaders	3,043	8,294	7,914	(3,423)	-
Dance Squad	-	15,344	18,798	3,454	-
Storm Lake Breeze	-	7,172	5,510	-	1,662
Breeze of 2012	287	-	-	-	287
Art Club	4,602	1,802	3,158	-	3,246
Kreative Kitchens	1,440	3,772	2,863	-	2,349
FCCLA	1,728	-	6	-	1,722
International Club	239	1,129	1,155	-	213
AVID Club	297	1,072	280	-	1,089
Key Club	1,138	989	2,174	47	-
Student Council	380	2,464	2,209	-	635
Prom	1,288	5,651	3,970	-	2,969
All State Music	-	3,388	4,263	875	-
Vending Machines	-	2,755	1,492	-	1,263
Student Activities	1,009	271	245	(47)	988
Concessions	2,620	14,025	14,211	-	2,434
Interest	-	174	-	-	174
DECA	408	8,190	8,470	-	128
Orchestra	61	-	-	-	61
Cross Country	-	1,385	1,364	-	21
Boys Basketball	-	4,145	6,605	2,656	196
Football	1,885	12,766	6,991	(6,124)	1,536
Boys Soccer	140	2,409	1,881	(258)	410
Baseball	590	3,851	5,711	2,095	825
Boys Track	-	2,678	1,889	(789)	-
Boys Tennis	-	51	291	240	-
Boys Golf	-	643	1,546	903	-
Boys Swimming	-	925	977	52	-
Wrestling	1,858	5,104	6,271	931	1,622
Girls Basketball	1,042	3,384	2,784	(524)	1,118
Volleyball	2,008	9,353	9,526	(272)	1,563
Girls Soccer	-	2,110	2,662	647	95
Softball	-	4,426	3,539	(661)	226
Girls Track	-	2,631	1,636	(995)	-
Girls Tennis	-	-	391	391	-
Girls Golf	-	643	1,487	930	86
Girls Swimming	-	4,318	3,225	(1,093)	-
General Athletics	19,925	74,915	57,187	1,840	39,493
Total	\$ 53,960	218,442	200,314	-	72,088

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

STORM LAKE COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF NET POSITION
 INTERNAL SERVICE FUNDS
 JUNE 30, 2015

	Governmental Activities: Internal Service Funds		
	Self		
	Insurance	Flex	Total
ASSETS			
Cash and pooled investments	\$ 1,933,312	64,493	1,997,805
TOTAL ASSETS	<u>1,933,312</u>	<u>64,493</u>	<u>1,997,805</u>
LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION			
Unrestricted	1,933,312	64,493	1,997,805
TOTAL NET POSITION	<u>\$ 1,933,312</u>	<u>64,493</u>	<u>1,997,805</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

STORM LAKE COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENSES
 AND CHANGES IN FUND NET POSITION
 INTERNAL SERVICE FUNDS
 YEAR ENDED JUNE 30, 2015

	Governmental Activities: Internal Service Funds		
	Self Insurance	Flex	Total
OPERATING REVENUE:			
Local sources:			
Miscellaneous	\$ 3,105,483	108,489	3,213,972
OPERATING EXPENSES:			
Support services:			
Administration:			
Benefits	2,720	-	2,720
Services	2,724,749	134,102	2,858,851
TOTAL OPERATING EXPENSES	2,727,469	134,102	2,861,571
OPERATING INCOME (LOSS)	378,014	(25,613)	352,401
NON-OPERATING REVENUES:			
Interest income	161	9,786	9,947
Change in net position	378,175	(15,827)	362,348
Net position beginning of year	1,555,137	80,320	1,635,457
Net position end of year	\$ 1,933,312	64,493	1,997,805

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

STORM LAKE COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF CASH FLOWS
 INTERNAL SERVICE FUNDS
 YEAR ENDED JUNE 30, 2015

	Governmental Activities: Internal Service Funds		
	Self Insurance	Flex	Total
Cash flows from operating activities:			
Cash received from miscellaneous operating activities	\$ 3,105,483	108,489	3,213,972
Cash payments to employees for services	(2,720)	(134,102)	(136,822)
Cash payments to suppliers for goods or services	(2,724,749)	-	(2,724,749)
Net cash provided by operating activities	378,014	(25,613)	352,401
Cash flows from investing activities:			
Interest on investments	161	9,786	9,947
Net increase in cash and cash equivalents	378,175	(15,827)	362,348
Cash and cash equivalents at beginning of year	1,555,137	80,320	1,635,457
Cash and cash equivalents at end of year	\$ 1,933,312	64,493	1,997,805

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,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues:										
Local sources:										
Local tax	\$ 6,896,657	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
Tuition	1,585,087	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
Other	751,020	731,327	524,586	550,270	740,568	742,255	938,920	1,937,069	978,588	880,274
Intermediate sources	-	-	-	-	-	-	15,000	-	-	-
State sources	18,214,076	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
Federal sources	1,634,809	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
Total	\$ 29,081,649	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
Expenditures:										
Instruction:										
Regular	\$ 9,490,940	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
Special	3,625,534	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
Other	4,906,157	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
Support services:										
Student	807,347	818,441	838,235	738,775	760,828	666,280	791,485	718,580	699,051	611,262
Instructional staff	1,023,510	791,266	888,015	939,815	960,722	920,496	773,874	845,095	661,859	842,155
Administration	2,518,336	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
Operation and maintenance of plant	1,806,793	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
Transportation	778,656	592,033	591,851	636,321	539,498	461,729	530,477	635,848	587,385	405,597
Non-instructional programs:										
Food service operations	1,035	428	1,894	1,905	1,608	6,822	2,904	3,541	2,988	-
Community service operations	73,053	53,358	21,061	212	814	3,093	24,122	2,529	-	-
Capital outlay	8,421,091	5,617,201	691,643	311,332	747,495	1,683,433	8,951,786	6,119,309	564,714	300,168
Long-term debt:										
Principal	1,465,000	945,000	910,000	880,000	845,000	990,000	500,000	485,000	475,000	530,000
Interest and other charges	937,899	418,406	468,475	486,482	517,131	549,871	516,862	326,352	39,456	51,243
Other expenditures:										
AEA flow-through	993,146	917,471	886,415	828,303	900,299	858,542	747,876	712,056	646,571	591,183
Total	\$ 36,848,497	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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

STORM LAKE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015

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 15	\$ 17,387
INDIRECT:			
U.S. DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 15	243,988
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 15	923,432 *
SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	10.559	FY 15	15,613
			<u>1,183,033</u>
SCHOOL LUNCH EQUIPMENT GRANT STABILIZATION	10.579	FY 15	33,436
FRESH FRUIT AND VEGETABLE PROGRAM	10.582	FY 14	177
FRESH FRUIT AND VEGETABLE PROGRAM	10.582	FY 15	48,408
			<u>48,585</u>
U.S. DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	FY 15	753,829
TITLE I - SCHOOLS IN NEED OF ASSISTANCE (SINA)	84.010	FY 15	35,120
			<u>788,949</u>
MIGRANT EDUCATION - STATE GRANT PROGRAM	84.011	FY 15	239,241
21ST CENTURY COMMUNITY LEARNING CENTERS	84.287	FY 14	15,557
21ST CENTURY COMMUNITY LEARNING CENTERS	84.287	FY 15	201,858
			<u>217,415</u>
ENGLISH LANGUAGE ACQUISITION STATE GRANTS	84.365	FY 15	90,556
IMPROVING TEACHER QUALITY STATE GRANTS	84.367	FY 15	64,559
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES	84.369	FY 15	11,455
PRAIRIE LAKES AREA EDUCATION AGENCY:			
SPECIAL EDUCATION CLUSTER PROGRAMS:			
SPECIAL EDUCATION - GRANTS TO STATES(PART B)	84.027	FY 15	128,085
SPECIAL EDUCATION - IDEA - ADMINISTRATION AND PROJECTS	84.027	FY 15	507
			<u>128,592</u>
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 15	26,457
TOTAL			<u>\$ 2,849,665</u>

* Includes \$62,048 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.

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**Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards**

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

We have audited 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, 2015, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 11, 2016.

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 weakness.

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-15 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.

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, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Storm Lake Community School District's Responses to Findings

Storm Lake Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Storm Lake Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

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


NOLTE, CORNMAN & JOHNSON, P.C.

January 11, 2016
Newton, Iowa

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**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, 2015. 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, 2015.

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-15 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

January 11, 2016
Newton, Iowa

STORM LAKE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015

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

Individual Programs:

- 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-15 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: 2015
 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: 2015
 U.S. Department of Education
 Passed through the Iowa Department of Education

III-A-15 Segregation of Duties - One important aspect of internal accounting control is the (2015-001) 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-15 Certified Budget - District disbursements for the year ended June 30, 2015 did not exceed the amount budgeted.

IV-B-15 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-15 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-15 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	\$ 64,564
Terry Brashears, Teacher Spouse an agent at Real Estate Specialists	Commission, per bid	12,900

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-15 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-15 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

- IV-G-15 Certified Enrollment - No variances in the basic enrollment data certified in the Iowa Department of Education were noted.
- IV-H-15 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- IV-I-15 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-15 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-15 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- IV-L-15 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, 2015, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning Balance		\$ 8,784,902
Revenues:		
Statewide sales, services and use tax revenue	\$ 2,132,829	
Other local revenues	11,515	2,144,344
		<u>10,929,246</u>
Expenditures/transfer out:		
School infrastructure construction	3,091,740	
Equipment	1,128	
Other	22,107	
Transfer to another fund:		
Debt service fund	1,164,773	4,279,748
		<u>4,279,748</u>
Ending balance		<u>\$ 6,649,498</u>

For the year ended June 30, 2015, 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-15 Financial Condition - At June 30, 2015, the District had a deficit unrestricted net position of \$1,758,266 in the governmental activities. The primary reason for these deficit net positions is due to the implementation of GASB Statements No. 68 and No. 71 during the year.

Recommendation - The District should take steps to ensure the District's administration and Board of Education understand this accounting change/restatement and how GASB Statements No. 68 and 71 will affect the District's financials moving forward.

Response - The District's governmental activities went deficit due to the implementation of GASB Statement No. 68 and No. 71 in fiscal year 2015 which require the District to show its proportionate share of the IPERS funding deficit as a liability on the Statement of Net Position. The District's governmental activities net pension liability was \$8,359,336 at June 30, 2015. (See Note 15, Accounting Change/Restatement).

Conclusion - Response accepted.