

**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, 2013

Table of Contents

		<u>Page</u>
Officials		1
Independent Auditor’s Report		2-5
Management’s Discussion and Analysis		6-17
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Position	A	18-19
Statement of Activities	B	20-21
Governmental Fund Financial Statements:		
Balance Sheet	C	22
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	D	23
Statement of Revenues, Expenditures and Changes in Fund Balances	E	24
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	F	25
Proprietary Fund Financial Statements:		
Statement of Net Position	G	26
Statement of Revenues, Expenses and Changes in Fund Net Position	H	27-28
Statement of Cash Flows	I	29-30
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Position	J	31
Statement of Changes in Fiduciary Net Position	K	32
Component Unit Financial Statements:		
Statement of Assets, Liabilities, and Net Position – Cash Basis – Spirit Lake Community School Foundation	L	33
Statement of Revenue and Expenses and Changes in Net Position - Cash Basis – Spirit Lake Community School Foundation	M	34
Notes to Financial Statements		35-55
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures/ Expenses and Changes in Balances – Budget and Actual – All Governmental Funds and Proprietary Fund		56-57
Notes to Required Supplementary Information - Budgetary Reporting		58
Schedule of Funding Progress for the Retiree Health Plan		59

Table of Contents

		<u>Page</u>
Combining Statement of Assets, Liabilities, and Net Position – Modified Cash Basis – Discrete Component Units		60-61
Combining Statement of Revenues and Expenses and Changes in Net Position – Modified Cash Basis – Discrete Component Units		62-63
	<u>Schedule</u>	
Supplementary Information:		
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	64
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	65
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3	66-67
Capital Project Accounts:		
Combining Balance Sheet	4	68
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	5	69
Nonmajor Enterprise Funds:		
Combining Schedule of Net Position	6	70
Combining Schedule of Revenues, Expenses, and Changes in Fund Net Position	7	71-72
Combining Schedule of Cash Flows	8	73-74
Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	9	75-76
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 <u>Government Auditing Standards</u>		77-79
Schedule of Findings		80-84

Spirit Lake Community School District
Spirit Lake, Iowa

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
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	2013
Donna Sebert	Board Secretary	2013
Karen Oleson	Director of Business and Finance	2013
Steve Avery	Attorney	Indefinite

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Certified Public Accountants

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Spirit Lake Community School District, Spirit Lake, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

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 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 activities are included in the District's basic financial statements as discretely presented component units.

Qualified Opinion

In our opinion, except for the possible effects of the matter discussed in the "Basis for Qualified Opinion" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregate discretely presented component units for Spirit Lake Community School District, as of June 30, 2013, and the changes in financial position thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Unmodified Opinions

In our opinion, the financial statements referred to in the first paragraph 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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

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 6 through 17 and 56 through 63 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 information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Spirit Lake Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the two years ended June 30, 2012 (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 third paragraph of this report, the financial statements for the seven 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 9, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Governmental Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 24, 2014, 2014 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 in considering Spirit Lake Community School District's internal control over financial reporting and compliance.

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

March 24, 2014

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

2013 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$12,403,385 in fiscal year 2012 to \$12,478,131 while General Fund expenditures increased from \$11,704,112 in fiscal year 2012 to \$12,254,008 in fiscal year 2013. The District's General Fund balance increased from \$2,597,821 at the end of fiscal year 2012 to \$2,821,944 at the end of fiscal year 2013, an 8.6% increase.
- The fiscal year 2013 increase in General Fund revenue was attributable to increases in tuition and state revenue. The increase in expenditures was due primarily to an increase in negotiated salaries and benefits and restricted grant expenditures. Revenues were more than 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 Position 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

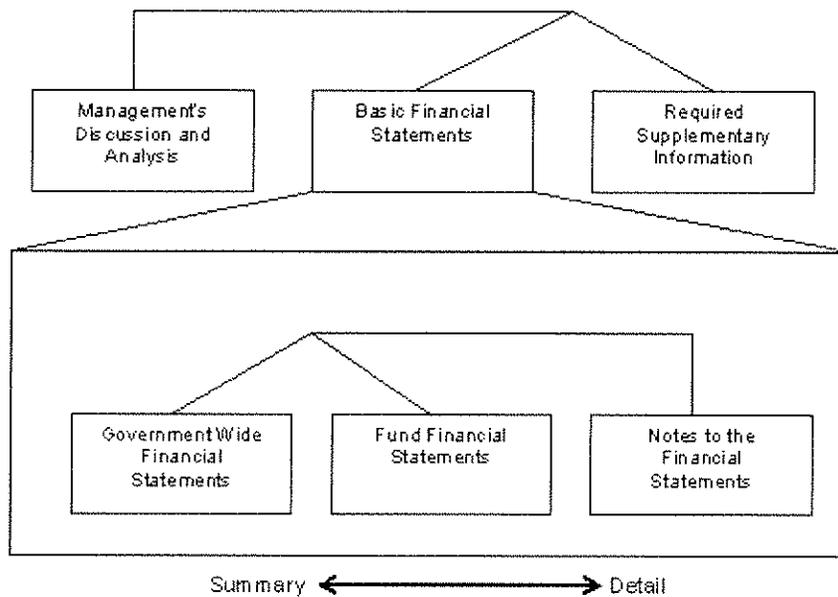


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

**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"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in fund net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, 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 Position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

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

In the government-wide financial statements, the District's activities are divided into 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 Ag programs.

The required financial statements for proprietary funds include a Statement Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position 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 Position and a Statement of Changes in Fiduciary Net Position.

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 position at June 30, 2013 compared to June 30, 2012.

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

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-2013
Current and other assets	\$ 22,339	15,158	113	139	22,452	15,297	46.8%
Capital assets	<u>27,814</u>	<u>25,337</u>	<u>17</u>	<u>10</u>	<u>27,831</u>	<u>25,347</u>	<u>9.8%</u>
Total assets	<u>50,153</u>	<u>40,495</u>	<u>130</u>	<u>149</u>	<u>50,283</u>	<u>40,644</u>	<u>23.7%</u>
Long-term liabilities	12,521	4,801	2	1	12,523	4,802	160.8%
Other liabilities	<u>11,531</u>	<u>9,947</u>	<u>14</u>	<u>11</u>	<u>11,545</u>	<u>9,958</u>	<u>15.9%</u>
Total liabilities	<u>24,052</u>	<u>14,748</u>	<u>16</u>	<u>12</u>	<u>24,068</u>	<u>14,760</u>	<u>63.1%</u>
Net position:							
Net investment in capital assets	20,915	20,801	17	10	20,932	20,811	0.6%
Restricted	2,121	2,134	---	---	2,121	2,134	-0.6%
Unrestricted	<u>3,065</u>	<u>2,812</u>	<u>97</u>	<u>127</u>	<u>3,162</u>	<u>2,939</u>	<u>7.5%</u>
Total net position	<u>\$ 26,101</u>	<u>25,747</u>	<u>114</u>	<u>137</u>	<u>26,215</u>	<u>25,884</u>	<u>1.3%</u>

The District's total net position increased 1.3%, or approximately \$331,000 from the prior year. The largest portion of the District's net position 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 position represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position, decreased approximately \$13,000 or 0.6% from the prior year. The decrease was primarily a result of the decrease in unspent categorical funding.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately \$223,000 or 7.5%. This increase in unrestricted net position can be attributed to the increase in the General Fund balance.

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

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

	Governmental Activities		Business Type Activities		Total District		Total Change
	2013	2012	2013	2012	2013	2012	2012-2013
Revenues:							
Program revenues:							
Charges for service	\$ 1,276	1,218	382	373	1,658	1,591	4.2%
Operating grants, contributions and restricted interest	1,640	1,555	202	191	1,842	1,746	5.5%
Capital grants, contributions and restricted interest	3	---	---	---	3	---	100.0%
General revenues:							
Property tax	8,555	8,619	---	---	8,555	8,619	-0.7%
Statewide sales, services and use tax	1,040	787	---	---	1,040	787	32.1%
Income surtax	589	474	---	---	589	474	24.3%
Unrestricted state grants	2,183	2,051	---	---	2,183	2,051	6.4%
Unrestricted investment earnings	24	71	---	1	24	72	-66.6%
Other	71	72	9	3	80	75	6.7%
Gain on disposal of capital assets	6	101	---	---	6	101	-94.1%
Total revenues	<u>15,387</u>	<u>14,948</u>	<u>593</u>	<u>568</u>	<u>15,980</u>	<u>15,516</u>	<u>3.0%</u>
Program expenses:							
Instruction	9,425	8,193	3	---	9,428	8,193	15.1%
Support services	4,131	3,869	3	---	4,134	3,869	6.9%
Non-instructional programs	---	---	611	548	611	548	11.5%
Other expenses	<u>1,477</u>	<u>1,418</u>	---	---	<u>1,477</u>	<u>1,418</u>	<u>4.2%</u>
Total expenses	<u>15,033</u>	<u>13,480</u>	<u>617</u>	<u>548</u>	<u>15,650</u>	<u>14,028</u>	<u>11.6%</u>
Excess (deficiency) of revenues over (under) expenses before special items and transfers	354	1,468	(24)	20	330	1,488	-77.8%
Special item-Donations	---	563	---	---	---	563	-100.0%
Transfers	---	<u>7</u>	---	<u>(7)</u>	---	---	<u>0.0%</u>
Increase (decrease) in net position	354	2,038	(24)	13	330	2,051	-83.9%
Net position beginning 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>
Net position end of year	<u>\$ 26,101</u>	<u>25,747</u>	<u>114</u>	<u>138</u>	<u>26,215</u>	<u>25,885</u>	<u>1.3%</u>

In fiscal 2013, property tax and unrestricted state grants accounted for 69.8% of governmental activities revenue while charges for service and operating grants, contributions and restricted interest accounted for 98.5% of the revenue from business type activities.

The District’s total revenues were approximately \$16.0 million, of which approximately \$15.4 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 3.0% increase in revenues and a 11.6% increase in expenses. Statewide sales, services and use tax increased approximately \$253,000 to fund part of the increase in expenses. The increase in expenses is related to increases in negotiated salaries and benefits.

Governmental Activities

Revenues for governmental activities were \$15,387,030 and expenses were \$15,033,074 for the year ended June 30, 2013. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District’s major governmental activities: instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2013 compared to the year ended June 30, 2012.

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

	<u>Total Cost of Services</u>			<u>Net Cost of Services</u>		
	<u>2013</u>	<u>2012</u>	<u>Change</u> <u>2012-2013</u>	<u>2013</u>	<u>2012</u>	<u>Change</u> <u>2012-2013</u>
Instruction	\$ 9,425	8,193	15.0%	7,256	6,130	18.4%
Support services	4,131	3,869	6.8%	3,854	3,607	6.8%
Non-instructional programs	---	---	0.0%	---	---	0.0%
Other expenses	<u>1,477</u>	<u>1,418</u>	<u>4.2%</u>	<u>1,005</u>	<u>970</u>	<u>3.6%</u>
Total	<u>\$ 15,033</u>	<u>13,480</u>	<u>11.5%</u>	<u>12,115</u>	<u>10,707</u>	<u>13.2%</u>

For the year ended June 30, 2013:

- The cost financed by users of the District’s programs was \$1,276,252.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,622,211.
- The net cost of governmental activities was financed with \$8,554,706 in property tax, \$589,192 in income surtax, \$1,039,630 in statewide sales, services and use tax, \$2,183,299 in unrestricted state grants, and \$101,740 in other revenues.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2013 were \$593,595, representing a 4.5% increase over the prior year, while expenses totaled \$617,308, an 11.1% increase over the prior year. The District's business type activities include the School Nutrition Fund and Ag Program . Revenues of these activities were comprised of charges for service, federal and state reimbursements, investment income and contributions.

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 \$10,160,917, well above last year's ending fund balances of \$4,793,336. However, the primary reason for the increase in combined fund balances at the end of fiscal year 2013 is due to approximately \$4.9 million of unexpended revenue bond proceeds received in fiscal year 2013.

Governmental Fund Highlights

- The General Fund balance increased from \$2,597,821 to \$2,821,944 due, in part to increases in tuition and state revenues.
- The Debt Service Fund balance decreased from \$1,051,168 in fiscal 2012 to \$964,080 in fiscal 2013. The District called revenue bonds which were partially paid with reserve funds resulting in a decrease in the fund balance.
- The Capital Projects Fund balance increased due to the sale of \$7,600,000 of revenue bonds during fiscal year 2013. The District ended fiscal year 2012 with a balance of \$583,756. Fiscal year 2013 ended with a balance of \$6,009,558, consisting primarily of unexpended bond proceeds which will be expended as the project is completed.

Proprietary Fund Highlights

The total Proprietary Fund net position decreased from \$137,706 at June 30, 2012 to \$113,993 at June 30, 2013, representing a decrease of approximately 17%. The decrease in net position is primarily due an increase in supply expenses for the year.

BUDGETARY HIGHLIGHTS

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

The District's total revenues were \$598,194 less than total budgeted revenues, a variance of 4%.

Total expenditures were more than budgeted, due primarily to the District's budget for the Capital Projects 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 support services and other expenditures functional areas due to the timing of expenditures at the year-end without sufficient time to amend the certified budget in sufficient amounts.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, the District had invested approximately \$27.8 million, net of accumulated depreciation, 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 9.8% 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 \$937,024.

The original cost of the District's capital assets was approximately \$42.6 million. Governmental funds account for approximately \$42.5 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 construction in progress category. The District's construction in progress totaled \$2,889,540 at June 30, 2013 compared to \$0 reported at June 30, 2012. This significant increase resulted from construction activity financed by the issuance of voter approved revenue bonds totaling \$7,600,000 in fiscal year 2013 for construction of an addition and remodeling.

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

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012	2012-2013
Land	\$ 296	296	---	---	296	296	0.0%
Construction in progress	2,889	---	---	---	2,889	---	100.0%
Buildings	21,773	22,252	---	---	21,773	22,252	-2.2%
Land improvements	1,783	1,903	---	---	1,783	1,903	-6.3%
Furniture and equipment	1,073	886	17	10	1,090	896	21.7%
Total	\$ 27,814	25,337	17	10	27,831	25,347	9.8%

Long-Term Debt

At June 30, 2013, the District had \$12,331,580 in total long-term debt outstanding. This represents an increase of approximately 163% 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.

In May 2013, the District issued \$7,600,000 of Statewide Sales, Services and Use Tax revenue bonds for a construction project. The District also issued \$3,420,000 of Statewide Sales, Services and Use Tax revenue refunding bonds at this time to call 2008 and 2011 revenue bonds. The District had total outstanding bonded indebtedness at June 30, 2013 of \$11,301,145 which includes a bond premium of \$281,145.

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

	Total Activities		Total Change
	June 30, 2013	2012	June 30, 2012-2013
Revenue bonds	\$ 11,301	3,815	196.2%
Computer lease	367	721	-49.1%
Bus lease	118	---	100.0%
Early retirement	<u>546</u>	<u>148</u>	<u>268.9%</u>
Total	<u>\$ 12,332</u>	<u>4,684</u>	<u>163.3%</u>

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, 2012 showed a decrease of thirty-one students.
- The District approved continued participation in the Educators Group consortium with a 7.54% increase in health care premiums for FY2014.
- Ten teachers accepted an early retirement package with a lump sum payment of \$85,000 each. The assistant high school principal accepted an early retirement package with a lump sum payment of \$75,000. These incentives were paid from the Management Fund; half was paid in FY2013 with the final payment to be made in January, 2014. The Maintenance and Operations Director accepted an early retirement package with a lump sum payment of \$55,000 paid from the Management Fund in FY2013.

- The board approved a construction project to remodel areas of the high school, add a fitness center, a new east entrance and concessions/commons area at the high school and add a main kitchen between the middle and elementary schools. Costs of these project are estimated at \$9,000,000. Revenue bonds were sold in 2013 to finance the project. Payment of the bonds will come from local option sales taxes, resulting in no increase in property taxes. Old bonds were called, saving the district over \$300,000 due to the lower interest rate.

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 Position

June 30, 2013

Assets	Primary Government			Component
	Governmental	Business Type	Total	Unit
	<u>Activities</u>	<u>Activities</u>		Total
				<u>Discrete</u>
Cash, cash equivalents and pooled investments	\$ 12,923,722	78,618	13,002,340	323,249
Receivables:				
Property tax:				
Delinquent	48,605	-	48,605	-
Succeeding year	8,153,364	-	8,153,364	-
Accounts	30,003	29,138	59,141	40,602
Due from other governments	1,022,190	-	1,022,190	-
Inventories	-	5,473	5,473	2,852
Prepaid expenses	3,925	-	3,925	-
Capital assets, net of accumulated depreciation	27,814,360	16,483	27,830,843	-
Bond issuance costs, net of accumulated amortization	156,515	-	156,515	-
Total assets	50,152,684	129,712	50,282,396	366,703
Liabilities				
Accounts payable	2,394,922	3,552	2,398,474	11,351
Salaries and benefits payable	950,246	201	950,447	2,221
Accrued interest payable	31,535	-	31,535	-
Deferred revenue:				
Succeeding year property tax	8,153,364	-	8,153,364	-
Other	475	10,198	10,673	-
Long-term liabilities:				
Portion due within one year:				
Computer lease purchase obligation	367,111	-	367,111	-
Bus lease purchase obligation	57,824	-	57,824	-
Termination benefits	503,594	-	503,594	-
Portion due after one year:				
Revenue bonds	11,020,000	-	11,020,000	-
Bond premium	281,145	-	281,145	-
Bus lease purchase obligation	59,460	-	59,460	-
Termination benefits	42,446	-	42,446	-
Note payable	-	-	-	127,125
Net OPEB liability	189,190	1,768	190,958	-
Total liabilities	24,051,312	15,719	24,067,031	140,697

Spirit Lake Community School District
Spirit Lake, Iowa

Exhibit A

Statement of Net Position

June 30, 2013

	Primary Government			Component
	Governmental	Business Type	Units	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>	<u>Total</u> <u>Discrete</u>
Net Position				
Net investment in capital assets	20,915,184	16,483	20,931,667	-
Restricted for:				
Investment	-	-	-	20,544
Categorical funding	64,733	-	64,733	-
Physical plant and equipment	305,380	-	305,380	-
School infrastructure	817,814	-	817,814	-
Debt service	887,899	-	887,899	-
Student activities	45,589	-	45,589	-
Unrestricted	<u>3,064,773</u>	<u>97,510</u>	<u>3,162,283</u>	<u>205,462</u>
Total net position	<u>\$ 26,101,372</u>	<u>113,993</u>	<u>26,215,365</u>	<u>226,006</u>

See notes to financial statements.

Spirit Lake Community School District
 Spirit Lake, Iowa
 Statement of Activities
 Year ended June 30, 2013

	Expenses	Program Revenues		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Primary Government:				
Governmental activities:				
Instruction:				
Regular instruction	\$ 6,347,814	668,343	745,862	-
Special instruction	1,674,005	277,021	116,446	-
Other instruction	1,402,964	203,960	157,421	-
	<u>9,424,783</u>	<u>1,149,324</u>	<u>1,019,729</u>	<u>-</u>
Support services:				
Student	197,583	-	14,226	-
Instructional staff	674,456	71,884	90,100	-
Administration	1,362,592	30,587	45,556	-
Operation and maintenance of plant	1,446,345	19,200	-	-
Transportation	450,313	5,257	689	-
	<u>4,131,289</u>	<u>126,928</u>	<u>150,571</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	24,802	-	-	2,684
Long-term debt interest	216,673	-	-	-
AEA flowthrough	469,227	-	469,227	-
Depreciation (unallocated)*	766,300	-	-	-
	<u>1,477,002</u>	<u>-</u>	<u>469,227</u>	<u>2,684</u>
Total governmental activities	<u>15,033,074</u>	<u>1,276,252</u>	<u>1,639,527</u>	<u>2,684</u>
Business type activities:				
Instruction:				
Ag program	2,805	-	6,311	-
Support services:				
Operation and maintenance of plant	3,443	-	-	-
Non-instructional programs:				
Food service operations	611,060	381,811	196,214	-
Total business type activities	<u>617,308</u>	<u>381,811</u>	<u>202,525</u>	<u>-</u>
Total primary government	<u>\$ 15,650,382</u>	<u>1,658,063</u>	<u>1,842,052</u>	<u>2,684</u>
Component Units:				
Total discrete	<u>\$ 430,086</u>	<u>350,208</u>	<u>85,371</u>	<u>-</u>
General Revenues:				
Property tax levied for:				
General purposes				
Capital outlay				
Income surtax				
Statewide sales, services and use tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Sale of fixed assets				
Total general revenues				
Change in net position				
Net position beginning of year				
Net position 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 Position			
Governmental Activities	Primary Government		Component Units
	Business Type Activities	Total	Total Discrete
(4,933,609)	-	(4,933,609)	-
(1,280,538)	-	(1,280,538)	-
<u>(1,041,583)</u>	<u>-</u>	<u>(1,041,583)</u>	<u>-</u>
<u>(7,255,730)</u>	<u>-</u>	<u>(7,255,730)</u>	<u>-</u>
(183,357)	-	(183,357)	-
(512,472)	-	(512,472)	-
(1,286,449)	-	(1,286,449)	-
(1,427,145)	-	(1,427,145)	-
<u>(444,367)</u>	<u>-</u>	<u>(444,367)</u>	<u>-</u>
<u>(3,853,790)</u>	<u>-</u>	<u>(3,853,790)</u>	<u>-</u>
(22,118)	-	(22,118)	-
(216,673)	-	(216,673)	-
-	-	-	-
<u>(766,300)</u>	<u>-</u>	<u>(766,300)</u>	<u>-</u>
<u>(1,005,091)</u>	<u>-</u>	<u>(1,005,091)</u>	<u>-</u>
<u>(12,114,611)</u>	<u>-</u>	<u>(12,114,611)</u>	<u>-</u>
-	3,506	3,506	-
-	(3,443)	(3,443)	-
<u>-</u>	<u>(33,035)</u>	<u>(33,035)</u>	<u>-</u>
<u>-</u>	<u>(32,972)</u>	<u>(32,972)</u>	<u>-</u>
<u>(12,114,611)</u>	<u>(32,972)</u>	<u>(12,147,583)</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>5,493</u>
7,567,236	-	7,567,236	-
987,470	-	987,470	-
589,192	-	589,192	-
1,039,630	-	1,039,630	-
2,183,299	-	2,183,299	-
24,206	251	24,457	(22,864)
71,534	9,008	80,542	14,243
6,000	-	6,000	-
<u>12,468,567</u>	<u>9,259</u>	<u>12,477,826</u>	<u>(8,621)</u>
353,956	(23,713)	330,243	(3,128)
<u>25,747,416</u>	<u>137,706</u>	<u>25,885,122</u>	<u>229,134</u>
<u>\$ 26,101,372</u>	<u>113,993</u>	<u>26,215,365</u>	<u>226,006</u>

Spirit Lake Community School District
Spirit Lake, Iowa

Exhibit C

Balance Sheet
Governmental Funds

June 30, 2013

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	Nonmajor	<u>Total</u>
Assets					
Cash , cash equivalents and pooled investments	\$ 3,628,355	964,080	7,968,378	362,909	12,923,722
Receivables:					
Property tax:					
Delinquent	39,259	-	5,653	3,693	48,605
Succeeding year	6,609,242	-	344,122	1,200,000	8,153,364
Accounts	18,297	-	-	11,706	30,003
Due from other governments	857,458	-	164,732	-	1,022,190
Prepaid expenses	3,925	-	-	-	3,925
Total assets	<u>\$ 11,156,536</u>	<u>964,080</u>	<u>8,482,885</u>	<u>1,578,308</u>	<u>22,181,809</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 252,938	-	2,129,205	12,779	2,394,922
Salaries and benefits payable	950,052	-	-	194	950,246
Deferred revenue:					
Succeeding year property tax	6,609,242	-	344,122	1,200,000	8,153,364
Income surtax	521,885	-	-	-	521,885
Other	475	-	-	-	475
Total liabilities	<u>8,334,592</u>	<u>-</u>	<u>2,473,327</u>	<u>1,212,973</u>	<u>12,020,892</u>
Fund balances:					
Nonspendable for:					
Prepaid expenditures	3,925	-	-	-	3,925
Restricted for:					
Categorical funding	64,733	-	-	-	64,733
Debt service	-	964,080	-	-	964,080
Management levy purposes	-	-	-	319,746	319,746
Student activities	-	-	-	45,589	45,589
School infrastructure	-	-	5,704,178	-	5,704,178
Physical plant and equipment	-	-	305,380	-	305,380
Unassigned	2,753,286	-	-	-	2,753,286
Total fund balances	<u>2,821,944</u>	<u>964,080</u>	<u>6,009,558</u>	<u>365,335</u>	<u>10,160,917</u>
Total liabilities and fund balances	<u>\$ 11,156,536</u>	<u>964,080</u>	<u>8,482,885</u>	<u>1,578,308</u>	<u>22,181,809</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 Position

June 30, 2013

Total fund balances of governmental funds (page 22) \$ 10,160,917

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

Capital assets used in governmental activities are not financial resources and,
therefore, are not reported as assets in the governmental funds. 27,814,360

Other long-term assets are not available to pay current year expenditures and,
therefore, are deferred in the governmental funds. 521,885

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. (31,535)

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. (12,520,770)

Bond issuance costs are not available to pay current period debt and, therefore, are
not included in the governmental funds. 156,515

Net position of governmental activities (page 19) \$ 26,101,372

See notes to financial statements.

Spirit Lake Community School District
 Spirit Lake, Iowa
 Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 Year ended June 30, 2013

Exhibit E

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Revenues:					
Local sources:					
Local tax	\$ 7,481,563	-	2,027,099	650,607	10,159,269
Tuition	838,658	-	-	-	838,658
Other	359,182	3,749	5,348	195,998	564,277
State sources	3,534,612	-	308	208	3,535,128
Federal sources	258,116	-	757	567	259,440
Total revenues	<u>12,472,131</u>	<u>3,749</u>	<u>2,033,512</u>	<u>847,380</u>	<u>15,356,772</u>
Expenditures:					
Current:					
Instruction:					
Regular	5,270,341	-	146,849	587,322	6,004,512
Special	1,667,990	-	-	-	1,667,990
Other	1,199,957	-	-	195,761	1,395,718
	<u>8,138,288</u>	<u>-</u>	<u>146,849</u>	<u>783,083</u>	<u>9,068,220</u>
Support services:					
Student	195,870	-	-	-	195,870
Instructional staff	666,302	-	18,732	-	685,034
Administration	1,179,704	-	63,107	94,514	1,337,325
Operation and maintenance of plant	1,241,856	-	29,525	151,919	1,423,300
Transportation	362,761	-	200,727	13,120	576,608
	<u>3,646,493</u>	<u>-</u>	<u>312,091</u>	<u>259,553</u>	<u>4,218,137</u>
Other expenditures:					
Facilities acquisition	-	-	3,069,337	-	3,069,337
Long-term debt:					
Principal	-	4,168,375	-	-	4,168,375
Interest and fiscal charges	-	422,471	-	-	422,471
AEA flowthrough	469,227	-	-	-	469,227
	<u>469,227</u>	<u>4,590,846</u>	<u>3,069,337</u>	<u>-</u>	<u>8,129,410</u>
Total expenditures	<u>12,254,008</u>	<u>4,590,846</u>	<u>3,528,277</u>	<u>1,042,636</u>	<u>21,415,767</u>
Excess (deficiency) of revenues over (under) expenditures	<u>218,123</u>	<u>(4,587,097)</u>	<u>(1,494,765)</u>	<u>(195,256)</u>	<u>(6,058,995)</u>
Other financing sources (uses):					
Revenue bonds issued	-	-	7,600,000	-	7,600,000
Premium on revenue bonds issued	-	-	175,904	-	175,904
Revenue refunding bonds	-	3,420,000	-	-	3,420,000
Premium on revenue refunding bonds issued	-	107,388	-	-	107,388
Lease purchase obligation issued	-	-	117,284	-	117,284
Sale of fixed assets	6,000	-	-	-	6,000
Operating transfers in	-	972,621	-	-	972,621
Operating transfers out	-	-	(972,621)	-	(972,621)
Total other financing sources (uses)	<u>6,000</u>	<u>4,500,009</u>	<u>6,920,567</u>	<u>-</u>	<u>11,426,576</u>
Change in fund balances	224,123	(87,088)	5,425,802	(195,256)	5,367,581
Fund balances beginning of year	2,597,821	1,051,168	583,756	560,591	4,793,336
Fund balances end of year	<u>\$ 2,821,944</u>	<u>964,080</u>	<u>6,009,558</u>	<u>365,335</u>	<u>10,160,917</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, 2013

Change in fund balances - total governmental funds (page 24) \$ 5,367,581

*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	\$ 3,411,834	
Depreciation expense	<u>(934,083)</u>	2,477,751

Income surtax not collected for several months after year end is not considered available revenue and is deferred in the governmental funds. 24,258

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

Issued	(11,137,284)	
Premium on bonds issued	(281,145)	
Bond issuance cost	156,515	
Repaid	<u>4,168,375</u>	(7,093,539)

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. 47,136

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	(397,582)	
Other postemployment benefits	<u>(71,649)</u>	(469,231)

Change in net position of governmental activities (page 21) \$ 353,956

See notes to financial statements.

Spirit Lake Community School District
Spirit Lake, Iowa

Exhibit G

Statement of Net Position
Proprietary Fund

June 30, 2013

	<u>Nonmajor Enterprise Funds</u>
Assets	
Current assets:	
Cash, cash equivalents and pooled investments	\$ 78,618
Accounts receivable	29,138
Inventories	<u>5,473</u>
Total current assets	<u>113,229</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	<u>16,483</u>
Total noncurrent assets	<u>16,483</u>
Total assets	<u>129,712</u>
Liabilities	
Current liabilities:	
Accounts payable	3,552
Salaries and benefits payable	201
Deferred revenue	<u>10,198</u>
Total current liabilities	<u>13,951</u>
Noncurrent liabilities:	
Net OPEB liability	<u>1,768</u>
Total noncurrent liabilities	<u>1,768</u>
Total liabilities	<u>15,719</u>
Net Position	
Investment in capital assets	16,483
Unrestricted	<u>97,510</u>
Total net position	<u>\$ 113,993</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 Position
Proprietary Fund

Year ended June 30, 2013

	Nonmajor Enterprise Funds
Operating revenues:	
Local sources:	
Charges for service	\$ 381,810
Miscellaneous	9,009
Total operating revenues	<u>390,819</u>
Operating expenses:	
Instruction:	
Other	2,805
	<u>2,805</u>
Support services:	
Operation and maintenance of plant	3,443
	<u>3,443</u>
Non-instructional programs:	
Salaries	183,682
Benefits	38,600
Purchased services	8,542
Supplies	377,295
Depreciation	2,941
	<u>611,060</u>
Total operating expenses	<u>617,308</u>
Operating loss	<u>(226,489)</u>

(continued)

Spirit Lake Community School District
Spirit Lake, Iowa

Exhibit H

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

Year ended June 30, 2013

(continued)

	Nonmajor Enterprise <u>Funds</u>
Non-operating revenues:	
State sources	4,537
Federal sources	191,677
Interest income	251
Contributions	<u>6,311</u>
Total non-operating revenues	<u>202,776</u>
Decrease in net position	(23,713)
Net position beginning of year	<u>137,706</u>
Net position end of year	<u>\$ 113,993</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, 2013

	<u>Nonmajor Enterprise Funds</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 353,458
Cash received from other services	9,009
Cash paid to employees for services	(221,423)
Cash paid to suppliers for goods or services	<u>(362,069)</u>
Net cash used by operating activities	<u>(221,025)</u>
Cash flows from non-capital financing activities:	
Contributions	6,311
State grants received	4,537
Federal grants received	<u>170,243</u>
Net cash provided by non-capital financing activities	<u>181,091</u>
Cash flows used by capital and related financing activities:	
Acquisition of capital assets	<u>(9,016)</u>
Cash flows from investing activities:	
Interest on investments	<u>251</u>
Net decrease in cash and cash equivalents	(48,699)
Cash and cash equivalents beginning of year	<u>127,317</u>
Cash and cash equivalents end of year	<u><u>\$ 78,618</u></u>

Spirit Lake Community School District
Spirit Lake, Iowa

Exhibit I

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2013

	Nonmajor Enterprise <u>Funds</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (226,489)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	21,434
Depreciation	2,941
(Increase) in accounts receivable	(27,567)
Decrease in inventories	4,428
Decrease in prepaid expenses	602
Increase in salaries and benefits payable	201
Increase in accounts payable	3,552
(Decrease) in deferred revenue	(785)
Increase in other postemployment benefits	658
Net cash used by operating activities	<u>\$ (221,025)</u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2013, the District received \$21,434 of federal commodities.

See notes to financial statements.

Spirit Lake Community School District
Spirit Lake, Iowa

Exhibit J

Statement of Fiduciary Net Position
Fiduciary Funds

June 30, 2013

	<u>Private Purpose Trust</u> <u>Scholarship</u>
Assets	
Cash, cash equivalents and pooled investments	\$ <u>303,194</u>
Total assets	<u>303,194</u>
Liabilities	
Total liabilities	<u>-</u>
Net position	
Reserved for scholarships	<u>\$ 303,194</u>

See notes to financial statements.

Spirit Lake Community School District
Spirit Lake, Iowa

Exhibit K

Statement of Changes in Fiduciary Net Position
Fiduciary Funds

Year ended June 30, 2013

	<u>Private Purpose Trust</u>
	<u>Scholarship</u>
Additions:	
Local sources:	
Interest income	\$ 1,404
Total additions	<u>1,404</u>
Deductions:	
Instruction:	
Regular:	
Scholarships	<u>4,000</u>
Change in net position	(2,596)
Net position beginning of year	<u>305,790</u>
Net position end of year	<u><u>\$ 303,194</u></u>

See notes to financial statements.

Spirit Lake Community School District
Spirit Lake, Iowa

Exhibit L

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

June 30, 2013

	<u>Spirit Lake Community School Foundation</u>
Assets	
Cash	\$ 28,269
Investments	<u>779,537</u>
Total assets	<u><u>807,806</u></u>
Total Liabilities	<u>-</u>
Net position	
Restricted net position	798,510
Unrestricted net position	<u>9,296</u>
Total net position	<u><u>\$ 807,806</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 Position - Cash Basis -
Spirit Lake Community School Foundation

Year Ended June 30, 2013

	Spirit Lake Community School Foundation		
	Unrestricted Funds	Restricted Funds	Total
Revenues:			
Interest	\$ 3	-	3
Donations	1,790	26,520	28,310
Dividends	-	23,307	23,307
Gain on sale of investments	-	40,867	40,867
Unrealized gain on sale	-	(21,566)	(21,566)
Total revenues	1,793	69,128	70,921
Expenses:			
Scholarships	38,835	-	38,835
Donations	3,250	-	3,250
Accounting fees	1,500	-	1,500
Investment management	3,585	-	3,585
Postage	44	-	44
Total expenses	47,214	-	47,214
Net position released from restrictions	45,349	(45,349)	-
Change in net position	(72)	23,779	23,707
Net position beginning of year	9,368	774,731	784,099
Net position end of year	\$ 9,296	798,510	807,806

See notes to financial statements.

Spirit Lake Community School District
Spirit Lake, Iowa

Notes to Financial Statements

June 30, 2013

(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, 2013

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, 2013

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 Position (previously referred to as net assets) and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

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

Net investment in capital assets 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 position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position often has 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, 2013

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 Ag Program. The Nutrition fund is used to account for the food service operations of the District. The Ag Program is used to account for the operation of farmland by students.

The District also reports fiduciary funds which focus on net position and changes in net position. 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, 2013

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 position 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.

Spirit Lake Community School District
Spirit Lake, Iowa

Notes to Financial Statements

June 30, 2013

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

Proprietary funds distinguish operating revenues and expenses from 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 is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as 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, Cash Equivalents and Pooled Investments – 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.

Spirit Lake Community School District
Spirit Lake, Iowa

Notes to Financial Statements

June 30, 2013

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

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

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

Capital Assets – Capital assets, which include property, furniture and equipment and intangibles, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and 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, 2013

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

Capital assets are depreciated/amortized 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
Spirit Lake, Iowa

Notes to Financial Statements

June 30, 2013

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

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

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

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, 2013 expenditures exceeded the amounts budgeted in the support services and other expenditures functions.

Spirit Lake Community School District
Spirit Lake, Iowa

Notes to Financial Statements

June 30, 2013

(2) Cash, Cash Equivalents and Pooled Investments

The District's deposits in banks at June 30, 2013 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, 2013, the District had investments in the Iowa Schools Joint Investment Trust Diversified Portfolio which are valued at an amortized cost of \$6,908,911 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, 2013 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects: Physical Plant and Equipment Levy	\$ 377,745
	Statewide Sales, Services and Use Tax	<u>594,876</u>
Total		\$ <u>972,621</u>

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

Spirit Lake Community School District
Spirit Lake, Iowa

Notes to Financial Statements

June 30, 2013

The Capital Projects, Physical Plant and Equipment Levy's 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, 2013 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 296,000	---	---	296,000
Construction in progress	<u>---</u>	<u>2,889,540</u>	<u>---</u>	<u>2,889,540</u>
Total capital assets not being depreciated	<u>296,000</u>	<u>2,889,540</u>	<u>---</u>	<u>3,185,540</u>
Capital assets being depreciated:				
Buildings	32,478,446	143,703	---	32,622,149
Land improvements	3,515,219	8,308	---	3,523,527
Furniture and equipment	<u>2,748,263</u>	<u>370,283</u>	<u>---</u>	<u>3,118,546</u>
Total capital assets being depreciated	<u>38,741,928</u>	<u>522,294</u>	<u>---</u>	<u>39,264,222</u>
Less accumulated depreciation for:				
Buildings	10,226,673	622,785	---	10,849,458
Land improvements	1,612,668	127,311	---	1,739,979
Furniture and equipment	<u>1,861,978</u>	<u>183,987</u>	<u>---</u>	<u>2,045,965</u>
Total accumulated depreciation	<u>13,701,319</u>	<u>934,083</u>	<u>---</u>	<u>14,635,402</u>
Total capital assets being depreciated, net	<u>25,040,609</u>	<u>(411,789)</u>	<u>---</u>	<u>24,628,820</u>
Governmental activities capital assets, net	<u>\$ 25,336,609</u>	<u>2,477,751</u>	<u>---</u>	<u>27,814,360</u>
Business type activities:				
Furniture and equipment	\$ 143,682	9,016	44,900	107,798
Less accumulated depreciation	<u>133,274</u>	<u>2,941</u>	<u>44,900</u>	<u>91,315</u>
Business type activities capital assets, net	<u>\$ 10,408</u>	<u>6,075</u>	<u>---</u>	<u>16,483</u>

Spirit Lake Community School District
Spirit Lake, Iowa

Notes to Financial Statements

June 30, 2013

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

 Regular \$ 60,783

 Other 5,804

Support services:

 Instructional staff 3,245

 Administration 5,235

 Operation and maintenance of plant 40,810

 Transportation 51,906

167,783

Unallocated 766,300

Total depreciation expense – governmental activities \$ 934,083

Business type activities:

 Food service operations \$ 2,941

(5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2013 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Revenue bonds Series 2008	\$ 3,465,000	---	3,465,000	---	---
Revenue bonds Series 2011	350,000	---	350,000	---	---
Revenue refunding bonds					
Series 2013 A	---	3,526,125	---	3,526,125 (1)	---
Revenue bonds Series 2013 B	---	7,775,020	---	7,775,020 (2)	---
Computer lease	720,486	---	353,375	367,111	367,111
Bus lease	---	117,284	---	117,284	57,824
Early retirement	148,458	980,000	582,418	546,040	503,594
Net OPEB liability	<u>117,541</u>	<u>71,649</u>	---	<u>189,190</u>	---
Total	\$ <u>4,801,485</u>	<u>12,470,078</u>	<u>4,750,793</u>	<u>12,520,770</u>	<u>928,529</u>

(1) Bonds were sold at a premium; unamortized premium at June 30, 2013 totaled \$106,125.

(2) Bonds were sold at a premium; unamortized premium at June 30, 2013 totaled \$175,020.

Spirit Lake Community School District
Spirit Lake, Iowa

Notes to Financial Statements

June 30, 2013

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Business type activities:					
Net OPEB liability	\$ <u>1,110</u>	<u>658</u>	<u>---</u>	<u>1,768</u>	<u>---</u>

Revenue Bonds

On May 28, 2013, the District issued \$3,420,000 of School Infrastructure Sales, Services and Use Tax Revenue Refunding Bonds, with interest rates ranging from 1.50% to 2.00% for a current refunding of School Infrastructure Sales, Services and Use Tax Revenue Bonds issued June 1, 2008 and July 25, 2011.

The District refunded the bonds to reduce its total debt service payments by approximately \$308,000 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$261,000. Annual debt service payments to maturity of statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending <u>June 30,</u>	Bond Issue of May 28, 2013 Series 2013A		
	Interest Rates	Principal	Interest
2014	---%	\$ ---	39,198
2015	2.00	575,000	60,500
2016	2.00	605,000	48,700
2017	2.00	425,000	38,400
2018	2.00	425,000	29,900
2019-2023	1.50-2.00	1,390,000	36,275
2024-2028		---	---
2029-2030		---	---
Total		<u>\$3,420,000</u>	<u>252,973</u>

Spirit Lake Community School District
Spirit Lake, Iowa

Notes to Financial Statements

June 30, 2013

Year Ending <u>June 30,</u>	Bond Issue of May 28, 2013 Series 2013 B			Total		
	Interest Rates	Principal	Interest	Principal	Interest	Total
2014	---%	\$ ---	130,389	---	169,587	169,587
2015	---	---	220,376	575,000	280,876	855,876
2016	---	---	220,376	605,000	269,076	874,076
2017	2.00	160,000	218,776	585,000	257,176	842,176
2018	2.00	170,000	215,476	595,000	245,376	840,376
2019-2023	2.00	1,760,000	1,013,280	3,150,000	1,049,555	4,199,555
2024-2028	2.375-3.00	3,510,000	662,870	3,510,000	662,870	4,172,870
2029-2030	4.00	2,000,000	97,900	2,000,000	97,900	2,097,900
Total		<u>7,600,000</u>	<u>2,779,443</u>	<u>11,020,000</u>	<u>3,032,416</u>	<u>14,052,416</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$3,420,000 and the \$7,600,000 of bonds issued in May 2013. The bonds were issued for the purpose of refunding old bonds and financing 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 2030. 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 are expected to require nearly 82% of the statewide sales, services, and use tax revenue. The total principal and interest remaining to be paid on the bonds is \$14,052,416. For the current year, no principal or interest was paid on the bonds and total statewide sales, services, and use tax revenues were \$1,039,630.

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

- a) \$342,000 of the proceeds of the Series A and \$545,899 of the proceeds of the Series B issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- b) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.

Spirit Lake Community School District
Spirit Lake, Iowa

Notes to Financial Statements

June 30, 2013

- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

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, 2013 computer leases indebtedness are as follows:

Year Ending <u>June 30,</u> 2014	Lease dated of March 3, 2010			
	Interest <u>Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	4.84%	\$ <u>367,111</u>	<u>10,634</u>	<u>755,490</u>

Bus Lease

During the year ended June 30, 2013, the District entered into a lease agreement with De Lage Landen Public Finance LLC for two buses. Annual principal and interest payments are made from the Capital Projects, Physical Plant and Equipment Levy Fund. For the current year no principal or interest was paid on the bus lease. Details of the District's June 30, 2013 bus lease indebtedness are as follows:

Year Ending <u>June 30,</u> 2014 2015 Total	Lease dated of September 1, 2012			
	Interest <u>Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	4.84%	\$ <u>57,824</u>	<u>3,319</u>	<u>61,143</u>
	4.84	<u>59,460</u>	<u>1,683</u>	<u>61,143</u>
		\$ <u>117,284</u>	<u>5,002</u>	<u>122,286</u>

Spirit Lake Community School District
Spirit Lake, Iowa

Notes to Financial Statements

June 30, 2013

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, 2013. The benefit consists of \$85,000 to be paid out in two installments. The District also offered a one-time early retirement plan to its administrative employees. Eligible employees must have completed eight years of continuous service to the District and must have reached the age of fifty-five prior to June 30, 2013. The benefit consists of \$75,000 for school principals and assistant principals and \$55,000 for Directors of Divisions to be paid in two installments. The District is also making payments to employees who accepted a voluntary early retirement plan offered for the year ended June 30, 2012. That benefit consists of \$50,000 to be paid out in two installments. The District is also making payments to employees who accepted a voluntary early retirement plan offered for the year ended June 30, 2008. That 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, 2013 totaled \$582,418.

(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 5.78% of their annual covered salary and the District is required to contribute 8.67% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$673,759, \$597,943 and \$519,601, respectively, equal to the required contributions for each year.

Spirit Lake Community School District
Spirit Lake, Iowa

Notes to Financial Statements

June 30, 2013

(7) Other Postemployment Benefits (OPEB)

Plan Description – The District operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 118 active and 17 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. 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, 2013, the amount actually contributed to the plan and changes in the District’s net OPEB obligation:

Annual required contribution	\$ 112,591
Interest on net OPEB obligation	2,966
Adjustment to annual required contribution	<u>(11,822)</u>
Annual OPEB cost	103,735
Contributions made	<u>(31,428)</u>
Increase in net OPEB obligation	72,307
Net OPEB obligation beginning of year	<u>118,651</u>
Net OPEB obligation end of year	\$ <u>190,958</u>

Spirit Lake Community School District
Spirit Lake, Iowa

Notes to Financial Statements

June 30, 2013

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, 2013.

For the year ended June 30, 2013, the District contributed \$31,428 to the medical plan. Plan members eligible for benefits contributed \$118,690, or 79% 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 are summarized as follow:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 52,101	27.5%	\$ 77,891
2012	56,636	28.0%	118,651
2013	103,735	30.3%	190,958

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$647,720, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$647,720. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$6,341,000 and the ratio of the UAAL to covered payroll was 10.2%. As of June 30, 2013, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the 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, 2013

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, 2012 actuarial valuation date, the entry age 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 \$410 per month for retirees less than age 65. 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 \$469,227 for the year ended June 30, 2013 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Spirit Lake Community School District
Spirit Lake, Iowa

Notes to Financial Statements

June 30, 2013

(10) Operating Leases

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, 2013 was \$22,300. There are no future rentals.

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, 2013 was \$2,952. There are no future rentals.

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, 2013 was \$6,084. Future rentals are scheduled as follows:

Year Ending	
<u>June 30,</u>	
2014	\$ <u>1,062</u>

(11) Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2013 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Talented and Gifted	\$ 18,069
Dropout prevention	21,859
Preschool	17,204
Professional development – core curriculum	6,680
Professional development	<u>921</u>
Total	\$ <u>64,733</u>

Spirit Lake Community School District
Spirit Lake, Iowa

Notes to Financial Statements

June 30, 2013

(12) Construction Commitment

The District has entered into contracts totaling \$7,113,875 for an addition and remodeling project and a contract totaling \$285,650 for a chiller replacement for the cooling system. As of June 30, 2013 costs of \$2,797,487 had been incurred against the contracts. The balance of \$4,602,038 remaining at June 30, 2013 will be paid as work on the projects progresses.

(13) Subsequent Events

Subsequent events have been evaluated through March 24, 2014 which is the date the financial statements were available to be issued.

On October 14, 2013, the Board approved the issuance of up to \$1,200,000 of energy management improvement capital loan notes.

(14) Litigation

The District is subject to pending litigation seeking breach of contract damages. The probability of loss, in any, is undeterminable at this time. The amount of loss would be anywhere from zero to a maximum of \$10,000.

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, 2013

	Governmental Funds <u>Actual</u>	Proprietary Fund <u>Actual</u>
Revenues:		
Local sources	\$ 11,562,204	397,381
State sources	3,535,128	4,537
Federal sources	<u>259,440</u>	<u>191,677</u>
Total revenues	<u>15,356,772</u>	<u>593,595</u>
Expenditures/Expenses:		
Instruction	9,068,220	2,805
Support services	4,218,137	3,443
Non-instructional programs	-	611,060
Other expenditures	<u>8,129,410</u>	<u>-</u>
Total expenditures/expenses	<u>21,415,767</u>	<u>617,308</u>
Deficiency of revenues under expenditures/expenses	(6,058,995)	(23,713)
Other financing sources, net	<u>11,426,576</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	5,367,581	(23,713)
Balances beginning of year	<u>4,793,336</u>	<u>137,706</u>
Balances end of year	<u>\$ 10,160,917</u>	<u>113,993</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>	
11,959,585	11,643,581	11,643,581	316,004
3,539,665	4,420,365	4,420,365	(880,700)
451,117	484,615	484,615	(33,498)
<u>15,950,367</u>	<u>16,548,561</u>	<u>16,548,561</u>	<u>(598,194)</u>
9,071,025	9,143,751	9,543,751	472,726
4,221,580	3,899,840	3,999,840	(221,740)
611,060	614,000	619,000	7,940
8,129,410	7,921,478	7,416,478	(712,932)
<u>22,033,075</u>	<u>21,579,069</u>	<u>21,579,069</u>	<u>(454,006)</u>
(6,082,708)	(5,030,508)	(5,030,508)	(1,052,200)
<u>11,426,576</u>	<u>-</u>	<u>-</u>	<u>11,426,576</u>
5,343,868	(5,030,508)	(5,030,508)	10,374,376
<u>4,931,042</u>	<u>13,308,469</u>	<u>13,308,469</u>	<u>(8,377,427)</u>
<u>10,274,910</u>	<u>8,277,961</u>	<u>8,277,961</u>	<u>1,996,949</u>

Spirit Lake Community School District
Spirit Lake, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2013

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

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

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

During the year ended June 30, 2013, expenditures in the support services and other expenditures functions 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%
2013	Jul 1, 2012	-	648	648	0.0%	6,341	10.2%

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 Position - Modified Cash Basis
Discrete Component Units

June 30, 2013

	Discrete Component			
	Indian Athletic Booster Club	Spirit Lake Music Booster Club	Elementary Partners in Education	Middle School Partners in Education
Assets				
Cash	\$ 44,020	116,236	32,947	28,180
Investments	-	-	-	-
Fundraiser receivable	40,602	-	-	-
Inventory	2,799	-	-	-
Total assets	<u>87,421</u>	<u>116,236</u>	<u>32,947</u>	<u>28,180</u>
Liabilities				
Accounts payable	11,351	-	-	-
Salaries and benefits payable	-	-	-	-
Note payable	127,125	-	-	-
Total liabilities	<u>138,476</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net position				
Restricted	-	-	-	-
Unrestricted	(51,055)	116,236	32,947	28,180
Total net position	<u>(51,055)</u>	<u>116,236</u>	<u>32,947</u>	<u>28,180</u>
Total liabilities and net position	<u>\$ 87,421</u>	<u>116,236</u>	<u>32,947</u>	<u>28,180</u>

See accompanying independent auditor's report.

<u>Units</u>		
<u>High School Partners in Education</u>	<u>Friends of the SAMI Center</u>	<u>Total</u>
6,712	86,200	314,295
-	8,954	8,954
-	-	40,602
-	53	2,852
<u>6,712</u>	<u>95,207</u>	<u>366,703</u>
-	-	11,351
-	2,221	2,221
-	-	127,125
-	2,221	140,697
-	20,544	20,544
<u>6,712</u>	<u>72,442</u>	<u>205,462</u>
<u>6,712</u>	<u>92,986</u>	<u>226,006</u>
<u>6,712</u>	<u>95,207</u>	<u>366,703</u>

Spirit Lake Community School District
 Spirit Lake, Iowa
 Combining Statement of Revenues and Expenses and Changes
 in Net Position - Modified Cash Basis
 Discrete Component Units
 Year ended June 30, 2013

	Discrete Component			
	Indian Athletic Booster Club	Spirit Lake Music Booster Club	Elementary Partners in Education	Middle School Partners in Education
Revenues:				
Interest	\$ 52	20	9	-
Donations	-	125	-	388
Dividends	-	-	-	-
Sponsorships	14,250	-	-	-
Concessions	31,086	-	-	-
Event admissions	-	-	-	-
Fundraisers	65,794	68,105	80,830	46,232
Other	2,654	1,596	5,949	1,174
Total revenues	<u>113,836</u>	<u>69,846</u>	<u>86,788</u>	<u>47,794</u>
Expenses:				
Facilities/equipment/uniforms	56,031	2,983	-	-
Labor	-	1,748	-	-
Donations	25,000	-	-	-
Advertising	11,599	713	-	-
Bank charges	-	32	254	-
Travel	-	1,233	-	-
Postage	46	393	-	-
Supplies	30,578	27,330	78,971	43,150
Insurance	992	782	-	-
Event expenses	9,099	-	-	-
Accounting/tax preparation	-	667	660	-
Other	44	3,352	-	-
Total expenses	<u>133,389</u>	<u>39,233</u>	<u>79,885</u>	<u>43,150</u>
Change in net position	(19,553)	30,613	6,903	4,644
Net position beginning of year	<u>(31,502)</u>	<u>85,623</u>	<u>26,044</u>	<u>23,536</u>
Net position end of year	<u>\$ (51,055)</u>	<u>116,236</u>	<u>32,947</u>	<u>28,180</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>
-	144	225
2,875	44,426	47,814
-	218	218
-	-	14,250
-	-	31,086
-	58,161	58,161
-	-	260,961
-	2,870	14,243
<u>2,875</u>	<u>105,819</u>	<u>426,958</u>
-	2,633	61,647
-	33,761	35,509
2,000	-	27,000
-	3,938	16,250
-	2,331	2,617
-	-	1,233
18	196	653
-	2,964	182,993
-	1,513	3,287
-	83,778	92,877
-	-	1,327
<u>386</u>	<u>911</u>	<u>4,693</u>
<u>2,404</u>	<u>132,025</u>	<u>430,086</u>
471	(26,206)	(3,128)
<u>6,241</u>	<u>119,192</u>	<u>229,134</u>
<u>6,712</u>	<u>92,986</u>	<u>226,006</u>

Supplementary Information

Spirit Lake Community School District
Spirit Lake, Iowa

Schedule 1

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2013

	Special Revenue		
	Manage- ment <u>Levy</u>	Student Activity	<u>Total</u>
Assets			
Cash, cash equivalents and pooled investments	\$ 320,289	42,620	362,909
Receivables:			
Property tax:			
Delinquent	3,693	-	3,693
Succeeding year	1,200,000	-	1,200,000
Accounts	<u>2,236</u>	<u>9,470</u>	<u>11,706</u>
Total assets	<u>\$ 1,526,218</u>	<u>52,090</u>	<u>1,578,308</u>
 Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 6,472	6,307	12,779
Salaries and benefits payable	-	194	194
Deferred revenue:			
Succeeding year property tax	<u>1,200,000</u>	<u>-</u>	<u>1,200,000</u>
Total liabilities	1,206,472	6,501	1,212,973
 Fund balances:			
Restricted for:			
Management levy purposes	319,746	-	319,746
Student activities	<u>-</u>	<u>45,589</u>	<u>45,589</u>
Total fund balances	<u>319,746</u>	<u>45,589</u>	<u>365,335</u>
Total liabilities and fund balances	<u>\$ 1,526,218</u>	<u>52,090</u>	<u>1,578,308</u>

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, 2013

	Special Revenue		
	Manage- ment <u>Levy</u>	Student Activity	<u>Total</u>
Revenues:			
Local sources:			
Local tax	\$ 650,607	-	650,607
Other	8,217	187,781	195,998
State sources	208	-	208
Federal sources	567	-	567
Total revenues	659,599	187,781	847,380
Expenditures:			
Current:			
Instruction:			
Regular	587,322	-	587,322
Other	-	195,761	195,761
Support services:			
Administration	94,514	-	94,514
Operation and maintenance of plant	151,919	-	151,919
Transportation	13,120	-	13,120
Total expenditures	846,875	195,761	1,042,636
Deficiency of revenues under expenditures	(187,276)	(7,980)	(195,256)
Fund balances beginning of year	507,022	53,569	560,591
Fund balances end of year	\$ 319,746	45,589	365,335

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, 2013

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues and Interfund Transfers</u>	<u>Expenditures</u>	<u>Intra- Fund Transfers</u>	<u>Balance End of Year</u>
MS Drama	\$ -	296	-	-	296
HS Drama	249	568	110	-	707
MS Vocal	-	-	98	98	-
HS Vocal	-	14,080	15,260	1,180	-
MS Instrumental Music	-	347	249	(98)	-
HS Instrumental Music	-	10,249	10,249	-	-
Co-Ed Athletics	-	15,091	15,173	145	63
Cross Country	-	1,143	1,081	(62)	-
Boys Basketball	-	9,256	11,064	1,808	-
Boys Football	-	33,858	33,858	-	-
Boys Soccer	-	1,543	2,591	1,048	-
Boys Baseball	-	1,440	1,440	-	-
Boys Track	-	5,811	5,342	(469)	-
Boys Tennis	-	240	799	559	-
Boys Tennis Freshman	1,208	-	-	(559)	649
Boys Golf	-	61	520	459	-
Boys Wrestling	-	11,859	14,148	2,289	-
Girls Basketball	-	7,669	8,481	812	-
Girls Volleyball	-	4,587	5,366	779	-
Girls Volleyball Freshman	5,701	-	-	(779)	4,922
Girls Soccer	-	470	2,519	2,049	-
Girls Softball	-	1,840	4,360	2,520	-
Girls Track	-	833	7,483	6,650	-
Girls Tennis	-	158	1,668	1,510	-
Girls Golf	-	-	190	190	-
Cheerleaders	2,267	8,791	11,058	-	-
Dance	-	2,849	4,807	2,358	400
Class of 2011	642	-	642	-	-
Class of 2012	932	-	683	-	249
Class of 2013	1,059	450	638	-	871
Class of 2014	1,019	1,500	1,318	-	1,201
Class of 2015	787	900	59	-	1,628
Class of 2016	-	841	26	-	815
Investments	145	-	-	(145)	-
Activity Tickets	2,907	18,351	159	(21,099)	-

(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, 2013

<u>Account</u>	Balance Beginning of Year	Revenues and Interfund Transfers	Expenditures	Intra- Fund Transfers	Balance End of Year
Mexico Club	1,499	4,646	3,045	-	3,100
Annual	11,695	9,428	10,912	-	10,211
SLHS Quiz Bowl	980	650	909	-	721
Classes	2,972	1,492	1,685	(208)	2,571
MS SAC	3,184	-	-	-	3,184
HS SAC	10,036	2,614	4,448	(1,035)	7,167
MOC	495	842	713	-	624
HS Library	14	39	-	-	53
MS Library	22	-	-	-	22
Middle School	1,824	687	85	-	2,426
Elementary Donations	1,901	7,842	7,912	-	1,831
Elementary	1,199	3,757	3,913	-	1,043
VW Jobs	832	-	-	-	832
Winter Rec	-	700	700	-	-
Due Other Fund	-	3	-	-	3
Total	<u>\$ 53,569</u>	<u>187,781</u>	<u>195,761</u>	<u>-</u>	<u>45,589</u>

See accompanying independent auditor's report.

Spirit Lake Community School District
Spirit Lake, Iowa

Schedule 4

Combining Balance Sheet
Capital Project Accounts

June 30, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash, cash equivalents and pooled investments	\$ 7,575,415	392,963	7,968,378
Receivables:			
Property tax:			
Delinquent	-	5,653	5,653
Succeeding year	-	344,122	344,122
Due from other governments	<u>164,732</u>	<u>-</u>	<u>164,732</u>
Total assets	<u>\$ 7,740,147</u>	<u>742,738</u>	<u>8,482,885</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 2,035,969	93,236	2,129,205
Deferred revenue:			
Succeeding year property tax	<u>-</u>	<u>344,122</u>	<u>344,122</u>
Total liabilities	<u>2,035,969</u>	<u>437,358</u>	<u>2,473,327</u>
Fund balances:			
Restricted for:			
School infrastructure	5,704,178	-	5,704,178
Physical plant and equipment	<u>-</u>	<u>305,380</u>	<u>305,380</u>
Total fund balances	<u>5,704,178</u>	<u>305,380</u>	<u>6,009,558</u>
Total liabilities and fund balances	<u>\$ 7,740,147</u>	<u>742,738</u>	<u>8,482,885</u>

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, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 1,039,630	987,469	2,027,099
Other	1,482	3,866	5,348
State sources	-	308	308
Federal sources	-	757	757
Total revenues	1,041,112	992,400	2,033,512
Expenditures:			
Instruction:			
Regular	-	146,849	146,849
Support services:			
Instructional staff	-	18,732	18,732
Administration	43,792	19,315	63,107
Operation and maintenance of plant	17,529	11,996	29,525
Transportation	-	200,727	200,727
Other expenditures:			
Facilities acquisition	2,764,529	304,808	3,069,337
Total expenditures	2,825,850	702,427	3,528,277
Excess (deficiency) of revenues over (under) expenditures	(1,784,738)	289,973	(1,494,765)
Other financing sources (uses):			
Revenue bonds issued	7,600,000	-	7,600,000
Premium on revenue bonds issued	175,904	-	175,904
Lease purchase obligation issued	-	117,284	117,284
Operating transfers out	(594,876)	(377,745)	(972,621)
Total other financing sources (uses)	7,181,028	(260,461)	6,920,567
Excess of revenues and other financing sources over expenditures and other financing uses	5,396,290	29,512	5,425,802
Fund balances beginning of year	307,888	275,868	583,756
Fund balances end of year	\$ 5,704,178	305,380	6,009,558

See accompanying independent auditor's report.

Spirit Lake Community School District
Spirit Lake, Iowa

Schedule 6

Combining Schedule of Net Position
Nonmajor Enterprise Funds

June 30, 2013

	<u>School Nutrition</u>	<u>Ag Program</u>	<u>Total</u>
Assets			
Current assets:			
Cash and cash equivalents	\$ 72,307	6,311	78,618
Accounts receivable	29,138	-	29,138
Inventories	5,473	-	5,473
Total current assets	106,918	6,311	113,229
Noncurrent assets:			
Capital assets, net of accumulated depreciation	16,483	-	16,483
Total noncurrent assets	16,483	-	16,483
Total assets	123,401	6,311	129,712
Liabilities			
Current liabilities:			
Accounts payable	747	2,805	3,552
Salaries and benefits payable	201	-	201
Deferred revenue	10,198	-	10,198
Total current liabilities	11,146	2,805	13,951
Noncurrent liabilities:			
Net OPEB liability	1,768	-	1,768
Total noncurrent liabilities	1,768	-	1,768
Total liabilities	12,914	2,805	15,719
Net Position			
Investment in capital assets	16,483	-	16,483
Unrestricted	94,004	3,506	97,510
Total net position	\$ 110,487	3,506	113,993

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 Position
Nonmajor Enterprise Funds

Year ended June 30, 2013

	<u>School Nutrition</u>	<u>Ag Program</u>	<u>Total</u>
Operating revenues:			
Local sources:			
Charges for service	\$ 381,810	-	381,810
Miscellaneous	9,009	-	9,009
Total operating revenues	<u>390,819</u>	<u>-</u>	<u>390,819</u>
Operating expenses:			
Instruction:			
Other	-	2,805	2,805
	<u>-</u>	<u>2,805</u>	<u>2,805</u>
Support services:			
Operation and maintenance of plant	3,443	-	3,443
	<u>3,443</u>	<u>-</u>	<u>3,443</u>
Non-instructional programs:			
Salaries	183,682	-	183,682
Benefits	38,600	-	38,600
Purchased services	8,542	-	8,542
Supplies	377,295	-	377,295
Depreciation	2,941	-	2,941
	<u>611,060</u>	<u>-</u>	<u>611,060</u>
Total operating expenses	<u>614,503</u>	<u>2,805</u>	<u>617,308</u>
Operating loss	<u>(223,684)</u>	<u>(2,805)</u>	<u>(226,489)</u>

(continued)

Spirit Lake Community School District
Spirit Lake, Iowa

Schedule 7

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

Year ended June 30, 2013

	<u>School</u>		
	<u>Nutrition</u>	<u>Ag Program</u>	<u>Total</u>
Non-operating revenues:			
State sources	4,537	-	4,537
Federal sources	191,677	-	191,677
Interest income	251	-	251
Contributions	-	6,311	6,311
Total non-operating revenues	<u>196,465</u>	<u>6,311</u>	<u>202,776</u>
Increase (decrease) in net position	(27,219)	3,506	(23,713)
Net position beginning of year	<u>137,706</u>	-	<u>137,706</u>
Net position end of year	<u>\$ 110,487</u>	<u>3,506</u>	<u>113,993</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, 2013

	<u>School Nutrition</u>	<u>Ag Program</u>	<u>Total</u>
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 353,458	-	353,458
Cash received from other services	9,009	-	9,009
Cash paid to employees for services	(221,423)	-	(221,423)
Cash paid to suppliers for goods or services	<u>(362,069)</u>	<u>-</u>	<u>(362,069)</u>
Net cash used by operating activities	<u>(221,025)</u>	<u>-</u>	<u>(221,025)</u>
Cash flows from non-capital financing activities:			
Contributions	-	6,311	6,311
State grants received	4,537	-	4,537
Federal grants received	<u>170,243</u>	<u>-</u>	<u>170,243</u>
Net cash provided by non-capital financing activities	<u>174,780</u>	<u>6,311</u>	<u>181,091</u>
Cash flows used by capital and related financing activities:			
Acquisition of capital assets	<u>(9,016)</u>	<u>-</u>	<u>(9,016)</u>
Cash flows from investing activities:			
Interest on investments	<u>251</u>	<u>-</u>	<u>251</u>
Net increase (decrease) in cash and cash equivalents	(55,010)	6,311	(48,699)
Cash and cash equivalents beginning of year	<u>127,317</u>	<u>-</u>	<u>127,317</u>
Cash and cash equivalents end of year	<u>\$ 72,307</u>	<u>6,311</u>	<u>78,618</u>

(continued)

Spirit Lake Community School District
 Spirit Lake, Iowa

Schedule 8

Combining Schedule of Cash Flows
 Nonmajor Enterprise Funds

Year ended June 30, 2013

	<u>School Nutrition</u>	<u>Ag Program</u>	<u>Total</u>
Reconciliation of operating loss to net cash used by operating activities:			
Operating loss	\$ (223,684)	(2,805)	(226,489)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Commodities used	21,434	-	21,434
Depreciation	2,941	-	2,941
(Increase) in accounts receivable	(27,567)	-	(27,567)
Decrease in inventories	4,428	-	4,428
Decrease in prepaid expenses	602	-	602
Increase in salaries and benefits payable	201	-	201
Increase in accounts payable	747	2,805	3,552
(Decrease) in deferred revenue	(785)	-	(785)
Increase in other postemployment benefits	658	-	658
Net cash used by operating activities	<u>\$ (221,025)</u>	<u>-</u>	<u>(221,025)</u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2013, the District received \$21,434 of federal commodities.

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

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>Modified</u> <u>2010</u>
Revenues:				
Local sources:				
Local tax	\$ 10,159,269	9,927,507	10,189,729	9,121,902
Tuition	838,658	768,436	745,086	610,212
Other	564,277	595,395	528,365	450,845
Intermediate sources	-	-	-	8,949
State sources	3,535,128	3,337,679	2,973,732	2,550,547
Federal sources	<u>259,440</u>	<u>265,226</u>	<u>692,658</u>	<u>1,000,553</u>
Total	<u>\$ 15,356,772</u>	<u>14,894,243</u>	<u>15,129,570</u>	<u>13,743,008</u>
Expenditures:				
Instruction:				
Regular	\$ 6,004,512	5,478,886	5,540,771	5,344,333
Special	1,667,990	1,568,141	1,404,928	1,267,017
Other	1,395,718	1,355,146	1,342,217	1,335,949
Support services:				
Student	195,870	183,928	180,429	171,910
Instructional staff	685,034	808,470	708,067	1,660,441
Administration	1,337,325	1,181,644	1,120,192	992,752
Operation and maintenance of plant	1,423,300	1,249,341	1,202,876	1,128,098
Transportation	576,608	358,957	417,526	278,570
Other expenditures:				
Facilities acquisition	3,069,337	1,686,374	553,213	139,602
Long-term debt:				
Principal	4,168,375	983,508	1,472,003	1,068,025
Interest and other charges	422,471	200,171	248,640	213,418
AEA flowthrough	<u>469,227</u>	<u>447,837</u>	<u>491,412</u>	<u>491,706</u>
Total	<u>\$ 21,415,767</u>	<u>15,502,403</u>	<u>14,682,274</u>	<u>14,091,821</u>

See accompanying independent auditor's report.

Schedule 9

Accrual Basis

<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
9,088,907	8,688,210	8,790,999	7,615,021	7,337,029	5,346,101
560,536	654,005	695,443	696,195	884,949	689,358
541,292	629,124	631,605	874,633	347,694	1,501,512
2,790	-	-	-	-	445
3,567,495	4,015,627	3,168,572	3,772,691	3,439,146	3,214,284
<u>462,377</u>	<u>290,032</u>	<u>340,617</u>	<u>250,098</u>	<u>740,807</u>	<u>693,673</u>
<u>14,223,397</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>
5,397,879	5,292,796	5,057,938	4,781,325	4,753,828	4,703,110
1,213,744	1,228,798	1,434,039	984,914	1,243,321	1,798,261
1,263,397	1,333,017	814,906	1,165,331	1,093,118	487,118
133,574	228,904	220,123	241,135	208,887	190,887
618,992	568,030	592,780	595,803	453,087	454,653
1,001,541	945,298	1,029,644	857,510	930,129	879,306
1,163,728	1,189,843	1,137,986	1,094,590	876,437	909,186
282,874	347,932	357,708	361,889	273,057	313,194
252,695	3,861,587	5,016,259	4,847,325	1,656,854	1,253,535
1,314,967	9,920,620	1,013,787	996,145	984,547	905,095
174,509	495,682	538,964	581,337	207,437	434,408
<u>447,173</u>	<u>419,742</u>	<u>385,591</u>	<u>372,754</u>	<u>347,962</u>	<u>344,284</u>
<u>13,265,073</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>

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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 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, the 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, 2013, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 24, 2014. 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.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist there were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-A-13 and I-B-13 to be material weaknesses.

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, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Spirit Lake Community School District's Responses to Findings

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

Purpose of this Report

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of 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 24, 2014

Spirit Lake Community School District
Spirit Lake, Iowa

Schedule of Findings

Year ended June 30, 2013

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

I-A-13 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-13 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, 2013

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.

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

Spirit Lake Community School District
Spirit Lake, Iowa

Schedule of Findings

Year ended June 30, 2013

Part II: Other Findings Related to Required Statutory Reporting:

II-A-13 Certified Budget - Expenditures for the year ended June 30, 2013 exceeded the certified budget amounts in the support services and other expenditures functions.

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-13 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-13 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

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

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Bob Kirschbaum, Substitute Bus Driver, Owns Bob's Repair and Tow	Parts/Supplies	\$ 15,808

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.

Spirit Lake Community School District
Spirit Lake, Iowa

Schedule of Findings

Year ended June 30, 2013

- II-E-13 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-13 Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.
- II-G-13 Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- II-H-13 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-13 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-13 Certified Annual Report – The Certified Annual Report was certified timely to the Iowa Department of Education.
- II-K-13 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- II-L-13 Statewide Sales, Services, and Use Tax – No instances of non-compliance with the allowable uses 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, 2013, the District reported the following information regarding the statewide sales, services and use tax revenue in the District’s CAR:

Spirit Lake Community School District

Spirit Lake, Iowa

Schedule of Findings

Year ended June 30, 2013

Beginning balance		\$ 307,888
Revenues/transfers in:		
Sales tax revenues	\$ 1,039,630	
Other local revenues	1,482	
Sale of long-term debt	<u>7,775,904</u>	<u>8,817,016</u>
		9,124,904
Expenditures/transfers out:		
School infrastructure construction	2,235,606	
Equipment	17,529	
Other	572,714	
Transfers to other funds:		
Debt service fund	<u>594,876</u>	<u>3,420,725</u>
Ending balance		\$ <u>5,704,179</u>

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

II-M-13 Revenue Bonds – No instances of non-compliance with the revenue bond resolution were noted.