

**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, 2014

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Spirit Lake Community School District
Spirit Lake, Iowa

Officials

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

(Before September 2013 Election)

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

(After September 2013 Election)

Todd Hummel	President	2017
Teresa Beck	Vice President	2015
Keith Brockmeyer	Board Member	2015
Julie Currell-Smith	Board Member	2015
Scott Trautman	Board Member	2017

School Officials

Dr. David Smith	Superintendent	2014
Donna Sebert	Board Secretary	2014
Karen Oleson	Director of Business and Finance	2014
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, 2014, and the related Notes to 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 on the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information.

Basis for Disclaimer of Opinion on Discretely Presented Component Units

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

Disclaimer of Opinion on Discretely Presented Component Units

Because the Spirit Lake Community School Foundation, Indian Athletic Booster Club, Spirit Lake Music Booster Club, Elementary, Middle School and High School Partners in Education and Friends of the SAMI Center's financial statements have not been audited, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the discretely presented component units. Accordingly, we do not express an opinion on the financial statements of the discretely presented component units of Spirit Lake Community School District, as of and for the year ended June 30, 2014.

Unmodified Opinions

In our opinion, the financial statements referred to in the first paragraph of this report 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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

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 60 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 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 three years ended June 30, 2013 (which are not presented herein) and expressed unmodified 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 six years ended June 30, 2010 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Governmental Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 23, 2015 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

January 23, 2015

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, 2014. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$12,478,131 in fiscal year 2013 to \$12,051,340 while General Fund expenditures decreased from \$12,254,008 in fiscal year 2013 to \$11,983,144 in fiscal year 2014. The District's General Fund balance increased from \$2,821,944 at the end of fiscal year 2013 to \$2,874,691 at the end of fiscal year 2014, a 1.9% increase.
- The fiscal year 2014 decrease in General Fund revenue was attributable to decreases in local tax, tuition and state revenue. The decrease in expenditures was due primarily to a decrease in negotiated salaries and benefits due to retirement of some employees. 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 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

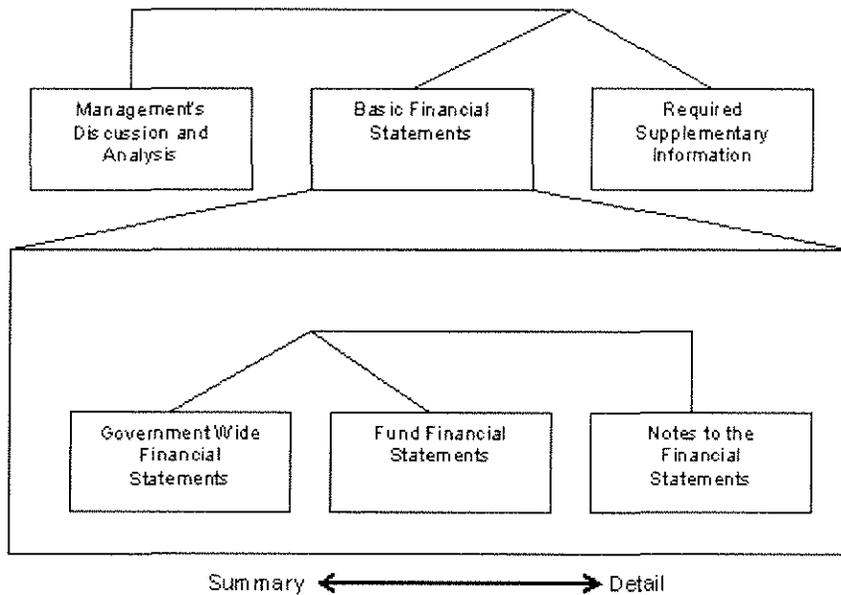


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

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

In the government-wide financial statements, the District's activities are divided into 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, one type of proprietary fund, is 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 governmental fund financial statements follow the governmental fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

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,
	2014	2013	2014	2013	2014	2013	2013-2014
Current and other assets	\$ 15,169	22,339	55	113	15,224	22,452	-32.2%
Capital assets	<u>32,631</u>	<u>27,814</u>	<u>768</u>	<u>17</u>	<u>33,399</u>	<u>27,831</u>	<u>20.0%</u>
Total assets	<u>47,800</u>	<u>50,153</u>	<u>823</u>	<u>130</u>	<u>48,623</u>	<u>50,283</u>	<u>-3.3%</u>
Long-term liabilities	12,919	12,521	2	2	12,921	12,523	3.2%
Other liabilities	<u>1,275</u>	<u>3,378</u>	<u>10</u>	<u>14</u>	<u>1,285</u>	<u>3,392</u>	<u>-62.1%</u>
Total liabilities	<u>14,194</u>	<u>15,899</u>	<u>12</u>	<u>16</u>	<u>14,206</u>	<u>15,915</u>	<u>-10.7%</u>
Deferred inflows of resources	<u>7,611</u>	<u>8,153</u>	---	---	<u>7,611</u>	<u>8,153</u>	<u>-6.6%</u>
Net position:							
Net investment in capital assets	20,326	20,915	768	17	21,094	20,932	0.8%
Restricted	2,058	2,121	---	---	2,058	2,121	-3.0%
Unrestricted	<u>3,611</u>	<u>3,065</u>	<u>43</u>	<u>97</u>	<u>3,654</u>	<u>3,162</u>	<u>15.6%</u>
Total net position	<u>\$ 25,995</u>	<u>26,101</u>	<u>811</u>	<u>114</u>	<u>26,806</u>	<u>26,215</u>	<u>2.3%</u>

The District's total net position increased 2.3%, or approximately \$591,000 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 \$63,000 or 3% from the prior year. The decrease was primarily a result of spending bond proceeds received in the prior year.

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 \$492,000 or 15.6%. 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, 2014 compared to the year ended June 30, 2013.

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

	Governmental Activities		Business Type Activities		Total District		Total Change
	2014	2013	2014	2013	2014	2013	2013-2014
Revenues:							
Program revenues:							
Charges for service	\$ 1,172	1,276	363	382	1,535	1,658	-7.4%
Operating grants, contributions and restricted interest	1,755	1,640	195	202	1,950	1,842	5.9%
Capital grants, contributions and restricted interest	36	3	824	---	860	3	28,566.7%
General revenues:							
Property tax	8,139	8,555	---	---	8,139	8,555	-4.9%
Statewide sales, services and use tax	1,017	1,040	---	---	1,017	1,040	-2.2%
Income surtax	690	589	---	---	690	589	17.1%
Unrestricted state grants	2,026	2,183	---	---	2,026	2,183	-7.2%
Unrestricted investment earnings	26	24	---	---	26	24	8.3%
Other	25	71	3	9	28	80	-65.0%
Gain (loss) on disposal of capital assets	4	6	(2)	---	2	6	-66.7%
Total revenues	<u>14,890</u>	<u>15,387</u>	<u>1,383</u>	<u>593</u>	<u>16,273</u>	<u>15,980</u>	<u>1.8%</u>
Program expenses:							
Instruction	8,086	9,425	5	3	8,091	9,428	-14.2%
Support services	4,262	4,131	6	3	4,268	4,134	3.2%
Non-instructional programs	---	---	675	611	675	611	10.5%
Other expenses	<u>2,492</u>	<u>1,477</u>	<u>---</u>	<u>---</u>	<u>2,492</u>	<u>1,477</u>	<u>68.7%</u>
Total expenses	<u>14,840</u>	<u>15,033</u>	<u>686</u>	<u>617</u>	<u>15,526</u>	<u>15,650</u>	<u>-0.8%</u>
Increase (decrease) in net position	50	354	697	(24)	747	330	126.4%
Net position beginning of year, as restated	<u>25,945</u>	<u>25,747</u>	<u>114</u>	<u>138</u>	<u>26,059</u>	<u>25,885</u>	<u>0.7%</u>
Net position end of year	<u>\$ 25,995</u>	<u>26,101</u>	<u>811</u>	<u>114</u>	<u>26,806</u>	<u>26,215</u>	<u>2.3%</u>

In fiscal year 2014, property tax and unrestricted state grants accounted for 68.3% of governmental activities revenue while charges for service and operating grants, contributions and restricted interest accounted for 40.3% of the revenue and capital contributions accounted for 59.6% from business type activities. The capital contribution was for equipment purchased from the Capital Projects Fund.

The District's total revenues were approximately \$16.3 million, of which approximately \$14.9 million was for governmental activities and approximately \$1.4 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 1.8% increase in revenues and a 0.8% decrease in expenses.

Governmental Activities

Revenues for governmental activities were \$14,890,086 and expenses were \$14,839,583 for the year ended June 30, 2014. 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, 2014 compared to the year ended June 30, 2013.

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>2014</u>	<u>2013</u>	<u>Change</u> <u>2013-2014</u>	<u>2014</u>	<u>2013</u>	<u>Change</u> <u>2013-2014</u>
Instruction	\$ 8,086	9,425	-14.2%	5,917	7,256	-18.5%
Support services	4,262	4,131	3.2%	3,983	3,854	3.3%
Non-instructional programs	---	---	0.0%	---	---	0.0%
Other expenses	<u>2,492</u>	<u>1,477</u>	<u>68.7%</u>	<u>1,976</u>	<u>1,005</u>	<u>9.7%</u>
Total	<u>\$ 14,840</u>	<u>15,033</u>	<u>-1.3%</u>	<u>11,876</u>	<u>12,115</u>	<u>-2.0%</u>

For the year ended June 30, 2014:

- The cost financed by users of the District's programs was \$1,172,294.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,754,710.
- The net cost of governmental activities was financed with \$8,138,555 in property tax, \$689,826 in income surtax, \$1,016,806 in statewide sales, services and use tax, \$2,026,494 in unrestricted state grants, and \$55,021 in other revenues.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2014 were \$1,381,171, representing a 132.6% increase over the prior year, while expenses totaled \$686,572, an 11.2% 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. The School Nutrition Fund received capital contributions for equipment purchased from the Capital Projects Fund.

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 \$5,872,426, well below last year's ending fund balances of \$10,160,917. However, the primary reason for the decrease in combined fund balances at the end of fiscal year 2014 is due to revenue bond proceeds received in fiscal year 2013 being expended during fiscal year 2014.

Governmental Fund Highlights

- The General Fund balance increased from \$2,821,944 to \$2,874,691 due, in part to decreases in expenditures.
- The Debt Service Fund balance increased from \$964,080 in fiscal 2013 to \$1,679,631 in fiscal 2014. The District has been transferring funds to make their revenue bond payment in fiscal year 2015.
- The Capital Projects Fund balance decreased due to spending the remaining bond proceeds from the prior year. The District ended fiscal year 2013 with a balance of \$6,009,558. Fiscal year 2014 ended with a balance of \$571,885.

Proprietary Fund Highlights

The total Proprietary Fund net position increased from \$113,993 at June 30, 2013 to \$810,800 at June 30, 2014, representing an increase of approximately 611%. The increase in net position is primarily due to a capital contribution of equipment that was paid from the Capital Projects Fund.

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 \$16,619 more than total budgeted revenues, a variance of 0.1%.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year. Also, the capital project did not progress as anticipated, so less was spent in fiscal year 2014 than was planned.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had invested approximately \$33.4 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 20.1% 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 \$1,104,078.

The original cost of the District's capital assets was approximately \$49.2 million. Governmental funds account for approximately \$48.3 million, with the remainder of approximately \$0.9 million accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the building category. The District's buildings totaled \$28,780,965 at June 30, 2014 compared to \$21,772,691 reported at June 30, 2013. This significant increase resulted from completion of the new addition and remodeling project.

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

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-2014
Land	\$ 296	296	---	---	296	296	0.0%
Construction in progress	470	2,889	---	---	470	2,889	-83.7%
Buildings	28,782	21,773	---	---	28,782	21,773	32.2%
Land improvements	1,656	1,783	---	---	1,656	1,783	-7.1%
Furniture and equipment	1,427	1,073	768	17	2,195	1,090	101.4%
Total	\$ 32,631	27,814	768	17	33,399	27,831	20.0%

Long-Term Debt

At June 30, 2014, the District had \$12,658,509 of total long-term debt outstanding. This represents an increase of approximately 3% 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 October 2013, the District issued \$1,150,000 of Energy Management Improvement Capital Loan Notes for an energy improvement project.

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

	Total District		Total Change
	June 30,		June 30,
	2014	2013	2013-2014
Revenue bonds	\$ 11,275	11,301	-0.2%
Energy notes	1,117	---	100.0%
Computer lease	---	367	-100.0%
Bus lease	110	118	-6.8%
Equipment lease	29	---	100.0%
Early retirement	<u>128</u>	<u>546</u>	<u>-76.6%</u>
Total	\$ 12,659	12,332	2.7%

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, 2014 showed an increase of 19.68 students.
- 87 students open enrolled in for FY2014-15 versus 52 students open enrolled out for a net gain of 35 students. This continues the trend of gains since open enrollment was first allowed.
- State sales tax revenues increased in FY2014 which will result in higher distributions to the S.A.V.E. Fund in FY2015.

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, 2014

	Primary Government			Component
	Governmental	Business Type	Units	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>	<u>Total</u> <u>Discrete</u>
Assets				
Cash and cash equivalents	\$ 6,369,090	43,591	6,412,681	1,178,574
Receivables:				
Property tax:				
Delinquent	39,412	-	39,412	-
Succeeding year	7,611,117	-	7,611,117	-
Accounts	32,858	1,852	34,710	16,884
Due from other governments	1,116,683	-	1,116,683	-
Inventories	-	9,666	9,666	-
Capital assets, net of accumulated depreciation	<u>32,631,036</u>	<u>767,629</u>	<u>33,398,665</u>	<u>-</u>
Total assets	<u>47,800,196</u>	<u>822,738</u>	<u>48,622,934</u>	<u>1,195,458</u>
Liabilities				
Accounts payable	82,136	760	82,896	4,800
Salaries and benefits payable	991,420	319	991,739	1,218
Note payable	47,041	-	47,041	-
Accrued interest payable	154,459	-	154,459	-
Unearned revenue	-	8,428	8,428	-
Long-term liabilities:				
Portion due within one year:				
Revenue bonds	575,000	-	575,000	-
Energy loan notes	63,389	-	63,389	-
Bus lease purchase obligation	76,123	-	76,123	-
Equipment lease obligation	10,214	-	10,214	-
Termination benefits	59,647	-	59,647	-
Portion due after one year:				
Revenue bonds	10,445,000	-	10,445,000	-
Bond premium	255,377	-	255,377	-
Energy loan notes	1,053,099	-	1,053,099	-
Bus lease purchase obligation	34,326	-	34,326	-
Equipment lease obligation	18,536	-	18,536	-
Termination benefits	67,798	-	67,798	-
Note payable	-	-	-	88,302
Net OPEB liability	<u>260,154</u>	<u>2,431</u>	<u>262,585</u>	<u>-</u>
Total liabilities	<u>14,193,719</u>	<u>11,938</u>	<u>14,205,657</u>	<u>94,320</u>
Deferred Inflows of Resources				
Unavailable property tax revenue	<u>7,611,117</u>	<u>-</u>	<u>7,611,117</u>	<u>-</u>

(continued)

Spirit Lake Community School District
 Spirit Lake, Iowa

Exhibit A

Statement of Net Position

June 30, 2014

	Primary Government			Component
	Governmental	Business Type	Total	Units
	<u>Activities</u>	<u>Activities</u>		<u>Total</u> <u>Discrete</u>
Net Position				
Net investment in capital assets	20,326,116	767,629	21,093,745	-
Restricted for:				
Investment	-	-	-	898,273
Categorical funding	121,942	-	121,942	-
Physical plant and equipment	60,130	-	60,130	-
School infrastructure	285,611	-	285,611	-
Debt service	887,899	-	887,899	-
Student activities	702,903	-	702,903	-
Unrestricted	<u>3,610,759</u>	<u>43,171</u>	<u>3,653,930</u>	<u>202,865</u>
Total net position	<u>\$ 25,995,360</u>	<u>810,800</u>	<u>26,806,160</u>	<u>1,101,138</u>

See notes to financial statements.

Spirit Lake Community School District
 Spirit Lake, Iowa
 Statement of Activities
 Year ended June 30, 2014

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Service</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
Functions/Programs:				
Primary Government:				
Governmental activities:				
Instruction:				
Regular instruction	\$ 5,218,448	603,197	748,546	-
Special instruction	1,511,822	260,976	181,422	-
Other instruction	1,355,286	194,267	180,047	-
	<u>8,085,556</u>	<u>1,058,440</u>	<u>1,110,015</u>	<u>-</u>
Support services:				
Student	287,082	-	26,318	-
Instructional staff	780,482	66,390	98,655	-
Administration	1,320,241	16,045	38,578	-
Operation and maintenance of plant	1,412,882	29,011	1,183	-
Transportation	461,219	2,408	401	-
	<u>4,261,906</u>	<u>113,854</u>	<u>165,135</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	865,852	-	-	36,380
Long-term debt interest	296,034	-	-	-
AEA flowthrough	479,560	-	479,560	-
Depreciation (unallocated)*	850,675	-	-	-
	<u>2,492,121</u>	<u>-</u>	<u>479,560</u>	<u>36,380</u>
Total governmental activities	<u>14,839,583</u>	<u>1,172,294</u>	<u>1,754,710</u>	<u>36,380</u>
Business type activities:				
Instruction:				
Ag program	5,771	-	2,208	-
Support services:				
Operation and maintenance of plant	5,783	-	-	-
Non-instructional programs:				
Food service operations	675,018	363,216	192,806	823,913
Total business type activities	<u>686,572</u>	<u>363,216</u>	<u>195,014</u>	<u>823,913</u>
Total primary government	<u>\$ 15,526,155</u>	<u>1,535,510</u>	<u>1,949,724</u>	<u>860,293</u>
Component Units:				
Total discrete	<u>\$ 432,847</u>	<u>241,711</u>	<u>157,180</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, as restated				
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
(3,866,705)	-	(3,866,705)	-
(1,069,424)	-	(1,069,424)	-
(980,972)	-	(980,972)	-
(5,917,101)	-	(5,917,101)	-
(260,764)	-	(260,764)	-
(615,437)	-	(615,437)	-
(1,265,618)	-	(1,265,618)	-
(1,382,688)	-	(1,382,688)	-
(458,410)	-	(458,410)	-
(3,982,917)	-	(3,982,917)	-
(829,472)	-	(829,472)	-
(296,034)	-	(296,034)	-
-	-	-	-
(850,675)	-	(850,675)	-
(1,976,181)	-	(1,976,181)	-
(11,876,199)	-	(11,876,199)	-
-	(3,563)	(3,563)	-
-	(5,783)	(5,783)	-
-	704,917	704,917	-
-	695,571	695,571	-
(11,876,199)	695,571	(11,180,628)	-
-	-	-	(33,956)
7,795,255	-	7,795,255	-
343,300	-	343,300	-
689,826	-	689,826	-
1,016,806	-	1,016,806	-
2,026,494	-	2,026,494	-
26,041	279	26,320	103,847
25,329	3,399	28,728	1,488
3,651	(2,442)	1,209	-
11,926,702	1,236	11,927,938	105,335
50,503	696,807	747,310	71,379
25,944,857	113,993	26,058,850	1,029,759
\$ 25,995,360	810,800	26,806,160	1,101,138

Spirit Lake Community School District
Spirit Lake, Iowa

Exhibit C

Balance Sheet
Governmental Funds

June 30, 2014

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	Nonmajor	<u>Total</u>
Assets					
Cash and cash equivalents	\$ 3,499,379	1,726,672	408,304	734,735	6,369,090
Receivables:					
Property tax:					
Delinquent	31,741	-	1,921	5,750	39,412
Succeeding year	6,590,926	-	350,189	670,002	7,611,117
Accounts	23,398	-	1,125	8,335	32,858
Due from other governments	956,148	-	160,535	-	1,116,683
Total assets	<u>\$ 11,101,592</u>	<u>1,726,672</u>	<u>922,074</u>	<u>1,418,822</u>	<u>15,169,160</u>
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	\$ 79,975	-	-	2,161	82,136
Salaries and benefits payable	990,980	-	-	440	991,420
Note payable	-	47,041	-	-	47,041
Total liabilities	<u>1,070,955</u>	<u>47,041</u>	<u>-</u>	<u>2,601</u>	<u>1,120,597</u>
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	6,590,926	-	350,189	670,002	7,611,117
Income surtax	565,020	-	-	-	565,020
Total deferred inflows of resources	<u>7,155,946</u>	<u>-</u>	<u>350,189</u>	<u>670,002</u>	<u>8,176,137</u>
Fund balances:					
Restricted for:					
Categorical funding	121,942	-	-	-	121,942
Debt service	-	1,679,631	-	-	1,679,631
Management levy purposes	-	-	-	702,903	702,903
Student activities	-	-	-	43,316	43,316
School infrastructure	-	-	511,755	-	511,755
Physical plant and equipment	-	-	60,130	-	60,130
Unassigned	2,752,749	-	-	-	2,752,749
Total fund balances	<u>2,874,691</u>	<u>1,679,631</u>	<u>571,885</u>	<u>746,219</u>	<u>5,872,426</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 11,101,592</u>	<u>1,726,672</u>	<u>922,074</u>	<u>1,418,822</u>	<u>15,169,160</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, 2014

Total fund balances of governmental funds (page 22) \$ 5,872,426

*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. 32,631,036

therefore, are recognized as deferred inflows of resources in the governmental
funds. 565,020

Accrued interest payable on long-term liabilities is not due and payable in the
current year and, therefore, is not reported as a liability in the governmental funds. (154,459)

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. (12,918,663)

Net position of governmental activities (page 19) \$ 25,995,360

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, 2014

Exhibit E

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Revenues:					
Local sources:					
Local tax	\$ 7,244,287	-	343,046	1,197,913	8,785,246
Tuition	764,636	-	-	-	764,636
Other	275,403	77	41,150	191,197	507,827
State sources	3,488,625	-	1,016,908	405	4,505,938
Federal sources	278,389	-	254	1,010	279,653
Total revenues	<u>12,051,340</u>	<u>77</u>	<u>1,401,358</u>	<u>1,390,525</u>	<u>14,843,300</u>
Expenditures:					
Current:					
Instruction:					
Regular	4,962,124	-	50,220	618,243	5,630,587
Special	1,506,092	-	-	-	1,506,092
Other	1,170,745	-	-	180,197	1,350,942
	<u>7,638,961</u>	<u>-</u>	<u>50,220</u>	<u>798,440</u>	<u>8,487,621</u>
Support services:					
Student	285,616	-	-	-	285,616
Instructional staff	754,413	-	33,322	1,234	788,969
Administration	1,154,085	-	31,932	93,166	1,279,183
Operation and maintenance of plant	1,270,854	-	25,772	104,812	1,401,438
Transportation	399,655	-	69,525	11,989	481,169
	<u>3,864,623</u>	<u>-</u>	<u>160,551</u>	<u>211,201</u>	<u>4,236,375</u>
Other expenditures:					
Facilities acquisition	-	-	6,504,300	-	6,504,300
Long-term debt:					
Principal	-	463,440	-	-	463,440
Interest and fiscal charges	-	198,878	-	-	198,878
AEA flowthrough	479,560	-	-	-	479,560
	<u>479,560</u>	<u>662,318</u>	<u>6,504,300</u>	<u>-</u>	<u>7,646,178</u>
Total expenditures	<u>11,983,144</u>	<u>662,318</u>	<u>6,715,071</u>	<u>1,009,641</u>	<u>20,370,174</u>
Excess (deficiency) of revenues over (under) expenditures	<u>68,196</u>	<u>(662,241)</u>	<u>(5,313,713)</u>	<u>380,884</u>	<u>(5,526,874)</u>
Other financing sources (uses):					
Energy loan notes issued	1,150,000	-	-	-	1,150,000
Proceeds from loans greater than 12 months	33,743	-	-	-	33,743
Lease purchase obligation issued	-	-	50,989	-	50,989
Sale of fixed assets	3,651	-	-	-	3,651
Operating transfers in	-	1,377,792	1,150,000	-	2,527,792
Operating transfers out	(1,202,843)	-	(1,324,949)	-	(2,527,792)
Total other financing sources (uses)	<u>(15,449)</u>	<u>1,377,792</u>	<u>(123,960)</u>	<u>-</u>	<u>1,238,383</u>
Change in fund balances	52,747	715,551	(5,437,673)	380,884	(4,288,491)
Fund balances beginning of year	2,821,944	964,080	6,009,558	365,335	10,160,917
Fund balances end of year	<u>\$ 2,874,691</u>	<u>1,679,631</u>	<u>571,885</u>	<u>746,219</u>	<u>5,872,426</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, 2014

Change in fund balances - total governmental funds (page 24) **\$ (4,288,491)**

*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 expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 5,849,117	
Depreciation expense	<u>(1,032,441)</u>	4,816,676

Income surtax not collected for several months after year end is not considered available revenue and is recognized as deferred inflows of resources in the governmental funds. 43,135

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 issuances exceeded repayments, as follows:

Issued	(1,234,732)	
Premium on bonds amortized	25,768	
Repaid	<u>463,440</u>	(745,524)

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. (122,924)

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	418,595	
Other postemployment benefits	<u>(70,964)</u>	<u>347,631</u>

Change in net position of governmental activities (page 21) **\$ 50,503**

See notes to financial statements.

Spirit Lake Community School District
Spirit Lake, Iowa

Exhibit G

Statement of Net Position
Proprietary Fund

June 30, 2014

	<u>School Nutrition</u>
Assets	
Current assets:	
Cash and cash equivalents	\$ 43,591
Accounts receivable	1,852
Inventories	<u>9,666</u>
Total current assets	<u>55,109</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	<u>767,629</u>
Total noncurrent assets	<u>767,629</u>
Total assets	<u>822,738</u>
Liabilities	
Current liabilities:	
Accounts payable	760
Salaries and benefits payable	319
Unearned revenue	<u>8,428</u>
Total current liabilities	<u>9,507</u>
Noncurrent liabilities:	
Net OPEB liability	<u>2,431</u>
Total noncurrent liabilities	<u>2,431</u>
Total liabilities	<u>11,938</u>
Net Position	
Net investment in capital assets	767,629
Unrestricted	<u>43,171</u>
Total net position	<u>\$ 810,800</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, 2014

	<u>School Nutrition</u>	<u>Nonmajor Ag Program</u>	<u>Total</u>
Operating revenues:			
Local sources:			
Charges for service	\$ 363,216	-	363,216
Miscellaneous	3,399	-	3,399
Total operating revenues	<u>366,615</u>	<u>-</u>	<u>366,615</u>
 Operating expenses:			
Instruction:			
Other	-	5,771	5,771
	<u>-</u>	<u>5,771</u>	<u>5,771</u>
Support services:			
Operation and maintenance of plant	5,783	-	5,783
	<u>5,783</u>	<u>-</u>	<u>5,783</u>
Non-instructional programs:			
Salaries	192,096	-	192,096
Benefits	40,700	-	40,700
Purchased services	4,349	-	4,349
Supplies	366,236	-	366,236
Depreciation	71,637	-	71,637
	<u>675,018</u>	<u>-</u>	<u>675,018</u>
 Total operating expenses	<u>680,801</u>	<u>5,771</u>	<u>686,572</u>
Operating loss	<u>(314,186)</u>	<u>(5,771)</u>	<u>(319,957)</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, 2014

(continued)

	<u>School Nutrition</u>	<u>Nonmajor Ag Program</u>	<u>Total</u>
Non-operating revenues:			
State sources	4,123		4,123
Federal sources	188,683	727	189,410
Interest income	222	57	279
Contributions	-	1,481	1,481
Total non-operating revenues	<u>193,028</u>	<u>2,265</u>	<u>195,293</u>
 Income before capital asset contributions and loss on disposal of fixed assets	 <u>(121,158)</u>	 <u>(3,506)</u>	 <u>(124,664)</u>
 Capital asset contributions	 823,913	 -	 823,913
Loss on disposal of fixed assets	<u>(2,442)</u>	<u>-</u>	<u>(2,442)</u>
Total capital asset contributions and loss on disposal of fixed assets	 <u>821,471</u>	 <u>-</u>	 <u>821,471</u>
 Increase (decrease) in net position	 700,313	 (3,506)	 696,807
 Net position beginning of year	 <u>110,487</u>	 <u>3,506</u>	 <u>113,993</u>
 Net position end of year	 <u>\$ 810,800</u>	 <u>-</u>	 <u>810,800</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, 2014

	<u>School Nutrition</u>	<u>Nonmajor Ag Program</u>	<u>Total</u>
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 388,732	-	388,732
Cash received from other services	3,399	-	3,399
Cash paid to employees for services	(232,015)	-	(232,015)
Cash paid to suppliers for goods or services	<u>(362,909)</u>	<u>(8,576)</u>	<u>(371,485)</u>
Net cash used by operating activities	<u>(202,793)</u>	<u>(8,576)</u>	<u>(211,369)</u>
Cash flows from non-capital financing activities:			
Contributions	-	1,481	1,481
State grants received	4,123	-	4,123
Federal grants received	<u>171,044</u>	<u>727</u>	<u>171,771</u>
Net cash provided by non-capital financing activities	<u>175,167</u>	<u>2,208</u>	<u>177,375</u>
Cash flows used by capital and related financing activities:			
Acquisition of capital assets	<u>(1,312)</u>	<u>-</u>	<u>(1,312)</u>
Cash flows from investing activities:			
Interest on investments	<u>222</u>	<u>57</u>	<u>279</u>
Net decrease in cash and cash equivalents	(28,716)	(6,311)	(35,027)
Cash and cash equivalents beginning of year	<u>72,307</u>	<u>6,311</u>	<u>78,618</u>
Cash and cash equivalents end of year	<u>\$ 43,591</u>	<u>-</u>	<u>43,591</u>

(continued)

Spirit Lake Community School District
Spirit Lake, Iowa

Exhibit I

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2014

	<u>School Nutrition</u>	<u>Nonmajor Ag Program</u>	<u>Total</u>
Reconciliation of operating loss to net cash used by operating activities:			
Operating loss	\$ (314,186)	(5,771)	(319,957)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Commodities used	17,639	-	17,639
Depreciation	71,637	-	71,637
Decrease in accounts receivable	27,286	-	27,286
(Increase) in inventories	(4,193)	-	(4,193)
Increase in salaries and benefits payable	118	-	118
Increase (decrease) in accounts payable	13	(2,805)	(2,792)
(Decrease) in unearned revenue	(1,770)	-	(1,770)
Increase in other postemployment benefits	663	-	663
Net cash used by operating activities	<u>\$ (202,793)</u>	<u>(8,576)</u>	<u>(211,369)</u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2014, the District received \$17,639 of federal commodities.

During the year ended June 30, 2014, the District received \$823,913 in capital asset contributions from the Capital Projects Fund.

See notes to financial statements.

Spirit Lake Community School District
Spirit Lake, Iowa

Exhibit J

Statement of Fiduciary Net Position
Fiduciary Funds

June 30, 2014

	<u>Private Purpose Trust</u> <u>Scholarship</u>
Assets	
Cash and cash equivalents	\$ 304,855
Total assets	<u>304,855</u>
Liabilities	
Total liabilities	<u>-</u>
Net position	
Reserved for scholarships	<u>\$ 304,855</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, 2014

	Private Purpose Trust
	<u>Scholarship</u>
Additions:	
Local sources:	
Interest income	\$ 1,661
Total additions	<u>1,661</u>
Deductions:	
Instruction:	
Regular:	
Scholarships	<u>-</u>
Change in net position	1,661
Net position beginning of year	<u>303,194</u>
Net position end of year	<u><u>\$ 304,855</u></u>

See notes to financial statements.

Spirit Lake Community School District
Spirit Lake, Iowa

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

June 30, 2014

	Discrete Component			
	Spirit Lake Community School Foundation	Indian Athletic Booster Club	Spirit Lake Music Booster Club	Elementary Partners in Education
Assets				
Cash	\$ 46,170	52,423	108,464	26,345
Investments	849,236	-	-	-
Fundraiser receivable	-	16,884	-	-
Total assets	<u>\$ 895,406</u>	<u>69,307</u>	<u>108,464</u>	<u>26,345</u>
Liabilities				
Accounts payable	\$ -	4,800	-	-
Salaries and benefits payable	-	-	-	-
Note payable	-	88,302	-	-
Total liabilities	<u>-</u>	<u>93,102</u>	<u>-</u>	<u>-</u>
Net Position				
Restricted	891,448	-	-	-
Unrestricted	3,958	(23,795)	108,464	26,345
Total net position	<u>895,406</u>	<u>(23,795)</u>	<u>108,464</u>	<u>26,345</u>
Total liabilities and net position	<u>\$ 895,406</u>	<u>69,307</u>	<u>108,464</u>	<u>26,345</u>

See accompanying independent auditor's report.

Exhibit L

Units

<u>Middle School Partners in Education</u>	<u>High School Partners in Education</u>	<u>Friends of the SAMI Center</u>	<u>Total</u>
31,828	5,586	58,522	329,338
-	-	-	849,236
-	-	-	16,884
<u>31,828</u>	<u>5,586</u>	<u>58,522</u>	<u>1,195,458</u>
-	-	-	4,800
-	-	1,218	1,218
-	-	-	88,302
-	-	1,218	94,320
-	-	6,825	898,273
<u>31,828</u>	<u>5,586</u>	<u>50,479</u>	<u>202,865</u>
<u>31,828</u>	<u>5,586</u>	<u>57,304</u>	<u>1,101,138</u>
<u>31,828</u>	<u>5,586</u>	<u>58,522</u>	<u>1,195,458</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, 2014

	Discrete Component			
	Spirit Lake Community School Foundation	Indian Athletic Booster Club	Spirit Lake Music Booster Club	Elementary Partners in Education
Revenues:				
Interest	\$ 8	36	21	11
Donations	55,133	-	1,991	1,770
Dividends	29,096	-	-	-
Sponsorships	-	71,923	11,920	-
Concessions	-	34,267	-	-
Event admissions	-	-	1,530	-
Fundraisers	-	10,272	65,750	65,530
Gain/Loss on investment	70,049	-	-	-
Other	-	-	1,488	-
Total revenues	<u>154,286</u>	<u>116,498</u>	<u>82,700</u>	<u>67,311</u>
Expenses:				
Scholarships	56,086	-	-	-
Facilities/equipment/uniforms	-	34,275	3,596	28,175
Labor	-	-	-	-
Donations	2,500	15,000	525	-
Advertising	-	10,103	1,569	-
Bank charges	-	-	57	11
Travel	-	-	24,419	-
Postage	289	-	-	-
Supplies	2,210	22,891	33,265	45,297
Insurance	-	1,001	804	-
Event expenses	-	5,870	5,646	-
Professional fees	5,601	50	658	430
Other	-	48	15,880	-
Total expenses	<u>66,686</u>	<u>89,238</u>	<u>86,419</u>	<u>73,913</u>
Change in net position	87,600	27,260	(3,719)	(6,602)
Net position beginning of year	<u>807,806</u>	<u>(51,055)</u>	<u>112,183</u>	<u>32,947</u>
Net position end of year	<u>\$ 895,406</u>	<u>(23,795)</u>	<u>108,464</u>	<u>26,345</u>

See accompanying independent auditor's report.

Exhibit M

Units

<u>Middle School Partners in Education</u>	<u>High School Partners in Education</u>	<u>Friends of the SAMI Center</u>	<u>Total</u>
-	-	68	144
338	2,625	11,480	73,337
-	-	110	29,206
-	-	-	83,843
-	-	-	34,267
-	-	29,248	30,778
35,114	-	-	176,666
-	-	4,448	74,497
-	-	-	1,488
<u>35,452</u>	<u>2,625</u>	<u>45,354</u>	<u>504,226</u>
-	-	-	56,086
-	-	-	66,046
-	-	31,633	31,633
-	2,750	-	20,775
-	-	375	12,047
-	-	1,687	1,755
-	-	-	24,419
10	-	60	359
31,619	-	1,182	136,464
-	-	1,897	3,702
-	-	41,812	53,328
175	1,000	1,670	9,584
-	1	720	16,649
<u>31,804</u>	<u>3,751</u>	<u>81,036</u>	<u>432,847</u>
3,648	(1,126)	(35,682)	71,379
<u>28,180</u>	<u>6,712</u>	<u>92,986</u>	<u>1,029,759</u>
<u>31,828</u>	<u>5,586</u>	<u>57,304</u>	<u>1,101,138</u>

Spirit Lake Community School District
Spirit Lake, Iowa

Notes to Financial Statements

June 30, 2014

(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 component units which meet the Governmental Accounting Standards Board criteria.

These financial statements present the Spirit Lake Community School District (the primary government) and its component units. The component units, discussed below, are included in the District's reporting entity because of the nature and significance of their operational or financial relationship with the District.

Discretely Presented Component Units – Spirit Lake Community School Foundation was created to provide post high school scholarship support to graduates of the Spirit Lake Community School District. The Foundation is a separate legal entity with its own accounting records and board of trustees. The Spirit Lake Community School

Spirit Lake Community School District
Spirit Lake, Iowa

Notes to Financial Statements

June 30, 2014

Foundation meets the definition of a component unit which should be discretely presented. The Foundation issues separate compiled financial statements which are available at the District's central office.

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 Indian Athletic Booster Club meets the definition of a component unit which should be discretely presented.

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 Spirit Lake Music Booster Club meets the definition of a component unit which should be discretely presented.

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 Elementary, Middle School and High School Partners in Education meet the definition of a component unit which should be discretely presented.

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. The Friends of the SAMI Center meets the definition of a component unit which should be discretely presented.

Spirit Lake Community School District
Spirit Lake, Iowa

Notes to Financial Statements

June 30, 2014

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 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, deferred out flows of resources, liabilities and deferred inflows of resources, 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. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints 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, 2014

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 reports the following major proprietary fund:

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

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, 2014

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, 2014

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, Deferred Inflows of Resources and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust, (if any), 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, 2014

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, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2013.

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

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

Capital Assets – Capital assets, which include property, 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, 2014

<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.

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 Position.

Spirit Lake Community School District
Spirit Lake, Iowa

Notes to Financial Statements

June 30, 2014

Deferred Inflows of Resources – Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end.

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

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

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

Unassigned – All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014, expenditures exceeded the amounts budgeted in the non-instructional programs function.

Spirit Lake Community School District
Spirit Lake, Iowa

Notes to Financial Statements

June 30, 2014

(2) Cash and Cash Equivalents

The District's deposits in banks at June 30, 2014 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.

The District has no investments at June 30, 2014.

(3) Interfund Transfers

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Capital Projects: Physical Plant and Equipment Levy	General	\$ 1,150,000
Debt Service	General	52,843
	Capital Projects: Physical Plant and Equipment Levy	438,888
	Statewide Sales, Services and Use Tax	<u>886,061</u>
Total		<u>\$ 2,527,792</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, 2014

(4) Capital Assets

Capital assets activity for the year ended June 30, 2014 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>2,889,540</u>	<u>5,218,015</u>	<u>(7,637,120)</u>	<u>470,435</u>
Total capital assets not being depreciated	<u>3,185,540</u>	<u>5,218,015</u>	<u>(7,637,120)</u>	<u>766,435</u>
Capital assets being depreciated:				
Buildings	32,622,149	7,708,865	---	40,331,014
Land improvements	3,523,527	---	---	3,523,527
Furniture and equipment	<u>3,118,546</u>	<u>559,357</u>	---	<u>3,677,903</u>
Total capital assets being depreciated	<u>39,264,222</u>	<u>8,268,222</u>	---	<u>47,532,444</u>
Less accumulated depreciation for:				
Buildings	10,849,458	700,591	---	11,550,049
Land improvements	1,739,979	127,311	---	1,867,290
Furniture and equipment	<u>2,045,965</u>	<u>204,539</u>	---	<u>2,250,504</u>
Total accumulated depreciation	<u>14,635,402</u>	<u>1,032,441</u>	---	<u>15,667,843</u>
Total capital assets being depreciated, net	<u>24,628,820</u>	<u>7,235,781</u>	---	<u>31,864,601</u>
Governmental activities capital assets, net	<u>\$ 27,814,360</u>	<u>12,453,796</u>	<u>(7,637,120)</u>	<u>32,631,036</u>
Business type activities:				
Furniture and equipment	\$ 107,798	825,225	(79,067)	853,956
Less accumulated depreciation	<u>91,315</u>	<u>71,637</u>	<u>(76,625)</u>	<u>86,327</u>
Business type activities capital assets, net	<u>\$ 16,483</u>	<u>753,588</u>	<u>(2,442)</u>	<u>767,629</u>

Spirit Lake Community School District
Spirit Lake, Iowa

Notes to Financial Statements

June 30, 2014

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular	\$ 65,699
Other	6,329

Support services:

Instructional staff	16,967
Administration	5,553
Operation and maintenance of plant	38,592
Transportation	<u>48,626</u>

181,766

Unallocated 850,675

Total depreciation expense – governmental activities \$ 1,032,441

Business type activities:

Food service operations	<u>\$ 71,637</u>
-------------------------	------------------

(5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2014 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Revenue refunding bonds					
Series 2013 A	\$ 3,526,125	---	15,161	3,510,964 (1)	575,000
Revenue bonds Series 2013 B	7,775,020	---	10,607	7,764,413 (2)	---
Computer lease	367,111	---	367,111	---	---
Energy loan notes	---	1,150,000	33,512	1,116,488	63,389
Bus lease FY13	117,284	---	57,824	59,460	59,460
Bus lease FY14	---	50,989	---	50,989	16,663
Equipment lease – copier	---	25,439	4,993	20,446	6,131
Equipment lease – carpet cleaner	---	8,304	---	8,304	4,083
Early retirement	546,040	85,000	503,595	127,445	59,647
Net OPEB liability	<u>189,190</u>	<u>70,964</u>	<u>---</u>	<u>260,154</u>	<u>---</u>
Total	<u>\$ 12,520,770</u>	<u>1,390,696</u>	<u>992,803</u>	<u>12,918,663</u>	<u>784,373</u>

(1) Bonds were sold at a premium; unamortized premium at June 30, 2014 totaled \$90,964.

(2) Bonds were sold at a premium; unamortized premium at June 30, 2014 totaled \$164,413.

Spirit Lake Community School District
Spirit Lake, Iowa

Notes to Financial Statements

June 30, 2014

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Business type activities:					
Net OPEB liability	\$ <u>1,768</u>	<u>663</u>	---	<u>2,431</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 <u>Rates</u>	<u>Principal</u>	<u>Interest</u>
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	2.00	535,000	20,300
2020-2024	1.50-2.00	855,000	15,975
2025-2029		---	---
2030		---	---
Total		<u>\$3,420,000</u>	<u>213,775</u>

Spirit Lake Community School District
Spirit Lake, Iowa

Notes to Financial Statements

June 30, 2014

Year Ending <u>June 30,</u>	Bond Issue of May 28, 2013 Series 2013 B			Total		
	Interest <u>Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	2.00	70,000	213,076	605,000	233,376	838,376
2020-2024	2.00-2.375	2,355,000	970,883	3,210,000	986,858	4,196,858
2025-2029	2.625-4.00	3,615,000	556,791	3,615,000	556,791	4,171,791
2030	4.00	1,230,000	33,300	1,230,000	33,300	1,263,300
Total		<u>\$7,600,000</u>	<u>2,649,054</u>	<u>11,020,000</u>	<u>2,862,829</u>	<u>13,882,829</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 costs 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 84% of the statewide sales, services, and use tax revenue. The total principal and interest remaining to be paid on the bonds is \$13,882,829. For the current year, no principal and \$169,587 of interest was paid on the bonds and total statewide sales, services, and use tax revenues were \$1,016,806.

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.

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Notes to Financial Statements

June 30, 2014

- 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.

Energy Loan Notes

During the year ended June 30, 2014, the District issued Energy Management Improvement Capital Loan Notes to provide funds for energy improvements. The notes bear interest at 2.75% per annum and are payable from the General Fund. Details of the District's indebtedness under the agreement in effect at June 30, 2014 is as follows:

Year Ending <u>June 30,</u>	<u>Issued October 29, 2013</u>		
	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>
2015	2.75%	\$ 63,389	30,693
2016	2.75	65,091	28,991
2017	2.75	66,996	27,086
2018	2.75	68,877	25,205
2019	2.75	70,811	23,271
2020-2024	2.75	384,920	85,489
2025-2029	2.75	396,404	22,225
Total		<u>\$1,116,488</u>	<u>248,960</u>

No principal or interest was paid on this note during the year ended June 30, 2014.

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 \$367,111 in principal and \$10,634 in interest was paid on the computer lease. There are no future maturities.

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Notes to Financial Statements

June 30, 2014

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 \$57,824 in principal and \$3,319 in interest was paid on the bus lease. Details of the District's June 30, 2014 bus lease indebtedness are as follows:

Year Ending <u>June 30,</u> 2015	<u>Lease dated September 1, 2012</u>			
	Interest <u>Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	4.84%	\$ <u>59,460</u>	<u>1,683</u>	<u>61,143</u>

During the year ended June 30, 2014, the District entered into a lease agreement with American Capital Financial Services, Inc. for a bus. Annual principal and interest payments are made from the Capital Projects, Statewide Sales, Services and Use Tax Fund. For the current year no principal or interest was paid on the bus lease. Details of the District's June 30, 2014 bus lease indebtedness are as follows:

Year Ending <u>June 30,</u> 2015 2016 2017 Total	<u>Lease dated October 18, 2013</u>			
	Interest <u>Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	4.59%	\$ 16,663	1,692	18,355
	4.59	16,777	1,578	18,355
	4.59	<u>17,549</u>	<u>806</u>	<u>18,355</u>
		\$ <u>50,989</u>	<u>4,076</u>	<u>55,065</u>

Equipment lease

During the year ended June 30, 2014, the District entered into a lease agreement with American Capital Financial Services, Inc. for four copiers. Annual principal and interest payments are made from the General Fund. For the current year \$4,993 in principal and \$809 in interest was paid on the copier lease. Details of the District's June 30, 2014 copier lease indebtedness are as follows:

Spirit Lake Community School District
Spirit Lake, Iowa

Notes to Financial Statements

June 30, 2014

Year Ending <u>June 30,</u>	<u>Lease dated of October 1, 2013</u>			
	Interest <u>Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	4.59%	\$ 6,131	831	6,962
2016	4.59	6,426	536	6,962
2017	4.59	6,735	227	6,962
2018	4.59	<u>1,154</u>	<u>7</u>	<u>1,161</u>
Total		\$ <u>20,446</u>	<u>1,601</u>	<u>22,047</u>

During the year ended June 30, 2014, the District entered into a lease agreement with American Capital Financial Services, Inc. for a carpet cleaner. Annual principal and interest payments are made from the General Fund. For the current year no principal or interest was paid on the carpet cleaner lease. Details of the District's June 30, 2014 carpet cleaner lease indebtedness are as follows:

Year Ending <u>June 30,</u>	<u>Lease dated of November 4, 2013</u>			
	Interest <u>Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	10.02%	\$ 4,083	561	4,644
2016	10.02	<u>4,221</u>	<u>423</u>	<u>4,644</u>
Total		\$ <u>8,304</u>	<u>984</u>	<u>9,288</u>

Early Retirement

During the year ended 2014, the District offered a one time voluntary early retirement plan to its administrative employees. Eligible employees must have completed five years of continuous service to the District and must have reached the age of fifty-five prior to June 30, 2014. The benefit consists of \$85,000 for 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, 2013. The benefit for licensed employees consists of \$85,000 to be paid out in two installments. The benefit for administrative employees 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 an employee who accepted a voluntary early retirement plan offered for the year ended June 30, 2012. That benefit consists of three years family health insurance or single insurance plus the difference between single and family coverage in cash. 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

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Notes to Financial Statements

June 30, 2014

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, 2014 totaled \$503,594.

(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 5.95% of their annual covered salary and the District is required to contribute 8.93% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$663,555, \$673,759 and \$597,943, respectively, equal to the required contributions for each year.

(7) Other Postemployment Benefits (OPEB)

Plan Description – The District operates a single-employer health benefit plan which provides medical and 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.

Spirit Lake Community School District
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Notes to Financial Statements

June 30, 2014

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, 2014, the amount actually contributed to the plan and changes in the District’s net OPEB obligation:

Annual required contribution	\$ 117,216
Interest on net OPEB obligation	4,774
Adjustment to annual required contribution	<u>(18,141)</u>
Annual OPEB cost	103,849
Contributions made	<u>(32,222)</u>
Increase in net OPEB obligation	71,627
Net OPEB obligation beginning of year	<u>190,958</u>
Net OPEB obligation end of year	\$ <u>262,585</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2014.

For the year ended June 30, 2014, the District contributed \$32,222 to the medical plan. Plan members eligible for benefits contributed \$187,733, or 85% 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	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2012	\$ 56,636	28.0%	\$118,651
2013	103,735	30.3%	190,958
2014	103,849	31.0%	262,585

Spirit Lake Community School District
Spirit Lake, Iowa

Notes to Financial Statements

June 30, 2014

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$616,703, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$616,703. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$6,433,000 and the ratio of the UAAL to covered payroll was 9.6%. As of June 30, 2014, there were no trust fund assets.

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

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 \$624 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.

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Spirit Lake, Iowa

Notes to Financial Statements

June 30, 2014

(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 \$479,560 for the year ended June 30, 2014 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Operating Leases

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 \$1,062. There are no future rentals.

(11) Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2014 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Talented and Gifted	\$ 38,472
Preschool	35,531
Beginning teacher mentoring	805
Successful progression for Early Readers	21,363
Professional development – core curriculum	16,399
Professional development	42
Teacher leadership	<u>9,330</u>
Total	\$ <u>121,942</u>

Spirit Lake Community School District
Spirit Lake, Iowa

Notes to Financial Statements

June 30, 2014

(12) Construction Commitment

The District entered into a contract totaling \$597,925 for energy improvements. As of June 30, 2014, costs of \$470,435 had been incurred on the project. The balance of \$127,490 remaining at June 30, 2014 will be paid as work on the project progresses.

(13) Prior Period Adjustment – Accounting Change

During the year ended June 30, 2014, the District implemented Governmental Accounting Standards Board Statement No. 65 and the District has restated the beginning net position in the Statement of Activities. In previous years, bond issuance costs were deferred and amortized over the term of the bonds. GASB 65 now requires these costs to be recognized in the period the loan originated. This results in decreasing the July 1, 2013 beginning net position by \$156,515.

Government-Wide Financial Statements

	<u>Statement of Activities</u>
Beginning Net Position, as previously reported	\$ 26,101,372
Accounting Change – Bond Costs	<u>(156,515)</u>
Beginning Net Position, as restated	\$ <u>25,944,857</u>

(14) Prospective Accounting Change

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

Spirit Lake Community School District
Spirit Lake, Iowa

Notes to Financial Statements

June 30, 2014

(15) Subsequent Events

Subsequent events have been evaluated through January 23, 2015, which is the date the financial statements were available to be issued.

On September 15, 2014 the board approved the purchase of two Thomas 2015 buses for \$182,232.

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, 2014

	Governmental Funds <u>Actual</u>	Proprietary Fund <u>Actual</u>
Revenues:		
Local sources	\$ 10,057,709	368,375
State sources	4,505,938	4,123
Federal sources	<u>279,653</u>	<u>189,410</u>
Total revenues	<u>14,843,300</u>	<u>561,908</u>
Expenditures/Expenses:		
Instruction	8,487,621	5,771
Support services	4,236,375	5,783
Non-instructional programs	-	675,018
Other expenditures	<u>7,646,178</u>	<u>-</u>
Total expenditures/expenses	<u>20,370,174</u>	<u>686,572</u>
Deficiency of revenues under expenditures/expenses	(5,526,874)	(124,664)
Other financing sources, net	<u>1,238,383</u>	<u>821,471</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	(4,288,491)	696,807
Balances beginning of year	<u>10,160,917</u>	<u>113,993</u>
Balances end of year	<u>\$ 5,872,426</u>	<u>810,800</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>	
10,426,084	11,695,518	11,695,518	(1,269,434)
4,510,061	3,231,036	3,231,036	1,279,025
<u>469,063</u>	<u>462,035</u>	<u>462,035</u>	<u>7,028</u>
<u>15,405,208</u>	<u>15,388,589</u>	<u>15,388,589</u>	<u>16,619</u>
8,493,392	9,130,000	8,830,000	336,608
4,242,158	4,294,000	4,569,000	326,842
675,018	634,500	659,500	(15,518)
<u>7,646,178</u>	<u>10,563,780</u>	<u>10,563,780</u>	<u>2,917,602</u>
<u>21,056,746</u>	<u>24,622,280</u>	<u>24,622,280</u>	<u>3,565,534</u>
(5,651,538)	(9,233,691)	(9,233,691)	3,582,153
<u>2,059,854</u>	<u>-</u>	<u>-</u>	<u>2,059,854</u>
(3,591,684)	(9,233,691)	(9,233,691)	5,642,007
<u>10,274,910</u>	<u>12,263,572</u>	<u>12,263,572</u>	<u>(1,988,662)</u>
<u>6,683,226</u>	<u>3,029,881</u>	<u>3,029,881</u>	<u>3,653,345</u>

Spirit Lake Community School District
Spirit Lake, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2014

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

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

During the year ended June 30, 2014, expenditures in the non-instructional programs function exceeded the amount 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%
2014	Jul 1, 2012	-	617	617	0.0%	6,433	9.6%

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.

Supplementary Information

Spirit Lake Community School District
Spirit Lake, Iowa

Schedule 1

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2014

		Special Revenue		
		Student	Manage-	
		Activity	ment	
Assets		<u>Activity</u>	<u>Levy</u>	<u>Total</u>
Cash and cash equivalents		\$ 37,487	697,248	734,735
Receivables:				
Property tax:				
Delinquent		-	5,750	5,750
Succeeding year		-	670,002	670,002
Accounts		8,335	-	8,335
Total assets		<u>\$ 45,822</u>	<u>1,373,000</u>	<u>1,418,822</u>
Liabilities, Deferred Inflows of Resources				
and Fund Balances				
Liabilities:				
Accounts payable		\$ 2,161	-	2,161
Salaries and benefits payable		345	95	440
Total liabilities		<u>2,506</u>	<u>95</u>	<u>2,601</u>
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax		-	670,002	670,002
Total deferred inflows of resources		<u>-</u>	<u>670,002</u>	<u>670,002</u>
Fund balances:				
Restricted for:				
Management levy purposes		-	702,903	702,903
Student activities		43,316	-	43,316
Total fund balances		<u>43,316</u>	<u>702,903</u>	<u>746,219</u>
Total liabilities, deferred inflows of				
resources and fund balances		<u>\$ 45,822</u>	<u>1,373,000</u>	<u>1,418,822</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, 2014

	Special Revenue		
	Student	Manage-	
	Activity	ment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	1,197,913	1,197,913
Other	182,088	9,109	191,197
State sources	-	405	405
Federal sources	-	1,010	1,010
Total revenues	182,088	1,208,437	1,390,525
Expenditures:			
Current:			
Instruction:			
Regular	-	618,243	618,243
Other	180,197	-	180,197
Support services:			
Instructional staff	1,064	170	1,234
Administration	-	93,166	93,166
Operation and maintenance of plant	-	104,812	104,812
Transportation	3,100	8,889	11,989
Total expenditures	184,361	825,280	1,009,641
Excess (deficiency) of revenues over (under) expenditures	(2,273)	383,157	380,884
Fund balances beginning of year	45,589	319,746	365,335
Fund balances end of year	\$ 43,316	702,903	746,219

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, 2014

<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	346	74	-	568
HS Drama	707	980	297	-	1,390
HS Vocal	-	7,165	7,248	83	-
MS Instrumental Music	-	593	423	-	170
HS Instrumental Music	-	6,680	6,655	(25)	-
Co-Ed Athletics	63	40,654	5,465	(35,048)	204
Cross Country	-	637	1,198	561	-
Boys Basketball	-	6,626	9,474	2,848	-
Boys Football	-	23,147	30,222	7,075	-
Boys Soccer	-	2,201	2,668	539	72
Boys Baseball	-	19,507	18,845	(662)	-
Boys Track	-	4,571	6,393	1,822	-
Boys Tennis	-	382	1,343	961	-
Boys Tennis Freshman	649	-	-	(649)	-
Boys Golf	-	59	1,662	1,603	-
Boys Wrestling	-	5,096	16,942	11,846	-
Girls Basketball	-	8,299	8,768	469	-
Girls Volleyball	-	3,850	6,800	2,950	-
Girls Volleyball Freshman	4,922	-	-	(4,922)	-
Girls Soccer	-	698	1,902	1,204	-
Girls Softball	-	2,667	5,326	2,721	62
Girls Track	-	2,265	4,219	1,954	-
Girls Tennis	-	126	1,565	1,565	126
Girls Golf	-	-	300	300	-
Cheerleaders	-	-	2,864	2,864	-
Dance	400	2,383	2,775	-	8
Class of 2012	249	-	-	-	249
Class of 2013	871	-	684	-	187
Class of 2014	1,201	511	535	-	1,177
Class of 2015	1,628	956	1,461	-	1,123
Class of 2016	815	784	-	-	1,599
Class of 2017	-	782	35	-	747

(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, 2014

<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>
Mexico Club	3,100	2,272	3,962	-	1,410
Annual	10,211	10,450	11,422	-	9,239
SLHS Quiz Bowl	721	720	747	-	694
Classes	2,571	406	406	-	2,571
MS SAC	3,184	-	-	-	3,184
HS SAC	7,167	1,350	2,157	-	6,360
MOC	624	964	802	-	786
HS Library	53	66	-	-	119
MS Library	22	260	-	-	282
Middle School	2,426	1,560	1,829	-	2,157
Elementary Donations	1,831	5,964	4,504	-	3,291
Elementary	1,043	2,492	2,039	-	1,496
VW Jobs	832	-	-	-	832
FFA	-	12,151	9,711	-	2,440
Key Club	-	837	347	-	490
Speech	-	631	289	(59)	283
Due Other Fund	3	-	3	-	-
Total	<u>\$ 45,589</u>	<u>182,088</u>	<u>184,361</u>	<u>-</u>	<u>43,316</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, 2014

	Capital Projects		
	Statewide	Physical Plant and Equipment <u>Levy</u>	<u>Total</u>
Assets	<u>Sales, Services and Use Tax</u>		
Cash and cash equivalents	\$ 351,220	57,084	408,304
Receivables:			
Property tax:			
Delinquent	-	1,921	1,921
Succeeding year	-	350,189	350,189
Accounts	-	1,125	1,125
Due from other governments	<u>160,535</u>	<u>-</u>	<u>160,535</u>
Total assets	<u>\$ 511,755</u>	<u>410,319</u>	<u>922,074</u>
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:	\$ -	-	-
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	<u>350,189</u>	<u>350,189</u>
Total deferred inflows of resources	<u>-</u>	<u>350,189</u>	<u>350,189</u>
Fund balances:			
Restricted for:			
School infrastructure	511,755	-	511,755
Physical plant and equipment	<u>-</u>	<u>60,130</u>	<u>60,130</u>
Total fund balances	<u>511,755</u>	<u>60,130</u>	<u>571,885</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 511,755</u>	<u>410,319</u>	<u>922,074</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, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	343,046	343,046
Other	2,785	38,365	41,150
State sources	1,016,806	102	1,016,908
Federal sources	-	254	254
Total revenues	1,019,591	381,767	1,401,358
Expenditures:			
Instruction:			
Regular	50,220	-	50,220
Support services:			
Instructional staff	29,358	3,964	33,322
Administration	-	31,932	31,932
Operation and maintenance of plant	15,716	10,056	25,772
Transportation	18,536	50,989	69,525
Other expenditures:			
Facilities acquisition	5,212,123	1,292,177	6,504,300
Total expenditures	5,325,953	1,389,118	6,715,071
Excess (deficiency) of revenues over (under) expenditures	(4,306,362)	(1,007,351)	(5,313,713)
Other financing sources (uses):			
Lease purchase obligation issued	-	50,989	50,989
Operating transfers in	-	1,150,000	1,150,000
Operating transfers out	(886,061)	(438,888)	(1,324,949)
Total other financing sources (uses)	(886,061)	762,101	(123,960)
Deficiency of revenues and other financing sources under expenditures and other financing uses	(5,192,423)	(245,250)	(5,437,673)
Fund balances beginning of year	5,704,178	305,380	6,009,558
Fund balances end of year	\$ 511,755	60,130	571,885
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>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Revenues:				
Local sources:				
Local tax	\$ 8,785,246	10,159,269	9,927,507	10,189,729
Tuition	764,636	838,658	768,436	745,086
Other	507,827	564,277	595,395	528,365
Intermediate sources	-	-	-	-
State sources	4,505,938	3,535,128	3,337,679	2,973,732
Federal sources	<u>279,653</u>	<u>259,440</u>	<u>265,226</u>	<u>692,658</u>
Total	<u>\$ 14,843,300</u>	<u>15,356,772</u>	<u>14,894,243</u>	<u>15,129,570</u>
Expenditures:				
Instruction:				
Regular	\$ 5,630,587	6,004,512	5,478,886	5,540,771
Special	1,506,092	1,667,990	1,568,141	1,404,928
Other	1,350,942	1,395,718	1,355,146	1,342,217
Support services:				
Student	285,616	195,870	183,928	180,429
Instructional staff	788,969	685,034	808,470	708,067
Administration	1,279,183	1,337,325	1,181,644	1,120,192
Operation and maintenance of plant	1,401,438	1,423,300	1,249,341	1,202,876
Transportation	481,169	576,608	358,957	417,526
Other expenditures:				
Facilities acquisition	6,504,300	3,069,337	1,686,374	553,213
Long-term debt:				
Principal	463,440	4,168,375	983,508	1,472,003
Interest and other charges	198,878	422,471	200,171	248,640
AEA flowthrough	<u>479,560</u>	<u>469,227</u>	<u>447,837</u>	<u>491,412</u>
Total	<u>\$ 20,370,174</u>	<u>21,415,767</u>	<u>15,502,403</u>	<u>14,682,274</u>

See accompanying independent auditor's report.

Schedule 6

Modified Accrual Basis					
<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
9,121,902	9,088,907	8,688,210	8,790,999	7,615,021	7,337,029
610,212	560,536	654,005	695,443	696,195	884,949
450,845	541,292	629,124	631,605	874,633	347,694
8,949	2,790	-	-	-	-
2,550,547	3,567,495	4,015,627	3,168,572	3,772,691	3,439,146
<u>1,000,553</u>	<u>462,377</u>	<u>290,032</u>	<u>340,617</u>	<u>250,098</u>	<u>740,807</u>
<u>13,743,008</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>
5,344,333	5,397,879	5,292,796	5,057,938	4,781,325	4,753,828
1,267,017	1,213,744	1,228,798	1,434,039	984,914	1,243,321
1,335,949	1,263,397	1,333,017	814,906	1,165,331	1,093,118
171,910	133,574	228,904	220,123	241,135	208,887
1,660,441	618,992	568,030	592,780	595,803	453,087
992,752	1,001,541	945,298	1,029,644	857,510	930,129
1,128,098	1,163,728	1,189,843	1,137,986	1,094,590	876,437
278,570	282,874	347,932	357,708	361,889	273,057
139,602	252,695	3,861,587	5,016,259	4,847,325	1,656,854
1,068,025	1,314,967	9,920,620	1,013,787	996,145	984,547
213,418	174,509	495,682	538,964	581,337	207,437
<u>491,706</u>	<u>447,173</u>	<u>419,742</u>	<u>385,591</u>	<u>372,754</u>	<u>347,962</u>
<u>14,091,821</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>

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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, 2014, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 23, 2015. Our report expressed unmodified opinions on the financial statements except for a disclaimer of opinion on 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 a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-A-14 and I-B-14 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 which 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, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

January 23, 2015

Spirit Lake Community School District
Spirit Lake, Iowa

Schedule of Findings

Year ended June 30, 2014

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

I-A-14 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-14 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, 2014

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, 2014

Part II: Other Findings Related to Required Statutory Reporting:

II-A-14 Certified Budget - Expenditures for the year ended June 30, 2014 exceeded the amended certified budget amount in the non-instructional programs function.

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

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

Conclusion – Response accepted.

II-B-14 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-14 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-14 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	\$ 17,126

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, 2014

- II-E-14 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- II-F-14 Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.
- II-G-14 Certified Enrollment - The number of basic resident students reported to the Iowa Department of Education on line 7 of the Certified Enrollment Certification Form for October 2013 was overstated. The District included one full time student that should not have been counted.

Recommendation – The District should contact the Iowa Department of Education and Department of Management to resolve this matter.

Response – We will contact the Iowa Department of Education and the Department of Management.

Conclusion – Response accepted.

- II-H-14 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-14 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-14 Certified Annual Report – The Certified Annual Report was certified timely to the Iowa Department of Education.
- II-K-14 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.

Spirit Lake Community School District

Spirit Lake, Iowa

Schedule of Findings

Year ended June 30, 2014

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2014, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 5,704,178
Revenues/transfers in:		
Sales tax revenues	\$ 1,016,806	
Other local revenues	<u>2,785</u>	<u>1,019,591</u>
		6,723,769
Expenditures/transfers out:		
School infrastructure construction	5,063,031	
Equipment	153,609	
Other	109,313	
Transfers to other funds:		
Debt service fund	<u>886,061</u>	<u>6,212,014</u>
Ending balance		\$ <u>511,755</u>

For the year ended June 30, 2014, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

II-M-14 Revenue Bonds -- No instances of non-compliance with the revenue bond resolution were noted.