

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

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

**YEAR ENDED JUNE 30, 2015**

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Spirit Lake Community School District  
Spirit Lake, Iowa

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
Todd Hummel	President	2017
Teresa Beck	Vice President	2015
Keith Brockmeyer	Board Member	2015
Julie Currell-Smith	Board Member	(Resigned) 2015
Scott Trautman	Board Member	2017
Sonja Hamm	Board Member	(Appointed) 2015

**School Officials**

Dr. David Smith	Superintendent	2015
Donna Sebert	District Secretary	2015
Karen Oleson	Director of Business and Finance	2015
Steve Avery	Attorney	Indefinite

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

## Certified Public Accountants

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### Independent Auditor's Report

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

#### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Spirit Lake Community School District, Spirit Lake, Iowa, as of and for the year ended June 30, 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 Units

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

#### Disclaimer of Opinion on Discretely Presented Component Units

Because the Spirit Lake Community School Foundation, Indian Athletic Booster Club, Spirit Lake Music Booster Club, Elementary, Middle School and High School Partners in Education and Friends of the SAMI Center's financial statements have not been audited, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the discretely presented component units. Accordingly, we do not express an opinion on the financial statements of the discretely presented component units of Spirit Lake Community School District, as of and for the year ended June 30, 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 Spirit Lake Community School District at 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 12 to the financial statements, Spirit Lake 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, 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 on pages 6 through 16 and 66 through 74 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Spirit Lake Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the four years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. Other auditors previously audited in accordance with the standards referred to in the third paragraph of this report, the financial statements for the five years ended June 30, 2010 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Governmental Auditing Standards

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

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

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

January 20, 2016

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Spirit Lake Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### 2015 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$12,051,340 in fiscal year 2014 to \$12,020,841 in fiscal year 2015, while General Fund expenditures increased from \$11,983,144 in fiscal year 2014 to \$12,374,824 in fiscal year 2015. The District's General Fund balance decreased from \$2,874,691 at the end of fiscal year 2014 to \$2,535,588 at the end of fiscal year 2015, an 11.8% decrease.
- The fiscal year 2015 decrease in General Fund revenue was attributable to decreases in local tax, tuition and other local revenue. The increase in expenditures was due primarily to an increase in negotiated salaries and benefits. 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 Spirit Lake Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Spirit Lake Community School District's operations in more detail than the government-wide financial statements by providing information about the most significant funds. The remaining financial statements provide information about activities for which Spirit Lake Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, 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.

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

**Figure A-1**  
**Spirit Lake Community School District Annual Financial Report**

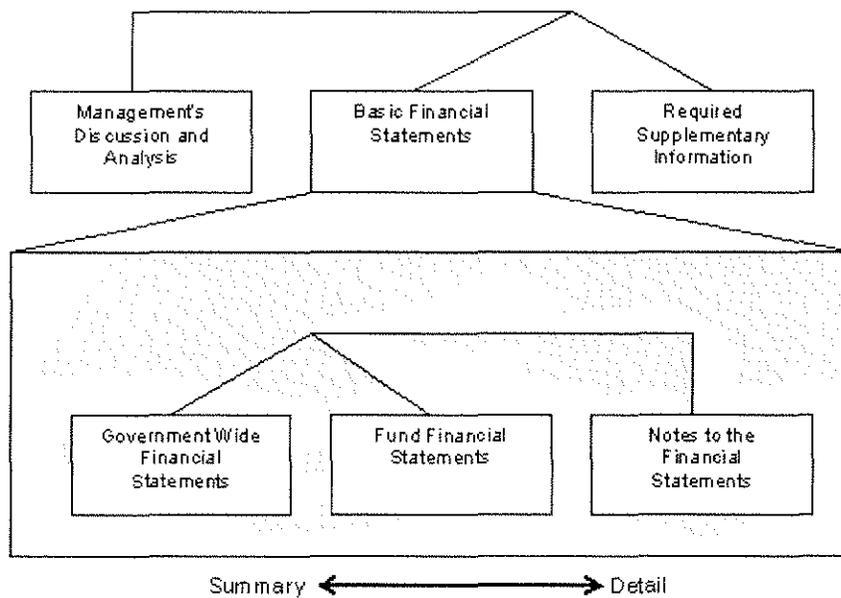


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenues, expenses and changes in fund net position</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> <li>• Statement of changes in fiduciary net position</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of 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 units:* This includes the activities of the Spirit Lake Community School Foundation, the Indian Athletic Booster Club, the Spirit Lake Music Booster Club, Elementary, Middle School, and High School Partners in Education and Friends of the SAMI Center. The District receives significant financial benefits from these component units although they are legally separate entities.

### *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

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

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

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise 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 required financial statements for proprietary funds include a Statement Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

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

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

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

The required financial statements for fiduciary funds include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 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
	2015	restated)	2015	restated)	2015	restated)	2014-2015
Current and other assets	\$15,078	15,169	21	55	15,099	15,224	-0.8%
Capital assets	<u>32,178</u>	<u>32,631</u>	<u>697</u>	<u>768</u>	<u>32,875</u>	<u>33,399</u>	<u>-1.6%</u>
Total assets	<u>47,256</u>	<u>47,800</u>	<u>718</u>	<u>823</u>	<u>47,974</u>	<u>48,623</u>	<u>-1.3%</u>
Deferred outflows of resources	914	---	27	---	941	---	100.0%
Long-term liabilities	16,862	12,919	131	2	16,993	12,921	31.5%
Other liabilities	<u>1,398</u>	<u>1,275</u>	<u>11</u>	<u>10</u>	<u>1,409</u>	<u>1,285</u>	<u>9.6%</u>
Total liabilities	<u>18,260</u>	<u>14,194</u>	<u>142</u>	<u>12</u>	<u>18,402</u>	<u>14,206</u>	<u>29.5%</u>
Deferred inflows of resources	<u>9,554</u>	<u>7,611</u>	<u>60</u>	<u>---</u>	<u>9,614</u>	<u>7,611</u>	<u>26.3%</u>
Net position:							
Net investment in							
capital assets	20,104	20,326	697	768	20,801	21,094	-1.4%
Restricted	2,574	2,058	---	---	2,574	2,058	25.1%
Unrestricted	<u>(2,322)</u>	<u>3,611</u>	<u>(154)</u>	<u>43</u>	<u>(2,476)</u>	<u>3,654</u>	<u>-167.8%</u>
Total net position	<u>\$ 20,356</u>	<u>25,995</u>	<u>543</u>	<u>811</u>	<u>20,899</u>	<u>26,806</u>	<u>-22.0%</u>

The District's total net position decreased 22.0%, or approximately \$5,907,000 from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased approximately \$516,000 or 25% from the prior year. The increase was primarily a result of an increase in restricted fund balance for categorical funding and the management levy.

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 \$6,130,000 or 168%. 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 \$5,958,294 and \$174,221, 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 (Not restated)	2015 restated)	2014 (Not restated)	2015 restated)	2014 (Not restated)	2015 restated)	2014-2015
Revenues:							
Program revenues:							
Charges for service	\$ 1,137	1,172	353	363	1,490	1,535	-2.9%
Operating grants, contributions and restricted interest	1,776	1,755	218	195	1,994	1,950	2.3%
Capital grants, contributions and restricted interest	37	36	---	824	37	860	-95.7%
General revenues:							
Property tax	7,614	8,139	---	---	7,614	8,139	-6.5%
Statewide sales, services and use tax	1,100	1,017	---	---	1,100	1,017	8.2%
Income surtax	709	690	---	---	709	690	2.8%
Unrestricted state grants	2,029	2,026	---	---	2,029	2,026	0.1%
Unrestricted investment earnings	24	26	---	---	24	26	-7.7%
Other	45	25	7	3	52	28	85.7%
Gain (loss) on disposal of capital assets	114	4	---	(2)	114	2	5,600.0%
Total revenues	<u>14,585</u>	<u>14,890</u>	<u>578</u>	<u>1,383</u>	<u>15,163</u>	<u>16,273</u>	<u>-6.8%</u>
Program expenses:							
Instruction	8,228	8,086	---	5	8,228	8,091	1.7%
Support services	4,177	4,262	2	6	4,179	4,268	-2.1%
Non-instructional programs	---	---	670	675	670	675	-0.7%
Other expenses	<u>1,861</u>	<u>2,492</u>	<u>---</u>	<u>---</u>	<u>1,861</u>	<u>2,492</u>	<u>-25.3%</u>
Total expenses	<u>14,266</u>	<u>14,840</u>	<u>672</u>	<u>686</u>	<u>14,938</u>	<u>15,526</u>	<u>-3.8%</u>
Increase (decrease) in net position	319	50	(94)	697	225	747	-69.9%
Net position beginning of year, as restated	<u>20,037</u>	<u>25,945</u>	<u>637</u>	<u>114</u>	<u>20,674</u>	<u>26,059</u>	<u>-20.7%</u>
Net position end of year	<u>\$ 20,356</u>	<u>25,995</u>	<u>543</u>	<u>811</u>	<u>20,899</u>	<u>26,806</u>	<u>-22.0%</u>

In fiscal year 2015, property tax and unrestricted state grants accounted for 66.1% of governmental activities revenue while charges for service and operating grants, contributions and restricted interest accounted for 98.8% of business type activities revenues.

The District's total revenues were approximately \$15.1 million, of which approximately \$14.6 million was for governmental activities and less than \$1 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 6.8% decrease in revenues and a 3.8% decrease in expenses.

### Governmental Activities

Revenues for governmental activities were \$14,584,628 and expenses were \$14,265,920 for the year ended June 30, 2015. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

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

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

	<u>Total Cost of Services</u>			<u>Net Cost of Services</u>		
	<u>2015</u>	<u>2014</u>	<u>Change</u> <u>2014-2015</u>	<u>2015</u>	<u>2014</u>	<u>Change</u> <u>2014-2015</u>
Instruction	\$ 8,228	8,086	1.8%	6,040	5,917	2.1%
Support services	4,177	4,262	-2.0%	3,939	3,983	-1.1%
Non-instructional programs	---	---	0.0%	---	---	0.0%
Other expenses	<u>1,861</u>	<u>2,492</u>	<u>-25.3%</u>	<u>1,337</u>	<u>1,976</u>	<u>-32.3%</u>
Total	<u>\$14,266</u>	<u>14,840</u>	<u>-3.9%</u>	<u>11,316</u>	<u>11,876</u>	<u>-4.7%</u>

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was \$1,137,179.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,776,287.
- The net cost of governmental activities was financed with \$7,613,525 in property tax, \$709,130 in income surtax, \$1,100,288 in statewide sales, services and use tax, \$2,029,373 in unrestricted state grants, and \$182,096 in other revenues.

## **Business Type Activities**

Revenues for business type activities during the year ended June 30, 2015 were \$578,304, representing a 58.1% decrease from the prior year, while expenses totaled \$671,797, a 2.2% 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. The School Nutrition Fund received capital contributions for equipment purchased from the Capital Projects Fund in the prior year.

## **INDIVIDUAL FUND ANALYSIS**

As previously noted, Spirit Lake Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$5,700,124, below last year's ending fund balances of \$5,872,426.

### **Governmental Fund Highlights**

- The General Fund balance decreased from \$2,874,691 to \$2,535,588 due, in part, to the negotiated salaries and benefits and existing expenditure commitments of the District.
- The Debt Service Fund balance increased from \$1,679,631 in fiscal 2014 to \$1,701,291 in fiscal 2015. The District has been transferring funds to make their revenue bond payment in fiscal year 2015.
- The Capital Projects Fund balance decreased from \$571,885 in fiscal year 2014 to \$553,862 in fiscal year 2015.

### **Proprietary Fund Highlights**

School Nutrition Fund net position decreased from \$636,578 at June 30, 2014 to \$543,085 at June 30, 2015, representing a decrease of approximately 15%. The District reflected the related expenses for the net OPEB liability, which caused an overall reduction of net position.

## **BUDGETARY HIGHLIGHTS**

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

The District's total revenues were \$90,412 less than total budgeted revenues, a variance of 0.6%.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

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

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2015, the District had invested approximately \$32.9 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 decrease of 1.6% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$1,357,465.

The original cost of the District's capital assets was approximately \$50.0 million. Governmental funds account for approximately \$49.1 million, with the remainder of approximately \$0.9 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	\$ 296	296	---	---	296	296	0.0%
Construction in progress	---	470	---	---	---	470	-100.0%
Buildings	28,584	28,782	---	---	28,584	28,782	-0.7%
Land improvements	1,539	1,656	---	---	1,539	1,656	-7.1%
Furniture and equipment	<u>1,759</u>	<u>1,427</u>	<u>697</u>	<u>768</u>	<u>2,456</u>	<u>2,195</u>	<u>11.9%</u>
Total	\$ <u>32,178</u>	<u>32,631</u>	<u>697</u>	<u>768</u>	<u>32,875</u>	<u>33,399</u>	<u>-1.6%</u>

### Long-Term Debt

At June 30, 2015, the District had \$12,155,010 of total long-term debt outstanding. This represents a decrease of approximately 4% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

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

	Total District		Total Change
	June 30,		June 30,
	2015	2014	2014-2015
Revenue bonds	\$ 10,675	11,275	-5.3%
Energy notes	1,053	1,117	-5.7%
Computer lease	151	---	100.0%
Bus lease	178	110	61.8%
Equipment lease	18	29	-37.9%
Early retirement	<u>80</u>	<u>128</u>	<u>-37.5%</u>
<b>Total</b>	<b>\$ 12,155</b>	<b>12,659</b>	<b>-4.0%</b>

## **ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

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

- The resident student count in October, 2015 showed a decrease of about 7 students.
- 122 students open enrolled in for FY2015-16 versus 49 students open enrolled out for a net gain of 73 students. This continues the trend of gains since open enrollment was first allowed.
- A few new housing developments have either begun construction or will in the next year. Rental units include a complex with fourteen one bedroom units and one with three duplexes. Another project will have fifteen two bedroom and fifteen bedroom townhomes. Building of individual custom homes continues to grow as well. All of these developments should help draw families, and students, to the district.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Karen Oleson, Director of Business and Finance, Spirit Lake Community School District, 2701 Hill Avenue, Spirit Lake, Iowa, 51360.

## **Basic Financial Statements**

Spirit Lake Community School District  
Spirit Lake, Iowa

Exhibit A

Statement of Net Position

June 30, 2015

	Primary Government			Component
	Governmental	Business Type	Total	Units
	Activities	Activities	Total	Total Discrete
<b>Assets</b>				
Cash and cash equivalents	\$ 4,727,574	290	4,727,864	1,138,473
Restricted cash equivalents and pooled investments	1,701,291	-	1,701,291	-
Receivables:				
Property tax:				
Delinquent	43,257	-	43,257	-
Succeeding year	7,491,138	-	7,491,138	-
Accounts	23,045	1,541	24,586	16,863
Due from other governments	1,088,552	-	1,088,552	-
Due from other funds	3,000	(3,000)	-	-
Inventories	-	22,548	22,548	-
Capital assets, net of accumulated depreciation	32,178,321	696,933	32,875,254	-
<b>Total assets</b>	<u>47,256,178</u>	<u>718,312</u>	<u>47,974,490</u>	<u>1,155,336</u>
<b>Deferred Outflows of Resources</b>				
Pension related deferred outflows	914,054	26,727	940,781	-
<b>Liabilities</b>				
Accounts payable	243,203	1	243,204	-
Salaries and benefits payable	996,867	-	996,867	237
Accrued interest payable	157,785	-	157,785	-
Unearned revenue	-	10,695	10,695	-
Long-term liabilities:				
Portion due within one year:				
Revenue bonds	605,000	-	605,000	-
Energy loan notes	65,579	-	65,579	-
Computer lease purchase obligation	151,124	-	151,124	-
Bus lease purchase obligation	51,142	-	51,142	-
Equipment lease obligation	10,647	-	10,647	-
Termination benefits	65,227	-	65,227	-
Portion due after one year:				
Revenue bonds	9,840,000	-	9,840,000	-
Bond premium	229,609	-	229,609	-
Energy loan notes	987,158	-	987,158	-
Bus lease purchase obligation	126,565	-	126,565	-
Equipment lease obligation	7,888	-	7,888	-
Termination benefits	15,071	-	15,071	-
Note payable	-	-	-	74,632
Net pension liability	4,370,092	127,783	4,497,875	-
Net OPEB liability	337,346	3,153	340,499	-
<b>Total liabilities</b>	<u>18,260,303</u>	<u>141,632</u>	<u>18,401,935</u>	<u>74,869</u>
<b>Deferred Inflows of Resources</b>				
Unavailable property tax revenue	7,491,138	-	7,491,138	-
Pension related deferred inflows	2,063,016	60,322	2,123,338	-
<b>Total deferred inflows of resources</b>	<u>9,554,154</u>	<u>60,322</u>	<u>9,614,476</u>	<u>-</u>

(continued)

Spirit Lake Community School District  
 Spirit Lake, Iowa

Exhibit A

Statement of Net Position

June 30, 2015

	Primary Government			Component
	Governmental	Business Type		Units
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>	<u>Total</u> <u>Discrete</u>
<b>Net Position</b>				
Net investment in capital assets	20,103,609	696,933	20,800,542	-
Restricted for:				
Investment	-	-	-	905,310
Categorical funding	219,072	-	219,072	-
Management levy purposes	861,882	-	861,882	-
Physical plant and equipment	344,267	-	344,267	-
School infrastructure	209,595	-	209,595	-
Debt service	1,543,506	-	1,543,506	-
Student activities	51,332	-	51,332	-
Unrestricted	<u>(2,977,488)</u>	<u>(153,848)</u>	<u>(3,131,336)</u>	<u>175,157</u>
<b>Total net position</b>	<u>\$ 20,355,775</u>	<u>543,085</u>	<u>20,898,860</u>	<u>1,080,467</u>

See notes to financial statements.

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

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Service</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
<b>Functions/Programs:</b>				
<b>Primary Government:</b>				
Governmental activities:				
Instruction:				
Regular instruction	\$ 5,276,529	606,318	721,738	-
Special instruction	1,633,072	259,213	202,043	-
Other instruction	1,318,539	215,545	183,588	-
	<u>8,228,140</u>	<u>1,081,076</u>	<u>1,107,369</u>	<u>-</u>
Support services:				
Student	316,297	-	22,853	-
Instructional staff	708,476	34,101	106,490	-
Administration	1,265,539	-	48,568	-
Operation and maintenance of plant	1,378,578	15,580	2,311	-
Transportation	508,311	6,422	2,169	-
	<u>4,177,201</u>	<u>56,103</u>	<u>182,391</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	120,908	-	-	36,750
Long-term debt interest	295,530	-	-	-
AEA flowthrough	486,527	-	486,527	-
Depreciation (unallocated)*	957,614	-	-	-
	<u>1,860,579</u>	<u>-</u>	<u>486,527</u>	<u>36,750</u>
Total governmental activities	<u>14,265,920</u>	<u>1,137,179</u>	<u>1,776,287</u>	<u>36,750</u>
Business type activities:				
Support services:				
Administration	150	-	-	-
Operation and maintenance of plant	2,138	-	-	-
Non-instructional programs:				
Food service operations	669,509	352,985	217,541	-
Total business type activities	<u>671,797</u>	<u>352,985</u>	<u>217,541</u>	<u>-</u>
<b>Total primary government</b>	<b><u>\$ 14,937,717</u></b>	<b><u>1,490,164</u></b>	<b><u>1,993,828</u></b>	<b><u>36,750</u></b>
<b>Component Units:</b>				
Total discrete	<u>\$ 432,463</u>	<u>201,834</u>	<u>186,527</u>	<u>-</u>
<b>General Revenues:</b>				
Property tax levied for:				
General purposes				
Capital outlay				
Income surtax				
Statewide sales, services and use tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Sale of fixed assets				
Total general revenues				
Change in net position				
Net position beginning of year, as restated				
Net position end of year				

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

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Position			
Governmental Activities	Primary Government		Component Units
	Business Type Activities	Total	Total Discrete
(3,948,473)	-	(3,948,473)	-
(1,171,816)	-	(1,171,816)	-
(919,406)	-	(919,406)	-
<u>(6,039,695)</u>	<u>-</u>	<u>(6,039,695)</u>	<u>-</u>
(293,444)	-	(293,444)	-
(567,885)	-	(567,885)	-
(1,216,971)	-	(1,216,971)	-
(1,360,687)	-	(1,360,687)	-
(499,720)	-	(499,720)	-
<u>(3,938,707)</u>	<u>-</u>	<u>(3,938,707)</u>	<u>-</u>
(84,158)	-	(84,158)	-
(295,530)	-	(295,530)	-
-	-	-	-
(957,614)	-	(957,614)	-
<u>(1,337,302)</u>	<u>-</u>	<u>(1,337,302)</u>	<u>-</u>
<u>(11,315,704)</u>	<u>-</u>	<u>(11,315,704)</u>	<u>-</u>
-	(150)	(150)	-
-	(2,138)	(2,138)	-
-	(98,983)	(98,983)	-
-	(101,271)	(101,271)	-
<u>(11,315,704)</u>	<u>(101,271)</u>	<u>(11,416,975)</u>	<u>-</u>
-	-	-	(44,102)
7,263,268	-	7,263,268	-
350,257	-	350,257	-
709,130	-	709,130	-
1,100,288	-	1,100,288	-
2,029,373	-	2,029,373	-
23,533	252	23,785	21,802
44,938	7,526	52,464	1,629
113,625	-	113,625	-
<u>11,634,412</u>	<u>7,778</u>	<u>11,642,190</u>	<u>23,431</u>
318,708	(93,493)	225,215	(20,671)
<u>20,037,067</u>	<u>636,578</u>	<u>20,673,645</u>	<u>1,101,138</u>
<u>\$ 20,355,775</u>	<u>543,085</u>	<u>20,898,860</u>	<u>1,080,467</u>

Spirit Lake Community School District  
Spirit Lake, 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>
<b>Assets</b>					
Cash	\$ 3,416,794	-	389,407	921,373	4,727,574
Restricted cash equivalents and pooled investments	-	1,701,291	-	-	1,701,291
Receivables:					
Property tax:					
Delinquent	37,436	-	2,015	3,806	43,257
Succeeding year	6,733,982	-	357,156	400,000	7,491,138
Accounts	16,136	-	3,227	3,682	23,045
Due from other funds	3,000	-	-	-	3,000
Due from other governments	918,203	-	170,349	-	1,088,552
<b>Total assets</b>	<u>\$ 11,125,551</u>	<u>1,701,291</u>	<u>922,154</u>	<u>1,328,861</u>	<u>15,077,857</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 213,138	-	11,136	18,929	243,203
Salaries and benefits payable	996,318	-	-	549	996,867
<b>Total liabilities</b>	<u>1,209,456</u>	<u>-</u>	<u>11,136</u>	<u>19,478</u>	<u>1,240,070</u>
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	6,733,982	-	357,156	400,000	7,491,138
Income surtax	646,525	-	-	-	646,525
<b>Total deferred inflows of resources</b>	<u>7,380,507</u>	<u>-</u>	<u>357,156</u>	<u>400,000</u>	<u>8,137,663</u>
Fund balances:					
Restricted for:					
Categorical funding	219,072	-	-	-	219,072
Debt service	-	1,701,291	-	-	1,701,291
Management levy purposes	-	-	-	858,051	858,051
Student activities	-	-	-	51,332	51,332
School infrastructure	-	-	209,595	-	209,595
Physical plant and equipment	-	-	344,267	-	344,267
Unassigned	2,316,516	-	-	-	2,316,516
<b>Total fund balances</b>	<u>2,535,588</u>	<u>1,701,291</u>	<u>553,862</u>	<u>909,383</u>	<u>5,700,124</u>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<u>\$ 11,125,551</u>	<u>1,701,291</u>	<u>922,154</u>	<u>1,328,861</u>	<u>15,077,857</u>

See notes to financial statements.

Spirit Lake Community School District  
Spirit Lake, Iowa

Exhibit D

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

June 30, 2015

**Total fund balances of governmental funds (page 21)** \$ 5,700,124

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

Capital assets used in governmental activities are not financial resources and,  
therefore, are not reported as assets in the governmental funds. 32,178,321

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. 646,525

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. (157,785)

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	914,054	
Deferred inflows of resources	<u>(2,063,016)</u>	(1,148,962)

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. (16,862,448)

**Net position of governmental activities (page 18)** \$ 20,355,775

See notes to financial statements.

Spirit Lake Community School District  
 Spirit Lake, Iowa  
 Statement of Revenues, Expenditures and Changes in Fund Balances  
 Governmental Funds  
 Year ended June 30, 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	\$ 7,220,676	-	350,257	670,219	8,241,152
Tuition	757,122	-	-	-	757,122
Other	224,975	81	17,535	194,023	436,614
State sources	3,501,330	-	1,103,773	7,502	4,612,605
Federal sources	316,738	-	23,885	1,382	342,005
Total revenues	<u>12,020,841</u>	<u>81</u>	<u>1,495,450</u>	<u>873,126</u>	<u>14,389,498</u>
Expenditures:					
Current:					
Instruction:					
Regular	5,122,238	-	309,769	259,441	5,691,448
Special	1,693,538	-	-	-	1,693,538
Other	1,215,926	-	-	159,185	1,375,111
	<u>8,031,702</u>	<u>-</u>	<u>309,769</u>	<u>418,626</u>	<u>8,760,097</u>
Support services:					
Student	327,052	-	-	-	327,052
Instructional staff	661,834	-	53,828	782	716,444
Administration	1,239,682	-	9,807	131,662	1,381,151
Operation and maintenance of plant	1,210,370	-	20,534	131,403	1,362,307
Transportation	417,657	-	183,925	20,545	622,127
	<u>3,856,595</u>	<u>-</u>	<u>268,094</u>	<u>284,392</u>	<u>4,409,081</u>
Other expenditures:					
Facilities acquisition	-	-	271,164	-	271,164
Long-term debt:					
Principal	-	922,414	-	-	922,414
Interest and fiscal charges	-	317,974	-	-	317,974
AEA flowthrough	486,527	-	-	-	486,527
	<u>486,527</u>	<u>1,240,388</u>	<u>271,164</u>	<u>-</u>	<u>1,998,079</u>
Total expenditures	<u>12,374,824</u>	<u>1,240,388</u>	<u>849,027</u>	<u>703,018</u>	<u>15,167,257</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(353,983)</u>	<u>(1,240,307)</u>	<u>646,423</u>	<u>170,108</u>	<u>(777,759)</u>
Other financing sources (uses):					
Lease purchase obligation issued	-	-	491,832	-	491,832
Sale of fixed assets	113,625	-	-	-	113,625
Operating transfers in	6,944	1,261,967	266,445	-	1,535,356
Operating transfers out	(105,689)	-	(1,422,723)	(6,944)	(1,535,356)
Total other financing sources (uses)	<u>14,880</u>	<u>1,261,967</u>	<u>(664,446)</u>	<u>(6,944)</u>	<u>605,457</u>
Change in fund balances	(339,103)	21,660	(18,023)	163,164	(172,302)
Fund balances beginning of year	2,874,691	1,679,631	571,885	746,219	5,872,426
Fund balances end of year	<u>\$ 2,535,588</u>	<u>1,701,291</u>	<u>553,862</u>	<u>909,383</u>	<u>5,700,124</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 23)** \$ (172,302)

*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. Depreciation expense exceeded capital outlay expenditures in the current year, as follows:

Expenditures for capital assets	\$ 833,113	
Depreciation expense	<u>(1,285,828)</u>	(452,715)

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. 81,505

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	(491,832)	
Premium on bonds amortized	25,768	
Repaid	<u>922,416</u>	456,352

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. (3,326)

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. 673,698

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	47,147	
Pension expense	(234,459)	
Other postemployment benefits	<u>(77,192)</u>	(264,504)

**Change in net position of governmental activities (page 20)** \$ 318,708

Spirit Lake Community School District  
 Spirit Lake, Iowa

Exhibit G

Statement of Net Position  
 Proprietary Fund

June 30, 2015

	<u>Enterprise School Nutrition</u>
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 290
Accounts receivable	1,541
Inventories	<u>22,548</u>
Total current assets	<u>24,379</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	<u>696,933</u>
Total noncurrent assets	<u>696,933</u>
<b>Total assets</b>	<u>721,312</u>
 <b>Deferred Outflows of Resources</b>	
Pension related deferred outflows	<u>26,727</u>
 <b>Liabilities</b>	
Current liabilities:	
Accounts payable	1
Unearned revenue	10,695
Due to other funds	<u>3,000</u>
Total current liabilities	<u>13,696</u>
Noncurrent liabilities:	
Net pension liability	127,783
Net OPEB liability	<u>3,153</u>
Total noncurrent liabilities	<u>130,936</u>
<b>Total liabilities</b>	<u>144,632</u>

(continued)

Spirit Lake Community School District  
Spirit Lake, Iowa

Exhibit G

Statement of Net Position  
Proprietary Fund

June 30, 2015

(continued)

	<u>Enterprise</u> <u>School</u> <u>Nutrition</u>
<b>Deferred Inflows of Resources</b>	
Pension related deferred inflows	<u>60,322</u>
<b>Net Position</b>	
Net investment in capital assets	696,933
Unrestricted	<u>(153,848)</u>
<b>Total net position</b>	<u><u>\$ 543,085</u></u>

See notes to financial statements.

Spirit Lake Community School District  
Spirit Lake, Iowa

Exhibit H

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

Year ended June 30, 2015

	<u>Enterprise</u> <u>School</u> <u>Nutrition</u>
Operating revenues:	
Local sources:	
Charges for service	\$ 352,985
Miscellaneous	<u>7,526</u>
Total operating revenues	<u>360,511</u>
 Operating expenses:	
Support services:	
Administration	150
Operation and maintenance of plant	<u>2,138</u>
	<u>2,288</u>
 Non-instructional programs:	
Food service operations:	
Salaries	221,139
Benefits	33,103
Purchased services	739
Supplies	343,833
Depreciation	<u>70,695</u>
	<u>669,509</u>
 Total operating expenses	<u>671,797</u>
Operating loss	<u>(311,286)</u>

(continued)

Spirit Lake Community School District  
Spirit Lake, Iowa

Exhibit H

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

Year ended June 30, 2015

(continued)

	<u>Enterprise School Nutrition</u>
Non-operating revenues:	
State sources	4,252
Federal sources	213,289
Interest income	<u>252</u>
Total non-operating revenues	<u>217,793</u>
Decrease in net position	(93,493)
Net position beginning of year, as restated	<u>636,578</u>
Net position end of year	<u>\$ 543,085</u>

See notes to financial statements.

Spirit Lake Community School District  
Spirit Lake, Iowa

Exhibit I

Statement of Cash Flows  
Proprietary Fund

Year ended June 30, 2015

	<u>Enterprise</u> <u>School</u> <u>Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 355,563
Cash received from other services	7,526
Cash paid to employees for services	(266,683)
Cash paid to suppliers for goods or services	<u>(323,446)</u>
Net cash used by operating activities	<u>(227,040)</u>
Cash flows from non-capital financing activities:	
Loan from (repaid to) General Fund	3,000
State grants received	4,252
Federal grants received	<u>176,235</u>
Net cash provided by non-capital financing activities	<u>183,487</u>
Cash flows from investing activities:	
Interest on investments	<u>252</u>
Net decrease in cash and cash equivalents	(43,301)
Cash and cash equivalents beginning of year	<u>43,591</u>
Cash and cash equivalents end of year	<u>\$ 290</u>

Spirit Lake Community School District  
Spirit Lake, Iowa

Exhibit I

Statement of Cash Flows  
Proprietary Fund

Year ended June 30, 2015

	Enterprise School <u>Nutrition</u>
<b>Reconciliation of operating loss to net cash used by operating activities:</b>	
Operating loss	\$ (311,286)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	37,054
Depreciation	70,695
Decrease in accounts receivable	311
(Increase) in inventories	(12,881)
(Decrease) in salaries and benefits payable	(319)
(Decrease) in accounts payable	(759)
Increase in unearned revenue	2,267
(Decrease) in net pension liability	(65,267)
(Increase) in deferred outflows of resources	(7,899)
Increase in deferred inflows of resources	60,322
Increase in other postemployment benefits	722
Net cash used by operating activities	<u>\$ (227,040)</u>

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

During the year ended June 30, 2015, the District received \$37,054 of federal commodities.

See notes to financial statements.

Spirit Lake Community School District  
Spirit Lake, Iowa

Exhibit J

Statement of Fiduciary Net Position  
Fiduciary Funds

June 30, 2015

	<u>Private Purpose Trust Scholarship</u>
<b>Assets</b>	
Cash	\$ <u>306,457</u>
<b>Total assets</b>	<u>306,457</u>
<b>Liabilities</b>	
<b>Total liabilities</b>	<u>-</u>
<b>Net position</b>	
Reserved for scholarships	\$ <u><u>306,457</u></u>

See notes to financial statements.

Spirit Lake Community School District  
Spirit Lake, Iowa

Exhibit K

Statement of Changes in Fiduciary Net Position  
Fiduciary Funds

Year ended June 30, 2015

	<u>Private Purpose Trust</u> <u>Scholarship</u>
Additions:	
Local sources:	
Interest income	\$ 1,602
Total additions	<u>1,602</u>
Deductions:	
Instruction:	
Regular:	
Scholarships	<u>-</u>
Change in net position	1,602
Net position beginning of year	<u>304,855</u>
Net position end of year	<u><u>\$ 306,457</u></u>

See notes to financial statements.

Spirit Lake Community School District  
Spirit Lake, Iowa

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

June 30, 2015

	Discrete Component			
	Spirit Lake Community School Foundation	Indian Athletic Booster Club	Spirit Lake Music Booster Club	Elementary Partners in Education
<b>Assets</b>				
Cash	\$ 27,203	43,050	70,782	47,188
Investments	881,692	-	-	-
Fundraiser receivable	-	16,863	-	-
<b>Total assets</b>	<b>\$ 908,895</b>	<b>59,913</b>	<b>70,782</b>	<b>47,188</b>
<b>Liabilities</b>				
Salaries and benefits payable	\$ -	-	-	-
Note payable	-	74,632	-	-
<b>Total liabilities</b>	<b>-</b>	<b>74,632</b>	<b>-</b>	<b>-</b>
<b>Net Position</b>				
Restricted	905,310	-	-	-
Unrestricted	3,585	(14,719)	70,782	47,188
<b>Total net position</b>	<b>908,895</b>	<b>(14,719)</b>	<b>70,782</b>	<b>47,188</b>
<b>Total liabilities and net position</b>	<b>\$ 908,895</b>	<b>59,913</b>	<b>70,782</b>	<b>47,188</b>

See notes to financial statements.

Exhibit L

Units

<u>Middle School Partners in Education</u>	<u>High School Partners in Education</u>	<u>Friends of the SAMI Center</u>	<u>Total</u>
29,411	5,267	33,880	256,781
-	-	-	881,692
-	-	-	16,863
<u>29,411</u>	<u>5,267</u>	<u>33,880</u>	<u>1,155,336</u>
-	-	237	237
-	-	-	74,632
-	-	237	74,869
-	-	-	905,310
<u>29,411</u>	<u>5,267</u>	<u>33,643</u>	<u>175,157</u>
<u>29,411</u>	<u>5,267</u>	<u>33,643</u>	<u>1,080,467</u>
<u>29,411</u>	<u>5,267</u>	<u>33,880</u>	<u>1,155,336</u>

Spirit Lake Community School District  
 Spirit Lake, Iowa  
 Combining Statement of Revenues and Expenses and Changes  
 in Net Position - Modified Cash Basis  
 Discrete Component Units  
 Year ended June 30, 2015

	Discrete Component			
	Spirit Lake Community School Foundation	Indian Athletic Booster Club	Spirit Lake Music Booster Club	Elementary Partners in Education
Revenues:				
Interest	\$ 6	31	232	10
Donations	60,910	-	-	17,797
Dividends	20,972	-	-	-
Sponsorships	-	78,322	19,773	-
Concessions	-	48,435	32,827	-
Event admissions	-	-	9,839	-
Fundraisers	-	10,291	25,433	41,737
Gain/Loss on investment	507	-	-	-
Other	-	373	1,256	-
Total revenues	<u>82,395</u>	<u>137,452</u>	<u>89,360</u>	<u>59,544</u>
Expenses:				
Scholarships	55,320	-	-	-
Facilities/equipment/uniforms	-	59,099	11,615	3,900
Labor	-	-	-	-
Donations	2,500	18,075	-	-
Advertising	-	3,641	902	-
Bank charges	-	-	185	5
Travel	-	-	58,538	-
Postage	48	10	-	-
Supplies	1,245	30,594	35,254	34,361
Insurance	-	900	804	-
Event expenses	-	13,409	4,584	-
Professional fees	9,793	-	825	435
Other	-	2,648	14,335	-
Total expenses	<u>68,906</u>	<u>128,376</u>	<u>127,042</u>	<u>38,701</u>
Change in net position	13,489	9,076	(37,682)	20,843
Net position beginning of year	<u>895,406</u>	<u>(23,795)</u>	<u>108,464</u>	<u>26,345</u>
Net position end of year	<u>\$ 908,895</u>	<u>(14,719)</u>	<u>70,782</u>	<u>47,188</u>

See notes to financial statements.

Exhibit M

Units

<u>Middle School Partners in Education</u>	<u>High School Partners in Education</u>	<u>Friends of the SAMI Center</u>	<u>Total</u>
-	-	44	323
-	2,475	7,250	88,432
-	-	-	20,972
-	-	-	98,095
-	-	-	81,262
-	-	21,387	31,226
11,885	-	-	89,346
-	-	-	507
-	-	-	1,629
<u>11,885</u>	<u>2,475</u>	<u>28,681</u>	<u>411,792</u>
-	2,250	-	57,570
-	-	-	74,614
-	-	7,005	7,005
-	-	-	20,575
-	-	-	4,543
-	-	1,562	1,752
-	-	-	58,538
10	-	117	185
14,017	544	699	116,714
-	-	1,964	3,668
-	-	34,260	52,253
275	-	6,015	17,343
-	-	720	17,703
<u>14,302</u>	<u>2,794</u>	<u>52,342</u>	<u>432,463</u>
(2,417)	(319)	(23,661)	(20,671)
<u>31,828</u>	<u>5,586</u>	<u>57,304</u>	<u>1,101,138</u>
<u>29,411</u>	<u>5,267</u>	<u>33,643</u>	<u>1,080,467</u>

Spirit Lake Community School District  
Spirit Lake, Iowa

Notes to Financial Statements

June 30, 2015

**(1) Summary of Significant Accounting Policies**

Spirit Lake Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the City of Spirit Lake, Iowa, and the predominate agricultural territory in Dickinson county. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Spirit Lake Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The Spirit Lake Community School District has seven component units which meet the Governmental Accounting Standards Board criteria.

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

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

Spirit Lake Community School District  
Spirit Lake, Iowa

Notes to Financial Statements

June 30, 2015

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

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

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

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

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

Spirit Lake Community School District  
Spirit Lake, Iowa

Notes to Financial Statements

June 30, 2015

Jointly Governed Organization - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Dickinson County Assessor's Conference Board.

B. Basis of Presentation

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

The Statement of Net Position presents the District's nonfiduciary assets, deferred 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.

*Unrestricted net position* consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest

Spirit Lake Community School District  
Spirit Lake, Iowa

Notes to Financial Statements

June 30, 2015

restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements— Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

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

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

The District reports the following major proprietary fund:

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

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

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

Spirit Lake Community School District  
Spirit Lake, Iowa

Notes to Financial Statements

June 30, 2015

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

Spirit Lake Community School District  
Spirit Lake, Iowa

Notes to Financial Statements

June 30, 2015

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:

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.

Spirit Lake Community School District  
Spirit Lake, Iowa

Notes to Financial Statements

June 30, 2015

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.

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

Capital Assets – Capital assets, which include property, furniture and equipment and intangibles are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Spirit Lake Community School District  
Spirit Lake, Iowa

Notes to Financial Statements

June 30, 2015

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

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

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

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 tht have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Position in the Proprietary, School Nutrition Fund.

Spirit Lake Community School District  
Spirit Lake, Iowa

Notes to Financial Statements

June 30, 2015

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

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

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.

Spirit Lake Community School District  
Spirit Lake, Iowa

Notes to Financial Statements

June 30, 2015

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

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

Unassigned – All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2015, expenditures exceeded the amounts budgeted in the non-instructional programs function.

(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 in deposit at June 30, 2015.

Spirit Lake Community School District  
Spirit Lake, Iowa

Notes to Financial Statements

June 30, 2015

**(3) Due From and due to Other Funds**

The detail of interfund receivables and payables at June 30, 2015 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Enterprise: Nutrition	<u>\$ 3,000</u>

The Enterprise, Nutrition Fund is repaying the General fund for a cash shortfall during the year. The balance is to be repaid by October 1, 2015.

**(4) 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	Special Revenue: Student Activity	\$ 6,944
Capital Projects: Physical Plant and Equipment Levy	Capital Projects: Statewide Sales, Services and Use Tax	266,445
Debt Service	General	105,689
	Capital Projects: Physical Plant and Equipment Levy	99,994
	Statewide Sales, Services and Use Tax	<u>1,056,284</u>
Total		<u>\$ 1,535,356</u>

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

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**(5) Capital Assets**

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 296,000	---	---	296,000
Construction in progress	<u>470,435</u>	<u>7,250</u>	<u>(477,685)</u>	<u>---</u>
Total capital assets not being depreciated	<u>766,435</u>	<u>7,250</u>	<u>(477,685)</u>	<u>296,000</u>
Capital assets being depreciated:				
Buildings	40,331,014	613,521	---	40,944,535
Land improvements	3,523,527	---	---	3,523,527
Furniture and equipment	<u>3,677,903</u>	<u>690,027</u>	<u>---</u>	<u>4,367,930</u>
Total capital assets being depreciated	<u>47,532,444</u>	<u>1,303,548</u>	<u>---</u>	<u>48,835,992</u>
Less accumulated depreciation for:				
Buildings	11,550,049	809,630	---	12,359,679
Land improvements	1,867,290	117,288	---	1,984,578
Furniture and equipment	<u>2,250,504</u>	<u>358,910</u>	<u>---</u>	<u>2,609,414</u>
Total accumulated depreciation	<u>15,667,843</u>	<u>1,285,828</u>	<u>---</u>	<u>16,953,671</u>
Total capital assets being depreciated, net	<u>31,864,601</u>	<u>17,720</u>	<u>---</u>	<u>31,882,321</u>
Governmental activities capital assets, net	<u>\$ 32,631,036</u>	<u>24,970</u>	<u>(477,685)</u>	<u>32,178,321</u>
<b>Business type activities:</b>				
Furniture and equipment	\$ 853,956	---	---	853,956
Less accumulated depreciation	<u>86,327</u>	<u>70,696</u>	<u>---</u>	<u>157,023</u>
Business type activities capital assets, net	<u>\$ 767,629</u>	<u>70,696</u>	<u>---</u>	<u>696,933</u>

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Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular	\$ 156,672
Other	9,993

Support services:

Instructional staff	35,712
Administration	5,151
Operation and maintenance of plant	41,073
Transportation	<u>79,613</u>

328,214

Unallocated 957,614

Total depreciation expense – governmental activities \$ 1,285,828

Business type activities:

Food service operations \$ 71,637

**(6) 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:					
Revenue refunding bonds					
Series 2013 A	\$ 3,510,964	---	590,161	2,920,803 (1)	605,000
Revenue bonds Series 2013 B	7,764,413	---	10,607	7,753,806 (2)	---
Computer lease	---	309,600	158,476	151,124	151,124
Energy loan notes	1,116,488	---	63,751	1,052,737	65,579
Bus lease FY13	59,460	---	59,460	---	---
Bus lease FY14	50,989	---	16,663	34,326	16,777
Bus lease FY15	--	182,232	38,851	143,381	34,365
Equipment lease – copier	20,446	---	6,132	14,314	6,426
Equipment lease – carpet cleaner	8,304	---	4,083	4,221	4,221
Early retirement	127,445	110,000	157,147	80,298	65,227
Net pension liability	6,602,187	---	2,232,095	4,370,092	---
Net OPEB liability	<u>260,154</u>	<u>77,192</u>	<u>---</u>	<u>337,346</u>	<u>---</u>
Total	<u>\$ 19,520,850</u>	<u>679,024</u>	<u>3,337,426</u>	<u>16,862,448</u>	<u>948,719</u>

(1) Bonds were sold at a premium; unamortized premium at June 30, 2015 totaled \$75,803.

(2) Bonds were sold at a premium; unamortized premium at June 30, 2015 totaled \$153,806.

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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	193,050	---	65,267	127,783	---
Net OPEB liability	\$ 2,431	722	---	3,153	---
Total	<u>195,481</u>	<u>722</u>	<u>65,267</u>	<u>130,936</u>	<u>---</u>

Revenue Bonds

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

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

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

Year Ending <u>June 30,</u>	Bond Issue of May 28, 2013 Series 2013A		
	Interest <u>Rates</u>	<u>Principal</u>	<u>Interest</u>
2016	2.00%	\$ 605,000	48,700
2017	2.00	425,000	38,400
2018	2.00	425,000	29,900
2019	2.00	535,000	20,300
2020	1.50	430,000	11,725
2021-2025	2.00	425,000	4,250
2026-2030		---	---
Total		<u>\$2,845,000</u>	<u>153,275</u>

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Year Ending <u>June 30,</u>	Bond Issue of May 28, 2013 Series 2013 B			Total		
	Interest <u>Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	---%	\$ ---	220,376	605,000	269,076	874,076
2017	2.00	160,000	218,776	585,000	257,176	842,176
2018	2.00	170,000	215,476	595,000	245,376	840,376
2019	2.00	70,000	213,076	605,000	233,376	838,376
2020	2.00	190,000	210,476	620,000	222,201	842,201
2021-2025	2.00-2.625	2,850,000	914,198	3,275,000	918,448	4,193,448
2026-2030	3.00-4.00	4,160,000	436,300	4,160,000	436,300	4,596,300
Total		<u>\$7,600,000</u>	<u>2,428,678</u>	<u>10,445,000</u>	<u>2,581,953</u>	<u>13,026,953</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$3,420,000 and the \$7,600,000 of bonds issued in May 2013. The bonds were issued for the purpose of refunding old bonds and financing a portion of the costs of school infrastructure. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 80% of the statewide sales, services, and use tax revenue. The total principal and interest remaining to be paid on the bonds is \$13,026,953. For the current year, \$575,000 of principal and \$280,876 of interest was paid on the bonds and total statewide sales, services, and use tax revenues were \$1,100,287.

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

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

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

Energy Loan Notes

During the year ended June 30, 2014, the District issued Energy Management Improvement Capital Loan Notes to provide funds for energy improvements. The notes bear interest at 2.75% per annum and are payable from the General Fund. Details of the District's indebtedness under the agreement in effect at June 30, 2015 is as follows:

Year Ending <u>June 30,</u>	Issued October 29, 2013		
	Interest <u>Rates</u>	<u>Principal</u>	<u>Interest</u>
2016	2.75%	\$ 65,579	28,502
2017	2.75	67,395	26,687
2018	2.75	69,261	24,821
2019	2.75	71,179	22,903
2020	2.75	73,150	20,932
2021-2025	2.75	397,276	73,132
2026-2029	2.75	308,897	17,087
Total		<u>\$1,052,737</u>	<u>214,064</u>

During the year ended June 30, 2015, the District made principal and interest payments totaling \$107,610.

Computer Lease

During the year ended June 30, 2015, the District entered into a lease agreement with American Capital Financial Services, Inc. for laptop computers. Annual principal and interest payments are made from the Capital Projects, Statewide Sales, Services and Use Tax Fund. For the current year \$158,476 in principal and no interest was paid on the computer lease. Details of the District's June 30, 2015 computer lease indebtedness are as follows:

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Year Ending <u>June 30,</u> 2016	Lease dated August 1, 2014			
	Interest			
	<u>Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	5.09%	\$ <u>151,124</u>	<u>7,352</u>	<u>158,476</u>

Bus Lease

During the year ended June 30, 2013, the District entered into a lease agreement with De Lage Landen Public Finance LLC for two buses. Annual principal and interest payments are made from the Capital Projects, Physical Plant and Equipment Levy Fund. For the current year \$59,460 in principal and \$1,683 in interest was paid on the bus lease. There are no future maturities.

During the year ended June 30, 2014, the District entered into a lease agreement with American Capital Financial Services, Inc. for a bus. Annual principal and interest payments are made from the Capital Projects, Statewide Sales, Services and Use Tax Fund. For the current year \$16,663 in principal and \$1,692 in interest was paid on the bus lease. Details of the District's June 30, 2015 bus lease indebtedness are as follows:

Year Ending <u>June 30,</u> 2016 2017 Total	Lease dated October 18, 2013			
	Interest			
	<u>Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	4.59%	\$ 16,777	1,578	18,355
	4.59	<u>17,549</u>	<u>806</u>	<u>18,355</u>
		\$ <u>34,326</u>	<u>2,384</u>	<u>36,710</u>

During the year ended June 30, 2015, the District entered into a lease agreement with American Capital Financial Services, Inc. for two buses. Annual principal and interest payments are made from the Capital Projects, Physical Plant and Equipment Levy Fund. For the current year \$38,851 in principal and no interest was paid on the bus lease. Details of the District's June 30, 2015 bus lease indebtedness are as follows:

Year Ending <u>June 30,</u> 2016 2017 2018 2019 Total	Lease dated October 18, 2013			
	Interest			
	<u>Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	3.42%	\$ 34,365	4,486	38,851
	3.42	35,125	3,726	38,851
	3.42	36,325	2,526	38,851
	3.42	<u>37,566</u>	<u>1,285</u>	<u>38,851</u>
		\$ <u>143,381</u>	<u>12,023</u>	<u>155,404</u>

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Equipment lease

During the year ended June 30, 2014, the District entered into a lease agreement with American Capital Financial Services, Inc. for four copiers. Annual principal and interest payments are made from the General Fund. For the current year \$6,131 in principal and \$831 in interest was paid on the copier lease. Details of the District's June 30, 2015 copier lease indebtedness are as follows:

Year Ending <u>June 30,</u>	<u>Lease dated October 1, 2013</u>			
	Interest Rates	Principal	Interest	Total
2016	4.59%	\$ 6,426	536	6,962
2017	4.59	6,735	227	6,962
2018	4.59	<u>1,153</u>	<u>7</u>	<u>1,160</u>
Total		\$ <u>14,314</u>	<u>770</u>	<u>15,084</u>

During the year ended June 30, 2014, the District entered into a lease agreement with American Capital Financial Services, Inc. for a carpet cleaner. Annual principal and interest payments are made from the General Fund. For the current year \$4,083 in principal and \$561 in interest was paid on the carpet cleaner lease. Details of the District's June 30, 2015 carpet cleaner lease indebtedness are as follows:

Year Ending <u>June 30,</u>	<u>Lease dated November 4, 2013</u>			
	Interest Rates	Principal	Interest	Total
2016	10.02%	\$ <u>4,221</u>	<u>423</u>	<u>4,644</u>

Early Retirement

During the year ended 2015, the District offered a one time voluntary early retirement plan to its full-time certified teaching employees. Eligible employees must have completed ten years of continuous service to the District and must have reached the age of fifty-five prior to June 29, 2015. The benefit consists of \$55,000 to be paid in two installments.

The District is also making payments to employees who accepted a voluntary early retirement plan offered for the year ended June 30, 2014. The benefit consists of \$85,000 for principals and \$55,000 for directors of divisions to be paid in two installments.

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The District is also making payments to an employee who accepted a voluntary early retirement plan offered for the year ended June 30, 2012. That benefit consists of three years family health insurance or single insurance plus the difference between single and family coverage in cash.

The District is also making payments to employees who accepted a voluntary early retirement plan offered for the year ended June 30, 2008. That benefit was equal to a percentage (based on age of employee) of the difference between the employee's last year's teaching salary, the base salary and years of service with the benefit being paid in equal annual installments in October until the employee is eligible for Medicare. Early retirement benefits paid for the year ended June 30, 2015 totaled \$157,148.

**(7) 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](http://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 of benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

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- 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.

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

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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 contributes 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 \$693,589.

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 \$4,497,875 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 contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District's collective proportion was 0.113414 percent, which was a decrease of 0.004936 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$241,314. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 48,883	\$ -
Changes of assumptions	198,501	-
Net difference between projected and actual earnings on pension plan investments	-	1,715,360
Changes in proportion and differences between District contributions and proportionate share of contributions	-	407,978
District contributions subsequent to the measurement date	<u>693,397</u>	<u>-</u>
Total	<u>\$ 940,781</u>	<u>\$ 2,123,338</u>

\$693,397 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	\$ (446,362)
2017	(446,362)
2018	(446,362)
2019	(446,362)
2020	<u>(10,506)</u>
Total	<u>\$ (1,795,954)</u>

There were no non-employer contributing entities at IPERS.

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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	\$ 8,498,608	\$ 4,497,875	\$ 1,120,841

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](http://www.ipers.org).

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

**(8) Other Postemployment Benefits (OPEB)**

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

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

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

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

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

Annual required contribution	\$ 109,574
Interest on net OPEB obligation	6,565
Adjustment to annual required contribution	<u>(19,306)</u>
Annual OPEB cost	96,833
Contributions made	<u>(18,919)</u>
Increase in net OPEB obligation	77,914
Net OPEB obligation beginning of year	<u>262,585</u>
Net OPEB obligation end of year	\$ <u>340,499</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2015.

For the year ended June 30, 2015, the District contributed \$18,919 to the medical plan. Plan members eligible for benefits contributed \$130,710, or 87% of the premium costs.

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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	\$ 103,735	30.3%	\$190,958
2014	103,849	31.0%	262,585
2015	96,833	19.5%	340,499

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$585,253, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$585,253. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$6,567,000 and the ratio of the UAAL to covered payroll was 8.9%. 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.

Spirit Lake Community School District  
Spirit Lake, Iowa

Notes to Financial Statements

June 30, 2015

As of the July 1, 2012 actuarial valuation date, the entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The health cost trend rate for basis of the actuarial valuation was 6% per year.

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

Projected claim costs of the medical plan are \$678 per month for retirees less than age 65. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**(9) Risk Management**

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

**(10) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$486,527 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.

Spirit Lake Community School District  
Spirit Lake, Iowa

Notes to Financial Statements

June 30, 2015

**(11) 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>
Talented and Gifted	\$ 39,552
Dropout prevention	58,784
Preschool	64,301
Beginning teacher mentoring	613
Successful progression for Early Readers	18,525
Professional development – core curriculum	27,599
Professional development	1,781
Teacher leadership	<u>7,917</u>
Total	\$ <u>219,072</u>

**(12) Accounting Change/Restatement**

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:

Spirit Lake Community School District  
Spirit Lake, Iowa

Notes to Financial Statements

June 30, 2015

	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Net position June 30, 2014, as previously reported	\$ 25,995,360	810,800
Net pension liability at June 30, 2014	(6,602,187)	(193,050)
Deferred outflows of resources related to contributions made after the June 30, 2013 measurement date	<u>643,894</u>	<u>18,828</u>
Net position July 1, 2014, as restated	\$ <u>20,037,067</u>	<u>636,578</u>

**(13) 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 Districts financial statements.

**(14) Subsequent Events**

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

On August 10, 2015 the Board approved a purchase of a bus for \$100,528 to be financed with a five year loan.

## **Required Supplementary Information**

Spirit Lake Community School District  
Spirit Lake, Iowa

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

Required Supplementary Information

Year ended June 30, 2015

	Governmental Funds <u>Actual</u>	Proprietary Fund <u>Actual</u>
Revenues:		
Local sources	\$ 9,434,888	360,763
State sources	4,612,605	4,252
Federal sources	<u>342,005</u>	<u>213,289</u>
Total revenues	<u>14,389,498</u>	<u>578,304</u>
Expenditures/Expenses:		
Instruction	8,760,097	-
Support services	4,409,081	2,288
Non-instructional programs	-	669,509
Other expenditures	<u>1,998,079</u>	<u>-</u>
Total expenditures/expenses	<u>15,167,257</u>	<u>671,797</u>
Deficiency of revenues under expenditures/expenses	(777,759)	(93,493)
Other financing sources, net	<u>605,457</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	(172,302)	(93,493)
Balances beginning of year	<u>5,872,426</u>	<u>636,578</u>
Balances end of year	<u>\$ 5,700,124</u>	<u>543,085</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>	
9,795,651	9,895,349	9,895,349	(99,698)
4,616,857	4,674,482	4,674,482	(57,625)
<u>555,294</u>	<u>488,383</u>	<u>488,383</u>	<u>66,911</u>
<u>14,967,802</u>	<u>15,058,214</u>	<u>15,058,214</u>	<u>(90,412)</u>
8,760,097	8,975,000	8,775,000	14,903
4,411,369	4,998,000	4,523,000	111,631
669,509	589,942	657,942	(11,567)
<u>1,998,079</u>	<u>1,457,258</u>	<u>2,707,258</u>	<u>709,179</u>
<u>15,839,054</u>	<u>16,020,200</u>	<u>16,663,200</u>	<u>824,146</u>
(871,252)	(961,986)	(1,604,986)	733,734
<u>605,457</u>	<u>-</u>	<u>-</u>	<u>605,457</u>
(265,795)	(961,986)	(1,604,986)	1,339,191
<u>6,509,004</u>	<u>4,493,084</u>	<u>4,493,084</u>	<u>2,015,920</u>
<u>6,243,209</u>	<u>3,531,098</u>	<u>2,888,098</u>	<u>3,355,111</u>

Spirit Lake Community School District  
Spirit Lake, 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 functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$643,000.

During the year ended June 30, 2015, expenditures in the non-instructional programs function exceeded the amount budgeted.

Spirit Lake Community School District  
Spirit Lake, 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

	2015
District's proportion of the net pension liability	0.113414%
District's proportionate share of the net pension liability	\$ 4,498
District's covered-employee payroll	\$ 7,401
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	60.78%
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.

Spirit Lake Community School District  
Spirit Lake, 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	\$ 694	664	674
Contributions in relation to the statutorily required contribution	<u>(694)</u>	<u>(664)</u>	<u>(674)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 7,710	7,401	7,687
Contributions as a percentage of covered-employee payroll	7.57%	7.37%	7.42%

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>
598	520	485	460	448	389	373
<u>(598)</u>	<u>(520)</u>	<u>(485)</u>	<u>(460)</u>	<u>(448)</u>	<u>(389)</u>	<u>(373)</u>
<u>\$ -</u>						
7,548	7,442	7,362	6,552	6,819	6,653	7,007
6.75%	6.95%	5.63%	3.74%	3.48%	3.19%	3.19%

Spirit Lake Community School District  
Spirit Lake, 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 sheriff's 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.

Spirit Lake Community School District  
Spirit Lake, 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.

Spirit Lake Community School District  
Spirit Lake, Iowa

Schedule of Funding Progress for the Retiree Health Plan  
(In Thousands)

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	Jul 1, 2009	-	\$ 434	434	0.0%	\$ 6,191	7.0%
2011	Jul 1, 2009	-	434	434	0.0%	6,196	7.0%
2012	Jul 1, 2009	-	434	434	0.0%	5,986	7.3%
2013	Jul 1, 2012	-	648	648	0.0%	6,341	10.2%
2014	Jul 1, 2012	-	617	617	0.0%	6,433	9.6%
2015	Jul 1, 2012	-	585	585	0.0%	6,567	8.9%

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

See accompanying independent auditor's report.

## Supplementary Information

Spirit Lake Community School District  
Spirit Lake, Iowa

Schedule 1

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2015

	Special Revenue		
	Student	Manage-	
<b>Assets</b>	<u>Activity</u>	<u>ment</u>	<u>Total</u>
	<u>Levy</u>	<u>Levy</u>	<u>Total</u>
Cash	\$ 69,039	852,334	921,373
Receivables:			
Property tax:			
Delinquent	-	3,806	3,806
Succeeding year	-	400,000	400,000
Accounts	1,771	1,911	3,682
<b>Total assets</b>	<u>\$ 70,810</u>	<u>1,258,051</u>	<u>1,328,861</u>
<b>Liabilities, Deferred Inflows of Resources</b>			
<b>and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 18,929	-	18,929
Salaries and benefits payable	549	-	549
<b>Total liabilities</b>	<u>19,478</u>	<u>-</u>	<u>19,478</u>
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	400,000	400,000
<b>Total deferred inflows of resources</b>	<u>-</u>	<u>400,000</u>	<u>400,000</u>
Fund balances:			
Restricted for:			
Management levy purposes	-	858,051	858,051
Student activities	51,332	-	51,332
<b>Total fund balances</b>	<u>51,332</u>	<u>858,051</u>	<u>909,383</u>
<b>Total liabilities, deferred inflows of</b>			
<b>resources and fund balances</b>	<u>\$ 70,810</u>	<u>1,258,051</u>	<u>1,328,861</u>

See accompanying independent auditor's report.

Spirit Lake Community School District  
Spirit Lake, Iowa

Schedule 2

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

Year ended June 30, 2015

	Special Revenue		
	<u>Student</u> <u>Activity</u>	<u>Manage-</u> <u>ment</u> <u>Levy</u>	<u>Total</u>
Revenues:			
Local sources:			
Local tax	\$ -	670,219	670,219
Other	180,567	13,456	194,023
State sources	-	7,502	7,502
Federal sources	-	1,382	1,382
Total revenues	180,567	692,559	873,126
Expenditures:			
Current:			
Instruction:			
Regular	-	259,441	259,441
Other	159,185	-	159,185
Support services:			
Instructional staff	782	-	782
Administration	79	131,583	131,662
Operation and maintenance of plant	311	131,092	131,403
Transportation	5,250	15,295	20,545
Total expenditures	165,607	537,411	703,018
Excess of revenues over expenditures	14,960	155,148	170,108
Other financing (uses):			
Operating transfers out	(6,944)	-	(6,944)
Change in fund balances	8,016	155,148	163,164
Fund balances beginning of year	43,316	702,903	746,219
Fund balances end of year	\$ 51,332	858,051	909,383

See accompanying independent auditor's report.

Spirit Lake Community School District  
Spirit Lake, Iowa

Schedule 3

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 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>
MS Drama	\$ 568	103	658	-	13
HS Drama	1,390	8,300	2,623	(3,306)	3,761
HS Vocal	-	7,729	10,114	2,850	465
MS Instrumental Music	170	652	722	-	100
HS Instrumental Music	-	4,907	5,363	456	-
Co-Ed Athletics	204	29,314	7,448	(13,976)	8,094
Cross Country	-	677	842	165	-
Boys Basketball	-	22,957	23,741	784	-
Boys Football	-	22,505	14,956	(7,549)	-
Boys Soccer	72	1,138	2,626	1,416	-
Boys Baseball	-	2,664	3,417	753	-
Boys Track	-	3,424	7,756	4,332	-
Boys Tennis	-	83	24	(59)	-
Boys Golf	-	1,048	1,305	257	-
Boys Wrestling	-	2,795	7,532	4,737	-
Girls Basketball	-	8,723	12,139	3,416	-
Girls Volleyball	-	4,342	5,895	1,553	-
Girls Soccer	-	430	2,379	1,949	-
Girls Softball	62	8,004	7,944	(122)	-
Girls Track	-	2,813	4,444	1,631	-
Girls Tennis	126	85	734	523	-
Girls Golf	-	-	190	190	-
Cheerleaders	-	1,485	1,322	-	163
Dance	8	4,805	4,813	-	-
Class of 2012	249	-	63	-	186
Class of 2013	187	-	-	-	187
Class of 2014	1,177	-	-	-	1,177
Class of 2015	1,123	450	360	-	1,213
Class of 2016	1,599	832	1,446	-	985
Class of 2017	747	832	70	-	1,509
Class of 2018	-	820	66	-	754

(continued)

(continued)

Spirit Lake Community School District  
Spirit Lake, Iowa

Schedule 3

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 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>
Mexico Club	1,410	114	168	-	1,356
Annual	9,239	11,582	12,089	-	8,732
SLHS Quiz Bowl	694	830	386	-	1,138
Classes	2,571	-	213	-	2,358
MS SAC	3,184	-	-	-	3,184
HS SAC	6,360	4,063	3,497	-	6,926
MOC	786	944	821	-	909
HS Library	119	101	121	-	99
MS Library	282	173	406	-	49
Middle School	2,157	-	2,157	-	-
Elementary Donations	3,291	688	3,608	-	371
Elementary Library	1,496	316	1,701	-	111
VW Jobs	832	-	-	-	832
FFA	2,440	13,165	11,087	-	4,518
Key Club	490	2,407	2,264	-	633
Speech	283	-	166	-	117
Color Guard	-	315	-	-	315
National Honor Society	-	302	100	-	202
HS Donations	-	350	-	-	350
MS Yearbook	-	1,296	1,155	-	141
Elementary Yearbook	-	2,004	1,620	-	384
Total	<u>\$ 43,316</u>	<u>180,567</u>	<u>172,551</u>	<u>-</u>	<u>51,332</u>

See accompanying independent auditor's report.

Spirit Lake Community School District  
Spirit Lake, Iowa

Schedule 4

Combining Balance Sheet  
Capital Project Accounts

June 30, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	<u>Total</u>
<b>Assets</b>			
Cash	\$ 39,246	350,161	389,407
Receivables:			
Property tax:			
Delinquent	-	2,015	2,015
Succeeding year	-	357,156	357,156
Accounts	-	3,227	3,227
Due from other governments	<u>170,349</u>	<u>-</u>	<u>170,349</u>
<b>Total assets</b>	<u>\$ 209,595</u>	<u>712,559</u>	<u>922,154</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
Liabilities:			
Accounts payable	<u>\$ -</u>	<u>11,136</u>	<u>11,136</u>
Total liabilities	<u>-</u>	<u>11,136</u>	<u>11,136</u>
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	<u>-</u>	<u>357,156</u>	<u>357,156</u>
Total deferred inflows of resources	<u>-</u>	<u>357,156</u>	<u>357,156</u>
Fund balances:			
Restricted for:			
School infrastructure	209,595	-	209,595
Physical plant and equipment	<u>-</u>	<u>344,267</u>	<u>344,267</u>
Total fund balances	<u>209,595</u>	<u>344,267</u>	<u>553,862</u>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<u>\$ 209,595</u>	<u>712,559</u>	<u>922,154</u>

See accompanying independent auditor's report.

Spirit Lake Community School District  
Spirit Lake, Iowa

Schedule 5

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

Year ended June 30, 2015

	Capital Projects		
	Statewide	Physical	
	Sales, Services	Plant and	
	and Use Tax	Equipment	Total
		Levy	
Revenues:			
Local sources:			
Local tax	\$ -	350,257	350,257
Other	571	16,964	17,535
State sources	1,100,287	3,486	1,103,773
Federal sources	-	23,885	23,885
Total revenues	1,100,858	394,592	1,495,450
Expenditures:			
Instruction:			
Regular	309,769	-	309,769
Support services:			
Instructional staff	51,060	2,768	53,828
Administration	1,000	8,807	9,807
Operation and maintenance of plant	-	20,534	20,534
Transportation	1,545	182,380	183,925
Other expenditures:			
Facilities acquisition	26,515	244,649	271,164
Total expenditures	389,889	459,138	849,027
Excess (deficiency) of revenues over (under) expenditures	710,969	(64,546)	646,423
Other financing sources (uses):			
Lease purchase obligation issued	309,600	182,232	491,832
Operating transfers in	-	266,445	266,445
Operating transfers out	(1,322,729)	(99,994)	(1,422,723)
Total other financing sources (uses)	(1,013,129)	348,683	(664,446)
Change in fund balances	(302,160)	284,137	(18,023)
Fund balances beginning of year	511,755	60,130	571,885
Fund balances end of year	\$ 209,595	344,267	553,862
See accompanying independent auditor's report.			

Spirit Lake Community School District  
Spirit Lake, Iowa

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

For the Last Ten Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Revenues:				
Local sources:				
Local tax	\$ 8,241,152	8,785,246	10,159,269	9,927,507
Tuition	757,122	764,636	838,658	768,436
Other	436,614	507,827	564,277	595,395
Intermediate sources	-	-	-	-
State sources	4,612,605	4,505,938	3,535,128	3,337,679
Federal sources	342,005	279,653	259,440	265,226
Total	<u>\$ 14,389,498</u>	<u>14,843,300</u>	<u>15,356,772</u>	<u>14,894,243</u>
Expenditures:				
Instruction:				
Regular	\$ 5,691,448	5,630,587	6,004,512	5,478,886
Special	1,693,538	1,506,092	1,667,990	1,568,141
Other	1,375,111	1,350,942	1,395,718	1,355,146
Support services:				
Student	327,052	285,616	195,870	183,928
Instructional staff	716,444	788,969	685,034	808,470
Administration	1,381,151	1,279,183	1,337,325	1,181,644
Operation and maintenance of plant	1,362,307	1,401,438	1,423,300	1,249,341
Transportation	622,127	481,169	576,608	358,957
Other expenditures:				
Facilities acquisition	271,164	6,504,300	3,069,337	1,686,374
Long-term debt:				
Principal	922,414	463,440	4,168,375	983,508
Interest and other charges	317,974	198,878	422,471	200,171
AEA flowthrough	486,527	479,560	469,227	447,837
Total	<u>\$ 15,167,257</u>	<u>20,370,174</u>	<u>21,415,767</u>	<u>15,502,403</u>

See accompanying independent auditor's report.

Modified Accrual Basis					
<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
10,189,729	9,121,902	9,088,907	8,688,210	8,790,999	7,615,021
745,086	610,212	560,536	654,005	695,443	696,195
528,365	450,845	541,292	629,124	631,605	874,633
-	8,949	2,790	-	-	-
2,973,732	2,550,547	3,567,495	4,015,627	3,168,572	3,772,691
<u>692,658</u>	<u>1,000,553</u>	<u>462,377</u>	<u>290,032</u>	<u>340,617</u>	<u>250,098</u>
<u>15,129,570</u>	<u>13,743,008</u>	<u>14,223,397</u>	<u>14,276,998</u>	<u>13,627,236</u>	<u>13,208,638</u>
5,540,771	5,344,333	5,397,879	5,292,796	5,057,938	4,781,325
1,404,928	1,267,017	1,213,744	1,228,798	1,434,039	984,914
1,342,217	1,335,949	1,263,397	1,333,017	814,906	1,165,331
180,429	171,910	133,574	228,904	220,123	241,135
708,067	1,660,441	618,992	568,030	592,780	595,803
1,120,192	992,752	1,001,541	945,298	1,029,644	857,510
1,202,876	1,128,098	1,163,728	1,189,843	1,137,986	1,094,590
417,526	278,570	282,874	347,932	357,708	361,889
553,213	139,602	252,695	3,861,587	5,016,259	4,847,325
1,472,003	1,068,025	1,314,967	9,920,620	1,013,787	996,145
248,640	213,418	174,509	495,682	538,964	581,337
<u>491,412</u>	<u>491,706</u>	<u>447,173</u>	<u>419,742</u>	<u>385,591</u>	<u>372,754</u>
<u>14,682,274</u>	<u>14,091,821</u>	<u>13,265,073</u>	<u>25,832,249</u>	<u>17,599,725</u>	<u>16,880,058</u>

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

## Certified Public Accountants

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

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

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Spirit Lake Community School District as of and for the year ended June 30, 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 units, Spirit Lake Community School Foundation, Indian Athletic Booster Club, Spirit Lake Music Booster Club, Elementary, Middle School and High School Partners in Education and Friends of the SAMI Center, which were not audited.

### Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-A-15 and I-B-15 to be material weaknesses.

#### Compliance and Other Matters

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

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

#### Spirit Lake Community School District's Responses to Findings

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

#### Purpose of this Report

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Spirit Lake Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

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

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

January 20, 2016

Spirit Lake Community School District  
Spirit Lake, Iowa

Schedule of Findings

Year ended June 30, 2015

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

**INTERNAL CONTROL DEFICIENCIES:**

I-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.

I-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 Spirit Lake Community School District. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Spirit Lake Community School District  
Spirit Lake, Iowa

Schedule of Findings

Year ended June 30, 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.

Spirit Lake Community School District  
Spirit Lake, Iowa

Schedule of Findings

Year ended June 30, 2015

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

II-A-15 Certified Budget - Expenditures for the year ended June 30, 2015 exceeded the amended certified budget amount in the non-instructional programs function.

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

Response – We amended the budget but were still a little over budget in the non-instructional programs function due to extra food service costs and depreciation expense. Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion – Response accepted.

II-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.

II-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.

II-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>
Bob Kirschbaum, Bus Driver/ Mechanic, Owns Bob’s Repair and Tow	Parts/Supplies	\$ 19,293
Teresa Beck, Board Member Husband owns Beck Engineering	Crushed rock	\$ 570

Spirit Lake Community School District  
Spirit Lake, Iowa

Schedule of Findings

Year ended June 30, 2015

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

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

II-E-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.

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

II-G-15 Certified Enrollment - The number of limited English students reported to the Iowa Department of Education on line 13 of the Certified Enrollment Certification Form for October 2014 was overstated. The District included one student that should not have been counted.

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

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

Conclusion – Response accepted.

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

II-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.

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

Spirit Lake Community School District

Spirit Lake, Iowa

Schedule of Findings

Year ended June 30, 2015

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

II-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		\$ 511,755
Revenues/transfers in:		
Sales tax revenues	\$ 1,100,287	
Other local revenues	571	
Other	<u>309,600</u>	<u>1,410,458</u>
		1,922,213
Expenditures/transfers out:		
School infrastructure construction	25,444	
Equipment	347,659	
Other	16,786	
Transfers to other funds:		
Debt service fund	<u>1,322,729</u>	<u>1,712,618</u>
Ending balance		\$ <u>209,595</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.

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