

SCHLESWIG COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2013

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Schleswig Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Wade Gurney	President	2015
Jerrod Reimer	Board Member	2015
Lyle Schumann	Board Member	2015
Rhonda Nemitz	Board Member	2013
Alan Weiss	Board Member	2013
School Officials		
Brian Johnson	Superintendent	2013
Sherri Jones	Business Manager	2013
Vanessa Zimmer	District Treasurer	2013
Mundt, Franck & Schumacher	Attorney	2013

SCHLESWIG COMMUNITY SCHOOL DISTRICT

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the Schleswig 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 Schleswig Community School District, Schleswig, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Schleswig Community School District as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 15 and 42 through 44 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 Schleswig 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 nine years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 7, 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 Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 20, 2014 on our consideration of Schleswig Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Schleswig Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

March 20, 2014
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

Schleswig Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2013 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$3,234,255 in fiscal 2012 to \$3,115,372 in fiscal 2013, while General Fund expenditures increased from \$3,053,638 in fiscal 2012 to \$3,150,028 in fiscal 2013. This resulted in a decrease in the District's General Fund balance from a balance of \$1,122,665 in fiscal 2012 to a balance of \$1,088,009 in fiscal 2013, a 3.09% decrease from the prior year.
- The decrease in General Fund revenues was attributable to a decrease in local tax and state source revenues during fiscal 2013. The increase in General Fund expenditures was attributable to an increase in the regular instruction expenditures.

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 Schleswig 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 Schleswig Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Schleswig Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the nonmajor governmental funds.

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

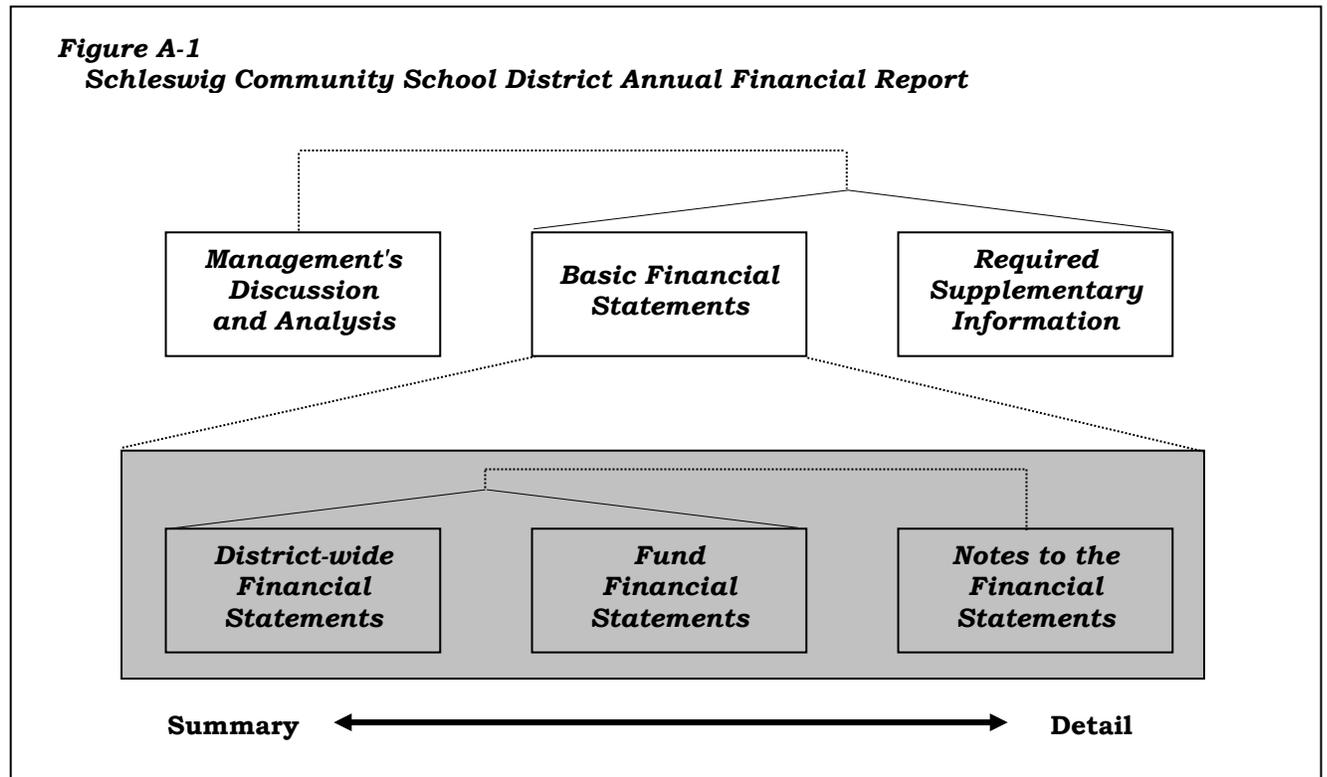


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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 service and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in fund net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net position and how they have changed. Net position - the difference between the District's assets and liabilities - are one way to measure the District's financial health or 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 two 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.

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 that 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, Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund.

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

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund. The District's Internal Service Funds, one type of proprietary fund, are the same as the governmental activities, but provide more detail and additional information, such as cash flows.

The required financial statements for the proprietary funds include a Statement of 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 a trustee, or fiduciary, for assets that belong to others. These funds include the Agency Fund.

Agency Funds - These are funds through which the District administers and accounts for certain federal and/or state grants as a fiscal agent.

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position for the year ended June 30, 2013 compared to June 30, 2012.

Figure A-3 Condensed Statement of Net Position							
	Governmental Activities		Business Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Current and other assets	\$ 4,005,966	3,539,834	27,204	82,402	4,033,170	3,622,236	11.34%
Capital assets	1,868,500	1,892,056	22,648	21,053	1,891,148	1,913,109	-1.15%
Total assets	5,874,466	5,431,890	49,852	103,455	5,924,318	5,535,345	7.03%
Long-term liabilities	1,436,846	1,420,996	-	-	1,436,846	1,420,996	1.12%
Other liabilities	1,998,772	1,680,115	3,973	50,119	2,002,745	1,730,234	15.75%
Total liabilities	3,435,618	3,101,111	3,973	50,119	3,439,591	3,151,230	9.15%
Net position:							
Invested in capital assets, net of related debt	666,500	663,036	22,648	21,053	689,148	684,089	0.74%
Restricted	897,065	829,275	-	-	897,065	829,275	8.17%
Unrestricted	875,283	838,468	23,231	32,283	898,514	870,751	3.19%
Total net position	\$ 2,438,848	2,330,779	45,879	53,336	2,484,727	2,384,115	4.22%

The District's combined net position increased by \$100,612, or 4.22% over the prior year. The largest portion of the District's net position is the 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 sources other than capital assets.

Restricted net position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$67,790, or 8.17% from the prior year. The increase in restricted net position was primarily due to the increase in the fund balances of the Capital Projects Funds and the Debt Service Fund.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements decreased \$27,763, or 3.19%. The decrease in unrestricted net position is primarily due to the decrease in fund balance of the General Fund.

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

Figure A-4							
Changes of Net Position							
	Governmental Activities		Business Type Activities		Total School District		Total Change
	2013	2012	2013	2012	2013	2012	2012-13
Revenues:							
Program revenues:							
Charges for services	\$ 211,565	256,790	48,545	59,468	260,110	316,258	-17.75%
Operating grants, contributions and restricted interest	260,515	219,351	83,048	77,576	343,563	296,927	15.71%
General revenues:							
Property tax	1,257,963	1,262,729	-	-	1,257,963	1,262,729	-0.38%
Income surtax	89,882	77,042	-	-	89,882	77,042	16.67%
Statewide sales, services and use tax	260,704	232,527	-	-	260,704	232,527	12.12%
Unrestricted state grants	1,449,747	1,512,758	-	-	1,449,747	1,512,758	-4.17%
Nonspecific program federal grants	-	945	-	-	-	945	-100.00%
Unrestricted investment earnings	11,718	18,629	180	299	11,898	18,928	-37.14%
Other general revenues	47,091	48,148	7,377	-	54,468	48,148	13.13%
Total revenues	3,589,185	3,628,919	139,150	137,343	3,728,335	3,766,262	-1.01%
Program expenses:							
Governmental activities:							
Instructional	2,225,629	2,151,392	-	-	2,225,629	2,151,392	3.45%
Support services	1,062,291	1,058,887	-	-	1,062,291	1,058,887	0.32%
Non-instructional programs	-	-	146,607	126,745	146,607	126,745	15.67%
Other expenses	193,196	224,681	-	-	193,196	224,681	-14.01%
Total expenses	3,481,116	3,434,960	146,607	126,745	3,627,723	3,561,705	1.85%
Change in net position	108,069	193,959	(7,457)	10,598	100,612	204,557	-103.31%
Net position beginning of year	2,330,779	2,136,820	53,336	42,738	2,384,115	2,179,558	9.39%
Net position end of year	\$ 2,438,848	2,330,779	45,879	53,336	2,484,727	2,384,115	4.22%

In fiscal year 2013, property tax and unrestricted state grants account for 75.44% of governmental activities revenue, while charges for services and operating grant, contributions and restricted interest account for 94.57% of business type activities revenue.

The District's total revenues were approximately \$3.73 million, of which approximately \$3.59 million was for governmental activities and approximately \$0.14 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 1.01% decrease in revenues and 1.85% increase in expenses. The increase in expenses is related to the increases in negotiated salaries and benefits.

Governmental Activities

Revenues for governmental activities were \$3,589,185 and expenses were \$3,481,116.

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

	Total Cost of Services			Net Cost of Services		
	2013	2012	Change 2012-13	2013	2012	Change 2012-13
Instruction	\$ 2,225,629	2,151,392	3.45%	1,877,126	1,794,742	4.59%
Support services	1,062,291	1,058,887	0.32%	1,060,939	1,058,387	0.24%
Other expenses	193,196	224,681	-14.01%	70,971	105,690	-32.85%
Totals	<u>\$ 3,481,116</u>	<u>3,434,960</u>	<u>1.34%</u>	<u>3,009,036</u>	<u>2,958,819</u>	<u>1.70%</u>

For the year ended June 30, 2013:

- The cost financed by users of the District’s programs was \$211,565.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$260,515.
- The net cost of governmental activities was financed with \$1,257,963 in property tax, \$89,882 in income surtax, \$260,704 in statewide sales, services and use tax, \$1,449,747 in unrestricted state grants, \$11,718 in interest income and \$47,091 in other general revenues.

Business Type Activities

Revenues of the District’s business type activities were \$139,150 and expenses were \$146,607. The District’s business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Schleswig 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 balance of \$1,921,993, above last year’s ending fund balances of \$1,792,162. The primary reason for the increase in combined fund balances in fiscal 2013 is due to the increase in the Capital Projects Fund and Debt Service Fund balances.

Governmental Fund Highlights

- The District’s decreasing General Fund financial position is the product of many factors. The District had increased expenditures compared to the prior year while revenues decreased, resulting in a decrease in General Fund balance.
- The Capital Projects Fund balance increased from \$469,499 in fiscal 2012 to \$574,226 in fiscal 2013. This increase was primarily due to the revenues increasing while expenditures decreased.

Proprietary Fund Highlights

The Proprietary Funds net position decreased from \$53,336 at June 30, 2012 to \$45,879 at June 30, 2013, representing a decrease of 13.98%. The reason for the decrease in net position was due to expenditures in the School Nutrition Fund decreasing.

BUDGETARY HIGHLIGHTS

The District's revenues were \$307,215 less than budgeted revenues, a variance of 7.63%. The most significant variance resulted from the District receiving less in local sources than originally anticipated.

Total disbursements were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget disbursements 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 disbursements for the year.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, the District had invested \$1,891,148, 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 amount represents a net decrease of 1.15% from last year. More detailed information about the District's capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$128,810.

The original cost of the District's capital assets was \$3,270,344. Governmental funds account for \$3,188,570 with the remainder of \$81,774 in the Proprietary funds.

The largest change in capital asset activity during the year occurred in the land improvements category. The District's land improvements had a balance of \$43,850 at June 30, 2013, compared to \$47,266 reported at June 30, 2012. This decrease was due to depreciation expense recorded for fiscal year 2013.

	Governmental Activities		Business Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Land	\$ 117,443	117,443	-	-	117,443	117,443	0.00%
Land improvements	43,850	47,266	-	-	43,850	47,266	-7.79%
Buildings	1,441,963	1,455,898	-	-	1,441,963	1,455,898	-0.97%
Machinery and equipment	265,244	271,449	22,648	21,053	287,892	292,502	-1.60%
Total	\$ 1,868,500	1,892,056	22,648	21,053	1,891,148	1,913,109	-1.15%

Long-Term Debt

At June 30, 2013, the District had \$1,436,846 in total long-term debt outstanding. This represents an increase of 1.12% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

The District had total outstanding revenue bonds payable at June 30, 2013 of \$1,202,000 payable from Capital Projects: Statewide Sales, Services and Use Tax Fund.

The District had total outstanding early retirement payable of \$55,900 at June 30, 2013 payable from Special Revenue: Management Levy fund.

The District had total accrued compensated absences payable of \$12,253 at June 30, 2013 payable from the General Fund.

The District had total outstanding net OPEB liability of \$166,693 at June 30, 2013.

	Figure A-7		
	Outstanding Long-Term Obligations		
	Total	Total	Total
	School District	School District	Change
	June 30,	June 30,	June 30,
	2013	2012	2012-13
Revenue bonds	\$ 1,202,000	1,237,000	-2.83%
Early retirement	55,900	22,000	154.09%
Accrued compensated absences	12,253	13,303	-7.89%
Net OPEB liability	166,693	148,693	12.11%
Totals	\$ 1,436,846	1,420,996	1.12%

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 administration and the board are constantly re-evaluating programs in an effort to reduce expenditures and yet maintain a quality education program.

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 Sherri Jones, Business Manager, Schleswig Community School District, 714 Date Street, Schleswig, Iowa, 51461.

SCHLESWIG COMMUNITY SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS

SCHLESWIG COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2013

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and cash equivalents	\$ 2,323,059	13,350	2,336,409
Receivables:			
Property tax:			
Delinquent	17,806	-	17,806
Succeeding year	1,391,556	-	1,391,556
Income surtax	76,584	-	76,584
Accounts	2,224	6,010	8,234
Due from other governments	194,737	-	194,737
Inventories	-	7,844	7,844
Capital assets, net of accumulated depreciation	1,868,500	22,648	1,891,148
Total assets	5,874,466	49,852	5,924,318
Liabilities			
Accounts payable	464,587	2,224	466,811
Salaries and benefits payable	142,629	-	142,629
Deferred revenue:			
Succeeding year property tax	1,391,556	-	1,391,556
Unearned revenue	-	1,749	1,749
Long-term liabilities:			
Portion due within one year:			
Revenue bonds payable	65,000	-	65,000
Termination benefits payable	13,350	-	13,350
Accrued compensated absences payable	12,253	-	12,253
Portion due after one year:			
Revenue bonds payable	1,137,000	-	1,137,000
Termination benefits payable	42,550	-	42,550
Net OPEB liability	166,693	-	166,693
Total liabilities	3,435,618	3,973	3,439,591
Net Position			
Invested in capital assets, net of related debt	666,500	22,648	689,148
Restricted for:			
Categorical funding	118,981	-	118,981
Management levy purposes	98,942	-	98,942
Debt service	104,916	-	104,916
School infrastructure	406,720	-	406,720
Physical plant and equipment	167,506	-	167,506
Unrestricted	875,283	23,231	898,514
Total net position	\$ 2,438,848	45,879	2,484,727

SEE NOTES TO FINANCIAL STATEMENTS.

SCHLESWIG COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs						
Governmental activities:						
Instruction:						
Regular	\$ 1,579,744	167,131	71,591	(1,341,022)	-	(1,341,022)
Special	494,088	18,538	16,568	(458,982)	-	(458,982)
Other	151,797	25,896	48,779	(77,122)	-	(77,122)
	<u>2,225,629</u>	<u>211,565</u>	<u>136,938</u>	<u>(1,877,126)</u>	<u>-</u>	<u>(1,877,126)</u>
Support services:						
Student	33,140	-	-	(33,140)	-	(33,140)
Instructional	126,322	-	-	(126,322)	-	(126,322)
Administration	435,447	-	-	(435,447)	-	(435,447)
Operation and maintenance of plant	395,573	-	-	(395,573)	-	(395,573)
Transportation	71,809	-	1,352	(70,457)	-	(70,457)
	<u>1,062,291</u>	<u>-</u>	<u>1,352</u>	<u>(1,060,939)</u>	<u>-</u>	<u>(1,060,939)</u>
Long-term debt interest	30,935	-	-	(30,935)	-	(30,935)
Other expenditures:						
AEA flowthrough	122,225	-	122,225	-	-	-
Depreciation(unallocated)*	40,036	-	-	(40,036)	-	(40,036)
	<u>162,261</u>	<u>-</u>	<u>122,225</u>	<u>(40,036)</u>	<u>-</u>	<u>(40,036)</u>
Total governmental activities	3,481,116	211,565	260,515	(3,009,036)	-	(3,009,036)
Non-instructional programs:						
Nutrition services	146,607	48,545	83,048	-	(15,014)	(15,014)
Total business type activities	<u>146,607</u>	<u>48,545</u>	<u>83,048</u>	<u>-</u>	<u>(15,014)</u>	<u>(15,014)</u>
Total	\$ <u>3,627,723</u>	<u>260,110</u>	<u>343,563</u>	<u>(3,009,036)</u>	<u>(15,014)</u>	<u>(3,024,050)</u>
General Revenues:						
Local tax for:						
General purposes				\$ 1,146,067	-	1,146,067
Capital outlay				111,896	-	111,896
Income surtax				89,882	-	89,882
Statewide sales, services and use tax				260,704	-	260,704
Unrestricted state grants				1,449,747	-	1,449,747
Unrestricted investment earnings				11,718	180	11,898
Other				47,091	7,377	54,468
Total general revenues				<u>3,117,105</u>	<u>7,557</u>	<u>3,124,662</u>
Change in net position				108,069	(7,457)	100,612
Net position beginning of year				<u>2,330,779</u>	<u>53,336</u>	<u>2,384,115</u>
Net position end of year				\$ <u>2,438,848</u>	<u>45,879</u>	<u>2,484,727</u>

* This amount excludes the depreciation that is included in the direct expense of various programs

SEE NOTES TO FINANCIAL STATEMENTS.

SCHLESWIG COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	Capital			Total
	General	Projects	Nonmajor	
Assets				
Cash and pooled investments	\$ 1,491,618	513,875	308,949	2,314,442
Receivables:				
Property tax:				
Delinquent	14,974	1,555	1,277	17,806
Succeeding year	1,057,199	194,357	140,000	1,391,556
Income surtax	76,584	-	-	76,584
Accounts	2,224	-	-	2,224
Due from other governments	88,989	105,748	-	194,737
Total assets	\$ 2,731,588	815,535	450,226	3,997,349
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 367,167	46,952	50,468	464,587
Salaries and benefits payable	142,629	-	-	142,629
Deferred revenue:				
Succeeding year property tax	1,057,199	194,357	140,000	1,391,556
Income surtax	76,584	-	-	76,584
Total liabilities	1,643,579	241,309	190,468	2,075,356
Fund balances:				
Restricted for:				
Categorical funding	118,981	-	-	118,981
Management levy purposes	-	-	154,842	154,842
Debt service	-	-	104,916	104,916
School infrastructure	-	406,720	-	406,720
Physical plant and equipment	-	167,506	-	167,506
Unassigned:				
General	969,028	-	-	969,028
Total fund balances	1,088,009	574,226	259,758	1,921,993
Total liabilities and fund balances	\$ 2,731,588	815,535	450,226	3,997,349

SEE NOTES TO FINANCIAL STATEMENTS.

SCHLESWIG COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2013

Total fund balances of governmental funds(page 20)	\$	1,921,993
 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 in the governmental funds.		1,868,500
Blending of the Internal Service Funds to be reflected on an entity-wide basis.		8,617
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.		76,584
Long-term liabilities, including general obligation bonds payable, accrued compensated absences payable, termination benefits payable and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		<u>(1,436,846)</u>
 Net position of governmental activities(page 18)	 \$	 <u><u>2,438,848</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

SCHLESWIG COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

	Capital			Total
	General	Projects	Nonmajor	
Revenues:				
Local sources:				
Local tax	\$ 1,137,135	373,484	90,044	1,600,663
Tuition	183,282	-	-	183,282
Other	125,080	-	1,516	126,596
State sources	1,574,259	-	-	1,574,259
Federal sources	95,616	-	-	95,616
Total revenues	<u>3,115,372</u>	<u>373,484</u>	<u>91,560</u>	<u>3,580,416</u>
Expenditures:				
Current:				
Instruction:				
Regular	1,505,912	-	25,439	1,531,351
Special	489,129	-	-	489,129
Other	151,792	-	5	151,797
	<u>2,146,833</u>	<u>-</u>	<u>25,444</u>	<u>2,172,277</u>
Support services:				
Student	33,138	-	-	33,138
Instructional staff	53,544	62,558	-	116,102
Administration	434,245	-	-	434,245
Operation and maintenance of plant	214,488	45,404	13,065	272,957
Transportation	140,610	-	4,132	144,742
	<u>876,025</u>	<u>107,962</u>	<u>17,197</u>	<u>1,001,184</u>
Capital outlays	-	88,706	-	88,706
Long term debt:				
Principal	-	-	35,000	35,000
Interest and fiscal charges	-	-	31,193	31,193
	<u>-</u>	<u>-</u>	<u>66,193</u>	<u>66,193</u>
Other expenditures:				
AEA flowthrough	122,225	-	-	122,225
Total expenditures	<u>3,145,083</u>	<u>196,668</u>	<u>108,834</u>	<u>3,450,585</u>
Excess(Deficiency) of revenues over(under) expenditures	(29,711)	176,816	(17,274)	129,831
Other financing sources(uses):				
Transfer in	-	7,980	77,034	85,014
Transfer out	(4,945)	(80,069)	-	(85,014)
Total other financing sources(uses)	<u>(4,945)</u>	<u>(72,089)</u>	<u>77,034</u>	<u>-</u>
Change in fund balances	(34,656)	104,727	59,760	129,831
Fund balance beginning of year	1,122,665	469,499	199,998	1,792,162
Fund balance end of year	<u>\$ 1,088,009</u>	<u>574,226</u>	<u>259,758</u>	<u>1,921,993</u>

SEE NOTES TO FINANCIAL STATEMENTS.

SCHLESWIG COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2013

Change in fund balances - total governmental funds(page 22) \$ 129,831

**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. The amounts of capital outlays, depreciation expense, and loss on disposal in the year, are as follows:

Capital outlays	\$ 149,180	
Depreciation expense	(124,715)	
Loss on disposal	(48,021)	(23,556)

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 8,769

Net change in the Internal Service Funds charged back against expenditures made for self-funded insurance at an entity-wide basis. 8,617

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

Repaid		35,000
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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. 258

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	(33,900)	
Accrued compensated absences	1,050	
Other postemployment benefits	(18,000)	(50,850)

Change in net position of governmental activities(page 19) \$ 108,069

SEE NOTES TO FINANCIAL STATEMENTS.

SCHLESWIG COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2013

	Business Type	
	Activities: Enterprise Fund	Governmental Activities: Internal Service Fund
Assets		
Cash and pooled investments	\$ 13,350	8,617
Accounts receivable	6,010	-
Inventories	7,844	-
Capital assets, net of accumulated depreciation	22,648	-
Total assets	49,852	8,617
Liabilities		
Accounts payable	2,224	-
Unearned revenue	1,749	-
Total liabilities	3,973	-
Net Position		
Invested in capital assets	22,648	-
Unrestricted	23,231	8,617
Total net position	\$ 45,879	8,617

SEE NOTES TO FINANCIAL STATEMENTS.

SCHLESWIG COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2013

	Business Type	
	Enterprise Fund	Governmental Activities: Internal Service Fund
Operating revenues:		
Local sources:		
Charges for services	\$ 48,545	-
Miscellaneous revenue	7,377	19,903
Total operating revenues	<u>55,922</u>	<u>19,903</u>
Operating expenses:		
Non-instructional programs:		
Salaries	1,936	-
Benefits	288	11,287
Services	127,042	-
Supplies	13,160	-
Other	86	-
Depreciation	4,095	-
Total operating expenses	<u>146,607</u>	<u>11,287</u>
Operating income(loss)	<u>(90,685)</u>	<u>8,616</u>
Non-operating revenues:		
State sources	1,121	-
Federal sources	81,927	-
Interest on investments	180	1
Total non-operating revenues	<u>83,228</u>	<u>1</u>
Change in net position	(7,457)	8,617
Net position beginning of year	<u>53,336</u>	-
Net position end of year	<u>\$ 45,879</u>	<u>8,617</u>

SEE NOTES TO FINANCIAL STATEMENTS.

SCHLESWIG COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2013

	Business Type	
	Enterprise Fund School Nutrition	Governmental Activities Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 48,012	-
Cash received from miscellaneous operating activities	7,377	19,903
Cash payments to employees for services	(2,224)	(11,287)
Cash payments to suppliers for goods or services	(181,389)	-
Net cash provided by(used by) operating activities	<u>(128,224)</u>	<u>8,616</u>
Cash flows from non-capital financing activities:		
State grants received	1,121	-
Federal grants received	76,485	-
Net cash provided by non-capital financing activities	<u>77,606</u>	<u>-</u>
Cash flows from capital and related financing		
Acquisition of capital assets	<u>(5,690)</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	<u>180</u>	<u>1</u>
Net increase(decrease) in cash and cash equivalents	(56,128)	8,617
Cash and cash equivalents at beginning of year	<u>69,478</u>	<u>-</u>
Cash and cash equivalents at end of year	<u>\$ 13,350</u>	<u>8,617</u>
Reconciliation of operating income(loss) to net cash provided by(used by) operating activities:		
Operating income(loss)	\$ (90,685)	8,616
Adjustments to reconcile operating income(loss) to net cash provided by(used by) operating activities:		
Commodities used	5,442	-
Depreciation	4,095	-
Decrease in inventories	161	-
Increase in accounts receivable	(1,091)	-
Decrease in accounts payable	(46,704)	-
Increase in unearned revenue	558	-
Net cash provided by(used by) operating activities	<u>\$ (128,224)</u>	<u>8,616</u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2013, the District received \$5,442 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS.

SCHLESWIG COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUND
JUNE 30, 2013

	Agency
Assets	
Cash and pooled investments	\$ 2,770
Liabilities	
Due to other groups	\$ 2,770

SEE NOTES TO FINANCIAL STATEMENTS.

SCHLESWIG COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

(1) Summary of Significant Accounting Policies

The Schleswig 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. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the city of Schleswig, Iowa, and the predominate agricultural territory in Crawford and Ida Counties. 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, Schleswig 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 is 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 Schleswig Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do 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 Crawford and Ida Counties Assessors' 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 and liabilities, with the difference reported as net position. Net position is reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources that are imposed by management, but 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 that 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 that are 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 other 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 receipts that are 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 expenses, including instructional, support and other costs.

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

The District's nonmajor proprietary fund is the School Nutrition Fund. The Nutrition fund is used to account for the food service operations of the District.

The District also reports a fiduciary fund which focus on net position and changes in net position. The District's fiduciary fund includes the following:

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balances

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

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are 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 that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2012.

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

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

Capital Assets - Capital assets, which include property, machinery, 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 repairs 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.

Asset Class	Amount
Land	\$ 1,400
Buildings	1,400
Improvements other than buildings	1,400
Intangibles	25,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,400

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Improvements other than buildings	20 years
Intangibles	2 or more years
Machinery and equipment	5-20 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue 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 period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

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

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

Compensated Absences - District employees accumulate a limited number of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates or pay in effect at June 30, 2013. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

Fund Balances - 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.

Restricted Net Position - In the government-wide Statement of Net Position, net position are reported as restricted when constraints placed on net position use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2013, expenditures exceeded the amounts budgeted in the other expenditures functional area.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2013 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district. At June 30, 2013 the District had no investments.

(3) Interfund Transfers

The detail of interfund transfers at June 30, 2013 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 72,089
Capital Projects: Statewide Sales, Services and Use Tax	Capital Projects: Construction Projects	7,980
Activity	General	4,945
Total		<u>\$ 85,014</u>

The transfer from Capital Projects: Statewide Sales, Services and Use Tax fund to the Debt Service fund was needed for the revenue bond interest payment.

The transfer from the Capital Projects: Construction Projects fund to the Capital Projects: Statewide Sales, Services and Use Tax Fund was needed to close the Construction Projects Fund.

The transfer from the General Fund to the Activity Fund was needed to close the Activity Fund.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2013 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Furniture and equipment	\$ 76,084	5,690	-	81,774
Less accumulated depreciation	55,031	4,095	-	59,126
Business type activities capital assets, net	<u>\$ 21,053</u>	<u>1,595</u>	<u>-</u>	<u>22,648</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 117,443	-	-	117,443
Total capital assets not being depreciated	117,443	-	-	117,443
Capital assets being depreciated:				
Land improvements	68,320	-	-	68,320
Buildings and improvements	2,132,331	22,685	-	2,155,016
Machinery and equipment	818,102	126,495	96,806	847,791
Total capital assets being depreciated	3,018,753	149,180	96,806	3,071,127
Less accumulated depreciation for:				
Land improvements	21,054	3,416	-	24,470
Buildings and improvements	676,433	36,620	-	713,053
Machinery and equipment	546,653	84,679	48,785	582,547
Total accumulated depreciation	1,244,140	124,715	48,785	1,320,070
Total capital assets being depreciated, net	1,774,613	24,465	48,021	1,751,057
Governmental activities capital assets, net	\$ 1,892,056	24,465	48,021	1,868,500

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 15,239
Special	2,469
Support services:	
Instructional staff	14,520
Operation and maintenance of plant	8,055
Transportation	44,396
	<u>84,679</u>
Unallocated depreciation	<u>40,036</u>
Total governmental activities depreciation expense	<u>\$ 124,715</u>
Business-type activities:	
Food service operations	<u>\$ 4,095</u>

(5) Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental Activities:					
Revenue Bonds	\$ 1,237,000	-	35,000	1,202,000	65,000
Early retirement	22,000	39,900	6,000	55,900	13,350
Accrued compensated absences	13,303	12,253	13,303	12,253	12,253
Net OPEB liability	148,693	18,000	-	166,693	-
Total	\$ 1,420,996	70,153	54,303	1,436,846	90,603

Revenue Bonds

Details of the District's June 30, 2013 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of June 28, 2012			
	Interest Rates	Principal	Interest	Total
2014	0.75%	65,000	30,760	95,760
2015	1.00%	65,000	30,273	95,273
2016	1.50%	66,000	29,622	95,622
2017	1.50%	67,000	28,632	95,632
2018	2.00%	68,000	27,628	95,628
2019-2023	2.00-3.10%	362,000	115,042	477,042
2024-2028	3.10-3.60%	417,000	59,886	476,886
2029-2030	3.60%	92,000	3,312	95,312
Total		\$ 1,202,000	325,155	1,527,155

The District has pledged future statewide sales, services and use tax revenues to repay the \$1,237,000 of bonds issued in May 2010. The bonds were issued for the purpose of financing a portion of the costs of an addition to the school. The bonds are payable solely for 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 29 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$1,527,155. For the current year, \$35,000 of principal and \$31,193 of interest was paid on the bonds and total statewide sales, services and use tax revenues were \$260,704.

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

- a) \$95,888 of the proceeds from the 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) The District makes monthly transfers into a revenue account that is held by the bond paying agent.

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

(6) Pension and Retirement Benefits

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

Plan members are required to contribute 5.78% of their annual covered salary and the District is required to contribute 8.67% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$114,662, \$105,855, and \$88,017, respectively, equal to the required contributions for each year.

(7) Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer health benefit plan which provides medical coverage for employees, retirees and their spouses. There are 22 active and 1 retired members in the plan. Retired participants must be age 55 or older at retirement.

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

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

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

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2013, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 33,000
Interest on net OPEB obligation	7,000
Adjustment to annual required contribution	(6,000)
Annual OPEB cost	<u>34,000</u>
Contributions made	(16,000)
Increase in net OPEB obligation	<u>18,000</u>
Net OPEB obligation beginning of year	148,693
Net OPEB obligation end of year	<u>\$ 166,693</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2013.

For the year ended June 30, 2013 the District contributed \$16,000 to the medical plan. Plan members eligible for benefits contributed \$13,000, or 44.83% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2013 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$61,232	19.60%	\$99,232
2012	\$61,461	19.52%	\$148,693
2013	\$34,000	47.06%	\$166,693

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$239,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$239,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,085,359 and the ratio of the UAAL to covered payroll was 22.02%. As of June 30, 2013 there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs

between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2012 actuarial valuation date, the alternative measurement method was used. The actuarial assumptions includes a 4.50% discount rate based on the District's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP-2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2012 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2012.

Projected claim costs of the medical plan for retirees under age 65 are \$1,208 per month for the 500/1000 plan, \$1,118 for the 750/1500 plan, \$927 per month for the 2000/4000 plan, and \$897 per month for the 2500/5000 plan. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(8) Risk Management

The District is a member in the Iowa School Employees Benefits Association(ISEBA), an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed in July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical, dental, vision, and prescription drugs.

The District's contributions, which includes deficit recovery assessments, to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2013 were \$128,875.

Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 30 days prior notice may withdraw.

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

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$122,225 for the year ended June 30, 2013 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Categorical Funding

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

<u>Projects</u>	<u>Amount</u>
LEP weighting	\$ 40,956
Home school assistance program	624
Gifted and talented programs	51,607
Beginning teacher mentoring	25
Teacher salary supplement	13,691
Professional development	11,140
Market factor incentives	938
Total	<u>\$ 118,981</u>

(11) Budget Over Expenditure

During the year ended June 30, 2013, the District's expenditures in the other expenditures functional area exceeded the amounts budgeted.

REQUIRED SUPPLEMENTARY INFORMATION

SCHLESWIG COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2013

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Fund Types	Fund Type		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 1,910,541	56,102	1,966,643	2,040,287	2,040,287	(73,644)
Intermediary sources	-	-	-	2,000	2,000	(2,000)
State sources	1,574,259	1,121	1,575,380	1,786,494	1,786,494	(211,114)
Federal sources	95,616	81,927	177,543	198,000	198,000	(20,457)
Total revenues	3,580,416	139,150	3,719,566	4,026,781	4,026,781	(307,215)
Expenditures/Expenses:						
Instruction	2,172,277	-	2,172,277	3,075,000	3,075,000	902,723
Support services	1,001,184	-	1,001,184	1,925,545	1,925,545	924,361
Non-instructional programs	-	146,607	146,607	205,000	205,000	58,393
Other expenditures	277,124	-	277,124	233,276	233,276	(43,848)
Total expenditures	3,450,585	146,607	3,597,192	5,438,821	5,438,821	1,841,629
Excess(Deficiency) of revenues over (under) expenditures	129,831	(7,457)	122,374	(1,412,040)	(1,412,040)	1,534,414
Other financing sources, net	-	-	-	104,888	104,888	(104,888)
Excess(Deficiency) of revenues and other financing sources over(under) expenditures and other financing uses	129,831	(7,457)	122,374	(1,307,152)	(1,307,152)	1,429,526
Balance beginning of year	1,792,162	53,336	1,845,498	1,663,618	1,663,618	181,880
Balance end of year	\$ 1,921,993	45,879	1,967,872	356,466	356,466	1,611,406

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SCHLESWIG COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2013

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison 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 functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2013, expenditures in the other expenditure functional area exceeded the amounts budgeted.

SCHLESWIG COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING IN PROGRESS FOR THE
RETIREE HEALTH PLAN
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)	UAAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 223,000	223,000	0.0%	\$ 944,091	23.62%
2011	July 1, 2009	-	223,000	223,000	0.0%	890,590	25.04%
2012	July 1, 2009	-	223,000	223,000	0.0%	1,055,255	21.13%
2013	July 1, 2012	-	239,000	239,000	0.0%	1,085,359	22.02%

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SUPPLEMENTARY INFORMATION

SCHLESWIG COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2013

	Special Revenue		Total
	Management Levy	Debt Service	
Assets			
Cash and pooled investments	\$ 153,565	155,384	308,949
Receivables:			
Property tax:			
Delinquent	1,277	-	1,277
Succeeding year	140,000	-	140,000
Total assets	\$ 294,842	155,384	450,226
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ -	50,468	50,468
Deferred revenue:			
Succeeding year property tax	140,000	-	140,000
Total liabilities	140,000	50,468	190,468
Fund balances:			
Restricted for:			
Management levy purposes	154,842	-	154,842
Debt service	-	104,916	104,916
Total fund balances	154,842	104,916	259,758
Total liabilities and fund balances	\$ 294,842	155,384	450,226

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SCHLESWIG COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2013

	Special Revenue Funds				
	Manage- ment Levy	Student Activity	Total Special Revenue	Debt Service	Total
Revenues:					
Local sources:					
Local tax	\$ 90,044	-	90,044	-	90,044
Other	1,109	5	1,114	402	1,516
Total revenues	91,153	5	91,158	402	91,560
Expenditures:					
Current:					
Instruction:					
Regular	25,439	-	25,439	-	25,439
Other	-	5	5	-	5
Support services:					
Operation and maintenance of plant	13,065	-	13,065	-	13,065
Transportation	4,132	-	4,132	-	4,132
Long term debt:					
Principal	-	-	-	35,000	35,000
Interest and fiscal charges	-	-	-	31,193	31,193
Total expenditures	42,636	5	42,641	66,193	108,834
Change in fund balances	48,517	-	48,517	(65,791)	(17,274)
Other financing sources:					
Transfer in	-	4,945	4,945	72,089	77,034
Excess of revenues and other financing sources over expenditures	48,517	4,945	53,462	6,298	59,760
Fund balances beginning of year	106,325	(4,945)	101,380	98,618	199,998
Fund balances end of year	\$ 154,842	-	154,842	104,916	259,758

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SCHLESWIG COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 347,924	165,951	513,875
Receivables:			
Property tax:			
Delinquent	-	1,555	1,555
Succeeding year	-	194,357	194,357
Due from other governments	105,748	-	105,748
Total assets	\$ 453,672	361,863	815,535
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 46,952	-	46,952
Deferred revenue:			
Succeeding year property tax	-	194,357	194,357
Total liabilities	46,952	194,357	241,309
Fund balances:			
Restricted for:			
School infrastructure	406,720	-	406,720
Physical plant and equipment	-	167,506	167,506
Total fund balances	406,720	167,506	574,226
Total liabilities and fund balances	\$ 453,672	361,863	815,535

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SCHLESWIG COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECT ACCOUNTS
 YEAR ENDED JUNE 30, 2012

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Classroom Addition	Physical Plant and Equipment Levy	
Revenues:				
Local sources:				
Local tax	\$ 260,704	-	112,780	373,484
Expenditures:				
Support services:				
Instructional staff	42,904	-	19,654	62,558
Operation and maintenance of plant	-	-	45,404	45,404
Capital outlays	54,932	-	33,774	88,706
Total expenditures	97,836	-	98,832	196,668
Excess of revenues over expenditures	162,868	-	13,948	176,816
Other financing sources(uses):				
Transfer in	7,980	-	-	7,980
Transfer out	(72,089)	(7,980)	-	(80,069)
Total other financing sources(uses)	(64,109)	(7,980)	-	(72,089)
Change in fund balances	98,759	(7,980)	13,948	104,727
Fund balances beginning of year	307,961	7,980	153,558	469,499
Fund balances end of year	\$ 406,720	-	167,506	574,226

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SCHLESWIG COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2013

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance Change	Balance End of Year
Activity Fund Balance	\$ 23	-	-	(23)	-
Vocal Music	(23,382)	-	5	23,387	-
Instrumental Music	(3,578)	-	-	3,578	-
M.S. Athletics	(60,563)	-	-	60,563	-
School Annual	3,838	5	-	(3,843)	-
Music Boosters	5,277	-	-	(5,277)	-
Athletic Boosters	38,842	-	-	(38,842)	-
Student Projects	26,990	-	-	(26,990)	-
Old High School Clubs	4,162	-	-	(4,162)	-
Activity Fund Savings	3,446	-	-	(3,446)	-
Total	\$ (4,945)	5	5	4,945	-

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SCHLESWIG COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUND
 YEAR ENDED JUNE 30, 2013

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash and pooled investments	\$ 2,770	-	-	2,770
Liabilities				
Due to other groups	\$ 2,770	-	-	2,770

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SCHLESWIG COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST TEN YEARS

	Modified Accrual Basis									
	Years Ended June 30,									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:										
Local sources:										
Local tax	\$ 1,600,663	1,584,596	1,537,265	1,346,479	1,284,751	1,142,115	1,016,989	958,018	929,644	1,055,373
Tuition	183,282	223,586	175,861	205,113	124,332	147,694	131,973	147,746	198,439	139,342
Other	126,596	103,186	70,798	90,554	110,742	124,938	101,604	66,629	73,116	73,970
State sources	1,574,259	1,632,249	1,415,172	1,328,464	1,449,669	1,436,388	1,394,467	1,237,317	1,131,112	1,014,565
Federal sources	95,616	97,600	234,283	314,305	93,487	79,904	88,339	95,222	99,873	97,528
Total	\$ 3,580,416	3,641,217	3,433,379	3,284,915	3,062,981	2,931,039	2,733,372	2,504,932	2,432,184	2,380,778
Expenditures:										
Current:										
Instruction:										
Regular	\$ 1,531,351	1,495,863	1,365,705	1,386,763	1,367,760	1,319,900	1,276,644	1,231,717	1,274,540	1,178,714
Special	489,129	473,411	485,214	485,005	411,849	373,780	375,520	354,991	347,318	280,686
Other	151,797	143,335	158,385	28,330	115,293	38,690	103,509	35,509	119,888	52,749
Support services:										
Student	33,138	29,295	30,427	30,482	63,829	58,582	53,657	47,901	55,241	48,217
Instructional	116,102	157,230	67,088	56,769	60,148	46,650	53,854	46,261	60,903	52,280
Administration	434,245	382,964	383,110	387,680	361,288	370,817	352,064	385,258	300,450	322,592
Operation and maintenance										
of plant	272,957	294,123	256,696	206,588	241,864	202,853	172,668	205,128	166,354	171,970
Transportation	144,742	210,918	126,713	188,054	114,114	102,247	154,354	105,974	95,190	92,954
Central	-	-	-	-	-	-	-	-	-	20,757
Capital outlays	88,706	105,961	1,136,678	288,323	73,223	80,098	144,114	86,792	87,756	88,997
Long-term debt:										
Principal	35,000	1,535,000	-	-	-	-	-	-	-	-
Interest and fiscal charges	31,193	99,088	43,578	-	-	-	-	-	-	-
Other expenditures:										
AEA flow-through	122,225	118,991	128,110	126,288	107,467	102,057	93,902	85,438	84,987	85,214
Total	\$ 3,450,585	5,046,179	4,181,704	3,184,282	2,916,835	2,695,674	2,780,286	2,584,969	2,592,627	2,395,130

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

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 the Schleswig Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental 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 Schleswig Community School District as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 20, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Schleswig 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 Schleswig Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Schleswig 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 that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or 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 deficiency described in Part I of the accompanying Schedule of Findings as item I-A-13 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-B-13 to be a significant deficiency.

Compliance and Other Matters

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

Schleswig Community School District's Responses to Findings

Schleswig Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Schleswig 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 Schleswig 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.


NOLTE, CORNMAN & JOHNSON, P.C.

March 20, 2014
Newton, Iowa

SCHLESWIG COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2013

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-13 Segregation of Duties - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual may perform two or more functions in each of the following areas for the District.

- 1) Cash - initiating cash receipt and disbursement transactions and handling and recording cash.
- 2) Investments - detailed recordkeeping and reconciled earnings.
- 3) Receipts - collecting, recording, journalizing, posting and reconciling.
- 4) Inventories - ordering, receiving, issuing and storing.
- 5) Wire transfers - processing and approving.
- 6) Payroll - recording approved pay rates and deductions, recordkeeping, preparation, posting and distribution.
- 7) Transfers - preparing and approving.
- 8) Computer systems - performing all general accounting functions and controlling all data input and output.
- 9) School lunch program - collecting, recording, journalizing, posting and reconciling.

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 current personnel, including elected officials.

Response - We will continue to review our procedures and implement additional controls where possible.

Conclusion - Response acknowledged.

I-B-13 Payroll Procedures - We noted during our audit the District is having employees approve their own timesheets.

Recommendation - Better internal controls would be to have the employees direct supervisor approve their timesheets to prevent employees saying they worked more hours than they actually did.

Response - Beginning August 2013, the Superintendent began reviewing and approving hourly timesheets on a weekly basis.

Conclusion - Response accepted.

SCHLESWIG COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2013

Part II: Other Findings Related to Required Statutory Reporting:

II-A-13 Certified Budget - District expenditures for the year ended June 30, 2013, exceeded the amount budgeted in the other expenditures functional area.

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

Response - The District will continue to monitor the budget and amend when necessary.

Conclusion - Response accepted.

II-B-13 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

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

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

Name, Title and Business Connection	Transaction Description	Amount
Barb Quandt, Teacher Spouse owns Quandt Repair	Purchased Services	\$ 8,390
Neil Nahnsen, Bus driver Owner D&N Disposal	Trash collector	\$ 2,985

In accordance with the Attorney General's opinion dated July 2, 1990, the above transaction with the bus driver does not appear to represent a conflict of interest.

In accordance with the Attorney General's opinion dated November 9, 1976, the above transaction with the teacher's spouse does not appear to represent a conflict of interest.

II-E-13 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 insure that the coverage is adequate for current operations.

II-F-13 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

II-G-13 Certified Enrollment - We noted no variances in the basic enrolment data certified to the Department of Education.

II-H-13 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

II-I-13 Deposits and Investments - We noted 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.

- II-J-13 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- II-K-13 Categorical Funding - No instances were noted of the District using categorical funding to supplant rather than supplement other funds.
- II-L-13 Statewide Sales, Services and Use Tax - No instances of non-compliance noted with the use of the statewide sales, services and use tax revenue provisions of 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. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2013, the following information includes the amounts the District reported for the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	307,961
Revenues/transfers in:			
Sales tax revenues	\$	260,704	
Transfer in		7,980	268,684
			<u>576,645</u>
Expenditures/transfers out:			
School infrastructure construction		7,980	
Equipment		42,904	
Other		46,952	
Transfers to other funds:			
Debt service fund		72,089	169,925
			<u>169,925</u>
Ending balance		\$	<u>406,720</u>

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

- II-M-13 PPEL Expenditures - We noted during our audit the District had purchases from the Capital Projects: Physical Plant and Equipment Levy (PPEL) Fund which do not appear to be in compliance with Chapter 298.3 of the Code of Iowa. The District purchased chairs in the amount of \$2,506. This purchase appears to be an inappropriate use of PPEL money according to 298.3 of the Code of Iowa.

Recommendation - Since the District had allowable PPEL Fund expenditures from the General Fund, we did not request a corrective transfer on the financial statements. The District should review Chapter 298.3 of the Code of Iowa for allowability of expenditures from the PPEL Fund.

Response - The District has reviewed the fiscal year 2013 purchase. The PPEL fund will be refunded the \$2,506 before June 30, 2014.

Conclusion - Response accepted.