

**SPIRIT LAKE COMMUNITY SCHOOL DISTRICT
SPIRIT LAKE, IOWA**

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

YEAR ENDED JUNE 30, 2011

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Spirit Lake Community School District
Spirit Lake, Iowa

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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Board of Education

Beth Will	President	2011
Todd Hummel	Vice President	2013
Ann Goerss	Board Member	2011
Randy Magg	Board Member	2011
Scott Wicks	Board Member	(Resigned April) 2013
Teresa Beck	Board Member	(Appointed May) 2011

School Officials

Dr. David Smith	Superintendent	2011
Donna Sebert	Board Secretary	2011
Karen Oleson	Director of Business and Finance	2011
Lonnie Sanders	Attorney	Indefinite

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Certified Public Accountants

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Spirit Lake Community School District, Spirit Lake, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

The financial statements of the Spirit Lake Community School Foundation, Indian Athletic Booster Club, Spirit Lake Music Booster Club, Elementary, Middle School and High School Partners in Education and Friends of the SAMI Center have not been audited, and we were not engaged to audit the Spirit Lake Community School Foundation, Indian Athletic Booster Club, Spirit Lake Music Booster Club, Elementary, Middle School and High School Partners in Education and Friends of the SAMI Center's financial statements as part of our audit of the Spirit Lake Community School District's basic financial statements. The Spirit Lake Community School Foundation, the Indian Athletic Booster Club, the Spirit Lake Music Booster Club, Elementary, Middle School and High School Partners in Education and Friends of the SAMI Center's financial statements are included in the District's financial statements as discretely presented component units.

Because the Spirit Lake Community School Foundation, Indian Athletic Booster Club, Spirit Lake Music Booster Club, Elementary, Middle School and High School Partners in Education, and Friends of the SAMI Center's financial statements have not been audited, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statements of the component units of the Spirit Lake Community School District, as of and for the year ended

June 30, 2011. In addition, 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 Spirit Lake Community School District at June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 26, 2012 on our consideration of Spirit Lake Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information, Schedule of Funding Progress for the Retiree Health Plan and the combining statements of the discretely presented component units on pages 4 through 15 and 55 through 58 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Spirit Lake Community School District's basic financial statements. Other auditors previously audited in accordance with the standards referred to in the second paragraph of this report, the financial statements for the nine years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules I through 11, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Cornwell, Frideres, Maher & Associates, P.L.C.

Cornwell, Frideres, Maher & Associates, P.L.C.
Certified Public Accountants

March 26, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

Spirit Lake Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$11,321,880 in fiscal year 2010 to \$12,086,867 in fiscal year 2011, while General Fund expenditures increased from \$11,008,401 in fiscal year 2010 to \$11,520,667 net of transfers in fiscal year 2011. The District's General Fund balance increased from \$1,332,348 at the end of fiscal year 2010 to \$1,898,548 at the end of fiscal year 2011, a 42.5% increase.
- The fiscal year 2011 increase in General Fund revenues was attributable to increases in property tax, tuition and state revenue. The increase in expenditures was due primarily to increases in the instruction and support services functional areas. The increase in revenues was more than the increase in expenditures which allowed the District to increase its carryover funds.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Spirit 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 Spirit 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 Spirit Lake Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the nonmajor governmental and enterprise funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal 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-1
Spirit Lake Community School District Annual Financial Report

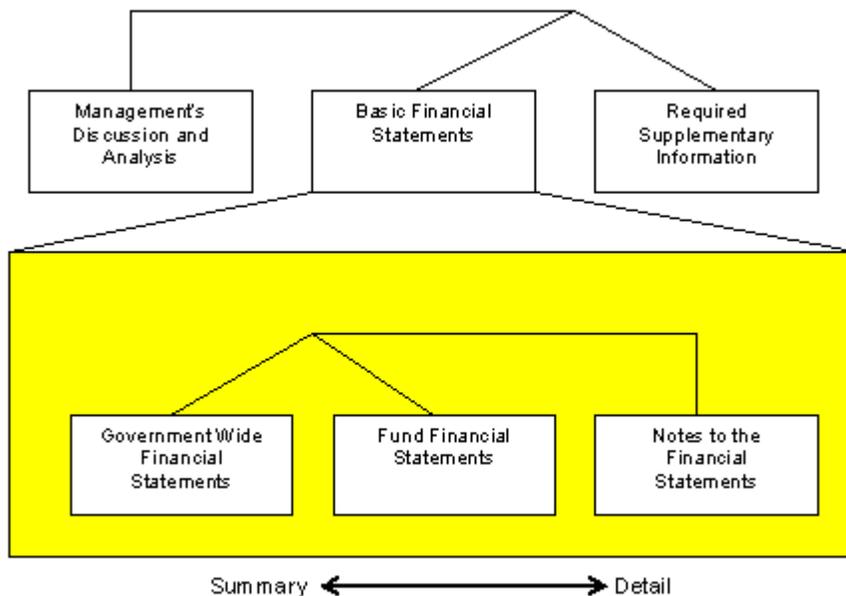


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into three categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.
- *Component units:* This includes the activities of the Spirit Lake Community School Foundation, the Indian Athletic Booster Club, the Spirit Lake Music Booster Club, Elementary, Middle School, and High School Partners in Education and Friends of the SAMI Center. The District receives significant financial benefits from these component units although they are legally separate entities.

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 it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

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

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

The required financial statements for 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, a 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 the following Enterprise Funds; the School Nutrition and Before and After School programs.

The required financial statements for proprietary funds include a statement net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2011 compared to June 30, 2010.

Figure A-3
Condensed Statement of Net Assets
(Expressed in Thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-2011
Current and other assets	\$ 14,553	13,673	126	87	14,679	13,760	6.7%
Capital assets	<u>24,452</u>	<u>24,673</u>	<u>10</u>	<u>14</u>	<u>24,462</u>	<u>24,687</u>	-0.9%
Total assets	<u>39,005</u>	<u>38,346</u>	<u>136</u>	<u>101</u>	<u>39,141</u>	<u>38,447</u>	1.8%
Long-term liabilities	5,580	6,824	1	1	5,581	6,825	-18.2%
Other liabilities	<u>9,716</u>	<u>9,490</u>	<u>10</u>	<u>16</u>	<u>9,726</u>	<u>9,506</u>	2.3%
Total liabilities	<u>15,296</u>	<u>16,314</u>	<u>11</u>	<u>17</u>	<u>15,307</u>	<u>16,331</u>	-6.3%
Net assets:							
Invested in capital assets, net of related debt	19,283	18,032	10	14	19,293	18,046	6.9%
Restricted	2,398	2,491	---	---	2,398	2,491	-3.7%
Unrestricted	<u>2,028</u>	<u>1,509</u>	<u>115</u>	<u>70</u>	<u>2,143</u>	<u>1,579</u>	35.7%
Total net assets	\$ 23,709	22,032	125	84	23,834	22,116	7.8%
	=====	=====	====	====	=====	=====	=====

The District's combined net assets increased 7.8%, or approximately \$1,718,000 from the prior year. The largest portion of the District's net assets is invested in capital assets (e.g., land, infrastructure, 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 assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets, decreased approximately \$93,000 or 3.7% from the prior year. The decrease was primarily a result of the decrease in fund balance in the Capital Projects Fund, Physical Plant and Equipment Levy.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately \$564,000 or 35.7%. This increase in unrestricted net assets can be attributed to the increase in the General Fund balance.

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

Figure A-4
Changes in Net Assets
(Expressed in Thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	2011	2010	2011	2010	2011	2010	2010-2011
Revenues:							
Program revenues:							
Charges for service	\$ 1,027	807	374	382	1,401	1,189	17.8%
Operating grants, contributions and restricted interest	2,100	2,344	188	183	2,288	2,527	-9.5%
Capital grants, contributions and restricted interest	29	32	---	---	29	32	-9.4%
General revenues:							
Property tax	8,274	7,389	---	---	8,274	7,389	12.0%
Statewide sales, services and use tax	1,584	1,370	---	---	1,584	1,370	15.6%
Income surtax	496	365	---	---	496	365	35.9%
Unrestricted state grants	1,617	1,274	---	---	1,617	1,274	26.9%
Unrestricted investment earnings	53	7	1	---	54	7	671.4%
Other	114	156	5	9	119	165	-27.9%
Gain (loss) on disposal of capital assets	5	---	---	---	5	---	100.0%
Total revenues	<u>15,299</u>	<u>13,744</u>	<u>568</u>	<u>574</u>	<u>15,867</u>	<u>14,318</u>	<u>10.8%</u>
Program expenses:							
Governmental activities:							
Instruction	8,492	7,789	---	---	8,492	7,789	9.0%
Support services	3,601	4,226	---	---	3,601	4,226	-14.8%
Non-instructional programs	2	---	527	583	529	583	-9.3%
Other expenses	<u>1,527</u>	<u>1,440</u>	---	---	<u>1,527</u>	<u>1,440</u>	<u>6.0%</u>
Total expenses	<u>13,622</u>	<u>13,455</u>	<u>527</u>	<u>583</u>	<u>14,149</u>	<u>14,038</u>	<u>0.8%</u>
Increase (decrease) in net assets	1,677	289	41	(9)	1,718	280	513.6%
Net assets beginning of year, as restated	<u>22,032</u>	<u>21,743</u>	<u>84</u>	<u>93</u>	<u>22,116</u>	<u>21,836</u>	<u>1.3%</u>
Net assets end of year	\$ <u>23,709</u>	<u>22,032</u>	<u>125</u>	<u>84</u>	<u>23,834</u>	<u>22,116</u>	<u>7.8%</u>

In fiscal 2011, property tax and unrestricted state grants account for 64.7% of governmental activities revenue while charges for service and operating grants and contributions account for 98.9% of the revenue from business type activities.

The District's total revenues were approximately \$15.9 million, of which approximately \$15.3 million was for governmental activities and less than \$1 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 10.8% increase in revenues and a 0.8% increase in expenses. Property tax increased approximately \$885,000 which allowed the District to increase its cash reserves.

Governmental Activities

Revenues for governmental activities were \$15,298,290 and expenses were \$13,620,742 for the year ended June 30, 2011.

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

Figure A-5
Total and Net Cost of Governmental Activities
(Expressed in Thousands)

	Total Cost of Services			Net Cost of Services		
	2011	2010	Change 2010-2011	2011	2010	Change 2010-2011
Instruction	\$ 8,492	7,789	9.0%	6,119	5,239	16.8%
Support services	3,601	4,226	-14.8%	3,339	4,117	-18.9%
Non-instructional programs	2	---	100.0%	2	---	100.0%
Other expenses	<u>1,527</u>	<u>1,440</u>	<u>6.0%</u>	<u>1,006</u>	<u>915</u>	<u>9.9%</u>
Total	\$ 13,622	13,455	1.2%	10,466	10,271	1.9%
	=====	=====	=====	=====	=====	=====

For the year ended June 30, 2011:

- The cost financed by users of the District's programs was \$1,026,587.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$2,129,597.
- The net cost of governmental activities was financed with \$8,273,682 in property tax, \$495,574 in income surtax, \$1,584,272 in statewide sales, services and use tax, \$1,616,960 in unrestricted state grants, and \$171,618 in other revenues.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2011 were \$568,131, representing a 1.0% decrease from the prior year, while expenses totaled \$527,410, a 9.5% decrease from the prior year. The District's business type activities include the School Nutrition and Before and After School program. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, Spirit 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 \$4,374,405, compared to last year's ending fund balances of \$3,924,430. The primary reason for the increase in combined fund balance in fiscal 2011 is due to the increase in the General Fund.

Governmental Fund Highlights

- The General Fund balance increased from \$1,332,348 to \$1,898,548 due, in part to growth in tax revenues.
- The Debt Service Fund balance increased from \$877,548 in fiscal 2010 to \$1,085,248 in fiscal 2011.
- The Capital Projects Fund balance decreased from \$1,055,186 in fiscal 2010 to \$869,238 in fiscal 2011.

Proprietary Fund Highlights

The total Proprietary Fund net assets increased from \$84,093 at June 30, 2010 to \$124,814 at June 30, 2011, representing an increase of approximately 48%. The increase in net assets is primarily due to decreasing expenses for the year.

BUDGETARY HIGHLIGHTS

Over the course of the year, Spirit Lake Community School District amended its budget one time to reflect additional expenditures.

The District's total revenues were \$1,336,165 less than total budgeted revenues, a variance of 7.8%.

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.

In spite of the District's budgetary practice, the certified budget was exceeded in the other expenditures functional area due to the timing of expenditures at the year-end without sufficient time to amend the certified budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the District had invested approximately \$24.5 million, net of accumulated depreciation/amortization, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of 1.0% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$812,329.

The original cost of the District's capital assets was approximately \$37.4 million. Governmental funds account for approximately \$37.3 million, with the remainder of approximately \$0.1 million accounted for in the Proprietary, School Nutrition Fund.

Figure A-6
Capital Assets, Net of Depreciation
(Expressed in Thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-2011
Land	\$ 300	300	---	---	300	300	0.0%
Construction in progress	188	---	---	---	188	---	100.0%
Buildings	22,564	23,068	---	---	22,564	23,068	-2.2%
Land improvements	555	513	---	---	555	513	8.2%
Machinery and equipment	<u>845</u>	<u>792</u>	<u>10</u>	<u>14</u>	<u>855</u>	<u>806</u>	<u>6.1%</u>
Total	\$ 24,452	24,673	10	14	24,462	24,687	-0.9%
	=====	=====	====	====	=====	=====	=====

Long-Term Debt

At June 30, 2011, the District had \$5,502,404 in total long-term debt outstanding. This represents a decrease of approximately 18.9% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

Figure A-7
Outstanding Long-Term Obligations
(Expressed in Thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-2011
Revenue bonds	\$ 3,945	4,955	---	---	3,945	4,955	-20.4%
Capital loan notes	---	90	---	---	---	90	-100.0%
Computer lease	1,224	1,595	---	---	1,224	1,595	-23.3%
Early retirement	<u>333</u>	<u>143</u>	---	---	<u>333</u>	<u>143</u>	<u>132.9%</u>
Total	\$ 5,502	6,783	---	---	5,502	6,783	-18.9%
	=====	=====	==	==	=====	=====	=====

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The resident student count in October, 2011 showed an increase of twenty students. With a per pupil cost of about \$6,000 that calculates to an additional \$120,000 in FY2013.
- Taxable valuations for FY2013 increased about 4.6%. That increase will help keep property taxes down.
- About \$500,000 has been collected for the athletic complex renovation in FY2012.

Several significant events took place in FY2011.

- Closed the Day Care Program and partnered with the YMCA to provide day care services.
- Received a grant to offer preschool services to all four-year olds in the district as part of the statewide program. With the closing of the Preschool/Day Care program, the four local preschools were designated to receive funds through this grant. It provides for the tuition cost of each four year old as well as funds for supplies, professional development, etc.
- On February 2, 2010 voters approved a three year PPEL levy of \$.65. The purpose of the levy was to provide funding for laptop computers for every student in grades 5-12 and other forms of technology. In August, 2010 about 1,054 laptops were distributed to students.

- The October, 2010 student count was up by five students.
- Eight teachers accepted an early retirement package with a lump sum payment of \$50,000 each paid from the Management Fund. This saved the district \$192,000 in the General Fund.
- Sent a bid for banking services to all local banks in May, 2010. Central Bank submitted a very lucrative proposal offering a 1.5% interest rate with no fees charged for typical bank services. Other banks were paying .1% to .4% with fees for returned deposit checks, wire transfers, etc. An account with Central Bank was opened in July, 2010. Throughout the year several of the district's seventeen bank accounts were closed and consolidated into the Central Bank account.
- Approved continued participation in the Educators Group consortium with a 5.5% increase in health care premiums and a 5% increase in dental care premiums. Approved a change in the life and disability insurance carrier, resulting in a 20% savings (about \$6,900 per year) and guaranteed no increase for three years.
- Accepted an offer of \$100,000 for the piece of vacant land west of the former administration building.
- Began an impressive project to replace the football field with artificial turf, install a new track and high jump area, demolish the shop building and install new lighting. A fund raising campaign was initiated by community members and donations of \$30,000 were received by the end of June, 2011. The lighting project was totally covered by community donations of labor, materials and supplies.

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 Karen Oleson, Director of Business and Finance, Spirit Lake Community School District, 2701 Hill Avenue, Spirit Lake, Iowa, 51360.

Basic Financial Statements

Spirit Lake Community School District
Spirit Lake, Iowa

Exhibit A

Statement of Net Assets

June 30, 2011

	Primary Government			Component
	Governmental	Business Type	Unit	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>	<u>Total</u> <u>Discrete</u>
Assets				
Cash and cash equivalents	\$ 4,499,690	105,998	4,605,688	335,238
Receivables:				
Property tax:				
Delinquent	79,869	-	79,869	-
Succeeding year	8,605,000	-	8,605,000	-
Accounts	55,859	474	56,333	900
Apple computer receivable	187,359	-	187,359	
Due from other governments	1,133,034	-	1,133,034	-
Due from other funds	(8,294)	8,294	-	-
Inventories	-	11,374	11,374	-
Capital assets, net of accumulated depreciation	<u>24,452,141</u>	<u>9,765</u>	<u>24,461,906</u>	-
Total assets	<u>39,004,658</u>	<u>135,905</u>	<u>39,140,563</u>	<u>336,138</u>
 Liabilities				
Accounts payable	80,137	10,070	90,207	945
Salaries and benefits payable	946,749	-	946,749	1,772
Accrued interest payable	83,044	-	83,044	-
Deferred revenue:				
Succeeding year property tax	8,605,000	-	8,605,000	-
Other	982	-	982	-
Long-term liabilities:				
Portion due within one year:				
Revenue bonds	480,000	-	480,000	-
Computer lease purchase obligation	515,710	-	515,710	-
Termination benefits	240,521	-	240,521	-
Portion due after one year:				
Revenue bonds	3,465,000	-	3,465,000	-
Computer lease purchase obligation	708,284	-	708,284	-
Termination benefits	92,889	-	92,889	-
Net OPEB liability	<u>76,870</u>	<u>1,021</u>	<u>77,891</u>	-
Total liabilities	<u>15,295,186</u>	<u>11,091</u>	<u>15,306,277</u>	<u>2,717</u>

(continued)

Spirit Lake Community School District
Spirit Lake, Iowa

Exhibit A

Statement of Net Assets

June 30, 2011

	Primary Government			Component	
	Governmental	Business Type	Unit		
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>	<u>Total</u>	<u>Discrete</u>
Net assets					
Invested in capital assets, net of related debt	19,283,147	9,765	19,292,912	-	
Restricted for:					
Investment	-	-	-	20,544	
Categorical funding	137,598	-	137,598	-	
Management levy purposes	457,745	-	457,745	-	
Physical plant and equipment	413,270	-	413,270	-	
School infrastructure	455,968	-	455,968	-	
Debt service	869,238	-	869,238	-	
Student activities	63,626	-	63,626	-	
Unrestricted	2,028,880	115,049	2,143,929	312,877	
Total net assets	<u>\$ 23,709,472</u>	<u>124,814</u>	<u>23,834,286</u>	<u>333,421</u>	

See notes to financial statements.

Spirit Lake Community School District
 Spirit Lake, Iowa
 Statement of Activities
 Year ended June 30, 2011

	<u>Expenses</u>	<u>Charges for Service</u>	<u>Program Revenues</u>	
			<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
Functions/Programs:				
Primary Government:				
Governmental activities:				
Instruction:				
Regular instruction	\$ 5,758,341	568,817	917,492	-
Special instruction	1,407,928	274,670	204,872	-
Other instruction	1,324,355	143,255	263,504	-
	<u>8,490,624</u>	<u>986,742</u>	<u>1,385,868</u>	<u>-</u>
Support services:				
Student	181,191	-	13,768	-
Instructional staff	623,982	-	156,121	-
Administration	1,129,204	17,109	52,414	-
Operation and maintenance of plant	1,241,692	22,736	-	-
Transportation	425,314	-	637	-
	<u>3,601,383</u>	<u>39,845</u>	<u>222,940</u>	<u>-</u>
Non-instructional programs	<u>2,243</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	127,329	-	-	29,377
Long-term debt interest	208,922	-	-	-
AEA flowthrough	491,412	-	491,412	-
Depreciation (unallocated)*	698,829	-	-	-
	<u>1,526,492</u>	<u>-</u>	<u>491,412</u>	<u>29,377</u>
Total governmental activities	<u>13,620,742</u>	<u>1,026,587</u>	<u>2,100,220</u>	<u>29,377</u>
Business type activities:				
Non-instructional programs:				
Food service operations	505,463	339,500	188,358	-
Before & after school	21,947	34,355	-	-
Total business type activities	<u>527,410</u>	<u>373,855</u>	<u>188,358</u>	<u>-</u>
Total primary government	<u>\$ 14,148,152</u>	<u>1,400,442</u>	<u>2,288,578</u>	<u>29,377</u>
Component Units:				
Total discrete	<u>\$ 614,908</u>	<u>555,736</u>	<u>90,453</u>	<u>-</u>
General Revenues:				
Property tax levied for:				
General purposes				
Capital outlay				
Income surtax				
Statewide sales, services and use tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Sale of fixed assets				
Total general revenues				
Change in net assets				
Net assets beginning of year				
Net assets end of year				

* This amount excludes the depreciation included in the direct expenses of the various programs.

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business Type Activities	Total	Total Discrete
(4,272,032)	-	(4,272,032)	-
(928,386)	-	(928,386)	-
(917,596)	-	(917,596)	-
<u>(6,118,014)</u>	<u>-</u>	<u>(6,118,014)</u>	<u>-</u>
(167,423)	-	(167,423)	-
(467,861)	-	(467,861)	-
(1,059,681)	-	(1,059,681)	-
(1,218,956)	-	(1,218,956)	-
(424,677)	-	(424,677)	-
<u>(3,338,598)</u>	<u>-</u>	<u>(3,338,598)</u>	<u>-</u>
<u>(2,243)</u>	<u>-</u>	<u>(2,243)</u>	<u>-</u>
(97,952)	-	(97,952)	-
(208,922)	-	(208,922)	-
-	-	-	-
<u>(698,829)</u>	<u>-</u>	<u>(698,829)</u>	<u>-</u>
<u>(1,005,703)</u>	<u>-</u>	<u>(1,005,703)</u>	<u>-</u>
<u>(10,464,558)</u>	<u>-</u>	<u>(10,464,558)</u>	<u>-</u>
-	22,395	22,395	-
-	12,408	12,408	-
-	34,803	34,803	-
<u>(10,464,558)</u>	<u>34,803</u>	<u>(10,429,755)</u>	<u>-</u>
-	-	-	31,281
7,344,123	-	7,344,123	-
929,559	-	929,559	-
495,574	-	495,574	-
1,584,272	-	1,584,272	-
1,616,960	-	1,616,960	-
52,597	736	53,333	(20,864)
114,099	5,182	119,281	1,222
4,922	-	4,922	-
<u>12,142,106</u>	<u>5,918</u>	<u>12,148,024</u>	<u>(19,642)</u>
1,677,548	40,721	1,718,269	11,639
22,031,924	84,093	22,116,017	321,782
<u>\$ 23,709,472</u>	<u>124,814</u>	<u>23,834,286</u>	<u>333,421</u>

Spirit Lake Community School District
Spirit Lake, Iowa

Exhibit C

Balance Sheet
Governmental Funds

June 30, 2011

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Assets					
Cash and pooled investments	\$ 2,518,405	1,085,248	406,069	489,968	4,499,690
Receivables:					
Property tax:					
Delinquent	67,291	-	10,207	2,371	79,869
Succeeding year	7,123,000	-	952,000	530,000	8,605,000
Accounts	21,827	-	5,000	29,032	55,859
Apple computer receivable	-	-	187,359	-	187,359
Due from other funds	-	-	8,208	-	8,208
Due from other governments	867,895	-	265,139	-	1,133,034
Total assets	<u>\$ 10,598,418</u>	<u>1,085,248</u>	<u>1,833,982</u>	<u>1,051,371</u>	<u>14,569,019</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 67,393	-	12,744	-	80,137
Salaries and benefits payable	946,749	-	-	-	946,749
Due to other funds	16,502	-	-	-	16,502
Deferred revenue:					
Succeeding year property tax	7,123,000	-	952,000	530,000	8,605,000
Income surtax	545,244	-	-	-	545,244
Other	982	-	-	-	982
Total liabilities	<u>8,699,870</u>	<u>-</u>	<u>964,744</u>	<u>530,000</u>	<u>10,194,614</u>
Fund balances:					
Restricted for:					
Categorical funding	137,598	-	-	-	137,598
Debt service	-	1,085,248	-	-	1,085,248
Management levy purposes	-	-	-	457,745	457,745
Student activities	-	-	-	63,626	63,626
School infrastructure	-	-	455,968	-	455,968
Physical plant and equipment	-	-	413,270	-	413,270
Unassigned	1,760,950	-	-	-	1,760,950
Total fund balances	<u>1,898,548</u>	<u>1,085,248</u>	<u>869,238</u>	<u>521,371</u>	<u>4,374,405</u>
Total liabilities and fund balances	<u>\$ 10,598,418</u>	<u>1,085,248</u>	<u>1,833,982</u>	<u>1,051,371</u>	<u>14,569,019</u>

See notes to financial statements.

Spirit Lake Community School District
Spirit Lake, Iowa

Exhibit D

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2011

Total fund balances of governmental funds (page 20) \$ 4,374,405

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 24,452,141

Other long-term assets are not available to pay current year expenditures and, therefore, are deferred in the governmental funds. 545,244

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. (83,044)

Long-term liabilities, including bonds, compensated absences, termination benefits, lease obligations, and other postemployment benefits payable, are not due and payable in the current year and therefore, are not reported in the governmental funds. (5,579,274)

Net assets of governmental activities (page 17) \$ 23,709,472

See notes to financial statements.

Spirit Lake Community School District

Exhibit E

Spirit Lake, Iowa

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

Year ended June 30, 2011

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Revenues:					
Local sources:					
Local tax	\$ 7,425,889	-	2,513,832	250,008	10,189,729
Tuition	745,086	-	-	-	745,086
Other	245,828	12,077	40,727	229,733	528,365
State sources	2,973,332	-	312	88	2,973,732
Federal sources	691,810	-	645	203	692,658
Total revenues	<u>12,081,945</u>	<u>12,077</u>	<u>2,555,516</u>	<u>480,032</u>	<u>15,129,570</u>
Expenditures:					
Current:					
Instruction:					
Regular	5,233,912	-	20,929	285,930	5,540,771
Special	1,404,928	-	-	-	1,404,928
Other	1,127,636	-	-	214,581	1,342,217
	<u>7,766,476</u>	<u>-</u>	<u>20,929</u>	<u>500,511</u>	<u>8,287,916</u>
Support services:					
Student	180,429	-	-	-	180,429
Instructional staff	461,486	-	243,498	3,083	708,067
Administration	1,095,525	-	14,524	10,143	1,120,192
Operation and maintenance of plant	1,138,436	-	3,840	60,600	1,202,876
Transportation	293,585	-	82,512	41,429	417,526
	<u>3,169,461</u>	<u>-</u>	<u>344,374</u>	<u>115,255</u>	<u>3,629,090</u>
Non-instructional programs	-	-	-	2,243	2,243
Other expenditures:					
Facilities acquisition	-	-	553,213	-	553,213
Long-term debt:					
Principal	-	1,472,003	-	-	1,472,003
Interest and fiscal charges	-	248,640	-	-	248,640
AEA flowthrough	491,412	-	-	-	491,412
	<u>491,412</u>	<u>1,720,643</u>	<u>553,213</u>	<u>-</u>	<u>2,765,268</u>
Total expenditures	<u>11,427,349</u>	<u>1,720,643</u>	<u>918,516</u>	<u>618,009</u>	<u>14,684,517</u>
Excess (deficiency) of revenues over (under) expenditures	<u>654,596</u>	<u>(1,708,566)</u>	<u>1,637,000</u>	<u>(137,977)</u>	<u>445,053</u>
Other financing sources (uses):					
Sale of fixed assets	4,922	-	-	-	4,922
Operating transfers in	-	1,916,266	-	-	1,916,266
Operating transfers out	(93,318)	-	(1,822,948)	-	(1,916,266)
Total other financing sources (uses)	<u>(88,396)</u>	<u>1,916,266</u>	<u>(1,822,948)</u>	<u>-</u>	<u>4,922</u>
Net change in fund balances	566,200	207,700	(185,948)	(137,977)	449,975
Fund balances beginning of year, as restated	1,332,348	877,548	1,055,186	659,348	3,924,430
Fund balances end of year	<u>\$ 1,898,548</u>	<u>1,085,248</u>	<u>869,238</u>	<u>521,371</u>	<u>4,374,405</u>

See notes to financial statements.

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities

Year ended June 30, 2011

Net change in fund balances - total governmental funds (page 22) \$ 449,975

*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 not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation/amortization expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation/amortization expense in the current year, as follows:

Expenditures for capital assets	\$ 587,395	
Depreciation expense	<u>(807,991)</u>	(220,596)

Income surtax not collected for several months after year end is not considered available revenue and is deferred in the governmental funds. 163,798

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

Repaid	<u>1,471,522</u>	1,471,522
--------	------------------	-----------

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 governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 40,199

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, as follows:

Termination benefits	(190,080)	
Other postemployment benefits	<u>(37,270)</u>	(227,350)

Change in net assets of governmental activities (page 19) \$ 1,677,548

See notes to financial statements.

Spirit Lake Community School District
Spirit Lake, Iowa

Exhibit G

Statement of Net Assets
Proprietary Fund

June 30, 2011

	Nonmajor Enterprise <u>Funds</u>
Assets	
Cash and cash equivalents	\$ 105,998
Accounts receivable	474
Interfund receivable	8,294
Inventories	11,374
Capital assets, net of accumulated depreciation	<u>9,765</u>
Total assets	<u>135,905</u>
Liabilities	
Accounts payable	10,070
Net OPEB liability	<u>1,021</u>
Total liabilities	<u>11,091</u>
Net Assets	
Invested in capital assets	9,765
Unrestricted	<u>115,049</u>
Total net assets	<u><u>\$ 124,814</u></u>

See notes to financial statements.

Spirit Lake Community School District
Spirit Lake, Iowa

Exhibit H

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund

Year ended June 30, 2011

	Nonmajor Enterprise <u>Funds</u>
Operating revenues:	
Local sources:	
Charges for service	\$ 373,855
Miscellaneous	5,182
Total operating revenues	<u>379,037</u>
Operating expenses:	
Support services:	
Administration	1,052
Operation and maintenance of plant	1,251
Transportation	461
	<u>2,764</u>
Non-instructional programs:	
Salaries	179,538
Benefits	32,816
Purchased services	7,493
Supplies	300,461
Depreciation	4,338
	<u>524,646</u>
Total operating expenses	<u>527,410</u>
Operating (loss)	<u>(148,373)</u>

(continued)

Spirit Lake Community School District
Spirit Lake, Iowa

Exhibit H

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund

(continued)

Year ended June 30, 2011

	Nonmajor Enterprise <u>Funds</u>
Non-operating revenues:	
State sources	4,120
Federal sources	184,238
Interest income	<u>736</u>
Total non-operating revenues	<u>189,094</u>
 Increase in net assets	 40,721
 Net assets beginning of year	 <u>84,093</u>
 Net assets end of year	 <u>\$ 124,814</u>

See notes to financial statements.

Spirit Lake Community School District
Spirit Lake, Iowa

Exhibit I

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2011

	<u>Nonmajor Enterprise Funds</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 340,622
Cash received from other services	39,537
Cash paid to employees for services	(219,222)
Cash paid to suppliers for goods or services	<u>(281,748)</u>
Net cash (used by) operating activities	<u>(120,811)</u>
Cash flows from non-capital financing activities:	
Interfund loans received (repaid)	(25,364)
State grants received	4,120
Federal grants received	<u>153,957</u>
Net cash provided by non-capital financing activities	<u>132,713</u>
Cash flows from investing activities:	
Interest on investments	<u>736</u>
Net increase in cash and cash equivalents	12,638
Cash and cash equivalents beginning of year	<u>93,360</u>
Cash and cash equivalents end of year	<u>\$ 105,998</u>

(continued)

Spirit Lake Community School District
Spirit Lake, Iowa

Exhibit I

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2011

	Nonmajor Enterprise <u>Funds</u>
Reconciliation of operating (loss) to net cash (used by) operating activities:	
Operating (loss)	\$ (148,373)
Adjustments to reconcile operating (loss) to net cash (used by) operating activities:	
Commodities used	30,281
Depreciation	4,338
(Increase) decrease in accounts receivable	139
(Increase) decrease in inventories	(880)
Increase (decrease) in accounts payable	9,639
Increase (decrease) in salaries and benefits payable	(7,363)
Increase (decrease) in deferred revenue	(9,087)
Increase (decrease) in other postemployment benefits	<u>495</u>
Net cash (used by) operating activities	<u>\$ (120,811)</u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2011, the District received \$30,281 of federal commodities.

See notes to financial statements.

Spirit Lake Community School District
Spirit Lake, Iowa

Exhibit J

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2011

	<u>Private Purpose Trust</u> <u>Scholarship</u>
Assets	
Cash	\$ <u>301,588</u>
Total assets	<u>301,588</u>
Liabilities	
Total liabilities	<u>-</u>
Net assets	
Reserved for scholarships	\$ <u><u>301,588</u></u>

See notes to financial statements.

Spirit Lake Community School District
Spirit Lake, Iowa

Exhibit K

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2011

	<u>Private Purpose Trust</u> <u>Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	\$ 300,000
Interest income	<u>1,588</u>
Total additions	301,588
Deductions:	
Instruction:	
Regular:	
Scholarships	<u>-</u>
Change in net assets	301,588
Net assets beginning of year	<u>-</u>
Net assets end of year	<u><u>\$ 301,588</u></u>

See notes to financial statements.

Spirit Lake Community School District
Spirit Lake, Iowa

Exhibit L

Statement of Assets, Liabilities and Net Assets - Cash Basis
Spirit Lake Community School Foundation

June 30, 2011

	<u>Spirit Lake Community School Foundation</u>
Assets	
Cash	\$ 16,945
Investments	<u>757,415</u>
Total assets	<u><u>774,360</u></u>
Total Liabilities	<u>-</u>
Net assets	
Restricted net assets	762,309
Unrestricted net assets	<u>12,051</u>
Total net assets	<u><u>\$ 774,360</u></u>

See notes to financial statements.

Spirit Lake Community School District
Spirit Lake, Iowa

Exhibit M

Statement of Revenue and Expenses and
Changes in Net Assets - Cash Basis -
Spirit Lake Community School Foundation

Year Ended June 30, 2011

	Spirit Lake Community School Foundation		
	Unrestricted Funds	Restricted Funds	Total
Revenues:			
Interest	\$ 23	-	23
Donations	3,230	14,574	17,804
Dividends	-	24,208	24,208
Total revenues	3,253	38,782	42,035
Expenses:			
Scholarships	-	31,180	31,180
Donations	2,440	760	3,200
Accounting fees	-	1,500	1,500
Investment management	-	3,391	3,391
Postage	189	-	189
Total expenses	2,629	36,831	39,460
Excess of revenues over expenses	624	1,951	2,575
Other financing sources (uses):			
Gain on sale of investemnts	-	3,782	3,782
Unrealized gain on sale	-	63,188	63,188
Transfers	3,606	(3,606)	-
Total other financing sources (uses)	3,606	63,364	66,970
Change in net assets	4,230	65,315	69,545
Net assets beginning of year	7,821	696,994	704,815
Net assets end of year	\$ 12,051	762,309	774,360

See notes to financial statements.

Spirit Lake Community School District
Spirit Lake, Iowa

Notes to Financial Statements

June 30, 2011

(1) Summary of Significant Accounting Policies

Spirit Lake Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the City of Spirit Lake, Iowa, and the predominate agricultural territory in Dickinson county. 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, Spirit 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 Spirit Lake Community School District has seven organizations that are considered component units according to Governmental Accounting Standards Board criteria.

These financial statements present the Spirit Lake Community School District (the primary government) and its component units.

One, component unit, the Spirit Lake Community School Foundation is included in the District's reporting because of the significance of its operational or financial relationship with the District. The Foundation issues separate compiled financial statements which are available at the District's central office.

Spirit Lake Community School District
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Notes to Financial Statements

June 30, 2011

The remaining six component units discussed below are included in the District's reporting entity because of the significance of their operational or financial relationship with the District. These organizations do not produce separately prepared financial statements. In accordance with criteria set forth by the Governmental Accounting Standards Board, these organizations meet the definition of a component unit which should be discretely presented.

Discretely Presented Component Units – The Indian Athletic Booster Club was created to raise money through membership fees, contributions and fundraisers to benefit the District's non-intramural athletic programs. It is a legally separate not-for-profit organization with its own accounting records and board of directors. The board of directors consists of five officers of the executive committee and six at-large members. Directors are elected by booster club members at the annual meeting. Executive committee members serve one year terms while at-large members serve two year terms.

The Spirit Lake Music Booster Club was created to provide support, both financial and volunteer, to the music programs of the District by raising money through memberships, concession stands and fundraisers. It is a legally separate not-for-profit organization with its own accounting records and board of directors. Directors volunteer and may serve for as they are willing.

The Elementary, Middle School and High School Partners in Education (PIE) were created to offer parents the opportunity to help further the education of students of the District. Funds raised by these organizations are used to aid in the education of students in ways that the District's budget would otherwise not be able to provide. The three Partners in Education are legally separate not-for-profit organizations with their own accounting records and board of directors.

The Friends of the SAMI Center (The Friends) was created to be an active partner with the District as the primary advocate for the Sami Bedell Center for the Performing Arts. The Friends mission is to enhance the impact of the Sami Center by providing collaborative programming and financial support in a creative and visionary manner. The Friends is a legally separate not-for-profit organization with its own accounting records and board of directors.

Spirit Lake Community School District
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Notes to Financial Statements

June 30, 2011

Jointly Governed Organization - The District participates in a jointly governed organization that provides services to the District but does 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 Dickinson County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in the following categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the preceding categories. Unrestricted net assets often have constraints on resources imposed by management which 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 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

Spirit Lake Community School District
Spirit Lake, Iowa

Notes to Financial Statements

June 30, 2011

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 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 revenues 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 expenditures, including instructional, support and other costs.

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The District's proprietary funds are the Enterprise, School Nutrition Fund and the Before and After School Program. The Nutrition fund is used to account for the food service operations of the District. The Before and After School Program is used to account for the programs held before and after school.

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

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

Spirit Lake Community School District
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Notes to Financial Statements

June 30, 2011

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary 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 the 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.

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

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating 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 Funds are 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 non-operating revenues and expenses.

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

D. Assets, Liabilities and Fund 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, have a maturity date no longer than three months.

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Property Tax Receivable – Property tax in governmental funds is 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 the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2010.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture and equipment and intangibles, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair 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,

Spirit Lake Community School District
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Notes to Financial Statements

June 30, 2011

individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,500
Buildings	2,500
Land improvements	2,500
Intangibles	25,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,500

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50
Improvements other than buildings	20
Intangibles	2 +
Furniture and equipment	5-30

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

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue in the governmental fund financial statements represents 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 year. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

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Deferred revenue in the Statement of Net Assets consists of unspent grant proceeds, amounts received in advance for meal sales and succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation, personal and sick leave benefits payable to employees. Vacation and personal leave must be used by June 30th of each year and sick leave does not vest, therefore, no liability has been recorded for these amounts.

Long-Term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

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

Unassigned – All amounts not included in other spendable classifications.

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or are imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

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

Spirit Lake Community School District
Spirit Lake, Iowa

Notes to Financial Statements

June 30, 2011

(2) Cash and Pooled Investments

The District's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the 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, 2011, the District had investments in the Iowa Schools Joint Investment Trust Diversified Portfolio which are valued at an amortized cost of \$1,499 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk - The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2011 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Capital Projects:		
Physical Plant and Equipment Levy	General	\$ 8,208
Enterprise:		
Nutrition	General	<u>8,294</u>
Total		<u>\$16,502</u>

The General Fund is repaying the Capital Projects Fund, Physical Plant and Equipment Levy Fund for unallowable items contained in the District's lease with Apple Computer Company.

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June 30, 2011

The General Fund is repaying the Enterprise, School Nutrition Fund for payroll that was over-reimbursed to the General Fund during the year.

(4) Interfund Transfers

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	General	\$ 93,318
Debt Service	Capital Projects: Physical Plant and Equipment Levy	443,500
Debt Sinking	Capital Projects: Statewide Sales, Services and Use Tax	<u>1,379,448</u>
Total		\$ <u>1,916,266</u>

The General Fund transferred to the Debt Service Fund for principal and interest payments on the District's energy management capital loan note indebtedness.

The Capital Projects, Physical Plant and Equipment Levy transferred to the Debt Service Fund for principal and interest payments on the District's computer lease.

The Capital Projects, Statewide Sales, Services and Use Tax Fund transferred to the Debt Sinking Fund as required by the covenants of the District's revenue bond indebtedness.

Spirit Lake Community School District
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June 30, 2011

(5) Capital Assets

Capital assets activity for the year ended June 30, 2011 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 300,000	---	---	300,000
Construction in progress	<u>---</u>	<u>188,412</u>	---	<u>188,412</u>
Total capital assets not being depreciated	<u>300,000</u>	<u>188,412</u>	---	<u>488,412</u>
Capital assets being depreciated:				
Buildings	32,068,365	104,609	---	32,172,974
Land improvements	1,915,072	125,244	---	2,040,316
Machinery and equipment	<u>2,512,922</u>	<u>169,130</u>	<u>(93,923)</u>	<u>2,588,129</u>
Total capital assets being depreciated	<u>36,496,359</u>	<u>398,983</u>	<u>(93,923)</u>	<u>36,801,419</u>
Less accumulated depreciation for:				
Buildings	9,000,902	607,904	---	9,608,806
Land improvements	1,401,650	84,107	---	1,485,757
Machinery and equipment	<u>1,721,070</u>	<u>115,980</u>	<u>(93,923)</u>	<u>1,743,127</u>
Total accumulated depreciation	<u>12,123,622</u>	<u>807,991</u>	<u>(93,923)</u>	<u>12,837,690</u>
Total capital assets being depreciated, net	<u>24,372,737</u>	<u>(409,008)</u>	---	<u>23,963,729</u>
Governmental activities capital assets, net	<u>\$ 24,672,737</u>	<u>(220,596)</u>	---	<u>24,452,141</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 140,492	---	---	140,492
Less accumulated depreciation	<u>126,389</u>	<u>4,338</u>	---	<u>130,727</u>
Business type activities capital assets, net	<u>\$ 14,103</u>	<u>4,338</u>	---	<u>9,765</u>

Spirit Lake Community School District
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June 30, 2011

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

 Regular \$ 28,131

Support services:

 Administration 2,778

 Operation and maintenance of plant 39,328

 Transportation 38,925

109,162

Unallocated 698,829

Total depreciation expense – governmental activities \$ 807,991

Business type activities:

 Food service operations \$ 4,338

(6) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2011 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Revenue bonds	\$ 4,955,000	---	1,010,000	3,945,000	480,000
Capital loan notes	90,790	---	90,790	---	---
Computer lease	1,594,726	---	370,732	1,223,994	515,710
Early retirement	143,330	430,600	240,520	333,410	240,521
Net OPEB liability	<u>39,600</u>	<u>37,270</u>	---	<u>76,870</u>	---
Total	\$ <u>6,823,446</u>	<u>467,870</u>	<u>1,712,042</u>	<u>5,579,274</u>	<u>1,236,231</u>

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Business type activities:					
Net OPEB liability	\$ <u>526</u>	<u>495</u>	---	<u>1,021</u>	---

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Revenue Bonds

Details of the District's June 30, 2011 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of June 1, 2008			
	Interest Rates	Principal	Interest	Total
2012	3.50%	\$ 480,000	138,076	618,076
2013	3.50	385,000	121,276	506,276
2014	3.50	385,000	107,800	492,800
2015	3.50	385,000	94,326	479,326
2016	3.50	385,000	80,850	465,850
2017-2021	3.50	<u>1,925,000</u>	<u>202,125</u>	<u>2,127,125</u>
Total		<u>\$ 3,945,000</u>	<u>744,453</u>	<u>4,689,453</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$6,800,000 of bonds issued in June 2008. The bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. 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 2021. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds, along with the required transfers to the Reserve Account are expected to require nearly 40% of the statewide sales, services, and use tax revenue. The total principal and interest remaining to be paid on the bonds is \$4,689,453. For the current year \$1,010,000 in principal and \$173,425 in interest was paid on the bonds and total statewide sales, services, and use tax revenues were \$1,584,272.

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

- a) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- b) 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. Any monies left in the revenue account shall be disbursed into the revenue account. The District is required to establish a reserve account of \$680,000 to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account.

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June 30, 2011

- c) Any monies remaining in the reserve 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

During the year ended June 30, 2002, the District issued Energy Management Capital Loan notes to build a wind turbine. Annual principal and interest payments are made from the General Fund. For the current year \$90,790 in principal and \$2,527 in interest was paid on the capital loan notes. The notes have been paid off as of June 30, 2011.

Computer Lease

During the year ended June 30, 2010, the District entered into a lease agreement with Apple Computer Company for laptop computers for the District's One on One Initiative. Annual principal and interest payments are made from the Capital Projects, Physical Plant and Equipment Levy Fund. For the current year \$370,732 in principal and \$72,268 in interest was paid on the computer lease. Details of the District's June 30, 2011 computer leases indebtedness are as follows:

Year Ending <u>June 30,</u>	<u>Lease dated of March 3, 2010</u>			
	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	4.84%	\$ 515,710	49,395	565,105
2013	4.84	347,614	30,131	377,745
2014	4.84	<u>360,670</u>	<u>13,100</u>	<u>373,770</u>
Total		\$ <u>1,223,994</u>	<u>92,626</u>	<u>1,316,620</u>

Early Retirement

The District offered a one time voluntary early retirement plan to its licensed employees. Eligible licensed employees must have completed ten years of continuous service as a full-time licensed employee of the District and must have reached the age of fifty-five on or before June 29, 2011. The benefit consists of \$50,000 to be paid out in two installments. The District is also making payments to employees who accepted the District voluntary early retirement plan offered for the year ended June 30, 2008. The benefit was equal to a percentage (based on age of employee) of the difference between the employee's last year's teaching salary, the base salary and years of service with the benefit being paid in equal annual installments in October until the employee is eligible for medicare. Early retirement benefits paid for the year ended June 30, 2011 totaled \$240,520.

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June 30, 2011

(7) Pension and Retirement Benefits

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

Plan members are required to contribute 4.50% of their annual covered salary and the District is required to contribute 6.95% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$519,601, \$484,681 and \$459,884, respectively, equal to the required contributions for each year.

(8) Other Postemployment Benefits (OPEB)

Plan Description – The District operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 104 active and 12 retired members in the plan.

The medical/prescription drug benefit, which is a self-funded medical plan, is administered by Wellmark Blue Cross Blue Shield of Iowa. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate 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 (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, 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.

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June 30, 2011

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 55,273
Interest on net OPEB obligation	1,003
Adjustment to annual required contribution	<u>(4,175)</u>
Annual OPEB cost	52,101
Contributions made	<u>(14,336)</u>
Increase in net OPEB obligation	37,765
Net OPEB obligation beginning of year	<u>40,126</u>
Net OPEB obligation end of year	<u>\$ 77,891</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. 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 actual contributions for the year ended June 30, 2011.

For the year ended June 30, 2011, the District contributed \$14,336 to the medical plan. Plan members eligible for benefits contributed \$87,743, or 86% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2011 are summarized as follow:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 51,365	21.9%	\$ 40,126
2011	52,101	27.5%	77,891

Spirit Lake Community School District
Spirit Lake, Iowa

Notes to Financial Statements

June 30, 2011

Funded Status and Funding Progress – As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$434,296, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$434,296. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$6,196,000 and the ratio of the UAAL to covered payroll was 7.0%. As of June 30, 2011, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care 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 Financial Statements, 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 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 the July 1, 2009 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 health cost trend rate for basis of the actuarial was 6% per year.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement probabilities were developed from 2006 Society of Actuaries Study.

Projected claim costs of the medical plan are \$567 per month for retirees developed from a combination of age adjusted fully insured premiums and manual claims costs. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Spirit Lake Community School District
Spirit Lake, Iowa

Notes to Financial Statements

June 30, 2011

(9) Risk Management

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

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$491,412 for the year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Operating Leases

During the year ended June 30, 2010, the District entered into a lease agreement with Sovereign Leasing, LLC for two buses. The amount paid for the fiscal year ended June 30, 2011 was \$24,479. Future rentals are scheduled as follows:

Year Ending <u>June 30,</u> 2012	\$ <u>24,479</u>
---	------------------

Also during the year ended June 30, 2010, the District entered into a lease agreement with Sovereign Leasing, LLC for two additional buses. The amount paid for the fiscal year ended June 30, 2011 was \$26,644. There are no future rentals.

During the year ended June 30, 2011, the District entered into a lease agreement with Sovereign Leasing, LLC for two buses. There were no payments paid during the year ended June 30, 2011. Future rentals are scheduled as follows:

Spirit Lake Community School District
Spirit Lake, Iowa

Notes to Financial Statements

June 30, 2011

Year Ending <u>June 30,</u>	
2012	\$ 22,300
2013	22,300
2014	<u>22,300</u>
Total	\$ <u>66,900</u>

The District entered into an operating lease with Davis Typewriter Co. Inc. for the rental of a copier on March 19, 2008 for a period of 60 months. The amount paid for the fiscal year ended June 30, 2011 was \$3,936. Future rentals are scheduled as follows:

Year Ending <u>June 30,</u>	
2012	\$ 3,936
2013	<u>2,624</u>
Total	\$ <u>6,560</u>

The District entered into an operating lease with Anacon Leasing Inc. for the rental of a copier on September 15, 2008 for a period of 60 months. The amount paid for the fiscal year ended June 30, 2011 was \$5,220. Future rentals are scheduled as follows:

Year Ending <u>June 30,</u>	
2012	\$ 5,220
2013	5,220
2014	<u>870</u>
Total	\$ <u>11,310</u>

(12) Apple Computer Company Receivable

During the year ended, June 30, 2010, the District entered into a lease with Apple Computer Company for the purchase of computer equipment related to the District's one-on-one initiative. The District lease-purchased funds in anticipation of paying the cost of

Spirit Lake Community School District
Spirit Lake, Iowa

Notes to Financial Statements

June 30, 2011

professional development and training as well as the cost of computers from the Capital Projects, Physical Plant and Equipment Levy Fund. Professional development and training is not an allowable expenditure from the Capital Projects, Physical Plant and Equipment Levy Fund; therefore the District is requesting a refund of \$187,359 from Apple Computer which represents the unused portion of the borrowed funds. The receivable is reflected on the balance sheet of the Capital Projects, Physical Plant and Equipment Levy Fund.

(13) Construction Commitment

The District has entered into a contracts totaling \$1,154,257 for the field/track improvement project. As of June 30, 2011 costs of \$173,649 had been incurred against the contract. The balance of \$980,608 remaining at June 30, 2011 will be paid as work on the project progresses.

The District has entered also into a contract totaling \$77,100 for geothermal upgrades. As of June 30, 2011 costs of \$14,180 had been incurred against the contract. The balance of \$62,920 remaining at June 30, 2011 will be paid as work on the project progresses.

(14) Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2011 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Talented and Gifted	\$ 21,770
Dropout prevention	71,843
Mentoring	4,156
Preschool	13,573
Professional development – core curriculum	<u>26,256</u>
Total	<u>\$ 137,598</u>

Spirit Lake Community School District
Spirit Lake, Iowa

Notes to Financial Statements

June 30, 2011

(15) Accounting Change/Restatement

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

	Capital Projects	Special Revenue, Physical Plant and Equipment Levy
Balances June 30, 2010 as previously reported	\$ 263,207	791,979
Change in fund type classification per implementation of GASB Statement No. 54	<u>791,979</u>	<u>(791,979)</u>
Balances July 1, 2010, as restated	\$ 1,055,186	---
	=====	=====

(16) Subsequent Events

Subsequent events have been evaluated through March 26, 2012 which is the date the financial statements were available to be issued.

On July 11, 2011 the District approved the sale of \$350,000 school infrastructure sales, service and use tax revenue bonds.

Required Supplementary Information

Spirit Lake Community School District
Spirit Lake, Iowa

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2011

	Governmental Funds <u>Actual</u>	Proprietary Fund <u>Actual</u>
Revenues:		
Local sources	\$ 11,463,180	379,773
Intermediate sources	-	-
State sources	2,973,732	4,120
Federal sources	<u>692,658</u>	<u>184,238</u>
Total revenues	<u>15,129,570</u>	<u>568,131</u>
Expenditures/Expenses:		
Instruction	8,287,916	-
Support services	3,629,090	2,764
Non-instructional programs	2,243	524,646
Other expenditures	<u>2,765,268</u>	<u>-</u>
Total expenditures/expenses	<u>14,684,517</u>	<u>527,410</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	445,053	40,721
Other financing sources, net	<u>4,922</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	449,975	40,721
Balances beginning of year	<u>3,924,430</u>	<u>84,093</u>
Balances end of year	<u>\$ 4,374,405</u>	<u>124,814</u>

See accompanying independent auditor's report.

Total <u>Actual</u>	Budgeted Amounts		Final to Actual <u>Variance</u>
	<u>Original</u>	<u>Final</u>	
11,842,953	11,741,604	11,741,604	101,349
-	-	-	-
2,977,852	4,642,262	4,642,262	(1,664,410)
<u>876,896</u>	<u>650,000</u>	<u>650,000</u>	<u>226,896</u>
<u>15,697,701</u>	<u>17,033,866</u>	<u>17,033,866</u>	<u>(1,336,165)</u>
8,287,916	9,385,000	9,385,000	1,097,084
3,631,854	4,285,500	3,670,500	38,646
526,889	647,000	647,000	120,111
<u>2,765,268</u>	<u>1,459,018</u>	<u>2,074,018</u>	<u>(691,250)</u>
<u>15,211,927</u>	<u>15,776,518</u>	<u>15,776,518</u>	<u>564,591</u>
485,774	1,257,348	1,257,348	(771,574)
<u>4,922</u>	<u>-</u>	<u>-</u>	<u>4,922</u>
490,696	1,257,348	1,257,348	(766,652)
<u>4,008,523</u>	<u>2,717,721</u>	<u>2,717,721</u>	<u>1,290,802</u>
<u>4,499,219</u>	<u>3,975,069</u>	<u>3,975,069</u>	<u>524,150</u>

Spirit Lake Community School District
Spirit Lake, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2011

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

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

During the year ended June 30, 2011, expenditures in the other expenditures function exceeded the amounts budgeted.

Spirit Lake Community School District
Spirit Lake, Iowa

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 Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	Jul 1, 2009	-	\$ 434	434	0.0%	\$6,191	7.0%
2011	Jul 1, 2009	-	434	434	0.0%	6,196	7.0%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

Other Supplementary Information

Spirit Lake Community School District
Spirit Lake, Iowa

Combining Statement of Assets, Liabilities and
Net Assets - Modified Cash Basis
Discrete Component Units

June 30, 2011

	Discrete Component			
	Indian Athletic Booster Club	Spirit Lake Music Booster Club	Elementary Partners in Education	Middle School Partners in Education
Assets				
Cash	53,059	82,749	23,281	18,741
Investments	-	-	-	-
Accounts receivable	-	-	-	-
Total assets	53,059	82,749	23,281	18,741
Liabilities				
Accounts payable	-	-	-	-
Salaries and benefits payable	-	-	-	-
Total liabilities	-	-	-	-
Net assets				
Restricted	-	-	-	-
Unrestricted	53,059	82,749	23,281	18,741
Total net assets	53,059	82,749	23,281	18,741
Total liabilities and net assets	53,059	82,749	23,281	18,741

See accompanying independent auditors's report.

Units

<u>High School Partners in Education</u>	<u>Friends of the SAMI Center</u>	<u>Total</u>
5,955	133,895	317,680
-	17,558	17,558
-	900	900
<u>5,955</u>	<u>152,353</u>	<u>336,138</u>
-	945	945
-	1,772	1,772
-	2,717	2,717
-	20,544	20,544
<u>5,955</u>	<u>129,092</u>	<u>312,877</u>
<u>5,955</u>	<u>149,636</u>	<u>333,421</u>
<u>5,955</u>	<u>152,353</u>	<u>336,138</u>

Spirit Lake Community School District
 Spirit Lake, Iowa
 Combining Statement of Revenues and Expenses and Changes
 in Net Assets - Modified Cash Basis
 Discrete Component Units
 Year ended June 30, 2011

	Discrete Component			
	Indian Athletic <u>Booster Club</u>	Spirit Lake Music <u>Booster Club</u>	Elementary Partners <u>in Education</u>	Middle School Partners <u>in Education</u>
Revenues:				
Interest	\$ 44	115	19	-
Donations	200	7,788	1,515	357
Dividends	-	-	-	-
Sponsorships	18,475	-	-	-
Concessions	31,172	-	-	-
Event admissions	-	-	-	-
Fundraisers	60,138	147,196	185,584	62,247
Other	375	-	-	-
Total revenues	<u>110,404</u>	<u>155,099</u>	<u>187,118</u>	<u>62,604</u>
Expenses:				
Facilities/equipment	16,555	1,386	-	-
Labor	-	-	-	-
Donations	5,000	-	-	-
Advertising	6,717	-	-	-
Bank charges	-	-	15	15
Travel	-	-	-	-
Postage	44	-	-	-
Supplies	25,930	139,917	198,770	54,700
Insurance	1,099	-	-	-
Event expenses	5,623	-	-	-
Accounting/tax preparation	625	-	100	100
Other	662	2,122	-	-
Total expenses	<u>62,255</u>	<u>143,425</u>	<u>198,885</u>	<u>54,815</u>
Change in net assets	48,149	11,674	(11,767)	7,789
Net assets beginning of year	4,910	71,075	35,048	10,952
Net assets end of year	<u>\$ 53,059</u>	<u>82,749</u>	<u>23,281</u>	<u>18,741</u>

See accompanying independent auditor's report.

Units

<u>High School Partners in Education</u>	<u>Friends of the SAMI Center</u>	<u>Total</u>
1	2,862	3,041
2,872	34,438	47,170
-	303	303
-	600	19,075
-	-	31,172
-	64,192	64,192
5,207	-	460,372
-	847	1,222
<u>8,080</u>	<u>103,242</u>	<u>626,547</u>
-	13,218	31,159
-	29,839	29,839
1,400	-	6,400
-	4,401	11,118
-	2,551	2,581
-	26	26
66	147	257
2,206	5,567	427,090
-	916	2,015
-	93,539	99,162
20	-	845
912	720	4,416
<u>4,604</u>	<u>150,924</u>	<u>614,908</u>
3,476	(47,682)	11,639
<u>2,479</u>	<u>197,318</u>	<u>321,782</u>
<u>5,955</u>	<u>149,636</u>	<u>333,421</u>

Spirit Lake Community School District
Spirit Lake, Iowa

Schedule 1

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2011

	Special Revenue		
	Manage- ment <u>Levy</u>	Student Activity <u>Activity</u>	<u>Total</u>
Assets			
Cash and pooled investments	\$ 455,374	34,594	489,968
Receivables:			
Property tax:			
Delinquent	2,371	-	2,371
Succeeding year	530,000	-	530,000
Accounts	-	29,032	29,032
Total assets	\$ 987,745	63,626	1,051,371
 Liabilities and Fund Balances			
Liabilities:			
Deferred revenue:			
Succeeding year property tax	\$ 530,000	-	530,000
Total liabilities	530,000	-	530,000
 Fund Balances:			
Restricted for:			
Management levy purposes	457,745	-	457,745
Student activities	-	63,626	63,626
Total fund balances	457,745	63,626	521,371
Total liabilities and fund balances	\$ 987,745	63,626	1,051,371

See accompanying independent auditor's report.

Spirit Lake Community School District
Spirit Lake, Iowa

Schedule 2

Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds

Year ended June 30, 2011

	Special Revenue		
	Manage- ment <u>Levy</u>	Student Activity	<u>Total</u>
Revenues:			
Local sources:			
Local tax	\$ 250,008	-	250,008
Other	28,969	200,764	229,733
State sources	88	-	88
Federal sources	203	-	203
Total revenues	279,268	200,764	480,032
Expenditures:			
Current:			
Instruction:			
Regular	285,930	-	285,930
Other	-	214,581	214,581
Support services:			
Instructional staff	3,083	-	3,083
Administration	10,143	-	10,143
Operation and maintenance of plant	60,600	-	60,600
Transportation	41,429	-	41,429
Non-instructional programs	2,243	-	2,243
Total expenditures	403,428	214,581	618,009
Deficiency of revenues under expenditures	(124,160)	(13,817)	(137,977)
Fund balances beginning of year, as restated	581,905	77,443	659,348
Fund balances end of year	\$ 457,745	63,626	521,371

See accompanying independent auditor's report.

Spirit Lake Community School District
Spirit Lake, Iowa

Schedule 3

Combining Balance Sheet
Capital Project Accounts

Year ended June 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 203,571	202,498	406,069
Receivables:			
Property tax:			
Delinquent	-	10,207	10,207
Succeeding year	-	952,000	952,000
Accounts	-	5,000	5,000
Apple computer receivable		187,359	187,359
Due from other funds		8,208	8,208
Due from other governments	<u>265,139</u>	<u>-</u>	<u>265,139</u>
Total assets	<u>\$ 468,710</u>	<u>1,365,272</u>	<u>1,833,982</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 12,742	2	12,744
Deferred revenue:			
Succeeding year property tax	<u>-</u>	<u>952,000</u>	<u>952,000</u>
Total liabilities	<u>12,742</u>	<u>952,002</u>	<u>964,744</u>
Fund Balances:			
Restricted for:			
School infrastructure	455,968	-	455,968
Physical plant and equipment	<u>-</u>	<u>413,270</u>	<u>413,270</u>
Total fund balances	<u>455,968</u>	<u>413,270</u>	<u>869,238</u>
Total liabilities and fund balances	<u>\$ 468,710</u>	<u>1,365,272</u>	<u>1,833,982</u>

See accompanying independent auditor's report.

Spirit Lake Community School District
Spirit Lake, Iowa

Schedule 4

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Capital Projects Accounts

Year ended June 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 1,584,272	929,560	2,513,832
Other	680	40,047	40,727
State sources	-	312	312
Federal sources	-	645	645
Total revenues	1,584,952	970,564	2,555,516
Expenditures:			
Instruction:			
Regular	-	20,929	20,929
Support services:			
Instructional staff	-	243,498	243,498
Administration	-	14,524	14,524
Operation and maintenance of plant	-	3,840	3,840
Transportation	-	82,512	82,512
Other expenditures:			
Facilities acquisition	12,743	540,470	553,213
Total expenditures	12,743	905,773	918,516
Excess of revenues over expenditures	1,572,209	64,791	1,637,000
Other financing sources (uses):			
Operating transfers out	(1,379,448)	(443,500)	(1,822,948)
Total other financing sources (uses)	(1,379,448)	(443,500)	(1,822,948)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	192,761	(378,709)	(185,948)
Fund balances beginning of year, as restated	263,207	791,979	1,055,186
Fund balances end of year	\$ 455,968	413,270	869,238

See accompanying independent auditor's report.

Spirit Lake Community School District
Spirit Lake, Iowa

Schedule 5

Combining Schedule of Net Assets
Nonmajor Enterprise Funds

June 30, 2011

	<u>School Nutrition</u>	<u>Before & After School Program</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 98,927	7,071	105,998
Accounts receivable	474	-	474
Interfund receivable	8,294	-	8,294
Inventories	11,374	-	11,374
Capital assets, net of accumulated depreciation	9,765	-	9,765
Total assets	<u>128,834</u>	<u>7,071</u>	<u>135,905</u>
Liabilities			
Accounts payable	10,070	-	10,070
Net OPEB liability	726	295	1,021
Total liabilities	<u>10,796</u>	<u>295</u>	<u>11,091</u>
Net Assets			
Invested in capital assets	9,765	-	9,765
Unrestricted	108,273	6,776	115,049
Total net assets	<u>\$ 118,038</u>	<u>6,776</u>	<u>124,814</u>

See accompanying independent auditor's report.

Spirit Lake Community School District
Spirit Lake, Iowa

Schedule 6

Combining Schedule of Revenues, Expenses, and Changes in Fund Net Assets
Nonmajor Enterprise Funds

Year ended June 30, 2011

	<u>School Nutrition</u>	<u>Before & After School Program</u>	<u>Total</u>
Operating revenues:			
Local sources:			
Charges for service	\$ 339,500	34,355	373,855
Miscellaneous	<u>5,182</u>	<u>-</u>	<u>5,182</u>
Total operating revenues	<u>344,682</u>	<u>34,355</u>	<u>379,037</u>
Operating expenses:			
Support services:			
Administration	-	1,052	1,052
Operation and maintenance of plant	1,251	-	1,251
Transportation	<u>-</u>	<u>461</u>	<u>461</u>
	<u>1,251</u>	<u>1,513</u>	<u>2,764</u>
Non-instructional programs:			
Salaries	162,746	16,792	179,538
Benefits	30,451	2,365	32,816
Purchased services	7,493	-	7,493
Supplies	299,184	1,277	300,461
Depreciation	<u>4,338</u>	<u>-</u>	<u>4,338</u>
	<u>504,212</u>	<u>20,434</u>	<u>524,646</u>
Total operating expenses	<u>505,463</u>	<u>21,947</u>	<u>527,410</u>
Operating income (loss)	<u>(160,781)</u>	<u>12,408</u>	<u>(148,373)</u>

(continued)

Spirit Lake Community School District
Spirit Lake, Iowa

Schedule 6

Combining Schedule of Revenues, Expenses, and Changes in Fund Net Assets
Nonmajor Enterprise Funds

Year ended June 30, 2011

	<u>School Nutrition</u>	<u>Before & After School Program</u>	<u>Total</u>
Non-operating revenues:			
State sources	4,120	-	4,120
Federal sources	184,238	-	184,238
Interest income	627	109	736
Total non-operating revenues	188,985	109	189,094
Increase in net assets	28,204	12,517	40,721
Net assets beginning of year	89,834	(5,741)	84,093
Net assets end of year	\$ 118,038	6,776	124,814

See accompanying independent auditor's report.

Spirit Lake Community School District
Spirit Lake, Iowa

Schedule 7

Combining Schedule of Cash Flows
Nonmajor Enterprise Funds

Year ended June 30, 2011

	<u>School Nutrition</u>	<u>Before & After School Program</u>	<u>Total</u>
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 340,622	-	340,622
Cash received from other services	5,182	34,355	39,537
Cash paid to employees for services	(192,845)	(26,377)	(219,222)
Cash paid to suppliers for goods or services	<u>(278,555)</u>	<u>(3,193)</u>	<u>(281,748)</u>
Net cash provided by (used by) operating activities	<u>(125,596)</u>	<u>4,785</u>	<u>(120,811)</u>
Cash flows from non-capital financing activities:			
Interfund loans received (repaid)	(17,795)	(7,569)	(25,364)
State grants received	4,120	-	4,120
Federal grants received	<u>153,957</u>	<u>-</u>	<u>153,957</u>
Net cash provided by non-capital financing activities	<u>140,282</u>	<u>(7,569)</u>	<u>132,713</u>
Cash flows from investing activities:			
Interest on investments	<u>627</u>	<u>109</u>	<u>736</u>
Net increase (decrease) in cash and cash equivalents	15,313	(2,675)	12,638
Cash and cash equivalents beginning of year	<u>83,614</u>	<u>9,746</u>	<u>93,360</u>
Cash and cash equivalents end of year	<u>\$ 98,927</u>	<u>7,071</u>	<u>105,998</u>

(continued)

Spirit Lake Community School District
Spirit Lake, Iowa

Schedule 7

Combining Schedule of Cash Flows
Nonmajor Enterprise Funds

Year ended June 30, 2011

	<u>School Nutrition</u>	<u>Before & After School Program</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash provided by (used by) operating activities:			
Operating income (loss)	\$ (160,781)	12,408	(148,373)
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:			
Commodities used	30,281	-	30,281
Depreciation	4,338	-	4,338
(Increase) decrease in accounts receivable	139	-	139
(Increase) decrease in inventories	(880)	-	(880)
Increase (decrease) in accounts payable	10,042	(403)	9,639
Increase (decrease) in salaries and benefits payable	-	(7,363)	(7,363)
Increase (decrease) in deferred revenue	(9,087)	-	(9,087)
Increase (decrease) in other postemployment benefits	352	143	495
Net cash provided by (used by) operating activities	<u>\$ (125,596)</u>	<u>4,785</u>	<u>(120,811)</u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2011, the District received \$30,281 of federal commodities.

See accompanying independent auditor's report.

Spirit Lake Community School District
Spirit Lake, Iowa

Schedule 8

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2011

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues and Interfund Transfers</u>	<u>Expenditures</u>	<u>Intra- Fund Transfers</u>	<u>Balance End of Year</u>
MS Drama	\$ 2,263	558	-	(2,821)	-
HS Drama	1,159	3,706	1,226	(3,639)	-
MS Vocal	74	296	917	547	-
HS Vocal	-	9,224	14,892	5,672	4
MS Instrumental Music	1,807	1,761	4,778	1,210	-
HS Instrumental Music	4,195	5,712	8,743	(1,164)	-
Co-Ed Athletics	6,255	76,087	55,985	(26,353)	4
Cross Country	4	781	841	56	-
Boys Basketball	986	4,141	8,402	3,275	-
Boys Football	10,554	18,592	20,688	(8,458)	-
Boys Soccer	-	3,962	10,336	6,374	-
Boys Baseball	280	2,143	12,181	9,758	-
Boys Track	940	480	3,159	1,739	-
Boys Tennis	-	685	661	(24)	-
Boys Tennis Freshman	-	-	-	1,208	1,208
Boys Golf	-	770	1,879	1,109	-
Boys Wrestling	1,252	2,602	15,144	11,290	-
Girls Basetball	21	3,727	5,862	2,114	-
Girls Volleyball	-	4,247	9,225	4,978	-
Girls Volleyball Freshman	-	-	-	4,284	4,284
Girls Soccer	-	1,267	2,431	1,164	-
Girls Softball	-	3,645	9,174	5,529	-
Girls Track	-	1,580	1,167	(413)	-
Girls Tennis	-	-	502	502	-
Girls Golf	-	892	1,538	646	-
Cheerleaders	-	-	-	744	744
Dance	-	-	-	2,482	2,482
Class of 2011	618	2,393	2,369	-	642
Class of 2012	2,945	210	2,044	-	1,111
Class of 2013	926	978	44	-	1,860
Class of 2014	104	145	25	-	224
Investments	138	7	-	-	145
Activity Tickets	285	22,120	-	(22,405)	-
Mexico Club	1,793	2,902	-	-	4,695
Video Club	378	-	-	(378)	-

(continued)

Spirit Lake Community School District
Spirit Lake, Iowa

Schedule 8

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2011

<u>Account</u>	Balance Beginning of Year	Revenues and Interfund Transfers	Expenditures	Intra- Fund Transfers	Balance End of Year
Annual	11,676	12,706	10,863	-	13,519
SLHS Quiz Bowl	2,005	610	550	(936)	1,129
Academic Decathlon	-	-	936	936	-
Classes	4,378	835	1,578	(145)	3,490
Mock Trial	(66)	-	300	366	-
MS SAC	(30)	3,445	136	-	3,279
HS SAC	12,848	1,843	5,390	-	9,301
MOC	363	-	-	-	363
Speech	-	62	601	539	-
MS Library	-	166	-	(166)	-
Elementary Donations	-	2,762	-	-	2,762
Elementary	-	281	14	-	267
VW Jobs	-	-	-	400	400
Due Other Fund	9,292	2,441	-	(20)	11,713
Total	<u>\$ 77,443</u>	<u>200,764</u>	<u>214,581</u>	<u>-</u>	<u>63,626</u>

See accompanying independent auditor's report.

Spirit Lake Community School District
Spirit Lake, Iowa

Schedule 9

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Debt Service Fund

Year Ended June 30, 2011

	<u>Debt Service</u>	<u>Debt Sinking</u>	<u>Total</u>
Revenues:			
Local sources:			
Other	\$ -	12,077	12,077
Total revenues	<u>-</u>	<u>12,077</u>	<u>12,077</u>
Expenditures:			
Current:			
Other expenditures:			
Long-term debt:			
Principal	462,003	1,010,000	1,472,003
Interest and fiscal charges	74,815	173,825	248,640
Total expenditures	<u>536,818</u>	<u>1,183,825</u>	<u>1,720,643</u>
Deficiency of revenues under expenditures	<u>(536,818)</u>	<u>(1,171,748)</u>	<u>(1,708,566)</u>
Other financing sources:			
Operating transfers in	<u>536,818</u>	<u>1,379,448</u>	<u>1,916,266</u>
Total other financing sources	<u>536,818</u>	<u>1,379,448</u>	<u>1,916,266</u>
Net change in fund balances	-	207,700	207,700
Fund balances beginning of year	<u>-</u>	<u>877,548</u>	<u>877,548</u>
Fund balances end of year	<u>\$ -</u>	<u>\$ 1,085,248</u>	<u>1,085,248</u>

See accompanying independent auditor's report.

Spirit Lake Community School District
Spirit Lake, Iowa

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Ten Years

	Modified Accrual Basis			
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Revenues:				
Local sources:				
Local tax	\$ 10,189,729	9,121,902	9,088,907	8,688,210
Tuition	745,086	610,212	560,536	654,005
Other	528,365	450,845	541,292	629,124
Intermediate sources	-	8,949	2,790	-
State sources	2,973,732	2,550,547	3,567,495	4,015,627
Federal sources	692,658	1,000,553	462,377	290,032
Total	<u>\$ 15,129,570</u>	<u>13,743,008</u>	<u>14,223,397</u>	<u>14,276,998</u>
Expenditures:				
Instruction:				
Regular	\$ 5,540,771	5,344,333	5,397,879	5,292,796
Special	1,404,928	1,267,017	1,213,744	1,228,798
Other	1,342,217	1,335,949	1,263,397	1,333,017
Support services:				
Student	180,429	171,910	133,574	228,904
Instructional staff	708,067	1,660,441	618,992	568,030
Administration	1,120,192	992,752	1,001,541	945,298
Operation and maintenance of plant	1,202,876	1,128,098	1,163,728	1,189,843
Transportation	417,526	278,570	282,874	347,932
Other expenditures:				
Facilities acquisition	553,213	139,602	252,695	3,861,587
Long-term debt:				
Principal	1,472,003	1,068,025	1,314,967	9,920,620
Interest and other charges	248,640	213,418	174,509	495,682
AEA flowthrough	491,412	491,706	447,173	419,742
Total	<u>\$ 14,682,274</u>	<u>14,091,821</u>	<u>13,265,073</u>	<u>25,832,249</u>

See accompanying independent auditor's report.

Schedule 10

<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
8,790,999	7,615,021	7,337,029	5,346,101	5,589,269	4,832,510
695,443	696,195	884,949	689,358	658,805	709,038
631,605	874,633	347,694	1,501,512	1,686,729	1,561,555
-	-	-	445	1,383	37,098
3,168,572	3,772,691	3,439,146	3,214,284	3,327,968	3,737,756
<u>340,617</u>	<u>250,098</u>	<u>740,807</u>	<u>693,673</u>	<u>252,925</u>	<u>296,099</u>
<u>13,627,236</u>	<u>13,208,638</u>	<u>12,749,625</u>	<u>11,445,373</u>	<u>11,517,079</u>	<u>11,174,056</u>
5,057,938	4,781,325	4,753,828	4,703,110	4,401,150	4,296,842
1,434,039	984,914	1,243,321	1,798,261	1,484,307	1,399,381
814,906	1,165,331	1,093,118	487,118	656,684	655,845
220,123	241,135	208,887	190,887	201,786	200,983
592,780	595,803	453,087	454,653	395,621	388,613
1,029,644	857,510	930,129	879,306	796,378	764,132
1,137,986	1,094,590	876,437	909,186	810,144	649,243
357,708	361,889	273,057	313,194	243,171	266,683
5,016,259	4,847,325	1,656,854	1,253,535	1,952,221	5,489,798
1,013,787	996,145	984,547	905,095	857,880	863,144
538,964	581,337	207,437	434,408	369,272	331,964
<u>385,591</u>	<u>372,754</u>	<u>347,962</u>	<u>344,284</u>	<u>361,532</u>	<u>363,407</u>
<u>17,599,725</u>	<u>16,880,058</u>	<u>13,028,664</u>	<u>12,673,037</u>	<u>12,530,146</u>	<u>15,670,035</u>

Spirit Lake Community School District
Spirit Lake, Iowa

Schedule 11

Schedule of Expenditures of Federal Awards

Year ended June 30, 2011

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY11	\$ 14,745
National School Lunch Program	10.555	FY11	<u>169,493</u> *
			<u>184,238</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	FY11	96,759
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY11	<u>27,683</u>
			<u>124,442</u>
Career and Technical Education - Basic Grants to States	84.048	FY11	<u>5,758</u>
Education for Homeless Children and Youth Cluster:			
Education for Homeless Children and Youth	84.196	FY11	22,043
ARRA - Education for Homeless Children and Youth, Recovery Act	84.387	FY11	<u>12,905</u>
			<u>34,948</u>
Improving Teacher Quality State Grants	84.367	FY11	<u>41,245</u>
Grants for State Assessments	84.369	FY11	<u>7,794</u>
State Fiscal Stabilization Fund Cluster:			
ARRA - State Fiscal Stabilization Fund (SFSF)- Education State Grants, Recovery Act	84.394	FY11	60,078
ARRA - State Fiscal Stabilization Fund (SFSF)- Government Services, Recovery Act	84.397	FY11	<u>53,587</u>
			<u>113,665</u>
			(continued)

Spirit Lake Community School District
Spirit Lake, Iowa

Schedule 11

Schedule of Expenditures of Federal Awards

Year ended June 30, 2011			
Education Jobs Fund	84.410	FY 11	<u>228,280</u>
Prairie Lakes Area Education Agency:			
Special Education - Grants to States	84.027	FY11	<u>57,277</u>
Iowa Lakes Community College:			
Comprehensive Centers (Tech-Prep Education Title II)	84.243	FY11	<u>2,300</u>
National Endowment for the Arts:			
Iowa Arts Council			
Promotion of the Arts - Partnership Agreements			
Big Yellow School Bus	45.025	FY11	<u>110</u>
Total			<u>\$ 800,057</u>

* - Includes \$30,281 of non-cash awards.

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Spirit Lake Community School District and is presented on the accrual or modified accrual basis of accounting. The information in 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.

Cornwell, Frideres, Maher & Associates, P.L.C.

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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
Spirit Lake Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Spirit Lake Community School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 26, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Spirit Lake Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Spirit Lake Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Spirit Lake Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses.

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 combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-11 and II-B-11 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-C-11 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Spirit Lake Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Spirit Lake Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Spirit Lake Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Spirit Lake Community School District and other parties to whom Spirit Lake Community School District may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Spirit 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.

Cornwell, Frideres, Maher & Associates, P.L.C.

Cornwell, Frideres, Maher & Associates, P.L.C.
Certified Public Accountants

March 26, 2012

Independent Auditor's Report on Compliance
with Requirements That Could Have a Direct and Material Effect
on Each Major Program and on Internal Control over Compliance in Accordance
with OMB Circular A-133

Cornwell, Frideres, Maher & Associates, P.L.C.

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Independent Auditor's Report on Compliance
with Requirements That Could Have a Direct and Material Effect
on Each Major Program and on Internal Control over Compliance in Accordance
with OMB Circular A-133

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

Compliance

We have audited Spirit 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 Spirit Lake Community School District's major federal programs for the year ended June 30, 2011. Spirit Lake Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Spirit Lake Community School District's management. Our responsibility is to express an opinion on Spirit Lake Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit included examining, on a test basis, evidence about Spirit Lake Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Spirit Lake Community School District's compliance with those requirements.

In our opinion, Spirit Lake Community School District compiled, in all material respects, with the 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, 2011

Internal Control Over Compliance

The management of Spirit Lake Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Spirit Lake Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Spirit 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 significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance we consider to be a material weakness.

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-11 to be a material weakness.

Spirit Lake Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Spirit Lake Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Spirit Lake Community School District and other parties to whom Spirit Lake Community School District may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Cornwell, Frideres, Maher & Associates, P.L.C.

Cornwell, Frideres, Maher & Associates, P.L.C.
Certified Public Accountants

March 26, 2012

Spirit Lake Community School District
Spirit Lake, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) A significant deficiency and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A material weakness in internal control over the major programs was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 84.410 – Education Jobs Fund
 - Clustered programs:
 - CFDA Number 10.553 – School Breakfast Program
 - CFDA Number 10.555 – National School Lunch Program
 - CFDA Number 10.556 – Special Milk Program for Children
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Spirit Lake Community School District did not qualify as a low-risk auditee.

Spirit Lake Community School District
Spirit Lake, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-11 Segregation of Duties - The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks and bank reconciliations, preparing and posting general journal entries, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District has taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

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.

Response - We are continuing to review our procedures and implement additional controls where possible.

Conclusion - Response acknowledged. The District should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

II-B-11 Preparation of Financial Statements – The District does not have an internal control system designed to provide for the preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America. Therefore, as auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. This circumstance is not unusual for an entity similar in size to Spirit Lake Community School District. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

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Recommendation – We realize that obtaining the expertise necessary to prepare the financial statements, including all necessary disclosures, can be considered costly and ineffective. However, it is the responsibility of the District’s management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response – Management feels that committing the resources to remain current on reporting requirements and corresponding footnote disclosures would lack benefit in relation to the cost, but will continue to evaluate the risks to be accepted in preparation of the financial statements.

Conclusion – Response accepted.

II-C-11 Disbursements Approval – For seven disbursements, there was insufficient documentation to determine the date the Superintendent approved routine expenditures for advance payment in accordance with the District’s policy.

Recommendation – For payments made in advance of Board meetings, the District should maintain documentation of the Superintendent’s approval of claims for payment, such as the Superintendent’s initials and date of approval.

Response - We will maintain documentation of the approval of disbursements made in advance of Board approval by having the Superintendent initial and date the claims.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

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Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

**CFDA Number 84.410: Education Jobs Fund
Federal Award Year: 2011
U.S. Department of Education
Passed through the Iowa Department of Education**

**CFDA Number 10.553: School Breakfast Program
CFDA Number 10.555: National School Lunch Program and
CFDA Number 10.556: Special Milk Program for Children
Federal Award Year: 2011
U.S. Department of Education
Passed through the Iowa Department of Education**

III-A-11 Segregation of Duties - The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks and bank reconciliations, preparing and posting general journal entries, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District has taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

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.

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Response - We are continuing to review our procedures and implement additional controls where possible.

Conclusion – Response acknowledged. The District should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

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Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-11 Certified Budget - Expenditures for the year ended June 30, 2011 exceeded the amended certified budget amount in the other expenditures function.

Recommendation – The certified budget should have been amended in sufficient amounts in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response – Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion – Response accepted.

IV-B-11 Questionable Expenditures - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

IV-C-11 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-11 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Bob Kirschbaum, Substitute Bus Driver, Owns Bob’s Repair and Tow	Parts/Supplies	\$ 15,397
Teresa Beck, Board Member Husband owns Beck Engineering	Engineering Fees	\$ 14,035

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

In accordance with Chapter 279.7A of the Code of Iowa, the above transaction with Board Member Beck's husband does not appear to be a conflict of interest as the transaction was entered into through competitive bidding.

IV-E-11 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage is reviewed annually to ensure the coverage is adequate for current operations.

IV-F-11 Board Minutes - As previously noted, seven disbursements had insufficient documentation they had been approved for payment by the Superintendent in advance of the Board meeting as allowed by Chapter 279.30 of the Code of Iowa.

Recommendation – Sufficient documentation should be maintained to evidence proper Superintendent approval of disbursements paid in advance of Board approval.

Response – Procedures have been revised to ensure the Superintendent's approval of disbursements prior to Board meetings is adequately documented.

Conclusion – Response accepted.

IV-G-11 Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

IV-H-11 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

IV-I-11 Deposits and Investments - 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 were noted.

IV-J-11 Certified Annual Report – The Certified Annual Report was certified timely to the Iowa Department of Education.

IV-K-11 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.

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IV-L-11 Statewide Sales, Services, and Use Tax – No instances of non-compliance with the use of the statewide sales, services, and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 263,207
Revenues:		
Sales tax revenues	\$ 1,584,272	
Other local revenues	<u>680</u>	<u>1,584,952</u>
		1,848,159
Expenditures/transfers out:		
School infrastructure construction	12,743	
Transfers to other funds:		
Revenue debt	<u>1,379,448</u>	<u>1,392,191</u>
Ending balance		\$ <u>455,968</u>

For the year ended June 30, 2011, 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-11 Revenue Bonds – No instances of non-compliance with the revenue bond resolution were noted.