

**SPENCER COMMUNITY SCHOOL DISTRICT
SPENCER, IOWA**

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

YEAR ENDED JUNE 30, 2015

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Spencer Community School District
Spencer, Iowa

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Bob Whittenburg	President	2017
Bill Zinn	Vice President	2017
Marti Bomgaars	Board Member	2015
Kris McDermott	Board Member	2015
Dean Mechler	Board Member	2017
School Officials		
Terry Hemann	Superintendent	2015
Jolynne Eilts	Business Manager/ Board Secretary/Treasurer	2015
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
Spencer 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 Spencer Community School District, Spencer, Iowa, as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit includes 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 Unit

The financial statements of the Spencer Community School Foundation have not been audited, and we were not engaged to audit the Spencer Community School Foundation's financial statements as part of our audit of the District's basic financial statements. The Spencer Community School Foundation's financial activities are included in the District's basic financial statements as a discretely presented component unit.

Disclaimer of Opinion on the Discretely Presented Component Unit

Because the Spencer Community School Foundation'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 unit. Accordingly, we do not express an opinion on the financial statements of the discretely presented component unit of Spencer Community School District, as of and for the year ended June 30, 2015.

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 Spencer Community School District as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in Note 16 to the financial statements, Spencer Community School District adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 6 through 17 and 64 through 72 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 Spencer Community School District's basic 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 nine years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 11, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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 20, 2016 on our consideration of Spencer Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Spencer 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 20, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2015 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$21,018,782 in fiscal year 2014 to \$21,319,975 in fiscal year 2015, while General Fund expenditures increased from \$21,182,551 in fiscal year 2014 to \$21,814,541 in fiscal year 2015. The District's General Fund balance decreased from \$3,497,194 at the end of fiscal year 2014 to \$2,891,851 at the end of fiscal year 2015, a 17.3% decrease.
- The fiscal year 2015 increase in General Fund revenue was attributable to increases in state and federal revenue. The increase in expenditures was due primarily to an increase in instructional and support services functions. As a result, the District funded a portion of the current year General Fund salaries and benefits from the carryover fund balance.

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 Spencer 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 Spencer Community School District's operations in more detail than the government-wide financial statements by providing information about the most significant funds. The remaining financial statements provide information about activities for which Spencer 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, the District's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the nonmajor governmental funds as well as the Capital Projects accounts and Internal Service Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Spencer Community School District Annual Financial Report

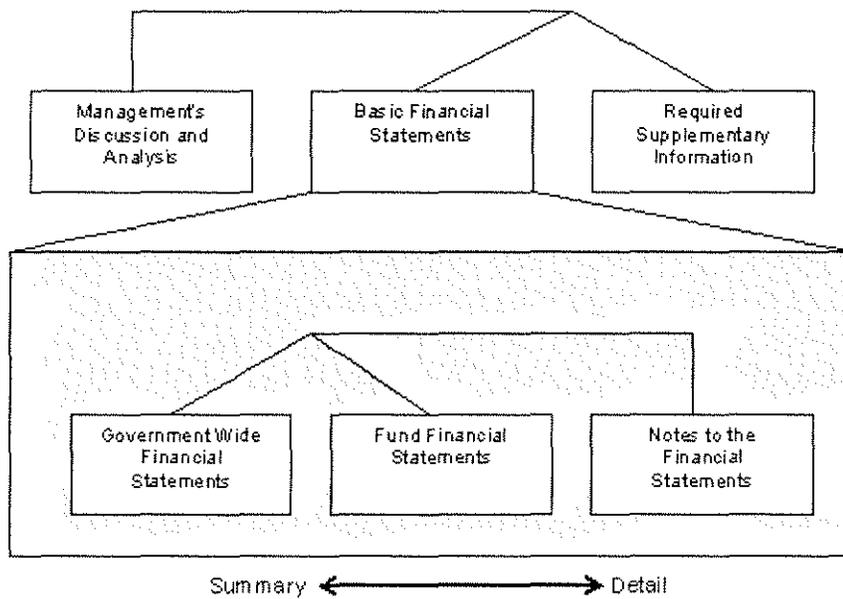


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

	Government-wide	Fund Statements		
	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 deferred outflow/inflow information	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/acquisition of fund balance that is applicable to a future reporting period.	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/acquisition of net position that is applicable to a future reporting period
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	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 unit:* This includes the activities of the Spencer Community School Foundation which was created to facilitate the distribution of scholarships monies in Clay County and to enhance learning opportunities not provided for in the school district budget for teachers, staff and students.

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 Fund, one type of proprietary fund, is the same as its business type activities but provides more detail and additional information, such as cash flows. The District's Enterprise Fund is the School Nutrition Fund. The District uses internal service funds, the other kind of proprietary fund, to report activities that provide supplies and services for its other programs and activities. The District currently has two internal service funds, Self-Funded Insurance Fund and the Flex Benefit Fund.

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 Agency Fund.

- Agency Fund – These are funds through which the District administers and accounts for certain revenues and expenses as a fiscal agent.

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, 2015 compared to June 30, 2014.

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

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30, 2014 (not restated)		June 30, 2014 (not restated)		June 30, 2014 (not restated)		June 30, 2014-2015
Current and other assets	\$31,641	29,954	230	236	31,871	30,190	5.6%
Capital assets	29,495	27,355	51	55	29,546	27,410	7.8%
Total assets	61,136	57,309	281	291	61,417	57,600	6.6%
Deferred outflows of resources	1,570	---	54	---	1,624	---	100.0%
Long-term liabilities	28,426	18,605	285	26	28,711	18,631	54.1%
Other liabilities	2,000	1,694	17	24	2,017	1,718	17.4%
Total liabilities	30,426	20,299	302	50	30,728	20,349	51.0%
Deferred inflows of resources	11,350	8,409	99	---	11,449	8,409	36.2%
Net position:							
Net investment in capital assets	20,692	18,918	51	55	20,743	18,973	9.3%
Restricted	4,161	4,817	---	---	4,161	4,817	-13.6%
Unrestricted	(3,923)	4,866	(117)	186	(4,040)	5,052	-180.0%
Total net position	\$ 20,930	28,601	(66)	241	20,864	28,842	-27.7%

The District's total net position decreased 27.7%, or approximately \$7,978,000 from the prior year due largely to the implementation GASB 68. 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 represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased approximately \$656,000 or 14% from the prior year. The decrease was primarily a result of a decrease in the restricted net position of the Management Levy Fund.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately \$9,092,000 or 180%. This reduction in unrestricted net position was primarily a result of the District's net pension liability and pension expense recorded in the current year.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities were restated by \$9,395,343 and \$323,653, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statements amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

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

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

	Governmental Activities		Business Type Activities		Total District		Total Change 2014-2015
	2015	2014 (Not restated)	2015	2014 (Not restated)	2015	2014 (Not restated)	
Revenues:							
Program revenues:							
Charges for service	\$ 1,668	1,466	554	563	2,222	2,029	9.5%
Operating grants, contributions and restricted interest	3,639	2,056	585	581	4,224	2,637	60.2%
Capital grants, contributions and restricted interest	93	61	---	---	93	61	52.5%
General revenues:							
Property tax	8,409	8,470	---	---	8,409	8,470	-0.7%
Statewide sales, services and use tax	1,835	1,676	---	---	1,835	1,676	9.5%
City sales, services and use tax	502	455	---	---	502	455	10.3%
Income surtax	563	482	---	---	563	482	16.8%
Unrestricted state grants	9,432	10,262	---	---	9,432	10,262	-8.1%
Unrestricted investment earnings	55	55	2	1	57	56	1.7%
Other	83	104	---	6	83	110	-24.5%
Total revenues	26,279	25,087	1,141	1,151	27,420	26,238	4.5%
Program expenses:							
Instruction	16,763	15,070	---	---	16,763	15,070	11.2%
Support services	5,451	6,093	24	29	5,475	6,122	-10.6%
Non-instructional programs	---	---	1,100	1,106	1,100	1,106	-0.5%
Other expenses	2,438	2,115	---	---	2,438	2,115	15.3%
Total expenses	24,652	23,278	1,124	1,135	25,776	24,413	5.6%
Increase in net position	1,627	1,809	17	16	1,644	1,825	-9.9%
Net position beginning of year, as restated	19,303	26,792	(83)	225	19,220	27,017	-28.9%
Net position end of year	\$ 20,930	28,601	(66)	241	20,864	28,842	-27.7%

In fiscal year 2015, property tax and unrestricted state grants accounted for 67.9% of governmental activities revenue while charges for service and operating grants, contributions and restricted interest accounted for 99.8% of business type activities revenues.

The District's total revenues were approximately \$27.4 million, of which approximately \$26.3 million was for governmental activities and approximately \$1.1 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 4.5% increase in revenues and a 5.6% increase in expenses.

Governmental Activities

Revenues for governmental activities were \$26,278,809 and expenses were \$24,652,266 for the year ended June 30, 2015.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2015 compared to the year ended June 30, 2014.

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

	Total Cost of Services			Net Cost of Services		
	2015	2014	Change 2014-2015	2015	2014	Change 2014-2015
Instruction	\$ 16,763	15,070	11.2%	12,519	12,468	0.4%
Support services	5,451	6,093	-10.5%	5,236	5,936	-11.8%
Non-instructional programs	---	---	0.0%	---	---	0.0%
Other expenses	2,438	2,115	15.3%	1,498	1,291	16.0%
Total	\$ 24,652	23,278	5.9%	19,253	19,695	-2.2%

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was \$1,668,083.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$3,731,376.
- The net cost of governmental activities was financed with \$8,409,887 in property tax, \$563,491 in income surtax, \$1,835,146 in statewide sales, services and use tax, \$501,525 in city sales, services and use tax, \$9,431,782 in unrestricted state grants, and \$137,519 in other revenues.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2015 were \$1,141,110, representing a 0.9% decrease from the prior year, while expenses totaled \$1,124,250, a 1.0% decrease from the prior year. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, Spencer 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 \$18,107,383, above last year's ending fund balances of \$17,558,283.

Governmental Fund Highlights

- The General Fund balance decreased from \$3,497,194 to \$2,891,851 due, in part, to the negotiated salaries and benefits and existing expenditure commitments of the District.
- The Debt Service Fund balance increased from \$1,054,066 in fiscal 2014 to \$1,362,473 in fiscal 2015. The increase is primarily due to an increase in property tax revenue.
- The Capital Projects Fund balance increased from \$12,042,615 in fiscal year 2014 to \$12,892,816 in fiscal year 2015. The primary reason for this increase is a portion of the bonds issued during the year are unspent.

Proprietary Fund Highlights

School Nutrition Fund net position increased from a deficit of \$82,429 at June 30, 2014 to a deficit of \$65,569 at June 30, 2015, representing an increase of approximately 20%.

BUDGETARY HIGHLIGHTS

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

The District's total revenues were \$93,537 more than total budgeted revenues, a variance of 0.3%.

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.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had invested approximately \$29.5 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 7.4% 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 \$1,187,929.

The original cost of the District's capital assets was approximately \$45.1 million. Governmental funds account for approximately \$44.8 million, with the remainder of approximately \$0.3 million accounted for in the Proprietary, School Nutrition Fund.

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

	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2014-2015
Land	\$ 969	782	---	---	969	782	23.9%
Construction in progress	1,422	510	---	---	1,422	510	178.8%
Buildings	24,220	23,137	---	---	24,220	23,137	4.7%
Land improvements	2,064	2,152	---	---	2,064	2,152	-4.1%
Furniture and equipment	820	873	51	55	871	928	-6.1%
Total	\$ 29,495	27,454	51	55	29,546	27,509	7.4%

Long-Term Debt

At June 30, 2015, the District had \$20,364,755 of total long-term debt outstanding. This represents an increase of approximately 12% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

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

	<u>Total</u>		<u>Total</u>
	<u>District</u>		<u>Change</u>
	<u>June 30,</u>		<u>June 30,</u>
	<u>2015</u>	<u>2014</u>	<u>2014-2015</u>
General obligation bonds	\$ 2,280	2,520	-9.5%
Revenue bonds	16,479	14,726	11.9%
Capital loan notes	735	825	-10.9%
Compensated absences	53	44	20.5%
Early retirement	<u>818</u>	<u>---</u>	<u>100.0%</u>
Total	<u>\$ 20,365</u>	<u>18,115</u>	<u>12.4%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The District and City leaders continue to work together to increase economic development in hopes of attracting more families to our community. Maintaining steady enrollment is critical to maintaining a sound financial position.
- The District is constantly seeking out new revenue sources.
- The District attempts to keep the costs of personnel and operating expenses at a minimum and reduce or eliminate liabilities, when possible, while still providing a quality education for all students in the District. We are anticipating several early retirements in FY16, which will reduce our general expenses in FY17.
- The District participates in a self-funded health insurance program in hopes of reducing potential costs to the District, while still maintaining sufficient healthcare benefits. The Affordable Care Act has placed several requirements on the District, which could potentially affect the District's financial health.
- The District continues to seek out business partners for the many programs that we offer in an effort to not only improve student learning, but to also sustain the District's financial health.
- The District is in the process of adding a new Fine Arts Center to the High School. The District's funds may be impacted by the costs to furnish the facility. Going forward, the additional space will also generate additional utilities, custodial, and maintenance expenses.

- At the time of this report, State Supplemental Aid has not been set for FY17. Without knowing this important information, we must be cautious with our financial planning for next year.

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 Jolynne Eilts, Business Manager/Board Secretary/Treasurer, Spencer Community School District, 23 East 7th Street, Spencer, Iowa, 51301.

Basic Financial Statements

Spencer Community School District
Spencer, Iowa

Exhibit A

Statement of Net Position

June 30, 2015

	Primary Government			Component Unit
	Governmental	Business Type		
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>	<u>Spencer Community School Foundation</u>
Assets				
Cash, cash equivalents and investments	\$ 19,661,712	200,484	19,862,196	1,738,910
Restricted cash, cash equivalents and pooled investments	1,929,274	-	1,929,274	-
Receivables:				
Property tax:				
Delinquent	81,619	-	81,619	-
Succeeding year	8,483,217	-	8,483,217	-
Accounts	216,107	362	216,469	-
Accrued interest	14	-	14	-
Due from other governments	1,269,317	9,858	1,279,175	-
Inventories	-	19,811	19,811	-
Capital assets, net of accumulated depreciation	<u>29,494,518</u>	<u>50,631</u>	<u>29,545,149</u>	<u>-</u>
Total assets	<u>61,135,778</u>	<u>281,146</u>	<u>61,416,924</u>	<u>1,738,910</u>
Deferred Outflows of Resources				
Pension related deferred outflows	<u>1,569,942</u>	<u>54,081</u>	<u>1,624,023</u>	<u>-</u>
Liabilities				
Accounts payable	1,996,310	247	1,996,557	-
Salaries and benefits payable	350	-	350	1,255
Accrued interest payable	2,981	-	2,981	-
Unearned revenue	-	16,922	16,922	-
Long-term liabilities:				
Portion due within one year:				
General obligation bonds	240,000	-	240,000	-
Revenue bonds	1,146,000	-	1,146,000	-
Capital loan notes	90,000	-	90,000	-
Termination benefits	287,168	-	287,168	-
Compensated absences	52,822	-	52,822	-
Portion due after one year:				
General obligation bonds	2,040,000	-	2,040,000	-
Revenue bonds	15,333,000	-	15,333,000	-
Capital loan notes	645,000	-	645,000	-
Termination benefits	530,765	-	530,765	-
Note payable	-	-	-	40,304
Net pension liability	7,516,063	258,915	7,774,978	-
Net OPEB liability	<u>545,356</u>	<u>25,969</u>	<u>571,325</u>	<u>-</u>
Total liabilities	<u>30,425,815</u>	<u>302,053</u>	<u>30,727,868</u>	<u>41,559</u>

(continued)

Spencer Community School District
Spencer, Iowa

Exhibit A

Statement of Net Position

June 30, 2015

	Primary Government			Component
	Governmental	Business Type	Unit	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>	<u>Spencer Community School Foundation</u>
Deferred Inflows of Resources				
Unavailable property tax revenue	8,483,217	-	8,483,217	-
Pension related deferred inflows	<u>2,866,410</u>	<u>98,743</u>	<u>2,965,153</u>	-
Total deferred inflows of resources	<u>11,349,627</u>	<u>98,743</u>	<u>11,448,370</u>	-
Net Position				
Net investment in capital assets	20,692,260	50,631	20,742,891	-
Restricted for:				
Categorical funding	458,508	-	458,508	-
Management levy purposes	15,518	-	15,518	-
Physical plant and equipment	805,158	-	805,158	-
School infrastructure	1,395,916	-	1,395,916	-
Debt service	1,359,492	-	1,359,492	-
Student activities	126,792	-	126,792	-
Unrestricted	<u>(3,923,366)</u>	<u>(116,200)</u>	<u>(4,039,566)</u>	<u>1,697,351</u>
Total net position	<u>\$ 20,930,278</u>	<u>(65,569)</u>	<u>20,864,709</u>	<u>1,697,351</u>

See notes to financial statements.

Spencer Community School District
Spencer, Iowa
Statement of Activities
Year ended June 30, 2015

	Expenses	Program Revenues		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Primary Government:				
Governmental activities:				
Instruction:				
Regular instruction	\$ 9,513,487	735,071	1,063,170	17,000
Special instruction	4,246,939	316,306	643,077	-
Other instruction	3,002,653	538,827	930,544	-
	<u>16,763,079</u>	<u>1,590,204</u>	<u>2,636,791</u>	<u>17,000</u>
Support services:				
Student	597,302	-	65,441	-
Instructional staff	266,975	11,356	18,043	-
Administration	2,173,746	-	24,444	-
Operation and maintenance of plant	1,692,020	60,889	-	-
Transportation	721,293	5,634	29,920	-
	<u>5,451,336</u>	<u>77,879</u>	<u>137,848</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	208,822	-	-	75,725
Long-term debt interest	576,800	-	-	-
AEA flowthrough	864,012	-	864,012	-
Depreciation (unallocated)*	788,217	-	-	-
	<u>2,437,851</u>	<u>-</u>	<u>864,012</u>	<u>75,725</u>
Total governmental activities	<u>24,652,266</u>	<u>1,668,083</u>	<u>3,638,651</u>	<u>92,725</u>
Business type activities:				
Support services:				
Administration	6,071	-	-	-
Operation and maintenance of plant	18,173	-	-	-
Non-instructional programs:				
Food service operations	1,100,006	554,045	585,164	-
Total business type activities	<u>1,124,250</u>	<u>554,045</u>	<u>585,164</u>	<u>-</u>
Total primary government	\$ 25,776,516	2,222,128	4,223,815	92,725
Component Unit:				
School Foundation	\$ 162,869	-	127,972	-
General Revenues:				
Property tax levied for:				
General purposes				
Debt service				
Capital outlay				
Income surtax				
Statewide sales, services and use tax				
City sales, services and use tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Sale of investments				
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			
Primary Government			Component Units
Governmental Activities	Business Type Activities	Total	Spencer Community School Foundation
(7,698,246)	-	(7,698,246)	-
(3,287,556)	-	(3,287,556)	-
(1,533,282)	-	(1,533,282)	-
(12,519,084)	-	(12,519,084)	-
(531,861)	-	(531,861)	-
(237,576)	-	(237,576)	-
(2,149,302)	-	(2,149,302)	-
(1,631,131)	-	(1,631,131)	-
(685,739)	-	(685,739)	-
(5,235,609)	-	(5,235,609)	-
(133,097)	-	(133,097)	-
(576,800)	-	(576,800)	-
-	-	-	-
(788,217)	-	(788,217)	-
(1,498,114)	-	(1,498,114)	-
(19,252,807)	-	(19,252,807)	-
-	(6,071)	(6,071)	-
-	(18,173)	(18,173)	-
-	39,203	39,203	-
-	14,959	14,959	-
(19,252,807)	14,959	(19,237,848)	-
-	-	-	(34,897)
7,228,373	-	7,228,373	-
580,189	-	580,189	-
601,325	-	601,325	-
563,491	-	563,491	-
1,835,146	-	1,835,146	-
501,525	-	501,525	-
9,431,782	-	9,431,782	-
54,810	1,558	56,368	28,347
82,709	343	83,052	2,471
-	-	-	129,818
20,879,350	1,901	20,881,251	160,636
1,626,543	16,860	1,643,403	125,739
19,303,735	(82,429)	19,221,306	1,571,612
\$ 20,930,278	(65,569)	20,864,709	1,697,351

Spencer Community School District
Spencer, Iowa

Exhibit C

Balance Sheet
Governmental Funds

June 30, 2015

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Assets					
Cash, cash equivalents and investments	\$ 2,625,293	645,748	12,979,754	956,323	17,207,118
Restricted cash, cash equivalents and pooled investments	-	1,929,274	-	-	1,929,274
Receivables:					
Property tax:					
Delinquent	63,543	5,529	5,731	6,816	81,619
Succeeding year	7,053,389	276,276	603,552	550,000	8,483,217
Accounts	10,623	107,864	13,009	-	131,496
Accrued interest	-	-	-	14	14
Due from other governments	984,815	38	284,416	48	1,269,317
Total assets	<u>\$ 10,737,663</u>	<u>2,964,729</u>	<u>13,886,462</u>	<u>1,513,201</u>	<u>29,102,055</u>
 Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	\$ 276,675	1,325,980	390,094	2,958	1,995,707
Salaries and benefits payable	350	-	-	-	350
Total liabilities	<u>277,025</u>	<u>1,325,980</u>	<u>390,094</u>	<u>2,958</u>	<u>1,996,057</u>
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	7,053,389	276,276	603,552	550,000	8,483,217
Income surtax	515,398	-	-	-	515,398
Total deferred inflows of resources	<u>7,568,787</u>	<u>276,276</u>	<u>603,552</u>	<u>550,000</u>	<u>8,998,615</u>
Fund balances:					
Restricted for:					
Categorical funding	458,508	-	-	-	458,508
Debt service	-	1,362,473	-	-	1,362,473
Management levy purposes	-	-	-	833,451	833,451
Student activities	-	-	-	126,792	126,792
School infrastructure	-	-	12,087,658	-	12,087,658
Physical plant and equipment	-	-	805,158	-	805,158
Assigned	80,428	-	-	-	80,428
Unassigned	2,352,915	-	-	-	2,352,915
Total fund balances	<u>2,891,851</u>	<u>1,362,473</u>	<u>12,892,816</u>	<u>960,243</u>	<u>18,107,383</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 10,737,663</u>	<u>2,964,729</u>	<u>13,886,462</u>	<u>1,513,201</u>	<u>29,102,055</u>

See notes to financial statements.

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

June 30, 2015

Total fund balances of governmental funds (page 22) \$ 18,107,383

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. 29,494,518

Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds. 515,398

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. (2,981)

Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:

Deferred outflows of resources	1,569,942	
Deferred inflows of resources	<u>(2,866,410)</u>	(1,296,468)

Long-term liabilities, including bonds and notes payable, compensated absences payable, termination benefits, lease obligations, other postemployment benefits payable, and net pension liability are not due and payable in the current year and, therefore, are not reported in the governmental funds. (28,426,174)

An internal service fund is used by the District to charge costs of the medical deductible reimbursement plan and the employee flexible benefit program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities. 2,538,602

Net position of governmental activities (page 19) \$ 20,930,278

See notes to financial statements.

Spencer Community School District
 Spencer, Iowa
 Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 Year ended June 30, 2015

Exhibit E

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Revenues:					
Local sources:					
Local tax	\$ 7,043,918	580,190	601,325	699,934	8,925,367
Tuition	1,006,759	-	-	-	1,006,759
Other	284,416	13,845	88,349	556,723	943,333
Intermediate sources	-	-	501,525	-	501,525
State sources	12,133,762	10,267	1,845,787	12,877	14,002,693
Federal sources	841,021	-	-	-	841,021
Total revenues	<u>21,309,876</u>	<u>604,302</u>	<u>3,036,986</u>	<u>1,269,534</u>	<u>26,220,698</u>
Expenditures:					
Current:					
Instruction:					
Regular	8,619,762	-	169,079	471,799	9,260,640
Special	4,494,290	-	-	-	4,494,290
Other	2,608,490	-	-	529,816	3,138,306
	<u>15,722,542</u>	<u>-</u>	<u>169,079</u>	<u>1,001,615</u>	<u>16,893,236</u>
Support services:					
Student	636,010	-	-	1,406	637,416
Instructional staff	270,670	-	-	5,623	276,293
Administration	2,201,203	-	14,000	51,994	2,267,197
Operation and maintenance of plant	1,526,219	-	65,670	155,628	1,747,517
Transportation	593,885	-	35,951	57,433	687,269
	<u>5,227,987</u>	<u>-</u>	<u>115,621</u>	<u>272,084</u>	<u>5,615,692</u>
Other expenditures:					
Facilities acquisition	-	-	3,105,290	-	3,105,290
Long-term debt:					
Principal	-	1,432,000	-	-	1,432,000
Interest and fiscal charges	-	592,046	34,421	-	626,467
AEA flowthrough	864,012	-	-	-	864,012
	<u>864,012</u>	<u>2,024,046</u>	<u>3,139,711</u>	<u>-</u>	<u>6,027,769</u>
Total expenditures	<u>21,814,541</u>	<u>2,024,046</u>	<u>3,424,411</u>	<u>1,273,699</u>	<u>28,536,697</u>
Deficiency of revenues under expenditures	<u>(504,665)</u>	<u>(1,419,744)</u>	<u>(387,425)</u>	<u>(4,165)</u>	<u>(2,315,999)</u>
Other financing sources (uses):					
Revenue bonds issued	-	-	2,855,000	-	2,855,000
Proceeds from insurance claim	10,099	-	-	-	10,099
Operating transfers in	14,950	1,728,151	-	-	1,743,101
Operating transfers out	(125,727)	-	(1,617,374)	-	(1,743,101)
Total other financing sources (uses)	<u>(100,678)</u>	<u>1,728,151</u>	<u>1,237,626</u>	<u>-</u>	<u>2,865,099</u>
Change in fund balances	(605,343)	308,407	850,201	(4,165)	549,100
Fund balances beginning of year	3,497,194	1,054,066	12,042,615	964,408	17,558,283
Fund balances end of year	<u>\$ 2,891,851</u>	<u>1,362,473</u>	<u>12,892,816</u>	<u>960,243</u>	<u>18,107,383</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, 2015

Change in fund balances - total governmental funds (page 24) \$ 549,100

*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	\$ 3,218,181	
Depreciation expense	<u>(1,177,311)</u>	2,040,870

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. 48,012

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	(2,855,000)	
Repaid	<u>1,432,000</u>	(1,423,000)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 49,667

The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position. 1,147,491

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	(817,933)	
Compensated absences	(8,910)	
Pension expense	(564,679)	
Other postemployment benefits	<u>(54,871)</u>	(1,446,393)

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

Year ended June 30, 2015

An internal service fund is used to charge the cost of the flex spending plan to individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities.

660,796

Change in net position of governmental activities (page 21)

\$ 1,626,543

See notes to financial statements.

Spencer Community School District
Spencer, Iowa

Exhibit G

Statement of Net Position
Proprietary Fund

June 30, 2015

	<u>Enterprise</u> School <u>Nutrition</u>	<u>Governmental</u> Activities - Internal <u>Service Fund</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 200,484	2,454,594
Accounts receivable	362	84,611
Due from other governments	9,858	-
Inventories	19,811	-
Total current assets	230,515	2,539,205
Noncurrent assets:		
Capital assets, net of accumulated depreciation	50,631	-
Total noncurrent assets	50,631	-
Total assets	281,146	2,539,205
 Deferred Outflows of Resources		
Pension related deferred outflows	54,081	-
 Liabilities		
Current liabilities:		
Accounts payable	247	603
Unearned revenue	16,922	-
Total current liabilities	17,169	603
Noncurrent liabilities:		
Net pension liability	258,915	-
Net OPEB liability	25,969	-
Total noncurrent liabilities	284,884	-
Total liabilities	302,053	603

(continued)

Spencer Community School District
 Spencer, Iowa

Exhibit G

Statement of Net Position
 Proprietary Fund

June 30, 2015

(continued)

	<u>Enterprise</u>	Governmental
	School	Activities -
	Nutrition	Internal
	<u> </u>	<u>Service Fund</u>
Deferred Inflows of Resources		
Pension related deferred inflows	<u>98,743</u>	<u>-</u>
Net Position		
Net investment in capital assets	50,631	-
Unrestricted	<u>(116,200)</u>	<u>2,538,602</u>
Total net position	<u>\$ (65,569)</u>	<u>2,538,602</u>

See notes to financial statements.

Spencer Community School District
Spencer, Iowa

Exhibit H

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

Year ended June 30, 2015

	<u>Enterprise</u> School <u>Nutrition</u>	<u>Governmental</u> Activities - Internal <u>Service Fund</u>
Operating revenues:		
Local sources:		
Charges for service	\$ 550,961	-
Contributions	2,700	-
Miscellaneous	3,425	2,968,073
Total operating revenues	557,086	2,968,073
 Operating expenses:		
Instruction:		
Regular	-	4,765
	-	4,765
Support services:		
Administration	6,071	2,312,775
Operation and maintenance of plant	18,173	-
	24,244	2,312,775
Non-instructional programs:		
Food service operations:		
Salaries	452,649	-
Benefits	155,421	-
Purchased services	2,241	-
Supplies	479,077	-
Depreciation	10,618	-
	1,100,006	-
Total operating expenses	1,124,250	2,317,540
Operating income (loss)	(567,164)	650,533

Spencer Community School District
Spencer, Iowa

Exhibit H

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

Year ended June 30, 2015

(continued)

	<u>Enterprise School Nutrition</u>	<u>Governmental Activities - Internal Service Fund</u>
Non-operating revenues:		
State sources	7,360	-
Federal sources	575,106	-
Interest income	1,558	10,263
Total non-operating revenues	584,024	10,263
Increase in net position	16,860	660,796
Net position beginning of year, as restated	(82,429)	1,877,806
Net position end of year	\$ (65,569)	2,538,602

See notes to financial statements.

Spencer Community School District
Spencer, Iowa

Exhibit I

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2015

	<u>Enterprise School Nutrition</u>	<u>Governmental Activities - Internal Service Fund</u>
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 551,863	-
Cash received from donations	2,700	-
Cash received from miscellaneous sources	3,425	2,896,094
Cash paid to employees for services	(627,829)	(2,317,154)
Cash paid to suppliers for goods or services	<u>(446,201)</u>	<u>-</u>
Net cash provided (used) by operating activities	<u>(516,042)</u>	<u>578,940</u>
Cash flows from non-capital financing activities:		
State grants received	7,360	-
Federal grants received	<u>513,706</u>	<u>-</u>
Net cash provided by non-capital financing activities	<u>521,066</u>	<u>-</u>
Cash flows used by capital and related financing activities:		
Acquisition of capital assets	<u>(5,794)</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	<u>1,558</u>	<u>10,263</u>
Net increase in cash and cash equivalents	788	589,203
Cash and cash equivalents beginning of year	<u>199,696</u>	<u>1,865,391</u>
Cash and cash equivalents end of year	<u>\$ 200,484</u>	<u>2,454,594</u>

Spencer Community School District
Spencer, Iowa

Exhibit I

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2015

	<u>Enterprise</u> School <u>Nutrition</u>	Governmental Activities - Internal <u>Service Fund</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ (567,164)	650,533
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Commodities used	68,158	-
Depreciation	10,618	-
(Increase) decrease in accounts receivable	193	(71,979)
(Increase) decrease in inventories	(1,300)	-
Increase (decrease) in accounts payable	(7,497)	386
Increase (decrease) in unearned revenue	709	-
Increase (decrease) in net pension liability	(102,887)	-
(Increase) decrease in deferred outflows of resources	(15,932)	-
Increase (decrease) in deferred inflows of resources	98,743	-
Increase (decrease) in other postemployment benefits	317	-
Net cash provided (used) by operating activities	<u>\$ (516,042)</u>	<u>578,940</u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2015, the District received \$68,158 of federal commodities.

See notes to financial statements.

Spencer Community School District
Spencer, Iowa

Exhibit J

Statement of Fiduciary Net Position
Fiduciary Funds

June 30, 2015

	<u>Agency</u>
Assets	
Other receivables	\$ <u>31,956</u>
Total assets	<u>31,956</u>
Liabilities	
Excess of warrants issued over bank balance	<u>31,956</u>
Total liabilities	<u>31,956</u>
Net position	<u><u>\$ -</u></u>

See notes to financial statements.

Spencer Community School District
Spencer, Iowa

Notes to Financial Statements

June 30, 2015

(1) Summary of Significant Accounting Policies

Spencer 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 Spencer, Iowa, and the predominate agricultural territory in Clay 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, Spencer 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.

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

Discretely Presented Component Unit – The Spencer Community School Foundation was created to facilitate the distribution of scholarship money to students in Clay County and to enhance learning opportunities not provided for in the school district budget for teachers, staff and students. The Foundation is a separate legal entity with its own accounting records and board of trustees. The accounting records are maintained on the basis of cash receipts and disbursements, with December 31 as

Spencer Community School District
Spencer, Iowa

Notes to Financial Statements

June 30, 2015

its year end. The trustees are elected for 3-year terms from nominations submitted by a nominating committee comprised of the Board of Directors of the Foundation. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Foundation meets the definition of a component unit which should be discretely presented.

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 Clay 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 outflows 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.

Spencer Community School District
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Notes to Financial Statements

June 30, 2015

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 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 and Internal Service 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:

Spencer Community School District
Spencer, Iowa

Notes to Financial Statements

June 30, 2015

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

The District also reports the Internal Service, Self-Funded Insurance Fund and the Internal Service, Flex Benefits Fund. These funds are used to account for the self-funded health insurance flex benefits 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 Agency Fund is used to account for assets held by the District as an agent for individual, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

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.

Spencer Community School District
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June 30, 2015

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.

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 Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as 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, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity

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

Spencer Community School District
Spencer, Iowa

Notes to Financial Statements

June 30, 2015

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

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

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

Spencer Community School District
Spencer, Iowa

Notes to Financial Statements

June 30, 2015

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.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 1,000
Buildings	1,000
Land improvements	1,000
Intangibles	178,000
Furniture and equipment:	
School Nutrition Fund equipment	1,000
Other furniture and equipment	1,000

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	5-12

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

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.

Unearned Revenues – Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected in the Statement of Net Position in the Proprietary, School Nutrition Fund.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation benefits payable to employees. Compensated absences are reported in governmental funds only if they have matured. The cost of vacation payments expected to be liquidated currently is recorded as a long-term liability in the Statement of Net Position and will be paid in the future from the General Fund. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2015. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

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

Spencer Community School District
Spencer, Iowa

Notes to Financial Statements

June 30, 2015

Deferred Inflows of Resources – Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current 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 consist of succeeding year property tax receivables that will not be recognized until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

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.

Assigned – Amounts are not available for appropriation but are set aside for a specific purpose by the District's Board of Directors.

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, 2015, expenditures did not exceed the amounts budgeted.

Spencer Community School District
Spencer, Iowa

Notes to Financial Statements

June 30, 2015

(2) Cash, Cash Equivalents and Pooled Investments

The District's deposits in banks at June 30, 2015 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 had investments in certificates of deposit at June 30, 2015.

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Capital Projects: Statewide Sales, Services and Use Tax	\$ 14,950
Debt Service	General	125,727
	Capital Projects: Statewide Sales, Services and Use Tax	1,338,968
	City Sales, Services and Use Tax	<u>263,456</u>
Total		\$ <u>1,743,101</u>

Spencer Community School District
Spencer, Iowa

Notes to Financial Statements

June 30, 2015

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

(4) Capital Assets

Capital assets activity for the year ended June 30, 2015 was as follows:

	Balance Beginning of Year, as restated	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 782,181	186,646	---	968,827
Construction in progress	<u>509,720</u>	<u>2,801,254</u>	<u>(1,889,469)</u>	<u>1,421,505</u>
Total capital assets not being depreciated	<u>1,291,901</u>	<u>2,987,900</u>	<u>(1,889,469)</u>	<u>2,390,332</u>
Capital assets being depreciated:				
Buildings	31,729,779	1,727,107	---	33,456,886
Land improvements	3,082,679	56,285	---	3,138,964
Furniture and equipment	<u>5,687,584</u>	<u>336,358</u>	<u>(172,581)</u>	<u>5,851,361</u>
Total capital assets being depreciated	<u>40,500,042</u>	<u>2,119,750</u>	<u>(172,581)</u>	<u>42,447,211</u>
Less accumulated depreciation for:				
Buildings	8,593,143	643,637	---	9,236,780
Land improvements	930,463	144,580	---	1,075,043
Furniture and equipment	<u>4,814,689</u>	<u>389,094</u>	<u>(172,581)</u>	<u>5,031,202</u>
Total accumulated depreciation	<u>14,338,295</u>	<u>1,177,311</u>	<u>(172,581)</u>	<u>15,343,025</u>
Total capital assets being depreciated, net	<u>26,161,747</u>	<u>942,439</u>	<u>---</u>	<u>27,104,186</u>
Governmental activities capital assets, net	\$ <u>27,453,648</u>	<u>3,930,339</u>	<u>(1,889,469)</u>	<u>29,494,518</u>
Business type activities:				
Furniture and equipment	\$ 295,293	5,794	(1,402)	299,685
Less accumulated depreciation	<u>239,838</u>	<u>10,618</u>	<u>(1,402)</u>	<u>249,054</u>
Business type activities capital assets, net	<u>\$ 55,455</u>	<u>(4,824)</u>	<u>---</u>	<u>50,631</u>

Spencer Community School District
Spencer, Iowa

Notes to Financial Statements

June 30, 2015

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular	\$ 227,866
Special	7,273
Other	13,317

Support services:

Administration	18,530
Operation and maintenance of plant	26,792
Transportation	<u>95,316</u>

389,094

Unallocated

788,217

Total depreciation expense – governmental activities

\$ 1,177,311

Business type activities:

Food service operations	\$ <u>10,618</u>
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(5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2015 are summarized as follows:

	Balance Beginning of Year Restated	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 2,520,000	---	240,000	2,280,000	240,000
Revenue bonds Series 2011	3,760,000	---	175,000	3,585,000	175,000
Revenue refunding bonds					
Series 2013	966,000	---	251,000	715,000	250,000
Revenue bonds Series 2014	10,000,000	---	100,000	9,900,000	100,000
Revenue bonds Series 2015	---	2,855,000	576,000	2,279,000	621,000
Capital loan notes	825,000	---	90,000	735,000	90,000
Termination benefits	---	1,105,290	287,357	817,933	287,168
Compensated absences	43,912	52,822	43,912	52,822	52,822
Net pension liability	10,502,768	---	2,986,705	7,516,063	---
Net OPEB liability	<u>490,485</u>	<u>54,871</u>	<u>---</u>	<u>545,356</u>	<u>---</u>
Total	\$ <u>29,108,165</u>	<u>4,067,983</u>	<u>4,749,974</u>	<u>28,426,174</u>	<u>1,815,990</u>

Spencer Community School District
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	Balance Beginning of Year Restated	Additions	Reductions	Balance End of Year	Due Within One Year
Business type activities:					
Net pension liability	361,803	---	102,887	258,916	---
Net OPEB liability	\$ 25,652	317	---	25,969	---
Total	<u>387,455</u>	<u>317</u>	<u>102,887</u>	<u>284,885</u>	<u>---</u>

General Obligation Bonds

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

Year Ending June 30,	Bond Issue of May 22, 2012		
	Interest Rates	Principal	Interest
2016	1.00%	\$ 240,000	35,775
2017	1.00	245,000	33,375
2018	1.25	245,000	30,925
2019	1.50	250,000	27,863
2020	1.50	250,000	24,112
2026-2030	1.75-2.00	1,050,000	52,363
Total		<u>\$2,280,000</u>	<u>204,413</u>

Revenue Bonds

Details of the District's June 30, 2015 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of July 1, 2011			Refunding Bond Issue of December 2, 2013		
	Interest Rates	Principal	Interest	Interest Rate	Principal	Interest
2016	2.00%	\$ 175,000	126,183	1.60%	250,000	10,440
2017	2.25	175,000	122,682	1.60	250,000	6,440
2018	2.50	185,000	118,745	1.60	215,000	2,640
2019	2.90	190,000	114,120		---	---
2020	2.90	195,000	108,610		---	---
2021-2025	3.30-3.70	1,080,000	443,955		---	---
2026-2030	3.90-4.25	1,585,000	217,025		---	---
Total		<u>\$3,585,000</u>	<u>1,251,320</u>		<u>715,000</u>	<u>19,520</u>

Spencer Community School District
Spencer, Iowa

Notes to Financial Statements

June 30, 2015

Year Ending June 30,	Bond Issue of May 1, 2014			Bond Issue of March 17, 2015		
	Interest Rates	Principal	Interest	Interest Rate	Principal	Interest
2016	2.98%	\$ 100,000	295,020	2.15%	621,000	48,999
2017	2.98	100,000	292,040	2.15	641,000	35,647
2018	2.98	485,000	289,060	2.15	267,000	21,865
2019	2.98	715,000	274,607	2.15	57,000	16,125
2020	2.98	735,000	253,300	2.15	60,000	14,900
2021-2025	2.98	4,010,000	925,290	2.15	318,000	54,696
2026-2030	2.98	3,755,000	287,794	2.15	315,000	18,629
Total		<u>\$9,900,000</u>	<u>2,617,111</u>		<u>2,279,000</u>	<u>210,861</u>

Year Ending June 30,	Total		
	Principal	Interest	Total
2016	\$ 1,146,000	480,642	1,626,642
2017	1,166,000	456,809	1,622,809
2018	1,152,000	432,310	1,584,310
2019	962,000	404,852	1,366,852
2020	990,000	376,810	1,366,810
2021-2025	5,408,000	1,423,941	6,831,941
2026-2030	5,655,000	523,448	6,178,448
Total	<u>\$16,479,000</u>	<u>4,098,812</u>	<u>20,577,812</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$16,749,000 of revenue bonds outstanding at June 30, 2015. 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/city 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 70% of the statewide/city sales, services, and use tax revenue. The total principal and interest remaining to be paid on the bonds is \$20,577,812. For the current year, \$1,102,000 of principal and \$509,502 of interest was paid on the bonds and total statewide sales, services, and use tax revenues were \$2,336,671.

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

Spencer Community School District
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Notes to Financial Statements

June 30, 2015

- a) \$542,424 of the proceeds 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) The District will make monthly transfers to a revenue account held by the bonding agent.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

Capital Loan Notes Payable

During the year ended June 30, 2008, the District issued Energy Management Capital Loan Notes of \$1,285,000 for school infrastructure. The capital loan notes are payable from the General Fund. Details of the District's June 30, 2015 capital loan notes indebtedness are as follows:

Year Ending <u>June 30,</u>	Issued September 5, 2007		
	Interest <u>Rates</u>	<u>Principal</u>	<u>Interest</u>
2016	4.27%	\$ 90,000	31,385
2017	4.27	95,000	27,541
2018	4.27	100,000	23,485
2019	4.27	105,000	19,215
2020	4.27	110,000	14,732
2021-2022	4.27	235,000	15,158
Total		\$ 735,000	131,516

During the year ended June 30, 2015, the District made principal and interest payments totaling \$125,228.

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June 30, 2015

Termination Benefits

During the year ended 2015, the District offered a one time voluntary early retirement plan to its full-time certified teaching and administrative employees. Eligible employees must have completed ten years of service to the District and must have reached the age of fifty-five prior to June 30, 2015. The benefit consists of five years of single health insurance coverage up to a maximum of \$10,000 per year or the retiree can choose to have an amount equal to the insurance be paid into a 403b plan. If the retiree reaches Medicare age prior to the five years expiring, the benefit may switch to a payment equal to the remaining insurance benefit being paid into a 403b plan. The District also offered this same plan to staff that had eight years of service except it is for four years of insurance instead of five.

The District is also making payments to employees who accepted a voluntary early retirement plan offered in fiscal year 2014. Eligible employees must have completed ten years of service to the District and must have reached the age of fifty-five prior to June 30, 2014. The benefit consists of five years of single insurance coverage up to a maximum of \$10,000 per year or the retiree can choose to have an amount equal to the insurance paid into a 403b plan. If the retiree reaches Medicare age prior to the five years expiring, the benefit may switch to a payment equal to the remaining insurance benefit being paid into a 403b plan. The District also offered this same plan to administrative staff that had seven years of service except it is for four years of insurance instead of five.

The District is also making payments to employees who accepted a voluntary early retirement plan offered in fiscal year 2013. Eligible employees must have completed ten years of service to the District and must have reached the age of fifty-five prior to June 30, 2013. The benefit consists of five years of single insurance coverage up to a maximum of \$10,000 per year or the retiree can choose to have an amount equal to the insurance paid into a 403b plan. If the retiree reaches Medicare age prior to the five years expiring, the benefit may switch to a payment equal to the remaining insurance benefit being paid into a 403b plan. The District also offered a retirement plan to the Business Manager. The benefit was family health and dental insurance until reaching Medicare age or an equivalent cash payment.

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June 30, 2015

The District is also making payments to employees who accepted a voluntary early retirement plan offered in fiscal year 2012. Eligible employees must have completed ten years of service to the District and must have reached the age of fifty-five prior to June 30, 2012. The benefit consists of five years of single insurance coverage up to a maximum of \$10,000 per year or they may receive the equivalent cash in one annual payment.

The District is also making payments to employees who accepted a voluntary early retirement plan offered in fiscal year 2011. Eligible employees must have completed ten years of service to the District and must have reached the age of fifty-five prior to June 30, 2011. The benefit consists of five years of single insurance coverage up to a maximum of \$10,000 per year or they may receive the equivalent cash in one annual payment.

The District is also making payments to employees who accepted a voluntary early retirement plan offered in fiscal year 2010. Eligible employees must have completed ten years of service to the District and must have reached the age of fifty-five prior to June 30, 2010. The benefit consists of a severance payment of 30% of the 2009-10 teaching contract not including supplemental duties or extended days and an insurance benefit until they turn 65 up to \$10,000 per year.

The District is also making payments to employees who accepted a voluntary early retirement plan offered in fiscal year 2009. Eligible employees must have completed ten years of service to the District and must have reached the age of fifty-five prior to June 30, 2009. The benefit was equal to 37.5% of the current salary not including supplemental pay or extended days. The retiree had the option to have the amount paid to a 403b plan or applied to their health insurance premium.

The District is also making payments to employees who accepted a voluntary early retirement plan offered in fiscal year 2005. Eligible employees must have completed ten years of service to the District and must have reached the age of fifty-five prior to June 30, 2005. The benefit consists of a severance payment of 30% of the 2004-05 teaching contract not including supplemental duties or extended days and an insurance benefit until they turn 65 up to \$7,000 per year.

At June 30, 2015 the District has obligations to 31 participants with a total liability of \$817,933. Actual early retirement expenditures for the year ended June 30, 2015 totaled \$226,004.

Spencer Community School District
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Notes to Financial Statements

June 30, 2015

(6) Pension Plan

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

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

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

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

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

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

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

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

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

The District's contributed to IPERS for the year ended June 30, 2015 were \$1,187,020.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2015, the District reported a liability of \$7,774,978 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of

Spencer Community School District
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Notes to Financial Statements

June 30, 2015

contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District's collective proportion was 0.196046 percent, which was an increase of .006823 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$584,132. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 84,499	\$ -
Changes of assumptions	343,127	-
Net difference between projected and actual earnings on pension plan investments	-	2,965,153
Changes in proportion and differences between District contributions and proportionate share of contributions	9,377	-
District contributions subsequent to the measurement date	1,187,020	-
Total	\$ 1,624,023	\$ 2,965,153

\$1,187,020 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended <u>June 30,</u>	
2016	\$ (639,185)
2017	(639,185)
2018	(639,185)
2019	(639,185)
2020	28,590
Total	\$ (2,528,150)

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There were no non-employer contributing entities at IPERS.

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

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

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

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

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

<u>Asset Class</u>	<u>Asset Allocations</u>	<u>Long-Term Expected Real Rate Return</u>
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	<u>100%</u>	

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

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

	1% Decrease <u>(6.5%)</u>	Discount Rate <u>(7.5%)</u>	1% Increase <u>(8.5%)</u>
District’s proportionate share of the net pension liability	\$ 14,690,605	\$ 7,774,979	\$ 1,937,475

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

Payables to the Pension Plan – At June 30, 2015, the District reported no payables to the defined benefit pension plan.

(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 198 active and 27 retired members in the plan. Retired participants must be age 55 or older at retirement.

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Notes to Financial Statements

June 30, 2015

The medical/prescription drug benefits are provided through a fully-insured plan with Midland's Choice. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2015, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 453,730
Interest on net OPEB obligation	12,903
Adjustment to annual required contribution	<u>(76,332)</u>
Annual OPEB cost	390,301
Contributions made	<u>(335,113)</u>
Increase in net OPEB obligation	55,188
Net OPEB obligation beginning of year	<u>516,137</u>
Net OPEB obligation end of year	\$ <u><u>571,325</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. 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, 2015.

For the year ended June 30, 2015, the District contributed \$335,113 to the medical plan. Plan members eligible for benefits contributed \$49,411, or 13% of the premium costs.

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Notes to Financial Statements

June 30, 2015

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 288,858	36.3%	\$414,739
2014	263,113	61.4%	516,137
2015	390,301	85.9%	571,325

Funded Status and Funding Progress – As of July 1, 2014, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$2,427,761, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,427,761. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$11,389,000 and the ratio of the UAAL to covered payroll was 21.3%. As of June 30, 2015, there were no trust fund assets.

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

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Notes to Financial Statements

June 30, 2015

As of the July 1, 2012 actuarial valuation date, the frozen 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 Projected to 2000, 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 as follows: Plan 1 single for \$902.58 per month; Plan 1 family for \$2,099.67 per month; Plan 2 single \$822.87 per month; Plan 2 family for \$1,933.28; Plan 3 single for \$650.07 per month; and Plan 3 family for \$1,625.18 per month. Post age 65 expected claims cost are assumed to equal retiree contributions. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(8) Risk Management

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

The District began a self-funded health insurance plan during the year ended June 30, 2015. The District has established an internal service fund to account for premium and claim payments for a self-insured group health insurance plan for the District's employees to meet potential losses from medical claims. The District purchases commercial insurance to provide for aggregate reinsurance coverage for the excess of 125 percent of estimated claims for the plan year and specific reinsurance coverage for the excess over \$60,000 in insured claims for any one covered individual. Settled claims have not exceeded commercial coverage in any of the past three calendar years.

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Notes to Financial Statements

June 30, 2015

Payments are made to the plan based on Wellmark estimates of amounts needed to pay prior and current year claims and to establish a reserve for catastrophic losses. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

Each participating fund makes payments to the self-insurance fund for amounts which are determined based on historical claims experience. Such payments are displayed on the financial statements as revenues and expenditures/expenses.

(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 \$864,012 for the year ended June 30, 2015 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Operating Leases

The District entered into a 63 month operating lease with Advanced Systems, Inc. in January 2014 for the rental of a copier. The amount paid for the fiscal year ended June 30, 2015 was \$7,766. Future rentals are scheduled as follows:

<u>Year Ending June 30,</u>	
2016	\$ 8,472
2017	8,472
2018	8,472
2019	<u>6,354</u>
Total	\$ <u>31,770</u>

Spencer Community School District
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Notes to Financial Statements

June 30, 2015

The District entered into a 60 month operating lease with Advanced Systems, Inc. in October 2012 for the rental of seven copiers. The amount paid for the fiscal year ended June 30, 2015 was \$7,305. Future rentals are scheduled as follows:

<u>Year Ending June 30,</u>	
2016	\$ 7,305
2017	7,305
2018	<u>1,826</u>
Total	\$ <u>16,436</u>

(11) 28E Agreement

The District continues to participate in a Chapter 28E agreement with the City of Spencer. In accordance with the agreement, the City of Spencer will acquire, store and dispense fuel for the Spencer School District. The District pays for fuel used monthly at the most recent truck transport price plus an administrative and shrinkage fee. This agreement is reviewed as needed when changes are warranted.

(12) Funding Commitment

The City of Spencer is a participant in the Iowa Department of Transportation's "Safe Routes to School Program" and has undertaken construction projects to provide and improve pedestrian and bicycle transportation to schools in the community. The District is working with the City to accomplish this plan. In order to provide funding for Safe Routes to School (SRTS) activities, the City has established a restricted cash-SRTS/Sidewalk Reserve Fund. The District and the City have each agreed to make annual appropriations to this fund. For the year ended June 30, 2015, the District has paid \$25,000 to the City for this purpose. Future payments are scheduled as follows:

<u>Year Ending June 30,</u>	
2016	\$ 30,000
2017	30,000
2018	<u>30,000</u>
Total	\$ <u>90,000</u>

Spencer Community School District
Spencer, Iowa

Notes to Financial Statements

June 30, 2015

(13) Construction Commitments

The District has entered into contracts totaling \$11,600,669 for various construction projects throughout the District. As of June 30, 2014, costs of \$1,421,505 had been occurred against the contracts. The balance of \$10,179,164 remaining at June 30, 2015 will be paid as work on the projects progress.

(14) Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2015 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
At Risk	\$ 2,879
Talented and Gifted	131,135
Dropout prevention	2,251
Preschool	18,326
Teacher Salary Supplement	74,636
Market Factor	1,538
Iowa early intervention	44,627
Successful progression for Early Readers	50,534
Professional development – core curriculum	132,093
Professional development	370
Teacher leadership	<u>119</u>
Total	\$ <u>458,508</u>

(15) Deficit Fund Balance

The Enterprise, School Nutrition Fund had a deficit net position of \$65,569 at June 30, 2015. The reason for the deficit net position was due to the implementation of Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27 during the fiscal year, which requires all school districts and other governmental entities in the state of Iowa who contribute to IPERS to show their proportionate share of the IPERS funding deficit as a liability on each entity's financials beginning in fiscal year 2015. (See Note 16, Accounting Change/Restatement).

Spencer Community School District
Spencer, Iowa

Notes to Financial Statements

June 30, 2015

(16) Accounting Change/Restatement

During the year ended June 30, 2015 audit it was discovered an account payable from the prior year in the amount of \$98,736 had not been included in construction in progress. The beginning net position for governmental activities was restated to include this accounts payable in construction in progress.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27 was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental and business type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	Governmental <u>Activities</u>	Business Type <u>Activities</u>
Net position June 30, 2014, as previously reported	\$ 28,600,342	241,224
Capital assets	98,736	---
Net pension liability at June 30, 2014	(10,502,768)	(361,802)
Deferred outflows of resources related to contributions made after the June 30, 2013 measurement date	<u>1,107,425</u>	<u>38,149</u>
Net position July 1, 2014, as restated	\$ <u>19,303,735</u>	<u>(82,429)</u>

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Notes to Financial Statements

June 30, 2015

(17) New Governmental Accounting Standards Board (GASB) Statements

As of June 30, 2015, GASB had issued several statements not yet required to be implemented by the District. The Statement which might impact the District is as follows:

GASB Statement No. 72, *Fair Value Measurement and Application*, issued February 2015, will be effective for the District beginning with its year ending June 30, 2016. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

The District's management has not yet determined the effect these GASB Statements will have on the District's financial statements.

(18) Subsequent Events

Subsequent events have been evaluated through January 20, 2016, which is the date the financial statements were available to be issued.

Required Supplementary Information

Spencer Community School District
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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, 2015

	Governmental Funds <u>Actual</u>	Proprietary Fund <u>Actual</u>
Revenues:		
Local sources	\$ 10,875,459	558,644
Intermediate sources	501,525	-
State sources	14,002,693	7,360
Federal sources	<u>841,021</u>	<u>575,106</u>
Total revenues	<u>26,220,698</u>	<u>1,141,110</u>
Expenditures/Expenses:		
Instruction	16,893,236	-
Support services	5,615,692	24,244
Non-instructional programs	-	1,100,006
Other expenditures	<u>6,027,769</u>	<u>-</u>
Total expenditures/expenses	<u>28,536,697</u>	<u>1,124,250</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	(2,315,999)	16,860
Other financing sources, net	<u>2,865,099</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	549,100	16,860
Balances beginning of year	<u>17,558,283</u>	<u>(82,429)</u>
Balances end of year	<u>\$ 18,107,383</u>	<u>(65,569)</u>

See accompanying independent auditor's report.

<u>Total Actual</u>	<u>Budgeted Amounts</u>		<u>Final to Actual Variance</u>
	<u>Original</u>	<u>Final</u>	
11,434,103	12,980,018	12,980,018	(1,545,915)
501,525	450,000	450,000	51,525
14,010,053	12,423,253	12,423,253	1,586,800
<u>1,416,127</u>	<u>1,415,000</u>	<u>1,415,000</u>	<u>1,127</u>
<u>27,361,808</u>	<u>27,268,271</u>	<u>27,268,271</u>	<u>93,537</u>
16,893,236	17,500,000	18,143,000	1,249,764
5,639,936	6,166,000	6,166,000	526,064
1,100,006	1,200,000	1,200,000	99,994
<u>6,027,769</u>	<u>3,372,321</u>	<u>6,300,000</u>	<u>272,231</u>
<u>29,660,947</u>	<u>28,238,321</u>	<u>31,809,000</u>	<u>2,148,053</u>
(2,299,139)	(970,050)	(4,540,729)	2,241,590
<u>2,865,099</u>	<u>(122,542)</u>	<u>(122,542)</u>	<u>2,987,641</u>
565,960	(1,092,592)	(4,663,271)	5,229,231
<u>17,475,854</u>	<u>7,397,181</u>	<u>7,397,181</u>	<u>10,078,673</u>
<u>18,041,814</u>	<u>6,304,589</u>	<u>2,733,910</u>	<u>15,307,904</u>

Spencer Community School District
Spencer, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2015

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on 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 function 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, increasing budgeted expenditures by \$3,570,679.

During the year ended June 30, 2015, expenditures did not exceed the amount budgeted.

Spencer Community School District
Spencer, Iowa

Schedule of the District's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
Last Fiscal Year*
(In Thousands)

Required Supplementary Information

	<u>2015</u>
District's proportion of the net pension liability	0.196050%
District's proportionate share of the net pension liability	\$ 7,775
District's covered-employee payroll	\$ 12,782
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	60.83%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

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

See accompanying independent auditor's report

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

Spencer Community School District
Spencer, Iowa

Schedule of District Contributions

Iowa Public Employees' Retirement System
Last 10 Fiscal Years
(In Thousands)

Required Supplementary Information

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Statutorily required contribution	\$ 1,187	1,148	1,077
Contributions in relation to the statutorily required contribution	<u>(1,187)</u>	<u>(1,148)</u>	<u>(1,077)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	\$ 13,291	12,782	12,376
Contributions as a percentage of covered-employee payroll	8.93%	8.98%	8.70%

See accompanying independent auditor's report.

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
953	817	743	730	697	630	571
<u>(953)</u>	<u>(817)</u>	<u>(743)</u>	<u>(730)</u>	<u>(697)</u>	<u>(630)</u>	<u>(571)</u>
-	-	-	-	-	-	-
11,685	11,360	10,952	11,295	11,278	10,252	10,023
8.16%	7.19%	6.78%	6.46%	6.18%	6.15%	5.70%

Spencer Community School District
Spencer, Iowa

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2015

Changes of benefit terms:

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

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

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

Changes of assumptions:

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

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

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

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.

Spencer Community School District
Spencer, Iowa

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2015

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

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

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

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

Spencer Community School District
Spencer, 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)
2009	Jul 1, 2008	-	\$ 1,056	1,056	0.0%	\$ 9,605	11.0%
2010	Jul 1, 2008	-	1,056	1,056	0.0%	9,752	10.8%
2011	Jul 1, 2010	-	1,661	1,661	0.0%	9,481	17.5%
2012	Jul 1, 2010	-	1,595	1,595	0.0%	9,864	16.2%
2013	Jul 1, 2012	-	1,759	1,759	0.0%	10,579	16.6%
2014	Jul 1, 2012	-	1,578	1,578	0.0%	11,004	14.3%
2015	Jul 1, 2014	-	2,428	2,428	0.0%	11,389	21.3%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

Supplementary Information

Spencer Community School District
Spencer, Iowa

Schedule I

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2015

	Special Revenue		
	Student Activity	Manage- ment Levy	Total
Assets			
Cash, cash equivalents and investments	\$ 128,225	828,098	956,323
Receivables:			
Property tax:			
Delinquent	-	6,816	6,816
Succeeding year	-	550,000	550,000
Accrued interest	14	-	14
Due from other governments	-	48	48
Total assets	\$ 128,239	1,384,962	1,513,201
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 1,447	1,511	2,958
Total liabilities	1,447	1,511	2,958
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	550,000	550,000
Total deferred inflows of resources	-	550,000	550,000
Fund balances:			
Restricted for:			
Management levy purposes	-	833,451	833,451
Student activities	126,792	-	126,792
Total fund balances	126,792	833,451	960,243
Total liabilities, deferred inflows of resources and fund balances	\$ 128,239	1,384,962	1,513,201

See accompanying independent auditor's report.

Spencer Community School District
Spencer, Iowa

Schedule 2

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

Year ended June 30, 2015

	Special Revenue		
	<u>Student</u>	<u>Management</u>	<u>Total</u>
	<u>Activity</u>	<u>Levy</u>	
Revenues:			
Local sources:			
Local tax	\$ -	699,934	699,934
Other	533,076	23,647	556,723
State sources	-	12,877	12,877
Total revenues	533,076	736,458	1,269,534
Expenditures:			
Current:			
Instruction:			
Regular	-	471,799	471,799
Other	529,816	-	529,816
Support services:			
Student services	-	1,406	1,406
Instructional staff	-	5,623	5,623
Administration	29	51,965	51,994
Operation and maintenance of plant	4,518	151,110	155,628
Transportation	35,324	22,109	57,433
Total expenditures	569,687	704,012	1,273,699
Excess (deficiency) of revenues over (under) expenditures	(36,611)	32,446	(4,165)
Fund balances beginning of year	163,403	801,005	964,408
Fund balances end of year	\$ 126,792	833,451	960,243

See accompanying independent auditor's report.

Spencer Community School District
Spencer, Iowa

Schedule 3

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2015

<u>Account</u>	Balance Beginning of Year	Revenues and Interfund Transfers	Expenditures	Intra- Fund Transfers	Balance End of Year
<u>District Wide</u>					
Concessions	\$ -	63,264	37,415	(25,849)	-
General District Wide	4,519	-	-	-	4,519
Interest	475	-	-	-	475
	<u>4,994</u>	<u>63,264</u>	<u>37,415</u>	<u>(25,849)</u>	<u>4,994</u>
<u>Elementary</u>					
Art/Technology	782	-	-	-	782
Elementary Fundraising	10,975	-	282	-	10,693
	<u>11,757</u>	<u>-</u>	<u>282</u>	<u>-</u>	<u>11,475</u>
<u>Middle School</u>					
Instructional	2,762	3,686	2,638	-	3,810
Concessions	683	8,100	10,829	2,046	-
Tiger's Prairie	292	-	-	-	292
Student Council	483	2,453	2,303	(251)	382
Builders Club	300	-	1,005	875	170
Fundraisers	5,416	5,528	5,290	660	6,314
	<u>9,936</u>	<u>19,767</u>	<u>22,065</u>	<u>3,330</u>	<u>10,968</u>
<u>High School</u>					
Drama	-	11,564	11,176	(388)	-
Speech Club	1,004	6,235	11,253	4,014	-
Vocal	-	2,883	11,095	8,212	-
Instrumental	-	1,880	7,113	5,233	-
Band/Choir	-	8,624	2,795	(5,829)	-
Special Olympics	2,904	3,288	5,002	-	1,190
Archery	-	523	523	-	-
Track	-	7,507	16,338	8,831	-
Cross Country	-	-	2,165	2,165	-
Boys Basketball	-	25	10,609	10,584	-
Football	-	197	14,614	14,417	-
Boys Soccer	-	-	5,653	5,653	-
Baseball	-	-	9,965	9,965	-
Boys Tennis	-	1,135	3,166	2,031	-

(continued)

Spencer Community School District
Spencer, Iowa

Schedule 3

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2015

<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>
Boys Golf	-	-	943	943	-
Boys Swimming	-	587	2,337	1,750	-
Wrestling	-	2,858	11,593	8,735	-
Girls Basketball	-	-	9,499	9,499	-
Volleyball	-	-	7,881	7,881	-
Girls Soccer	-	617	4,524	3,907	-
Softball	-	-	8,428	8,428	-
Girls Tennis	-	-	595	595	-
Girls Golf	-	24	572	548	-
Girls Swimming	-	-	4,198	4,198	-
General Athletics	80,150	93,124	14,284	(82,658)	76,332
FFA	-	13,582	8,509	-	5,073
Business Management Club	325	-	-	-	325
Skills USA	2,094	1,270	2,189	-	1,175
Student Council	3,328	5,532	3,557	541	5,844
Pep Club	-	-	959	959	-
Spanish Club	4,086	1,560	1,621	-	4,025
Fundraisers	4,373	3,713	3,713	(4,373)	-
National Honor Society	-	627	627	-	-
Class of 2014	10	-	-	(10)	-
Class of 2015	6,193	2,605	6,508	(2,290)	-
Class of 2016	-	7,065	7,567	2,650	2,148
Class of 2017	-	-	-	775	775
Mock Trial	150	-	2,855	2,705	-
Debate	88	-	218	450	320
Spencerian	-	5,659	8,454	2,795	-
Dance Team	1,543	1,667	3,210	-	-
Music Dept Trip	25,530	188,325	213,855	-	-
Athletic Revolving	-	24,283	20,036	(4,247)	-
Tourney and Hosted Events	225	45,393	39,468	(6,150)	-
Weight Room	4,713	7,693	10,258	-	2,148
	<u>136,716</u>	<u>450,045</u>	<u>509,925</u>	<u>22,519</u>	<u>99,355</u>
Total	<u>\$ 163,403</u>	<u>533,076</u>	<u>569,687</u>	<u>-</u>	<u>126,792</u>

See accompanying independent auditor's report.

Spencer Community School District
Spencer, Iowa

Schedule 4

Combining Balance Sheet
Capital Project Accounts

June 30, 2015

	Capital Projects			
Assets	Statewide Sales, Services and Use Tax	City Sales and Service Tax	Physical Plant and Equipment Levy	<u>Total</u>
Cash and cash equivalents	\$ 11,604,218	\$ 589,157	786,379	12,979,754
Receivables:				
Property tax:				
Delinquent	-	-	5,731	5,731
Succeeding year	-	-	603,552	603,552
Accounts	-	-	13,009	13,009
Due from other governments	<u>284,377</u>	<u>-</u>	<u>39</u>	<u>284,416</u>
Total assets	<u>\$ 11,888,595</u>	<u>589,157</u>	<u>1,408,710</u>	<u>13,886,462</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	<u>\$ 390,094</u>	<u>-</u>	<u>-</u>	<u>390,094</u>
Total liabilities	<u>390,094</u>	<u>-</u>	<u>-</u>	<u>390,094</u>
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	<u>-</u>	<u>-</u>	<u>603,552</u>	<u>603,552</u>
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>603,552</u>	<u>603,552</u>
Fund balances:				
Restricted for:				
School infrastructure	11,498,501	589,157	-	12,087,658
Physical plant and equipment	<u>-</u>	<u>-</u>	<u>805,158</u>	<u>805,158</u>
Total fund balances	<u>11,498,501</u>	<u>589,157</u>	<u>805,158</u>	<u>12,892,816</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 11,888,595</u>	<u>589,157</u>	<u>1,408,710</u>	<u>13,886,462</u>

See accompanying independent auditor's report.

Spencer Community School District
Spencer, Iowa

Schedule 5

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

Year ended June 30, 2015

	Capital Projects			<u>Total</u>
	<u>Statewide Sales, Services and Use Tax</u>	<u>City Sales and Service Tax</u>	<u>Physical Plant and Equipment Levy</u>	
Revenues:				
Local sources:				
Local tax	\$ -	-	601,325	601,325
Other	11,495	492	76,362	88,349
Intermediate sources	-	501,525	-	501,525
State sources	<u>1,835,146</u>	-	<u>10,641</u>	<u>1,845,787</u>
Total revenues	<u>1,846,641</u>	<u>502,017</u>	<u>688,328</u>	<u>3,036,986</u>
Expenditures:				
Instruction:				
Regular	-	-	169,079	169,079
Support services:				
Administration	3,000	-	11,000	14,000
Operation and maintenance of plant	-	-	65,670	65,670
Transportation	-	-	35,951	35,951
Other expenditures:				
Facilities acquisition	2,792,129	47,443	265,718	3,105,290
Long-term debt:				
Interest and fiscal charges	<u>34,421</u>	-	-	<u>34,421</u>
Total expenditures	<u>2,829,550</u>	<u>47,443</u>	<u>547,418</u>	<u>3,424,411</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(982,909)</u>	<u>454,574</u>	<u>140,910</u>	<u>(387,425)</u>
Other financing sources (uses):				
Revenue bonds issued	2,855,000	-	-	2,855,000
Operating transfers out	<u>(1,353,918)</u>	<u>(263,456)</u>	-	<u>(1,617,374)</u>
Total other financing sources (uses)	<u>1,501,082</u>	<u>(263,456)</u>	-	<u>1,237,626</u>
Change in fund balances	518,173	191,118	140,910	850,201
Fund balances beginning of year	<u>10,980,328</u>	<u>398,039</u>	<u>664,248</u>	<u>12,042,615</u>
Fund balances end of year	<u>\$ 11,498,501</u>	<u>589,157</u>	<u>805,158</u>	<u>12,892,816</u>

See accompanying independent auditor's report.

Spencer Community School District
 Spencer, Iowa

Schedule 6

Combining Statement of Net Position
 Internal Service Funds

June 30, 2015

	Governmental Activities Internal Service Funds		
	<u>Self-funded</u> <u>Health Insurance</u>	<u>Flex</u> <u>Benefit</u>	<u>Total</u>
Assets			
Current assets:			
Cash and cash equivalents	\$ 2,397,281	57,313	2,454,594
Accounts receivable	<u>84,611</u>	<u>-</u>	<u>84,611</u>
Total assets	<u>2,481,892</u>	<u>57,313</u>	<u>2,539,205</u>
Liabilities			
Accounts payable	<u>603</u>	<u>-</u>	<u>603</u>
Net position	<u>\$ 2,481,289</u>	<u>57,313</u>	<u>2,538,602</u>

See accompanying independent auditor's report.

Statement of Revenues, Expenses and Changes in Net Position
Internal Service Funds

Year Ended June 30, 2015

	Governmental Activities Internal Service Funds		
	<u>Self-funded Health Insurance</u>	<u>Flex Benefit</u>	<u>Total</u>
Operating revenues:			
Local sources:			
Miscellaneous	\$ 2,810,645	157,428	2,968,073
Operating expenses:			
Instruction:			
Regular	4,765	-	4,765
Support services:			
Administration	2,165,653	147,122	2,312,775
Total operating expenses	<u>2,170,418</u>	<u>147,122</u>	<u>2,317,540</u>
Operating income	<u>640,227</u>	<u>10,306</u>	<u>650,533</u>
Non-operating revenues:			
Interest income	<u>10,242</u>	<u>21</u>	<u>10,263</u>
Increase in net position	650,469	10,327	660,796
Net position beginning of year	<u>1,830,820</u>	<u>46,986</u>	<u>1,877,806</u>
Net position end of year	<u>\$ 2,481,289</u>	<u>57,313</u>	<u>2,538,602</u>

See accompanying independent auditor's report.

Spencer Community School District
Spencer, Iowa

Schedule 8

Combining Statement of Cash Flows
Internal Service Funds

Year Ended June 30, 2015

	Governmental Activities Internal Service Funds		
	Self-funded	Flex	Total
	<u>Health Insurance</u>	<u>Benefit</u>	
Cash flows from operating activities:			
Cash received from miscellaneous sources	2,738,666	157,428	2,896,094
Cash paid to employees for services	<u>(2,170,032)</u>	<u>(147,122)</u>	<u>(2,317,154)</u>
Net cash provided by operating activities	<u>568,634</u>	<u>10,306</u>	<u>578,940</u>
Cash flows from investing activities:			
Interest on investments	<u>10,242</u>	<u>21</u>	<u>10,263</u>
Net increase in cash and cash equivalents	578,876	10,327	589,203
Cash and cash equivalents beginning of year	<u>1,818,405</u>	<u>46,986</u>	<u>1,865,391</u>
Cash and cash equivalents end of year	<u>\$ 2,397,281</u>	<u>57,313</u>	<u>2,454,594</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 640,227	10,306	650,533
Adjustments to reconcile operating income to net cash provided by operating activities:			
(Increase) in accounts receivable	(71,979)	-	(71,979)
Increase in accounts payable	<u>386</u>	<u>-</u>	<u>386</u>
Net cash provided by operating activities	<u>\$ 568,634</u>	<u>10,306</u>	<u>578,940</u>

See accompanying independent auditor's report.

Spencer Community School District
Spencer, Iowa

Schedule 9

Schedule of Changes in Fiduciary Assets and Liabilities-
Agency Fund

Year Ended June 30, 2015

	Balance Beginning of Year	<u>Additions</u>	<u>Deductions</u>	Balance End of Year
Assets				
Cash	\$ -	477,498	509,454	(31,956)
Other receivables	<u>-</u>	<u>31,956</u>	<u>-</u>	<u>31,956</u>
Total assets	<u>\$ -</u>	<u>509,454</u>	<u>509,454</u>	<u>-</u>
Liabilities				
Other payables	<u>\$ -</u>	<u>509,454</u>	<u>509,454</u>	<u>-</u>
Total liabilities	<u>\$ -</u>	<u>509,454</u>	<u>509,454</u>	<u>-</u>

See accompanying independent auditor's report.

Spencer Community School District
Spencer, Iowa

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

For the Last Ten Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Revenues:				
Local sources:				
Local tax	\$ 8,925,367	8,985,137	10,469,107	10,076,843
Tuition	1,006,759	956,481	866,901	916,469
Other	943,333	792,235	815,328	714,451
Intermediate sources	501,525	455,250	495,145	451,924
State sources	14,002,693	13,167,395	10,896,718	11,063,835
Federal sources	841,021	762,960	929,223	703,668
Total	<u>\$ 26,220,698</u>	<u>25,119,458</u>	<u>24,472,422</u>	<u>23,927,190</u>
Expenditures:				
Instruction	\$ 16,893,236	16,209,067	15,309,042	14,868,226
Support services:				
Student	637,416	130,089	125,556	149,184
Instructional staff	276,293	304,419	273,364	254,651
Administration	2,267,197	2,441,572	2,112,604	2,024,540
Operation and maintenance of plant	1,747,517	1,727,250	1,659,774	1,761,169
Transportation	687,269	742,112	702,141	476,877
Other expenditures:				
Facilities acquisition	3,105,290	1,904,771	2,100,276	3,287,488
Long-term debt:				
Principal	1,432,000	4,908,000	1,255,000	1,275,000
Interest and other charges	626,467	498,982	435,771	271,942
AEA flowthrough	864,012	823,252	781,621	755,803
Total	<u>\$ 28,536,697</u>	<u>29,689,514</u>	<u>24,755,149</u>	<u>25,124,880</u>

See accompanying independent auditor's report.

Schedule 10

Modified Accrual Basis					
<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
9,643,887	8,529,281	8,436,790	6,947,875	7,206,303	6,633,075
977,964	1,108,358	1,089,092	1,095,425	1,339,680	1,112,866
980,694	624,677	887,012	1,511,587	1,203,973	1,333,398
496,020	296,750	407,976	-	-	-
9,876,929	8,370,525	9,840,187	9,695,717	8,907,401	8,376,770
<u>1,446,223</u>	<u>2,049,461</u>	<u>908,241</u>	<u>528,674</u>	<u>771,965</u>	<u>872,062</u>
<u>23,421,717</u>	<u>20,979,052</u>	<u>21,569,298</u>	<u>19,779,278</u>	<u>19,429,322</u>	<u>18,328,171</u>
14,411,139	13,097,108	13,097,108	12,678,877	12,276,059	11,270,942
95,179	200,923	86,271	181,649	198,050	138,449
297,430	302,151	278,099	363,734	343,820	269,397
2,021,563	2,018,377	2,117,177	2,120,294	1,942,757	1,723,695
1,596,585	1,486,247	1,732,313	1,598,687	1,645,762	1,354,485
452,611	517,180	648,619	498,411	561,278	603,875
614,942	2,189,284	2,981,502	1,039,328	2,136,536	9,638,500
1,180,000	1,130,000	1,095,000	990,000	790,000	135,000
378,902	425,110	468,633	580,900	389,683	394,410
<u>810,639</u>	<u>786,034</u>	<u>707,167</u>	<u>684,941</u>	<u>641,561</u>	<u>601,508</u>
<u>21,858,990</u>	<u>22,152,414</u>	<u>23,211,889</u>	<u>20,736,821</u>	<u>20,925,506</u>	<u>26,130,261</u>

Spencer Community School District
Spencer, Iowa

Schedule 11

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2015

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	FY15	\$ 92,390
National School Lunch Program	10.555	FY15	455,263 *
Summer Food Service Program for Children	10.559	FY15	<u>27,453</u>
			<u>575,106</u>
U.S. National Endowment for the Arts:			
Iowa Department of Cultural Affairs:			
Allocation to States	45.025	FY15	<u>200</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	FY15	<u>317,911</u>
Special Education - Grants to States (High cost claims)	84.027	FY15	<u>50,069</u> **
Career and Technical Education - Basic Grants to States	84.048	FY15	<u>12,002</u>
Improving Teacher Quality State Grants	84.367	FY15	<u>63,318</u>
Grants for State Assessments	84.369	FY15	<u>9,865</u>

(continued)

Spencer Community School District
Spencer, Iowa

Schedule 11

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2015

Prairie Lakes Area Education Agency:			
Special Education - Grants to States	84.027	FY15	<u>98,796</u> **
Total			<u>\$ 1,127,267</u>

* - Includes \$68,158 of non-cash awards.

** - Total for special education cluster (IDEA) is \$148,865.

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Spencer Community School District and is presented on the accrual or modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

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

Certified Public Accountants

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

To the Board of Education of
Spencer 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 Spencer Community School District as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 20, 2016. Our report expressed unmodified opinions on the financial statements except for a disclaimer of opinion on the component unit, Spencer Community School Foundation, which was not audited.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Spencer 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 Spencer Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Spencer 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 and Questioned Costs, 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 II of the accompanying Schedule of Findings and Questioned Costs as items II-A-15 and II-B-15 to be material weaknesses.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Spencer Community School District's Responses to the Findings

Spencer Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Spencer 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 Spencer 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 20, 2016

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

Certified Public Accountants

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Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by OMB Circular A-133

To the Board of Education of
Spencer Community School District:

Report on Compliance for Each Major Federal Program

We have audited Spencer Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015. Spencer Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Spencer Community School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Spencer Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for each of the major federal programs. However, our audit does not provide a legal determination of Spencer Community School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Spencer Community School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

The management of Spencer Community School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Spencer Community School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Spencer Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a deficiency in internal control over compliance we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-15 to be a material weakness.

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

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

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

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

January 20, 2016

Spencer Community School District
Spencer, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

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

- (a) Unmodified opinions were issued on the financial statements.
- (b) Material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A material weakness in internal control over the major programs was disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed an audit finding which is required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - Child Nutrition Cluster:
 - CFDA Number 10.553 – School Breakfast Program
 - CFDA Number 10.555 – National School Lunch Program
 - CFDA Number 10.559 – Summer Food Service Program for Children
 - CFDA Number 84.010 – Title I Grants to Local Educational Agencies
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Spencer Community School District did not qualify as a low-risk auditee.

Spencer Community School District
Spencer, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-15 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 utilizing currently available staff, including elected officials.

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

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

II-B-15 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 Spencer 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.

Spencer Community School District
Spencer, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

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.

Spencer Community School District
Spencer, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

**CFDA Number 10.553: School Breakfast Program
CFDA Number 10.555: National School Lunch Program and
CFDA Number 10.559: Summer Food Service Program for Children
Federal Award Year: 2015
U.S. Department of Agriculture
Passed through the Iowa Department of Education**

**CFDA Number 84.010: Title I Grants to Local Educational Agencies
Federal Award Year: 2015
U.S. Department of Education
Passed through the Iowa Department of Education**

III-A-15 Segregation of Duties – The limited number of personnel make it difficult to (2015-001) 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 utilizing currently available staff, including elected officials.

Spencer Community School District
Spencer, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

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.

Spencer Community School District
Spencer, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-15 Certified Budget - Expenditures for the year ended June 30, 2015 did not exceed the amended certified budget.

IV-B-15 Questionable Expenditures - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-C-15 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-15 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Larry Untiet, Drama Director, Owns Untiet Painting	Painting	\$ 3,150
Diane Fuller, Custodian, Owner of Good Booty BBQ	Catering services	\$ 1,120
Brett Groen, Coach, Owner of Spencer Trophy	Trophies/Awards	\$ 3,563
Alison Simpson, District employee, Spouse is co-owner of Community Insurance	Insurance premiums	\$ 405,105

In accordance with an Attorney General's Opinion dated July 2, 1990, the above transactions with the drama director, custodian and coach do not appear to represent conflicts of interest.

Spencer Community School District
Spencer, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

In accordance with an Attorney General's Opinion dated November 9, 1976, the above transactions with the spouse of a District employee do not appear to represent a conflict of interest.

IV-E-15 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

IV-F-15 Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.

IV-G-15 Certified Enrollment - The number of students reported to the Iowa Department of Education on line 7 of the Certified Enrollment Certification Form for October 2014 was understated. The District included one student that should not have been counted and there were three students that should have included.

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.

IV-H-15 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

IV-I-15 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

IV-J-15 Certified Annual Report – The Certified Annual Report was certified timely to the Iowa Department of Education.

IV-K-15 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.

Spencer Community School District
Spencer, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

IV-L-15 Statewide Sales, Services, and Use Tax – No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2015, the District reported the following information regarding the statewide sales, services and use tax revenue in the District’s CAR:

Beginning balance		\$ 10,980,328	
Revenues/transfers in:			
Sales tax revenues	\$ 1,835,146		
Other local revenues	11,495		
Sale of long-term debt	<u>2,855,000</u>	<u>4,701,641</u>	
			15,681,969
Expenditures/transfers out:			
School infrastructure construction	2,483,911		
Equipment	23,801		
Other	321,838		
Transfers to other funds:			
Debt service fund	<u>1,353,918</u>	<u>4,183,468</u>	
Ending balance			\$ <u>11,498,501</u>

For the year ended June 30, 2015, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

IV-M-15 Revenue Bonds – No instances of non-compliance with the revenue bond resolution were noted.

IV-N-15 Deficit Net Position - The Enterprise, School Nutrition Fund had a deficit net position at June 30, 2015. The primary reason for this deficit net position is due to the implementation of GASB Statement No. 68 during the year.

Spencer Community School District
Spencer, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

Recommendation - The District should take steps to ensure the District's administration and Board of Education understand this accounting change/restatement and how GASB Statement 68 will affect the District's financials moving forward.

Response - The District's business-type activities went into a deficit in fiscal year 2015 due to the implementation of GASB Statement No. 68 which required the District to show its proportionate share of the IPERS funding deficit as a liability on the Statement of Net Position.

Conclusion - Response accepted.