

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

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

**YEAR ENDED JUNE 30, 2012**

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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**

**(Before September 2011 Election)**

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

**(After September 2011 Election)**

Todd Hummel	President	2013
Teresa Beck	Vice President	2015
Keith Brockmeyer	Board Member	2015
Julie Currell-Smith	Board Member	2015
Randy Magg	Board Member	2013

**School Officials**

Dr. David Smith	Superintendent	2012
Donna Sebert	Board Secretary	2012
Karen Oleson	Director of Business and Finance	2012
Lonnie Sanders	Attorney	Indefinite

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

## **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, 2012, 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, 2012. 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, 2012, 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, 2013 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.

U.S. generally accepted accounting principles require 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 5 through 16 and 54 through 61 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those 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 eight years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 10, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our

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

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

March 26, 2013

## **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, 2012. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2012 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$12,086,867 in fiscal year 2011 to \$12,403,385 net of transfers in fiscal year 2012, while General Fund expenditures increased from \$11,520,667 net of transfers in fiscal year 2011 to \$11,704,112 in fiscal year 2012. The District's General Fund balance increased from \$1,898,548 at the end of fiscal year 2011 to \$2,597,821 at the end of fiscal year 2011, a 36.8% increase.
- The fiscal year 2012 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 support services functional area. 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 financial 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.

Supplementary Information provides detailed information about the nonmajor governmental and enterprise funds.

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**

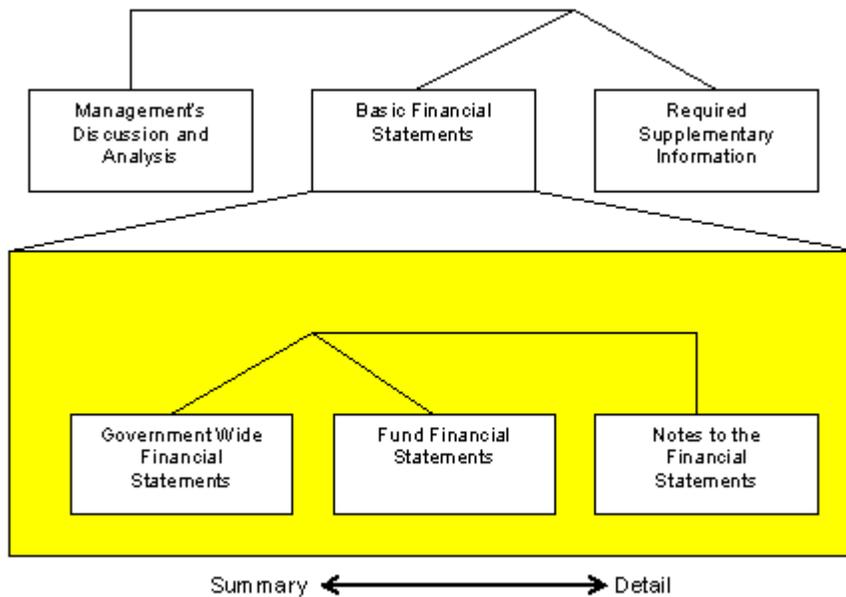


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

**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"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in fund net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, 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, 2012 compared to June 30, 2011.

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

	Governmental		Business Type		Total		Total Change June 30, 2011-2012
	Activities		Activities		District		
	June 30,		June 30,		June 30,		
	2012	2011	2012	2011	2012	2011	
Current and other assets	\$ 15,158	14,553	139	126	15,297	14,679	4.2%
Capital assets	<u>25,337</u>	<u>24,452</u>	<u>10</u>	<u>10</u>	<u>25,347</u>	<u>24,462</u>	<u>3.6%</u>
Total assets	<u>40,495</u>	<u>39,005</u>	<u>149</u>	<u>136</u>	<u>40,644</u>	<u>39,141</u>	<u>3.8%</u>
Long-term liabilities	4,801	5,580	1	1	4,802	5,581	-14.0%
Other liabilities	<u>9,947</u>	<u>9,716</u>	<u>11</u>	<u>10</u>	<u>9,958</u>	<u>9,726</u>	<u>2.4%</u>
Total liabilities	<u>14,748</u>	<u>15,296</u>	<u>12</u>	<u>11</u>	<u>14,760</u>	<u>15,307</u>	<u>-3.6%</u>
Net assets:							
Invested in capital assets, net of related debt	20,801	19,283	10	10	20,811	19,293	7.9%
Restricted	1,292	1,528	---	---	1,292	1,528	-15.4%
Unrestricted	<u>3,654</u>	<u>2,898</u>	<u>127</u>	<u>115</u>	<u>3,781</u>	<u>3,013</u>	<u>25.5%</u>
Total net assets	\$ <u>25,747</u>	<u>23,709</u>	<u>137</u>	<u>125</u>	<u>25,884</u>	<u>23,834</u>	<u>8.6%</u>
	=====	=====	====	====	=====	=====	=====

The District's combined net assets increased 8.6%, or approximately \$2,050,000 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 \$236,000 or 15.4% from the prior year. The decrease was primarily a result of the decrease in fund balance in the Capital Projects Funds, Statewide Sales, Services and Use Tax and 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 \$768,000 or 25.5%. 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, 2012 compared to the year ended June 30, 2011.

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

	Governmental Activities		Business Type Activities		Total District		Total Change
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2011-2012</u>
Revenues:							
Program revenues:							
Charges for service	\$ 1,218	1,027	373	374	1,591	1,401	13.6%
Operating grants, contributions and restricted interest	1,555	2,100	191	188	1,746	2,288	-23.7%
Capital grants, contributions and restricted interest	---	29	---	---	---	29	-100.0%
General revenues:							
Property tax	8,619	8,274	---	---	8,619	8,274	4.2%
Statewide sales, services and use tax	787	1,584	---	---	787	1,584	-50.3%
Income surtax	474	496	---	---	474	496	-4.4%
Unrestricted state grants	2,051	1,617	---	---	2,051	1,617	26.8%
Unrestricted investment earnings	71	53	1	1	72	54	33.3%
Other	72	114	3	5	75	119	-37.0%
Gain on disposal of capital assets	<u>101</u>	<u>5</u>	<u>---</u>	<u>---</u>	<u>101</u>	<u>5</u>	<u>1,920.0%</u>
Total revenues	<u>14,948</u>	<u>15,299</u>	<u>568</u>	<u>568</u>	<u>15,516</u>	<u>15,867</u>	<u>-2.2%</u>
Program expenses:							
Instruction	8,193	8,492	---	---	8,193	8,492	-3.5%
Support services	3,869	3,601	---	---	3,869	3,601	7.4%
Non-instructional programs	---	2	548	527	548	529	3.6%
Other expenses	<u>1,418</u>	<u>1,527</u>	<u>---</u>	<u>---</u>	<u>1,418</u>	<u>1,527</u>	<u>-7.1%</u>
Total expenses	<u>13,480</u>	<u>13,622</u>	<u>548</u>	<u>527</u>	<u>14,028</u>	<u>14,149</u>	<u>-0.9%</u>
Excess of revenues over expenses before special items and transfers	1,468	1,677	20	41	1,488	1,718	-13.4%
Special item-Donations	563	---	---	---	563	---	100.0%
Transfers	<u>7</u>	<u>---</u>	<u>(7)</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>0.0%</u>
Increase in net assets	2,038	1,677	13	41	2,051	1,718	19.4%
Net assets beginning 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>
Net assets end of year	\$ <u>25,747</u>	<u>23,709</u>	<u>138</u>	<u>125</u>	<u>25,885</u>	<u>23,834</u>	<u>8.6%</u>

In fiscal 2012, property tax and unrestricted state grants account for 71.4% of governmental activities revenue while charges for service and operating grants and contributions account for 99.3% of the revenue from business type activities.

The District's total revenues were approximately \$15.5 million, of which approximately \$14.9 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 2.2% decrease in revenues and a 0.9% decrease in expenses. Property tax increased approximately \$345,000 which allowed the District to increase its cash reserves.

### Governmental Activities

Revenues for governmental activities were \$15,517,646 and expenses were \$13,479,702 for the year ended June 30, 2012.

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, 2012 compared to the year ended June 30, 2011.

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

	<u>Total Cost of Services</u>			<u>Net Cost of Services</u>		
	<u>2012</u>	<u>2011</u>	<u>Change</u> <u>2011-2012</u>	<u>2012</u>	<u>2011</u>	<u>Change</u> <u>2011-2012</u>
Instruction	\$ 8,193	8,492	-3.5%	6,130	6,119	0.2%
Support services	3,869	3,601	7.4%	3,607	3,339	8.0%
Non-instructional programs	---	2	-100.0%	---	2	-100.0%
Other expenses	<u>1,418</u>	<u>1,527</u>	<u>-7.1%</u>	<u>970</u>	<u>1,006</u>	<u>-3.6%</u>
Total	\$ 13,480	13,622	-1.0%	10,707	10,466	2.3%
	=====	=====	=====	=====	=====	=====

For the year ended June 30, 2012:

- The cost financed by users of the District's programs was \$1,217,841.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,555,394.
- The net cost of governmental activities was financed with \$8,618,472 in property tax, \$474,292 in income surtax, \$787,126 in statewide sales, services and use tax, \$2,050,997 in unrestricted state grants, and \$813,524 in other revenues.

## **Business Type Activities**

Revenues for business type activities during the year ended June 30, 2012 were \$568,276, nearly the same as the prior year, while expenses totaled \$555,384 including transfers, a 5.3% increase 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 \$4,793,336, compared to last year's ending fund balances of \$4,374,405. The primary reason for the increase in combined fund balance in fiscal 2012 is due to the increase in the General Fund.

### **Governmental Fund Highlights**

- The General Fund balance increased from \$1,898,548 to \$2,597,821 due, in part to growth in tax revenues.
- The Debt Service Fund balance decreased from \$1,085,248 in fiscal 2011 to \$1,051,168 in fiscal 2012.
- The Capital Projects Fund balance decreased from \$869,238 in fiscal 2011 to \$583,756 in fiscal 2012.

### **Proprietary Fund Highlights**

The total Proprietary Fund net assets increased from \$124,814 at June 30, 2011 to \$137,706 at June 30, 2012, representing an increase of approximately 10%. The increase in net assets is primarily due to revenues exceeding expenses for the year.

## **BUDGETARY HIGHLIGHTS**

The District's total revenues were \$753,836 less than total budgeted revenues, a variance of 4.6%.

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, 2012, the District had invested approximately \$25.3 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 increase of 3.6% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$887,756.

The original cost of the District's capital assets was approximately \$39.2 million. Governmental funds account for approximately \$39.1 million, with the remainder of approximately \$0.1 million accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the land improvements category. The District's land improvements, net of depreciation, totaled \$1,902,551 at June 30, 2012 compared to \$554,559 reported at June 30, 2011. This significant increase resulted from the completion of the track and field project during the year.

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

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011	2011-2012
Land	\$ 296	300	---	---	296	300	-1.3%
Construction in progress	---	188	---	---	---	188	-100.0%
Buildings	22,252	22,564	---	---	22,252	22,564	-1.4%
Land improvements	1,903	555	---	---	1,903	555	242.9%
Machinery and equipment	886	845	10	10	896	855	4.8%
Total	\$ 25,337	24,452	10	10	25,347	24,462	3.6%

## Long-Term Debt

At June 30, 2012, the District had \$4,683,944 in total long-term debt outstanding. This represents a decrease of approximately 14.9% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 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,
	2012	2011	2012	2011	2012	2011	2011-2012
Revenue bonds	\$ 3,815	3,945	---	---	3,815	3,945	-3.3%
Computer lease	721	1,224	---	---	721	1,224	-41.1%
Early retirement	<u>148</u>	<u>333</u>	---	---	<u>148</u>	<u>333</u>	<u>-55.9%</u>
Total	\$ 4,684	5,502	---	---	4,684	5,502	-14.9%
	=====	=====	==	==	=====	=====	=====

## 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, 2012

	Primary Government			Component
	Governmental	Business Type	Unit	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>	<u>Total</u> <u>Discrete</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 5,461,134	127,317	5,588,451	326,637
Receivables:				
Property tax:				
Delinquent	51,902	-	51,902	-
Succeeding year	8,546,751	-	8,546,751	-
Accounts	82,256	1,571	83,827	140,528
Due from other governments	955,609	-	955,609	-
Inventories	-	9,901	9,901	-
Prepaid expenses	61,399	602	62,001	2,500
Capital assets, net of accumulated depreciation	<u>25,336,609</u>	<u>10,408</u>	<u>25,347,017</u>	<u>-</u>
<b>Total assets</b>	<u>40,495,660</u>	<u>149,799</u>	<u>40,645,459</u>	<u>469,665</u>
<b>Liabilities</b>				
Accounts payable	293,450	-	293,450	-
Salaries and benefits payable	1,001,887	-	1,001,887	2,065
Early retirement payable	25,000	-	25,000	-
Accrued interest payable	78,671	-	78,671	-
Deferred revenue:				
Succeeding year property tax	8,546,751	-	8,546,751	-
Other	1,000	10,983	11,983	-
Long-term liabilities:				
Portion due within one year:				
Revenue bonds	423,889	-	423,889	-
Computer lease purchase obligation	353,375	-	353,375	-
Termination benefits	64,918	-	64,918	-
Portion due after one year:				
Revenue bonds	3,391,111	-	3,391,111	-
Computer lease purchase obligation	367,111	-	367,111	-
Termination benefits	83,540	-	83,540	-
Note payable	-	-	-	238,466
Net OPEB liability	<u>117,541</u>	<u>1,110</u>	<u>118,651</u>	<u>-</u>
<b>Total liabilities</b>	<u>14,748,244</u>	<u>12,093</u>	<u>14,760,337</u>	<u>240,531</u>

(continued)

Spirit Lake Community School District  
Spirit Lake, Iowa

Exhibit A

Statement of Net Assets

June 30, 2012

	Primary Government			Component
	Governmental	Business Type	Unit	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>	<u>Total</u>
				<u>Discrete</u>
<b>Net assets</b>				
Invested in capital assets, net of related debt	20,801,123	10,408	20,811,531	-
Restricted for:				
Investment	-	-	-	20,544
Categorical funding	148,166	-	148,166	-
Management levy purposes	507,022	-	507,022	-
Physical plant and equipment	275,868	-	275,868	-
School infrastructure	307,888	-	307,888	-
Student activities	53,569	-	53,569	-
Unrestricted	<u>3,653,780</u>	<u>127,298</u>	<u>3,781,078</u>	<u>208,590</u>
<b>Total net assets</b>	<u>\$ 25,747,416</u>	<u>137,706</u>	<u>25,885,122</u>	<u>229,134</u>

See notes to financial statements.

Spirit Lake Community School District  
 Spirit Lake, Iowa  
 Statement of Activities  
 Year ended June 30, 2012

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Service</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
<b><u>Functions/Programs:</u></b>				
<b>Primary Government:</b>				
Governmental activities:				
Instruction:				
Regular instruction	\$ 5,257,578	648,988	652,973	-
Special instruction	1,572,091	235,346	172,101	-
Other instruction	1,363,388	225,372	128,309	-
	<u>8,193,057</u>	<u>1,109,706</u>	<u>953,383</u>	<u>-</u>
Support services:				
Student	184,737	-	13,714	-
Instructional staff	810,287	49,847	98,546	-
Administration	1,190,815	23,144	41,914	-
Operation and maintenance of plant	1,287,381	20,627	-	-
Transportation	395,736	14,517	-	-
	<u>3,868,956</u>	<u>108,135</u>	<u>154,174</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	13,370	-	-	-
Long-term debt interest	195,798	-	-	-
AEA flowthrough	447,837	-	447,837	-
Depreciation (unallocated)*	760,684	-	-	-
	<u>1,417,689</u>	<u>-</u>	<u>447,837</u>	<u>-</u>
Total governmental activities	<u>13,479,702</u>	<u>1,217,841</u>	<u>1,555,394</u>	<u>-</u>
Business type activities:				
Non-instructional programs:				
Food service operations	548,570	373,154	190,904	-
Before & after school	(295)	-	-	-
Total business type activities	<u>548,275</u>	<u>373,154</u>	<u>190,904</u>	<u>-</u>
<b>Total primary government</b>	<b><u>\$ 14,027,977</u></b>	<b><u>1,590,995</u></b>	<b><u>1,746,298</u></b>	<b><u>-</u></b>
<b>Component Units:</b>				
Total discrete	<u>\$ 792,150</u>	<u>633,750</u>	<u>71,392</u>	<u>-</u>
<b>General Revenues:</b>				
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				
Transfers				
Special item				
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
(3,955,617)	-	(3,955,617)	-
(1,164,644)	-	(1,164,644)	-
(1,009,707)	-	(1,009,707)	-
<u>(6,129,968)</u>	<u>-</u>	<u>(6,129,968)</u>	<u>-</u>
(171,023)	-	(171,023)	-
(661,894)	-	(661,894)	-
(1,125,757)	-	(1,125,757)	-
(1,266,754)	-	(1,266,754)	-
(381,219)	-	(381,219)	-
<u>(3,606,647)</u>	<u>-</u>	<u>(3,606,647)</u>	<u>-</u>
(13,370)	-	(13,370)	-
(195,798)	-	(195,798)	-
-	-	-	-
(760,684)	-	(760,684)	-
(969,852)	-	(969,852)	-
<u>(10,706,467)</u>	<u>-</u>	<u>(10,706,467)</u>	<u>-</u>
-	15,488	15,488	-
-	295	295	-
-	15,783	15,783	-
<u>(10,706,467)</u>	<u>15,783</u>	<u>(10,690,684)</u>	<u>-</u>
-	-	-	(87,008)
7,665,000	-	7,665,000	-
953,472	-	953,472	-
474,292	-	474,292	-
787,126	-	787,126	-
2,050,997	-	2,050,997	-
70,990	1,088	72,078	(19,666)
71,513	3,130	74,643	2,387
100,997	-	100,997	-
7,109	(7,109)	-	-
562,915	-	562,915	-
<u>12,744,411</u>	<u>(2,891)</u>	<u>12,741,520</u>	<u>(17,279)</u>
2,037,944	12,892	2,050,836	(104,287)
23,709,472	124,814	23,834,286	333,421
<u>\$ 25,747,416</u>	<u>137,706</u>	<u>25,885,122</u>	<u>229,134</u>

Spirit Lake Community School District  
Spirit Lake, Iowa

Exhibit C

Balance Sheet  
Governmental Funds

June 30, 2012

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
<b>Assets</b>					
Cash and pooled investments	\$ 3,392,521	990,280	528,327	550,006	5,461,134
Receivables:					
Property tax:					
Delinquent	42,616	-	6,115	3,171	51,902
Succeeding year	6,910,040	-	986,711	650,000	8,546,751
Accounts	49,151	-	-	33,105	82,256
Due from other governments	798,467	-	157,142	-	955,609
Prepaid expenses	-	60,888	-	511	61,399
<b>Total assets</b>	<u>\$ 11,192,795</u>	<u>1,051,168</u>	<u>1,678,295</u>	<u>1,236,793</u>	<u>15,159,051</u>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 184,420	-	107,828	1,202	293,450
Salaries and benefits payable	1,001,887	-	-	-	1,001,887
Deferred revenue:					
Succeeding year property tax	6,910,040	-	986,711	650,000	8,546,751
Income surtax	497,627	-	-	-	497,627
Other	1,000	-	-	-	1,000
Early retirement payable	-	-	-	25,000	25,000
<b>Total liabilities</b>	<u>8,594,974</u>	<u>-</u>	<u>1,094,539</u>	<u>676,202</u>	<u>10,365,715</u>
Fund balances:					
Nonspendable for:					
Prepaid expenditures	-	60,888	-	511	61,399
Restricted for:					
Categorical funding	148,166	-	-	-	148,166
Debt service	-	990,280	-	-	990,280
Management levy purposes	-	-	-	506,511	506,511
Student activities	-	-	-	53,569	53,569
School infrastructure	-	-	307,888	-	307,888
Physical plant and equipment	-	-	275,868	-	275,868
Unassigned	2,449,655	-	-	-	2,449,655
<b>Total fund balances</b>	<u>2,597,821</u>	<u>1,051,168</u>	<u>583,756</u>	<u>560,591</u>	<u>4,793,336</u>
<b>Total liabilities and fund balances</b>	<u>\$ 11,192,795</u>	<u>1,051,168</u>	<u>1,678,295</u>	<u>1,236,793</u>	<u>15,159,051</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, 2012

**Total fund balances of governmental funds (page 21)** \$ 4,793,336

*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. 25,336,609

Other long-term assets are not available to pay current year expenditures and, therefore, are deferred in the governmental funds. 497,627

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. (78,671)

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. (4,801,485)

**Net assets of governmental activities (page 18)** \$ 25,747,416

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, 2012

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Revenues:					
Local sources:					
Local tax	\$ 7,656,104	-	1,740,598	530,805	9,927,507
Tuition	768,436	-	-	-	768,436
Other	361,398	14,004	5,874	214,119	595,395
State sources	3,337,193	-	308	178	3,337,679
Federal sources	<u>265,226</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>265,226</u>
Total revenues	<u>12,388,357</u>	<u>14,004</u>	<u>1,746,780</u>	<u>745,102</u>	<u>14,894,243</u>
Expenditures:					
Current:					
Instruction:					
Regular	5,080,992	-	39,252	358,642	5,478,886
Special	1,568,141	-	-	-	1,568,141
Other	<u>1,149,044</u>	<u>-</u>	<u>-</u>	<u>206,102</u>	<u>1,355,146</u>
	<u>7,798,177</u>	<u>-</u>	<u>39,252</u>	<u>564,744</u>	<u>8,402,173</u>
Support services:					
Student	183,928	-	-	-	183,928
Instructional staff	677,225	-	131,245	-	808,470
Administration	1,125,773	-	5,080	50,791	1,181,644
Operation and maintenance of plant	1,174,787	-	-	74,554	1,249,341
Transportation	<u>296,385</u>	<u>-</u>	<u>46,779</u>	<u>15,793</u>	<u>358,957</u>
	<u>3,458,098</u>	<u>-</u>	<u>183,104</u>	<u>141,138</u>	<u>3,782,340</u>
Other expenditures:					
Facilities acquisition	-	-	1,686,374	-	1,686,374
Long-term debt:					
Principal	-	983,508	-	-	983,508
Interest and fiscal charges	-	200,171	-	-	200,171
AEA flowthrough	<u>447,837</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>447,837</u>
	<u>447,837</u>	<u>1,183,679</u>	<u>1,686,374</u>	<u>-</u>	<u>3,317,890</u>
Total expenditures	<u>11,704,112</u>	<u>1,183,679</u>	<u>1,908,730</u>	<u>705,882</u>	<u>15,502,403</u>
Excess (deficiency) of revenues over (under) expenditures	<u>684,245</u>	<u>(1,169,675)</u>	<u>(161,950)</u>	<u>39,220</u>	<u>(608,160)</u>
Other financing sources (uses):					
Revenue bonds issued	-	-	350,000	-	350,000
Sale of fixed assets	7,919	-	99,149	-	107,068
Operating transfers in	7,109	1,135,595	-	-	1,142,704
Operating transfers out	<u>-</u>	<u>-</u>	<u>(1,135,595)</u>	<u>-</u>	<u>(1,135,595)</u>
Total other financing sources (uses)	<u>15,028</u>	<u>1,135,595</u>	<u>(686,446)</u>	<u>-</u>	<u>464,177</u>
Special item:					
Donations for field and track project	<u>-</u>	<u>-</u>	<u>562,914</u>	<u>-</u>	<u>562,914</u>
Net change in fund balances	699,273	(34,080)	(285,482)	39,220	418,931
Fund balances beginning 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>
Fund balances end of year	<u>\$ 2,597,821</u>	<u>1,051,168</u>	<u>583,756</u>	<u>560,591</u>	<u>4,793,336</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, 2012

**Net change in fund balances - total governmental funds (page 23)** \$ 418,931

*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 expense and loss on sale of fixed assets in the current year, as follows:

Expenditures for capital assets	\$ 1,775,747	
Depreciation expense	(885,208)	
Loss on sale of fixed assets	<u>(6,071)</u>	884,468

Income surtax not collected for several months after year end is not considered available revenue and is deferred in the governmental funds. (47,617)

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:

Issued	(350,000)	
Repaid	<u>983,508</u>	633,508

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. 4,373

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	184,952	
Other postemployment benefits	<u>(40,671)</u>	<u>144,281</u>

**Change in net assets of governmental activities (page 20)** \$ 2,037,944

See notes to financial statements.

Spirit Lake Community School District  
Spirit Lake, Iowa

Exhibit G

Statement of Net Assets  
Proprietary Fund

June 30, 2012

	Nonmajor Enterprise <u>Funds</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 127,317
Accounts receivable	1,571
Inventories	9,901
Prepaid expenses	602
Capital assets, net of accumulated depreciation	<u>10,408</u>
<b>Total assets</b>	<u>149,799</u>
<b>Liabilities</b>	
Deferred revenue	10,983
Net OPEB liability	<u>1,110</u>
<b>Total liabilities</b>	<u>12,093</u>
<b>Net Assets</b>	
Invested in capital assets	10,408
Unrestricted	<u>127,298</u>
<b>Total net assets</b>	<u><u>\$ 137,706</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, 2012

	Nonmajor Enterprise <u>Funds</u>
Operating revenues:	
Local sources:	
Charges for service	\$ 373,154
Miscellaneous	<u>3,130</u>
Total operating revenues	<u>376,284</u>
 Operating expenses:	
Support services:	
Operation and maintenance of plant	<u>1,404</u>
	<u>1,404</u>
 Non-instructional programs:	
Salaries	173,364
Benefits	34,268
Purchased services	7,220
Supplies	329,471
Depreciation	<u>2,548</u>
	<u>546,871</u>
 Total operating expenses	<u>548,275</u>
Operating loss	<u>(171,991)</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, 2012

	Nonmajor Enterprise <u>Funds</u>
Non-operating revenues:	
State sources	4,457
Federal sources	186,447
Interest income	<u>1,088</u>
Total non-operating revenues	<u>191,992</u>
Income before transfers	20,001
Transfers:	
Transfer to general fund	<u>(7,109)</u>
Increase in net assets	12,892
Net assets beginning of year	<u>124,814</u>
Net assets end of year	<u><u>\$ 137,706</u></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, 2012

	<u>Nonmajor Enterprise Funds</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 372,970
Cash received from other services	3,130
Cash paid to employees for services	(207,543)
Cash paid to suppliers for goods or services	<u>(310,933)</u>
Net cash used by operating activities	<u>(142,376)</u>
Cash flows from non-capital financing activities:	
Interfund loans received	8,294
Transfer to General Fund	(7,109)
State grants received	4,457
Federal grants received	<u>160,155</u>
Net cash provided by non-capital financing activities	<u>165,797</u>
Cash flows used by capital and related financing activities:	
Acquisition of capital assets	(3,190)
Cash flows from investing activities:	
Interest on investments	<u>1,088</u>
Net increase in cash and cash equivalents	21,319
Cash and cash equivalents beginning of year	<u>105,998</u>
Cash and cash equivalents end of year	<u><u>\$ 127,317</u></u>

Spirit Lake Community School District  
Spirit Lake, Iowa

Exhibit I

Statement of Cash Flows  
Proprietary Fund

Year ended June 30, 2012

	<u>Nonmajor Enterprise Funds</u>
<b>Reconciliation of operating loss to net cash used by operating activities:</b>	
Operating loss	\$ (171,991)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	26,292
Depreciation	2,548
(Increase) in accounts receivable	(1,097)
Decrease in inventories	1,472
(Increase) in prepaid expenses	(602)
Increase in deferred revenue	913
Increase in other postemployment benefits	89
Net cash used by operating activities	<u>\$ (142,376)</u>

**Non-cash investing, capital and related financing activities:**

During the year ended June 30, 2012, the District received \$26,292 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, 2012

	<u>Private Purpose Trust</u> <u>Scholarship</u>
<b>Assets</b>	
Cash	\$ <u>305,790</u>
<b>Total assets</b>	<u>305,790</u>
<b>Liabilities</b>	
<b>Total liabilities</b>	<u>-</u>
<b>Net assets</b>	
Reserved for scholarships	\$ <u><u>305,790</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, 2012

	<u>Private Purpose Trust</u> <u>Scholarship</u>
Additions:	
Local sources:	
Interest income	\$ 4,202
Total additions	4,202
Deductions:	
Instruction:	
Regular:	
Scholarships	<u>-</u>
Change in net assets	4,202
Net assets beginning of year	<u>301,588</u>
Net assets end of year	<u>\$ 305,790</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, 2012

	<u>Spirit Lake Community School Foundation</u>
Assets	
Cash	\$ 14,585
Investments	<u>769,514</u>
Total assets	<u><u>784,099</u></u>
Total Liabilities	<u>-</u>
Net assets	
Restricted net assets	774,731
Unrestricted net assets	<u>9,368</u>
Total net assets	<u><u>\$ 784,099</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, 2012

	Spirit Lake Community School Foundation		
	Unrestricted Funds	Restricted Funds	Total
Revenues:			
Interest	\$ 10	-	10
Donations	4,674	12,875	17,549
Dividends	-	20,942	20,942
Gain on sale of investments	-	18,404	18,404
Unrealized gain on sale	-	(2,752)	(2,752)
Total revenues	4,684	49,469	54,153
Expenses:			
Scholarships	34,964	-	34,964
Donations	4,000	-	4,000
Accounting fees	1,500	-	1,500
Investment management	3,495	-	3,495
Postage	155	-	155
Supplies	300	-	300
Total expenses	44,414	-	44,414
Net assets released from restrictions	37,047	(37,047)	-
Change in net assets	(2,683)	12,422	9,739
Net assets beginning of year	12,051	762,309	774,360
Net assets end of year	\$ 9,368	774,731	784,099

See notes to financial statements.

Spirit Lake Community School District  
Spirit Lake, Iowa

Notes to Financial Statements

June 30, 2012

**(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  
Spirit Lake, Iowa

Notes to Financial Statements

June 30, 2012

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 long 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  
Spirit Lake, Iowa

Notes to Financial Statements

June 30, 2012

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, 2012

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  
Spirit Lake, Iowa

Notes to Financial Statements

June 30, 2012

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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June 30, 2012

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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Notes to Financial Statements

June 30, 2012

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, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2011.

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

Spirit Lake Community School District  
Spirit Lake, Iowa

Notes to Financial Statements

June 30, 2012

<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 year 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 year 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.

Spirit Lake Community School District  
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Notes to Financial Statements

June 30, 2012

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 30<sup>th</sup> 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:

Nonspendable – Amounts which cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

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.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012 expenditures exceeded the amounts budgeted in the other expenditures function.

Spirit Lake Community School District  
Spirit Lake, Iowa

Notes to Financial Statements

June 30, 2012

**(2) Cash and Pooled Investments**

The District's deposits in banks at June 30, 2012 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, 2012, the District had investments in the Iowa Schools Joint Investment Trust Diversified Portfolio which are valued at an amortized cost of \$52,181 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investments in the Iowa Schools Joint Investment Trust were rated AAAM by Standard & Poor's Financial Services.

**(3) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Enterprise: Before and After School	\$ 7,109
Debt Service	Capital Projects: Physical Plant and Equipment Levy	565,104
Debt Sinking	Capital Projects: Statewide Sales, Services and Use Tax	<u>570,491</u>
Total		\$ <u>1,142,704</u>

Spirit Lake Community School District  
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Notes to Financial Statements

June 30, 2012

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

The Enterprise, Before and After School Fund transfer to the General Fund was to close that fund.

The Capital Projects, Physical Plant and Equipment Levy transfer to the Debt Service Fund was 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.

**(4) Capital Assets**

Capital assets activity for the year ended June 30, 2012 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 300,000	---	(4,000)	296,000
Construction in progress	<u>188,412</u>	<u>1,173,240</u>	<u>(1,361,652)</u>	<u>---</u>
Total capital assets not being depreciated	<u>488,412</u>	<u>1,173,240</u>	<u>(1,365,652)</u>	<u>296,000</u>
Capital assets being depreciated:				
Buildings	32,172,974	305,472	---	32,478,446
Land improvements	2,040,316	1,474,903	---	3,515,219
Machinery and equipment	<u>2,588,129</u>	<u>183,784</u>	<u>(23,650)</u>	<u>2,748,263</u>
Total capital assets being depreciated	<u>36,801,419</u>	<u>1,964,159</u>	<u>(23,650)</u>	<u>38,741,928</u>
Less accumulated depreciation for:				
Buildings	9,608,806	617,867	---	10,226,673
Land improvements	1,485,757	126,911	---	1,612,668
Machinery and equipment	<u>1,743,127</u>	<u>140,430</u>	<u>(21,579)</u>	<u>1,861,978</u>
Total accumulated depreciation	<u>12,837,690</u>	<u>885,208</u>	<u>(21,579)</u>	<u>13,701,319</u>
Total capital assets being depreciated, net	<u>23,963,729</u>	<u>1,078,951</u>	<u>(2,071)</u>	<u>25,040,609</u>
Governmental activities capital assets, net	\$ <u>24,452,141</u>	<u>2,252,191</u>	<u>(1,367,723)</u>	<u>25,336,609</u>

Spirit Lake Community School District  
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Notes to Financial Statements

June 30, 2012

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Business type activities:</b>				
Machinery and equipment	\$ 140,492	3,190	---	143,682
Less accumulated depreciation	<u>130,726</u>	<u>2,548</u>	<u>---</u>	<u>133,274</u>
Business type activities capital assets, net	\$ <u>9,766</u>	<u>642</u>	<u>---</u>	<u>10,408</u>

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular \$ 41,193

Other 5,489

Support services:

Administration 2,778

Operation and maintenance of plant 38,352

Transportation 36,712

124,524

Unallocated 760,684

Total depreciation expense – governmental activities \$ 885,208

Business type activities:

Food service operations \$ 2,548

**(5) Long-Term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2012 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Revenue bonds Series 2008	\$ 3,945,000	---	480,000	3,465,000	385,000
Revenue bonds Series 2011	---	350,000	---	350,000	38,889
Computer lease	1,223,994	---	503,508	720,486	353,375
Early retirement	333,410	94,328	279,280	148,458	64,918
Net OPEB liability	<u>76,870</u>	<u>40,671</u>	<u>---</u>	<u>117,541</u>	<u>---</u>
Total	\$ <u>5,579,274</u>	<u>484,999</u>	<u>1,262,788</u>	<u>4,801,485</u>	<u>842,182</u>

Spirit Lake Community School District  
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June 30, 2012

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Business type activities:					
Net OPEB liability	\$ <u>1,021</u>	<u>89</u>	<u>---</u>	<u>1,110</u>	<u>---</u>

Revenue Bonds

Details of the District's June 30, 2012 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending <u>June 30,</u>	Bond Issue of June 1, 2008			Bond Issue of July 25, 2011			Total		
	Interest <u>Rates</u>	<u>Principal</u>	<u>Interest</u>	Interest <u>Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	3.50%	\$ 385,000	121,275	3.00%	\$ 38,889	10,500	423,889	131,775	555,664
2014	3.50	385,000	107,800	3.00	38,889	9,333	423,889	117,133	541,022
2015	3.50	385,000	94,325	3.00	38,889	8,167	423,889	102,492	526,381
2016	3.50	385,000	80,850	3.00	38,889	7,000	423,889	87,850	511,739
2017	3.50	385,000	67,375	3.00	38,889	5,833	423,889	73,208	497,097
2018-2021	3.50	1,540,000	134,750	3.00	155,555	11,667	1,695,555	146,417	1,841,972
		<u>\$3,465,000</u>	<u>606,375</u>		<u>\$350,000</u>	<u>52,500</u>	<u>3,815,000</u>	<u>658,875</u>	<u>4,473,875</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 and the \$350,000 of bonds issued in July 2011. 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 71% of the statewide sales, services, and use tax revenue. The total principal and interest remaining to be paid on the bonds is \$4,473,875. For the current year \$480,000 in principal and \$138,075 in interest was paid on the bonds and total statewide sales, services, and use tax revenues were \$787,126.

Spirit Lake Community School District  
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Notes to Financial Statements

June 30, 2012

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 reserve account. The District is required to establish a reserve account of \$715,000 to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account.
- 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.

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 \$503,508 in principal and \$61,596 in interest was paid on the computer lease. Details of the District's June 30, 2012 computer leases indebtedness are as follows:

Year Ending <u>June 30,</u>	Lease dated of March 3, 2010			
	Interest <u>Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	4.84%	\$ 353,375	24,370	377,745
2014	4.84	<u>367,111</u>	<u>10,634</u>	<u>377,745</u>
Total		\$ <u>720,486</u>	<u>35,004</u>	<u>755,490</u>

Spirit Lake Community School District  
Spirit Lake, Iowa

Notes to Financial Statements

June 30, 2012

Early Retirement

The District offered a one time voluntary early retirement plan to its licensed employees. Eligible licensed employees must have completed eight 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, 2012. 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, 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, 2012 totaled \$279,280.

**(6) Pension and Retirement Benefits**

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

Plan members are required to contribute 5.38% of their annual covered salary and the District is required to contribute 8.07% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$597,943, \$519,601 and \$484,681, respectively, equal to the required contributions for each year.

Spirit Lake Community School District  
Spirit Lake, Iowa

Notes to Financial Statements

June 30, 2012

**(7) Other Postemployment Benefits (OPEB)**

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

The following table shows the components of the District’s annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan and changes in the District’s net OPEB obligation:

Annual required contribution	\$ 59,681
Interest on net OPEB obligation	1,947
Adjustment to annual required contribution	<u>(4,992)</u>
Annual OPEB cost	56,636
Contributions made	<u>(15,876)</u>
Increase in net OPEB obligation	40,760
Net OPEB obligation beginning of year	<u>77,891</u>
Net OPEB obligation end of year	\$ <u>118,651</u>

Spirit Lake Community School District  
Spirit Lake, Iowa

Notes to Financial Statements

June 30, 2012

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, 2012.

For the year ended June 30, 2012, the District contributed \$15,876 to the medical plan. Plan members eligible for benefits contributed \$127,764, or 89% 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, 2012 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
2012	56,636	28.0%	118,651

Funded Status and Funding Progress – As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, 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 \$5,986,000 and the ratio of the UAAL to covered payroll was 7.3%. As of June 30, 2012, 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 for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents 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.

Spirit Lake Community School District  
Spirit Lake, Iowa

Notes to Financial Statements

June 30, 2012

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 valuation 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 the 2006 Society of Actuaries Study.

Projected claim costs of the medical plan are \$552 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.

**(8) Risk Management**

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

**(9) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$447,837 for the year ended June 30, 2012 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Spirit Lake Community School District  
Spirit Lake, Iowa

Notes to Financial Statements

June 30, 2012

**(10) 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, 2012 was \$24,479. 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. The amount paid for the fiscal year ended June 30, 2012 was \$22,300. Future rentals are scheduled as follows:

Year Ending	
<u>June 30,</u>	
2013	\$ ---
2014	<u>22,300</u>
Total	\$ <u>22,300</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, 2012 was \$3,936. Future rentals are scheduled as follows:

Year Ending	
<u>June 30,</u>	
2013	\$ <u>2,624</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, 2012 was \$6,040. Future rentals are scheduled as follows:

Year Ending	
<u>June 30,</u>	
2013	\$ 6,084
2014	<u>1,014</u>
Total	\$ <u>7,098</u>

Spirit Lake Community School District  
Spirit Lake, Iowa

Notes to Financial Statements

June 30, 2012

**(11) Categorical Funding**

The District's restricted fund balance for categorical funding at June 30, 2012 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Talented and Gifted	\$ 21,380
Dropout prevention	109,967
Mentoring	3,563
Teacher salary supplement	112
Professional development – core curriculum	12,244
Professional development	<u>900</u>
Total	<u>\$ 148,166</u>

**(12) Subsequent Events**

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

On August 22, 2012 the board approved the purchase of IPADS for the elementary classrooms in the amount of \$90,000.

On March 18, 2013 the board approved the bid for the high school/middle school additions and renovations project in the amount of \$6,170,200. The board also approved the purchase of food service equipment in the amount of \$824,455. The board has approved a plan of finance for the school infrastructure projects.

**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, 2012

	Governmental Funds <u>Actual</u>	Proprietary Fund <u>Actual</u>
Revenues:		
Local sources	\$ 11,291,338	377,372
State sources	3,337,679	4,457
Federal sources	<u>265,226</u>	<u>186,447</u>
Total revenues	<u>14,894,243</u>	<u>568,276</u>
Expenditures/Expenses:		
Instruction	8,402,173	-
Support services	3,782,340	1,404
Non-instructional programs	-	546,871
Other expenditures	<u>3,317,890</u>	<u>-</u>
Total expenditures/expenses	<u>15,502,403</u>	<u>548,275</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	(608,160)	20,001
Other financing sources, net	464,177	(7,109)
Special item	<u>562,914</u>	<u>-</u>
Excess (deficiency) of revenues, other financing sources, and special items over (under) expenditures/expenses and other financing uses	418,931	12,892
Balances beginning of year	<u>4,374,405</u>	<u>124,814</u>
Balances end of year	<u>\$ 4,793,336</u>	<u>137,706</u>

See accompanying independent auditor's report.

<u>Total Actual</u>	<u>Budgeted Amounts</u>		<u>Final to Actual Variance</u>
	<u>Original</u>	<u>Final</u>	
11,668,710	12,254,156	12,254,156	(585,446)
3,342,136	3,441,399	3,441,399	(99,263)
<u>451,673</u>	<u>520,800</u>	<u>520,800</u>	<u>(69,127)</u>
<u>15,462,519</u>	<u>16,216,355</u>	<u>16,216,355</u>	<u>(753,836)</u>
8,402,173	9,735,000	9,735,000	1,332,827
3,783,744	5,090,000	5,090,000	1,306,256
546,871	561,000	561,000	14,129
<u>3,317,890</u>	<u>2,175,989</u>	<u>2,175,989</u>	<u>(1,141,901)</u>
<u>16,050,678</u>	<u>17,561,989</u>	<u>17,561,989</u>	<u>1,511,311</u>
(588,159)	(1,345,634)	(1,345,634)	757,475
457,068	-	-	457,068
<u>562,914</u>	<u>-</u>	<u>-</u>	<u>562,914</u>
431,823	(1,345,634)	(1,345,634)	1,777,457
<u>4,499,219</u>	<u>4,042,319</u>	<u>2,717,721</u>	<u>1,781,498</u>
<u>4,931,042</u>	<u>2,696,685</u>	<u>1,372,087</u>	<u>3,558,955</u>

Spirit Lake Community School District  
Spirit Lake, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2012

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 did not amend the budget.

During the year ended June 30, 2012, 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 Accrued 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%
2012	Jul 1, 2009	-	434	434	0.0%	5,986	7.3%

See Note 7 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.

Spirit Lake Community School District  
Spirit Lake, Iowa

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

June 30, 2012

	Discrete Component			
	Indian Athletic Booster Club	Spirit Lake Music Booster Club	Elementary Partners in Education	Middle School Partners in Education
Assets				
Cash	\$ 66,436	85,623	26,044	23,536
Investments	-	-	-	-
Fundraiser receivable	140,528	-	-	-
Prepaid expenses	-	-	-	-
Total assets	206,964	85,623	26,044	23,536
Liabilities				
Salaries and benefits payable	-	-	-	-
Note payable	238,466	-	-	-
Total liabilities	238,466	-	-	-
Net assets				
Restricted	-	-	-	-
Unrestricted	(31,502)	85,623	26,044	23,536
Total net assets	(31,502)	85,623	26,044	23,536
Total liabilities and net assets	\$ 206,964	85,623	26,044	23,536

See accompanying independent auditor's report.

Units

<u>High School Partners in Education</u>	<u>Friends of the SAMI Center</u>	<u>Total</u>
6,241	112,673	320,553
-	6,084	6,084
-	-	140,528
-	2,500	2,500
<u>6,241</u>	<u>121,257</u>	<u>469,665</u>
-	2,065	2,065
-	-	238,466
-	2,065	240,531
-	20,544	20,544
<u>6,241</u>	<u>98,648</u>	<u>208,590</u>
<u>6,241</u>	<u>119,192</u>	<u>229,134</u>
<u>6,241</u>	<u>121,257</u>	<u>469,665</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, 2012

	Discrete Component			
	Indian Athletic Booster Club	Spirit Lake Music Booster Club	Elementary Partners in Education	Middle School Partners in Education
Revenues:				
Interest	\$ 74	93	29	-
Donations	-	301	1,210	171
Dividends	-	-	-	-
Sponsorships	19,150	-	-	-
Concessions	37,588	-	-	-
Event admissions	-	-	-	-
Fundraisers	260,666	59,326	178,554	50,838
Other	3,640	419	969	-
Total revenues	<u>321,118</u>	<u>60,139</u>	<u>180,762</u>	<u>51,009</u>
Expenses:				
Facilities/equipment	313,319	1,545	-	-
Labor	-	4,216	-	-
Donations	20,000	-	-	-
Advertising	11,309	435	-	-
Bank charges	-	57	471	15
Travel	-	-	-	-
Postage	44	115	-	-
Supplies	50,301	49,079	176,952	46,049
Insurance	841	536	-	-
Event expenses	9,043	-	-	-
Accounting/tax preparation	650	238	576	150
Other	172	1,044	-	-
Total expenses	<u>405,679</u>	<u>57,265</u>	<u>177,999</u>	<u>46,214</u>
Change in net assets	(84,561)	2,874	2,763	4,795
Net assets beginning of year	<u>53,059</u>	<u>82,749</u>	<u>23,281</u>	<u>18,741</u>
Net assets end of year	<u>\$ (31,502)</u>	<u>85,623</u>	<u>26,044</u>	<u>23,536</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>
-	826	1,022
2,475	27,143	31,300
-	254	254
-	-	19,150
-	-	37,588
-	44,675	44,675
2,103	-	551,487
-	(2,641)	2,387
<u>4,578</u>	<u>70,257</u>	<u>687,863</u>
-	268	315,132
-	33,872	38,088
2,500	-	22,500
-	4,875	16,619
-	1,942	2,485
-	1,329	1,329
90	62	311
1,462	3,804	327,647
-	916	2,293
-	52,898	61,941
-	-	1,614
240	735	2,191
<u>4,292</u>	<u>100,701</u>	<u>792,150</u>
286	(30,444)	(104,287)
<u>5,955</u>	<u>149,636</u>	<u>333,421</u>
<u>6,241</u>	<u>119,192</u>	<u>229,134</u>

## **Supplementary Information**

Spirit Lake Community School District  
Spirit Lake, Iowa

Schedule 1

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2012

	Special Revenue		
	Manage- ment <u>Levy</u>	Student Activity <u>Activity</u>	<u>Total</u>
<b>Assets</b>			
Cash and pooled investments	\$ 528,515	21,491	550,006
Receivables:			
Property tax:			
Delinquent	3,171	-	3,171
Succeeding year	650,000	-	650,000
Accounts	-	33,105	33,105
Prepaid expenses	<u>511</u>	<u>-</u>	<u>511</u>
<b>Total assets</b>	<b><u>\$ 1,182,197</u></b>	<b><u>54,596</u></b>	<b><u>1,236,793</u></b>
 <b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 175	1,027	1,202
Early retirement payable	25,000	-	25,000
Deferred revenue:			
Succeeding year property tax	<u>650,000</u>	<u>-</u>	<u>650,000</u>
Total liabilities	<u>675,175</u>	<u>1,027</u>	<u>676,202</u>
Fund balances:			
Nonspendable for:			
Prepaid expenditures	511	-	511
Restricted for:			
Management levy purposes	506,511	-	506,511
Student activities	<u>-</u>	<u>53,569</u>	<u>53,569</u>
Total fund balances	<u>507,022</u>	<u>53,569</u>	<u>560,591</u>
<b>Total liabilities and fund balances</b>	<b><u>\$ 1,182,197</u></b>	<b><u>54,596</u></b>	<b><u>1,236,793</u></b>

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, 2012

	Special Revenue		
	Manage- ment <u>Levy</u>	Student Activity	<u>Total</u>
Revenues:			
Local sources:			
Local tax	\$ 530,805	-	530,805
Other	18,074	196,045	214,119
State sources	178	-	178
Total revenues	549,057	196,045	745,102
Expenditures:			
Current:			
Instruction:			
Regular	358,642	-	358,642
Other	-	206,102	206,102
Support services:			
Administration	50,791	-	50,791
Operation and maintenance of plant	74,554	-	74,554
Transportation	15,793	-	15,793
Total expenditures	499,780	206,102	705,882
Excess (deficiency) of revenues over (under) expenditures	49,277	(10,057)	39,220
Fund balances beginning of year	457,745	63,626	521,371
Fund balances end of year	\$ 507,022	53,569	560,591

See accompanying independent auditor's report.

Spirit Lake Community School District  
Spirit Lake, Iowa

Schedule 3

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2012

<u>Account</u>	Balance Beginning of Year	Revenues and Interfund Transfers	Expenditures	Intra- Fund Transfers	Balance End of Year
MS Drama	\$ -	438	445	7	-
HS Drama	-	1,722	1,473	-	249
MS Vocal	-	-	98	98	-
HS Vocal	4	6,867	13,106	6,235	-
MS Instrumental Music	-	1,027	3,114	2,087	-
HS Instrumental Music	-	8,518	11,254	2,736	-
Co-Ed Athletics	4	34,044	9,262	(24,786)	-
Cross Country	-	677	1,997	1,320	-
Boys Basketball	-	7,296	7,545	249	-
Boys Football	-	35,981	23,093	(12,888)	-
Boys Soccer	-	3,949	8,555	4,606	-
Boys Baseball	-	1,924	6,578	4,654	-
Boys Track	-	3,946	15,070	11,124	-
Boys Tennis	-	321	1,131	810	-
Boys Tennis Freshman	1,208	-	-	-	1,208
Boys Golf	-	1,256	2,313	1,057	-
Boys Wrestling	-	6,815	11,153	4,338	-
Girls Basketball	-	9,517	7,335	(2,182)	-
Girls Volleyball	-	4,190	7,890	3,700	-
Girls Volleyball Freshman	4,284	4,193	2,776	-	5,701
Girls Soccer	-	582	1,828	1,246	-
Girls Softball	-	4,286	6,046	1,760	-
Girls Track	-	2,952	7,228	4,276	-
Girls Tennis	-	728	2,267	1,539	-
Girls Golf	-	-	872	872	-
Cheerleaders	744	4,311	2,788	-	2,267
Dance	2,482	4,049	6,531	-	-
Class of 2011	642	-	-	-	642
Class of 2012	1,111	450	629	-	932
Class of 2013	1,860	940	1,741	-	1,059
Class of 2014	224	795	-	-	1,019
Class of 2015	-	787	-	-	787
Investments	145	-	-	-	145
Activity Tickets	-	19,293	2	(16,384)	2,907
Mexico Club	4,695	3,127	6,323	-	1,499

(continued)

Spirit Lake Community School District  
Spirit Lake, Iowa

Schedule 3

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2012

<u>Account</u>	Balance Beginning of Year	Revenues and Interfund Transfers	Expenditures	Intra- Fund Transfers	Balance End of Year
Annual	13,519	8,882	10,706	-	11,695
SLHS Quiz Bowl	1,129	630	779	-	980
Academic Decathlon	-	-	1,080	1,080	-
Classes	3,490	990	1,508	-	2,972
Mock Trial	-	-	1,991	1,991	-
MS SAC	3,279	-	75	(20)	3,184
HS SAC	9,301	3,488	2,753	-	10,036
MOC	363	669	537	-	495
Speech	-	-	456	456	-
HS Library	-	14	-	-	14
MS Library	-	-	-	22	22
Middle School	-	1,438	1,119	1,505	1,824
Elementary Donations	2,762	1,483	2,496	152	1,901
Elementary	267	2,665	1,891	158	1,199
VW Jobs	400	700	268	-	832
Due Other Fund	11,713	105	10,000	(1,818)	-
Total	<u>\$ 63,626</u>	<u>196,045</u>	<u>206,102</u>	<u>-</u>	<u>53,569</u>

See accompanying independent auditor's report.

Spirit Lake Community School District  
Spirit Lake, Iowa

Schedule 4

Combining Balance Sheet  
Capital Projects Accounts

June 30, 2012

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>Assets</b>			
Cash and pooled investments	\$ 162,325	366,002	528,327
Receivables:			
Property tax:			
Delinquent	-	6,115	6,115
Succeeding year	-	986,711	986,711
Due from other governments	157,142	-	157,142
<b>Total assets</b>	<b>\$ 319,467</b>	<b>1,358,828</b>	<b>1,678,295</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 11,579	96,249	107,828
Deferred revenue:			
Succeeding year property tax	-	986,711	986,711
Total liabilities	11,579	1,082,960	1,094,539
Fund balances:			
Restricted for:			
School infrastructure	307,888	-	307,888
Physical plant and equipment	-	275,868	275,868
Total fund balances	307,888	275,868	583,756
<b>Total liabilities and fund balances</b>	<b>\$ 319,467</b>	<b>1,358,828</b>	<b>1,678,295</b>

See accompanying independent auditor's report.

Spirit Lake Community School District  
Spirit Lake, Iowa

Schedule 5

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

Year ended June 30, 2012

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 787,126	953,472	1,740,598
Other	3,208	2,666	5,874
State sources	-	308	308
Total revenues	790,334	956,446	1,746,780
Expenditures:			
Instruction:			
Regular	-	39,252	39,252
Support services:			
Instructional staff	-	131,245	131,245
Administration	315	4,765	5,080
Transportation	-	46,779	46,779
Other expenditures:			
Facilities acquisition	717,608	968,766	1,686,374
Total expenditures	717,923	1,190,807	1,908,730
Excess (deficiency) of revenues over (under) expenditures	72,411	(234,361)	(161,950)
Other financing sources (uses):			
Revenue bonds issued	350,000	-	350,000
Sale of fixed assets	-	99,149	99,149
Operating transfers out	(570,491)	(565,104)	(1,135,595)
Total other financing sources (uses)	(220,491)	(465,955)	(686,446)
Special item:			
Donations for field and track project	-	562,914	562,914
Net change in fund balance	(148,080)	(137,402)	(285,482)
Fund balances beginning of year	455,968	413,270	869,238
Fund balances end of year	\$ 307,888	275,868	583,756

See accompanying independent auditor's report.

Spirit Lake Community School District  
Spirit Lake, Iowa

Schedule 6

Combining Schedule of Net Assets  
Nonmajor Enterprise Funds

June 30, 2012

	<u>School Nutrition</u>	<u>Before &amp; After School Program</u>	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 127,317	-	127,317
Accounts receivable	1,571	-	1,571
Inventories	9,901	-	9,901
Prepaid expenses	602	-	602
Capital assets, net of accumulated depreciation	10,408	-	10,408
<b>Total assets</b>	<u>149,799</u>	<u>-</u>	<u>149,799</u>
<b>Liabilities</b>			
Deferred revenue	10,983	-	10,983
Net OPEB liability	1,110	-	1,110
<b>Total liabilities</b>	<u>12,093</u>	<u>-</u>	<u>12,093</u>
<b>Net Assets</b>			
Invested in capital assets	10,408	-	10,408
Unrestricted	127,298	-	127,298
<b>Total net assets</b>	<u>\$ 137,706</u>	<u>-</u>	<u>137,706</u>

See accompanying independent auditor's report.

Spirit Lake Community School District  
Spirit Lake, Iowa

Schedule 7

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

Year ended June 30, 2012

	<u>School Nutrition</u>	<u>Before &amp; After School Program</u>	<u>Total</u>
Operating revenues:			
Local sources:			
Charges for service	\$ 373,154	-	373,154
Miscellaneous	<u>3,130</u>	<u>-</u>	<u>3,130</u>
Total operating revenues	<u>376,284</u>	<u>-</u>	<u>376,284</u>
Operating expenses:			
Support services:			
Operation and maintenance of plant	<u>1,404</u>	<u>-</u>	<u>1,404</u>
	<u>1,404</u>	<u>-</u>	<u>1,404</u>
Non-instructional programs:			
Salaries	173,364	-	173,364
Benefits	34,563	(295)	34,268
Purchased services	7,220	-	7,220
Supplies	329,471	-	329,471
Depreciation	<u>2,548</u>	<u>-</u>	<u>2,548</u>
	<u>547,166</u>	<u>(295)</u>	<u>546,871</u>
Total operating expenses	<u>548,570</u>	<u>(295)</u>	<u>548,275</u>
Operating income (loss)	<u>(172,286)</u>	<u>295</u>	<u>(171,991)</u>

(continued)

Spirit Lake Community School District  
Spirit Lake, Iowa

Schedule 7

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

Year ended June 30, 2012

	<u>School Nutrition</u>	<u>Before &amp; After School Program</u>	<u>Total</u>
Non-operating revenues:			
State sources	4,457	-	4,457
Federal sources	186,447	-	186,447
Interest income	<u>1,050</u>	<u>38</u>	<u>1,088</u>
Total non-operating revenues	<u>191,954</u>	<u>38</u>	<u>191,992</u>
 Income before transfers	 19,668	 333	 20,001
Transfers:			
Transfer to general fund	<u>-</u>	<u>(7,109)</u>	<u>(7,109)</u>
 Increase (decrease) in net assets	 19,668	 (6,776)	 12,892
 Net assets beginning of year	 <u>118,038</u>	 <u>6,776</u>	 <u>124,814</u>
Net assets end of year	<u>\$ 137,706</u>	<u>-</u>	<u>137,706</u>

See accompanying independent auditor's report.

Spirit Lake Community School District  
Spirit Lake, Iowa

Schedule 8

Combining Schedule of Cash Flows  
Nonmajor Enterprise Funds

Year ended June 30, 2012

	<u>School Nutrition</u>	<u>Before &amp; After School Program</u>	<u>Total</u>
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 372,970	-	372,970
Cash received from other services	3,130	-	3,130
Cash paid to employees for services	(207,543)	-	(207,543)
Cash paid to suppliers for goods or services	<u>(310,933)</u>	<u>-</u>	<u>(310,933)</u>
Net cash used by operating activities	<u>(142,376)</u>	<u>-</u>	<u>(142,376)</u>
Cash flows from non-capital financing activities:			
Interfund loans received	8,294	-	8,294
Transfer to General Fund	-	(7,109)	(7,109)
State grants received	4,457	-	4,457
Federal grants received	<u>160,155</u>	<u>-</u>	<u>160,155</u>
Net cash provided by (used in) non-capital financing activities	<u>172,906</u>	<u>(7,109)</u>	<u>165,797</u>
Cash flows used by capital and related financing activities:			
Acquisition of capital assets	<u>(3,190)</u>	<u>-</u>	<u>(3,190)</u>
Cash flows from investing activities:			
Interest on investments	<u>1,050</u>	<u>38</u>	<u>1,088</u>
Net increase (decrease) in cash and cash equivalents	28,390	(7,071)	21,319
Cash and cash equivalents beginning of year	<u>98,927</u>	<u>7,071</u>	<u>105,998</u>
Cash and cash equivalents end of year	<u>\$ 127,317</u>	<u>-</u>	<u>127,317</u>

(continued)

Spirit Lake Community School District  
Spirit Lake, Iowa

Schedule 8

Combining Schedule of Cash Flows  
Nonmajor Enterprise Funds

Year ended June 30, 2012

	<u>School Nutrition</u>	<u>Before &amp; After School Program</u>	<u>Total</u>
<b>Reconciliation of operating income (loss) to net cash used by operating activities:</b>			
Operating income ( loss)	\$ (172,286)	295	(171,991)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:			
Commodities used	26,292	-	26,292
Depreciation	2,548	-	2,548
Increase in accounts receivable	(1,097)	-	(1,097)
Decrease in inventories	1,472	-	1,472
Increase in prepaid expenses	(602)	-	(602)
Increase in deferred revenue	913	-	913
Increase (decrease) in other postemployment benefits	384	(295)	89
Net cash used by operating activities	<u>\$ (142,376)</u>	<u>-</u>	<u>(142,376)</u>

**Non-cash investing, capital and related financing activities:**

During the year ended June 30, 2012, the District received \$26,292 of federal commodities.

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, 2012

	<u>Debt Service</u>	<u>Debt Sinking</u>	<u>Total</u>
Revenues:			
Local sources:			
Other	\$ -	14,004	14,004
Total revenues	<u>-</u>	<u>14,004</u>	<u>14,004</u>
Expenditures:			
Other expenditures:			
Long-term debt:			
Principal	503,508	480,000	983,508
Interest and fiscal charges	<u>61,596</u>	<u>138,575</u>	<u>200,171</u>
Total expenditures	<u>565,104</u>	<u>618,575</u>	<u>1,183,679</u>
Deficiency of revenues under expenditures	<u>(565,104)</u>	<u>(604,571)</u>	<u>(1,169,675)</u>
Other financing sources:			
Operating transfers in	<u>565,104</u>	<u>570,491</u>	<u>1,135,595</u>
Total other financing sources	<u>565,104</u>	<u>570,491</u>	<u>1,135,595</u>
Net change in fund balances	-	(34,080)	(34,080)
Fund balances beginning of year	<u>-</u>	<u>1,085,248</u>	<u>1,085,248</u>
Fund balances end of year	<u>\$ -</u>	<u>1,051,168</u>	<u>1,051,168</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>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Revenues:				
Local sources:				
Local tax	\$ 9,927,507	10,189,729	9,121,902	9,088,907
Tuition	768,436	745,086	610,212	560,536
Other	595,395	528,365	450,845	541,292
Intermediate sources	-	-	8,949	2,790
State sources	3,337,679	2,973,732	2,550,547	3,567,495
Federal sources	<u>265,226</u>	<u>692,658</u>	<u>1,000,553</u>	<u>462,377</u>
Total	<u>\$ 14,894,243</u>	<u>15,129,570</u>	<u>13,743,008</u>	<u>14,223,397</u>
Expenditures:				
Instruction:				
Regular	\$ 5,478,886	5,540,771	5,344,333	5,397,879
Special	1,568,141	1,404,928	1,267,017	1,213,744
Other	1,355,146	1,342,217	1,335,949	1,263,397
Support services:				
Student	183,928	180,429	171,910	133,574
Instructional staff	808,470	708,067	1,660,441	618,992
Administration	1,181,644	1,120,192	992,752	1,001,541
Operation and maintenance of plant	1,249,341	1,202,876	1,128,098	1,163,728
Transportation	358,957	417,526	278,570	282,874
Other expenditures:				
Facilities acquisition	1,686,374	553,213	139,602	252,695
Long-term debt:				
Principal	983,508	1,472,003	1,068,025	1,314,967
Interest and other charges	200,171	248,640	213,418	174,509
AEA flowthrough	<u>447,837</u>	<u>491,412</u>	<u>491,706</u>	<u>447,173</u>
Total	<u>\$ 15,502,403</u>	<u>14,682,274</u>	<u>14,091,821</u>	<u>13,265,073</u>

See accompanying independent auditor's report.

Schedule 10

<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
8,688,210	8,790,999	7,615,021	7,337,029	5,346,101	5,589,269
654,005	695,443	696,195	884,949	689,358	658,805
629,124	631,605	874,633	347,694	1,501,512	1,686,729
-	-	-	-	445	1,383
4,015,627	3,168,572	3,772,691	3,439,146	3,214,284	3,327,968
<u>290,032</u>	<u>340,617</u>	<u>250,098</u>	<u>740,807</u>	<u>693,673</u>	<u>252,925</u>
<u>14,276,998</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>
5,292,796	5,057,938	4,781,325	4,753,828	4,703,110	4,401,150
1,228,798	1,434,039	984,914	1,243,321	1,798,261	1,484,307
1,333,017	814,906	1,165,331	1,093,118	487,118	656,684
228,904	220,123	241,135	208,887	190,887	201,786
568,030	592,780	595,803	453,087	454,653	395,621
945,298	1,029,644	857,510	930,129	879,306	796,378
1,189,843	1,137,986	1,094,590	876,437	909,186	810,144
347,932	357,708	361,889	273,057	313,194	243,171
3,861,587	5,016,259	4,847,325	1,656,854	1,253,535	1,952,221
9,920,620	1,013,787	996,145	984,547	905,095	857,880
495,682	538,964	581,337	207,437	434,408	369,272
<u>419,742</u>	<u>385,591</u>	<u>372,754</u>	<u>347,962</u>	<u>344,284</u>	<u>361,532</u>
<u>25,832,249</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>

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

## Certified Public Accountants

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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, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 26, 2013. Our report expressed unqualified opinions on the financial statements except for the component units, 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, which were not audited. 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

The management of Spirit Lake Community School District is responsible for establishing and maintaining effective 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, we

identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct 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 I of the accompanying Schedule of Findings as items I-A-12 and I-B-12 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 I-C-12 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 II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2012 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. 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, 2013

Spirit Lake Community School District  
Spirit Lake, Iowa

Schedule of Findings

Year ended June 30, 2012

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

**INTERNAL CONTROL DEFICIENCIES:**

I-A-12 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.

I-B-12 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.

Spirit Lake Community School District  
Spirit Lake, Iowa

Schedule of Findings

Year ended June 30, 2012

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.

- I-C-12 Disbursements Approval – It was noted that the District is following Chapter 279.30 of the Code of Iowa for approval of payments prior to the Board meeting. However, the District policy’s as written, has not been updated with changes in the Code. The policy does not say disbursements can be approved by a designee of the superintendent. Eleven transactions were approved for payment by someone other than the superintendent.

Recommendation – The District should update their policy to reflect the policy they are following.

Response – We will update our policy.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

Spirit Lake Community School District  
Spirit Lake, Iowa

Schedule of Findings

Year ended June 30, 2012

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

II-A-12 Certified Budget - Expenditures for the year ended June 30, 2012 exceeded the certified budget amount in the other expenditures function.

Recommendation – The certified budget should have been amended 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.

II-B-12 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.

II-C-12 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.

II-D-12 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	\$ 20,233
Teresa Beck, Board Member Husband owns Beck Engineering	Engineering Fees	\$ 8,392

Spirit Lake Community School District  
Spirit Lake, Iowa

Schedule of Findings

Year ended June 30, 2012

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

In accordance with an Attorney General's Opinion dated November 9, 1976, the above transaction with Board Member Beck's husband does not appear to represent a conflict of interest.

II-E-12 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.

II-F-12 Board Minutes - As previously noted, the District is following Chapter 279.30 of the Code of Iowa for approval of payments prior to the Board meeting, however the District policy's does not say the payments can be approved by a designee of the superintendent. Eleven transactions were approved for payment by someone other than the superintendent.

Recommendation – The District should update its' written policy to match Chapter 279.30 of the Code of Iowa.

Response – We will update our policy.

Conclusion – Response accepted.

II-G-12 Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

II-H-12 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

II-I-12 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.

II-J-12 Certified Annual Report – The Certified Annual Report was certified timely to the Iowa Department of Education.

Spirit Lake Community School District

Spirit Lake, Iowa

Schedule of Findings

Year ended June 30, 2012

II-K-12 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.

II-L-12 Statewide Sales, Services, and Use Tax – No instances of non-compliance with the use of the statewide sales, services, and use tax revenue provided in 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, 2012, the District reported the following information regarding the statewide sales, services and use tax revenue in the District’s CAR:

Beginning balance		\$ 455,968
Revenues:		
Sales tax revenues	\$ 787,126	
Other local revenues	3,208	
Sale of long-term debt	<u>350,000</u>	<u>1,140,334</u>
		1,596,302
Expenditures/transfers out:		
School infrastructure construction	608,783	
Other	109,140	
Transfers to other funds:		
Debt service fund	<u>570,491</u>	<u>1,288,414</u>
Ending balance		\$ <u><u>307,888</u></u>

For the year ended June 30, 2012, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

II-M-12 Revenue Bonds – No instances of non-compliance with the revenue bond resolution were noted.