

SCHLESWIG COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2015

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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
Cindy March	Board Member	2017
Jason Schneider	Board Member	2017
School Officials		
Brian Johnson	Superintendent	2015
Sherri Jones	Business Manager/ Board Secretary	2015
Vanessa Zimmer	District Treasurer	2015
Franck & Sextro P.L.C	Attorney	2015

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(a professional corporation)
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INDEPENDENT AUDITOR'S REPORT

**To the Board of Education
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, 2015, 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, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in Note 14 to the financial statements, Schleswig Community School District adopted new accounting guidance related to Government Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 46 through 51 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, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 4, 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 17, 2016 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.

A handwritten signature in black ink that reads "Nolte, Cornman & Johnson PC". The signature is written in a cursive, flowing style.

NOLTE, CORNMAN & JOHNSON, P.C.

March 17, 2016
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, 2015. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2015 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$3,042,189 in fiscal year 2014 to \$3,128,590 in fiscal year 2015, while General Fund expenditures increased from \$3,277,397 in fiscal 2014 to \$3,443,199 in fiscal 2015. This resulted in a decrease in the District's General Fund balance from a balance of \$852,801 at June 30, 2014 to \$538,192 at June 30, 2015, a 36.89% decrease from the prior year.
- The increase in General Fund revenues was attributable to an increase in local tax source revenues during fiscal year 2015. The increase in General Fund expenditures was attributable to an increase negotiated salary and benefits during the year.

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

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

Supplementary Information provides detailed information about the nonmajor governmental funds.

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

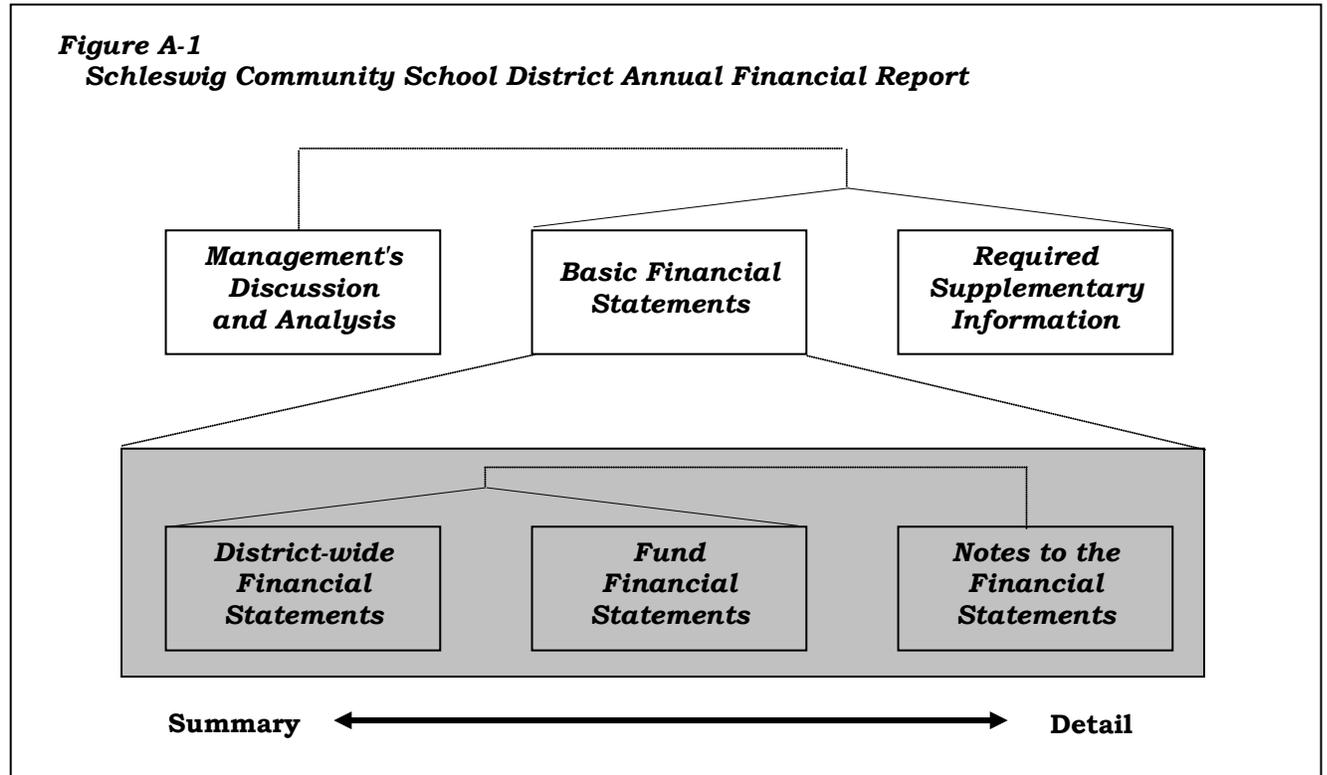


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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	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 deferred outflow / inflow information	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/ acquisition of fund balance that is applicable to a future reporting period	Consumption/ acquisition of net position that is applicable to a future reporting period	Consumption/ acquisition of net position that is applicable to a future reporting period.
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

The two government-wide financial statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health or 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 Fund, one type of proprietary fund, is 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 governmental fund financial statements follow the governmental fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2015 compared to June 30, 2014.

Figure A-3							
Condensed Statement of Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30, 2014		June 30, 2014		June 30, 2014		June 30, 2014-15
	2015	(Not restated)	2015	(Not restated)	2015	(Not restated)	2014-15
Current and other assets	\$ 7,186,415	3,560,081	21,095	17,518	7,207,510	3,577,599	101.46%
Capital assets	3,141,785	2,054,836	19,255	23,830	3,161,040	2,078,666	52.07%
Total assets	10,328,200	5,614,917	40,350	41,348	10,368,550	5,656,265	83.31%
Deferred outflows of resources	174,123	-	-	-	174,123	-	100.00%
Long-term liabilities	6,500,830	1,376,567	-	-	6,500,830	1,376,567	372.25%
Other liabilities	701,064	494,165	2,149	2,228	703,213	496,393	41.66%
Total liabilities	7,201,894	1,870,732	2,149	2,228	7,204,043	1,872,960	284.63%
Deferred inflows of resources	2,232,823	1,324,509	-	-	2,232,823	1,324,509	68.58%
Net position:							
Net investment in capital assets	785,521	917,836	19,255	23,830	804,776	941,666	-14.54%
Restricted	1,049,407	912,554	-	-	1,049,407	912,554	15.00%
Unrestricted	(767,322)	589,286	18,946	15,290	(748,376)	604,576	-223.79%
Total net position	\$ 1,067,606	2,419,676	38,201	39,120	1,105,807	2,458,796	-55.03%

The District's combined net position decreased by \$1,352,989, or 55.03% from the prior year. A significant portion of the District's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with 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 \$136,853, or 15.00% from the prior year. The increase in restricted net position was primarily due to the increase in the Debt Service Fund balance.

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 \$1,352,952, or 223.79%. The decrease in unrestricted net position was primarily a result of the District's net pension liability net pension expense recorded in the current year.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities was restated by \$1,035,862 to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

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

	Figure A-4 Changes in Net Position						
	Governmental Activities		Business Type Activities		Total District		Total Change
	2015	2014 (Not restated)	2015	2014 (Not restated)	2015	2014 (Not restated)	2014-15
Revenues:							
Program revenues:							
Charges for service	\$ 191,837	207,830	52,720	49,332	244,557	257,162	-4.90%
Operating grants, contributions and restricted interest	234,828	261,752	85,724	86,160	320,552	347,912	-7.86%
General revenues:							
Property tax	1,323,275	1,304,636	-	-	1,323,275	1,304,636	1.43%
Income surtax	5,341	85,899	-	-	5,341	85,899	-93.78%
Statewide sales, services and use tax	271,483	263,930	-	-	271,483	263,930	2.86%
Unrestricted state grants	1,401,054	1,382,440	-	-	1,401,054	1,382,440	1.35%
Unrestricted investment earnings	17,063	7,437	50	50	17,113	7,487	128.57%
Other general revenues	21,502	55,638	12	675	21,514	56,313	-61.80%
Total revenues	3,466,383	3,569,562	138,506	136,217	3,604,889	3,705,779	-2.72%
Program expenses:							
Instruction	2,303,238	2,257,602	-	-	2,303,238	2,257,602	2.02%
Support services	1,146,931	1,112,616	-	-	1,146,931	1,112,616	3.08%
Non-instructional programs	10,163	9,621	139,425	148,733	149,588	158,354	-5.54%
Other expenses	322,259	203,138	-	-	322,259	203,138	58.64%
Total expenses	3,782,591	3,582,977	139,425	148,733	3,922,016	3,731,710	5.10%
Deficiency of revenues under expenditures	(316,208)	(13,415)	(919)	(12,516)	(317,127)	(25,931)	-1122.96%
Transfers	-	(5,757)	-	5,757	-	-	0.00%
Change in net position	(316,208)	(19,172)	(919)	(6,759)	(317,127)	(25,931)	-1122.96%
Net position beginning of year, as restated	1,383,814	2,438,848	39,120	45,879	1,422,934	2,484,727	-42.73%
Net position end of year	\$ 1,067,606	2,419,676	38,201	39,120	1,105,807	2,458,796	-55.03%

During fiscal year 2015, property tax and unrestricted state grants accounted for 78.59% of governmental activities revenue, while charges for services and operating grants, contributions and restricted interest accounted for 99.96% of business type activities revenue.

The District's total revenues were approximately \$3.61 million, of which approximately \$3.47 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 2.72% decrease in revenues and 5.10% increase in expenses. The increase in expenses is related to the increases in negotiated salaries and benefits.

Governmental Activities

Revenues for governmental activities were \$3,466,383 and expenses were \$3,782,591.

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

	Total Cost of Services			Net Cost of Services		
	2015	2014 (Not restated)	Change 2014-15	2015	2014 (Not restated)	Change 2014-15
Instruction	\$ 2,303,238	2,257,602	2.02%	2,004,185	1,918,180	4.48%
Support services	1,146,931	1,112,616	3.08%	1,145,616	1,107,122	4.48%
Non-instructional programs	10,163	9,621	5.63%	10,163	9,621	3.48%
Other expenses	322,259	203,138	58.64%	195,962	78,472	149.72%
Totals	\$ 3,782,591	3,582,977	5.57%	3,355,926	3,113,395	7.79%

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was \$191,837.
- Federal and state governments along with local sources subsidized certain programs with grants and contributions totaling \$234,828.
- The net cost of governmental activities was financed with \$1,323,275 in property tax, \$5,341 in income surtax, \$271,483 in statewide sales, services and use tax, \$1,401,054 in unrestricted state grants, \$17,063 in interest income and \$21,502 in other general revenues.

Business Type Activities

Revenues of the District's business type activities were \$138,506 and expenses were \$139,425. 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

\$4,554,107, above last year's ending fund balances of \$1,650,679. The primary reason for the increase in fund balance was the issuance of general obligation bonds that had not yet been spent for construction around the District.

Governmental Fund Highlights

- The District's decreasing General Fund financial position is the product of many factors. Expenditures exceeded revenues resulting in a \$314,609 or 36.89% decrease in General Fund balance.
- The Capital Projects Fund balance increased from \$481,063 at June 30, 2014 to \$3,653,023 at June 30, 2015. This increase was primarily due to unspent general obligation bonds issued during the year.
- The Debt Service Fund Balance increased from \$75,629 at June 30, 2014 to \$153,299 at June 30, 2015. The increase was due to increases resulting from the District issuing general obligation debt during the year.

Proprietary Fund Highlights

The School Nutrition Fund net position decreased from \$39,120 at June 30, 2014 to \$38,201 at June 30, 2015, representing a decrease of 2.35%. Revenues did increase but were still exceeded by expenditures, resulting in a decrease in net position of \$919.

BUDGETARY HIGHLIGHTS

The District's revenues were \$608,173 less than budgeted revenues, a variance of 14.21%. The most significant variance resulted from the District receiving less from 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, 2015, the District had invested \$3,161,040, 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 increase of 52.07% 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 \$124,990.

The original cost of the District's capital assets was \$4,790,598. Governmental funds account for \$4,703,067 with the remainder of \$87,531 in the Proprietary funds.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress had a balance of \$1,283,154 at June

30, 2015, compared to \$111,224 at June 30, 2014. This increase was due to construction expenses associated with the District's gymnasium project.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2014-15
Land	\$ 117,443	117,443	-	-	117,443	117,443	0.00%
Construction in progress	1,283,154	111,224	-	-	1,283,154	111,224	91.33%
Land improvements	111,639	91,252	-	-	111,639	91,252	18.26%
Buildings	1,483,780	1,525,402	-	-	1,483,780	1,525,402	-2.81%
Machinery and equipment	145,769	209,515	19,255	23,830	165,024	233,345	-41.40%
Total	\$ 3,141,785	2,054,836	19,255	23,830	3,161,040	2,078,666	52.07%

Long-Term Debt

At June 30, 2015, the District had \$6,500,830 in total long-term debt outstanding. This represents an increase of 372.25% 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 outstanding general obligation bonds at June 30, 2015 of \$4,364,000 payable from the Debt Service Fund.

The District had outstanding revenue bonds at June 30, 2015 of \$1,072,000 payable from Capital Projects: Statewide Sales, Services and Use Tax Fund.

The District had outstanding termination benefits of \$29,200 at June 30, 2015 payable from Special Revenue: Management Levy Fund.

The District had total accrued compensated absences of \$11,947 at June 30, 2015 payable from the General Fund.

The District's net pension liability at June 30, 2015 was \$827,445.

The District's net OPEB liability at June 30, 2015 was \$196,238.

	Total District		Total Change
	June 30,		June 30,
	2015	2014 (Not restated)	2014-15
General obligation bonds	\$ 4,364,000	-	100.00%
Revenue bonds	1,072,000	1,137,000	-5.72%
Termination benefits	29,200	41,500	-29.64%
Accrued compensated absences	11,947	18,150	-34.18%
Net pension liability	827,445	-	100.00%
Net OPEB liability	196,238	179,917	9.07%
Totals	\$ 6,500,830	1,376,567	372.25%

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 Julia Mogensen, Business Manager, Schleswig Community School District, 714 Date Street, Schleswig, Iowa, 51461.

BASIC FINANCIAL STATEMENTS

SCHLESWIG COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 5,170,454	7,762	5,178,216
Receivables:			
Property tax:			
Delinquent	13,208	-	13,208
Succeeding year	1,917,020	-	1,917,020
Income surtax	13,613	-	13,613
Due from other governments	72,120	5,158	77,278
Inventories	-	8,175	8,175
Capital assets, net of accumulated depreciation	3,141,785	19,255	3,161,040
Total Assets	10,328,200	40,350	10,368,550
Deferred Outflows of Resources			
Pension related deferred outflows	174,123	-	174,123
Liabilities			
Accounts payable	514,663	-	514,663
Salaries and benefits payable	176,580	-	176,580
Accrued interest payable	9,821	-	9,821
Unearned revenue	-	2,149	2,149
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	223,170	-	223,170
Revenue bonds payable	66,000	-	66,000
Termination benefits payable	10,300	-	10,300
Accrued compensated absences payable	11,947	-	11,947
Portion due after one year:			
General obligation bonds payable	4,140,830	-	4,140,830
Revenue bonds payable	1,006,000	-	1,006,000
Termination benefits payable	18,900	-	18,900
Net pension liability	827,445	-	827,445
Net OPEB liability	196,238	-	196,238
Total Liabilities	7,201,894	2,149	7,204,043
Deferred Inflows of Resources			
Unavailable property tax revenue	1,917,020	-	1,917,020
Pension related deferred inflows	315,803	-	315,803
Total Deferred Inflows of Resources	2,232,823	-	2,232,823
Net Position			
Net investment in capital assets	785,521	19,255	804,776
Restricted for:			
Categorical funding	152,249	-	152,249
Management levy purposes	180,393	-	180,393
Debt service	143,478	-	143,478
School infrastructure	366,682	-	366,682
Physical plant and equipment	206,605	-	206,605
Unrestricted	(767,322)	18,946	(748,376)
Total Net Position	\$ 1,067,606	38,201	1,105,807

SEE NOTES TO FINANCIAL STATEMENTS.

SCHLESWIG COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
Functions/Programs						
Governmental activities:						
Instruction:						
Regular	\$ 1,687,490	160,676	42,328	(1,484,486)	-	(1,484,486)
Special	483,720	8,966	16,961	(457,793)	-	(457,793)
Other	132,028	22,195	47,927	(61,906)	-	(61,906)
	2,303,238	191,837	107,216	(2,004,185)	-	(2,004,185)
Support services:						
Student	52,335	-	-	(52,335)	-	(52,335)
Instructional	101,999	-	-	(101,999)	-	(101,999)
Administration	458,243	-	-	(458,243)	-	(458,243)
Operation and maintenance of plant	328,214	-	-	(328,214)	-	(328,214)
Transportation	206,140	-	1,315	(204,825)	-	(204,825)
	1,146,931	-	1,315	(1,145,616)	-	(1,145,616)
Non-instructional programs:						
Other enterprise operations	10,163	-	-	(10,163)	-	(10,163)
Long-term debt interest	146,855	-	-	(146,855)	-	(146,855)
Other expenditures:						
AEA flowthrough	126,297	-	126,297	-	-	-
Depreciation(unallocated)*	49,107	-	-	(49,107)	-	(49,107)
	175,404	-	126,297	(49,107)	-	(49,107)
Total governmental activities	3,782,591	191,837	234,828	(3,355,926)	-	(3,355,926)
Non-instructional programs:						
Food service operations	139,425	52,720	85,724	-	(981)	(981)
Total	\$ 3,922,016	244,557	320,552	(3,355,926)	(981)	(3,356,907)
General Revenues:						
Property tax levied for:						
General purposes				\$ 1,196,192	-	1,196,192
Capital outlay				127,083	-	127,083
Income surtax				5,341	-	5,341
Statewide sales, services and use tax				271,483	-	271,483
Unrestricted state grants				1,401,054	-	1,401,054
Unrestricted investment earnings				17,063	50	17,113
Other				21,502	12	21,514
Total general revenues				3,039,718	62	3,039,780
Change in net position				(316,208)	(919)	(317,127)
Net position beginning of year, as restated				1,383,814	39,120	1,422,934
Net position end of year				\$ 1,067,606	38,201	1,105,807

* 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, 2015

	General	Capital Projects	Debt Service	Nonmajor: Management Levy	Total
Assets					
Cash and pooled investments	\$ 819,469	3,897,524	233,685	209,344	5,160,022
Receivables:					
Property tax:					
Delinquent	11,691	1,268	-	249	13,208
Succeeding year	1,471,184	137,596	283,240	25,000	1,917,020
Income surtax	13,613	-	-	-	13,613
Due from other governments	29,757	42,363	-	-	72,120
Total assets	\$ 2,345,714	4,078,751	516,925	234,593	7,175,983
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	\$ 146,145	288,132	80,386	-	514,663
Salaries and benefits payable	176,580	-	-	-	176,580
Total liabilities	322,725	288,132	80,386	-	691,243
Deferred inflows of resources:					
Unavailable revenue:					
Succeeding year property tax	1,471,184	137,596	283,240	25,000	1,917,020
Income surtax	13,613	-	-	-	13,613
Total deferred inflows of resources	1,484,797	137,596	283,240	25,000	1,930,633
Fund balances:					
Restricted for:					
Categorical funding	152,249	-	-	-	152,249
Management levy purposes	-	-	-	209,593	209,593
Debt service	-	-	153,299	-	153,299
School infrastructure	-	3,446,418	-	-	3,446,418
Physical plant and equipment	-	206,605	-	-	206,605
Unassigned	385,943	-	-	-	385,943
Total fund balances	538,192	3,653,023	153,299	209,593	4,554,107
Total liabilities, deferred inflows of resources and fund balances	\$ 2,345,714	4,078,751	516,925	234,593	7,175,983

SEE NOTES TO FINANCIAL STATEMENTS.

SCHLESWIG COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2015

Total fund balances of governmental funds(page 20)		\$ 4,554,107
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		3,141,785
Blending of the Internal Service Funds to be reflected on an entity-wide basis.		10,432
Income surtax is not yet available to pay current year expenditures and, therefore, is recognized as deferred inflows of resources in the governmental funds.		13,613
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:		
Deferred outflows of resources	\$ 174,123	
Deferred inflows of resources	<u>(315,803)</u>	(141,680)
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(9,821)
Long-term liabilities, including revenue bonds payable, general obligation bonds payable, accrued compensated absences payable, termination benefits payable, net pension liability and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		<u>(6,500,830)</u>
Net position of governmental activities(page 18)		<u><u>\$ 1,067,606</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, 2015

	General	Capital Projects	Debt Service	Nonmajor: Management Levy	Total
Revenues:					
Local sources:					
Local tax	\$ 1,244,051	127,083	-	24,977	1,396,111
Tuition	169,642	-	-	-	169,642
Other	70,360	799	311	-	71,470
State sources	1,534,684	272,266	-	154	1,807,104
Federal sources	89,551	-	-	-	89,551
Total revenues	<u>3,108,288</u>	<u>400,148</u>	<u>311</u>	<u>25,131</u>	<u>3,533,878</u>
Expenditures:					
Current:					
Instruction:					
Regular	1,689,843	-	-	35,547	1,725,390
Special	487,853	-	-	-	487,853
Other	135,062	-	-	-	135,062
	<u>2,312,758</u>	<u>-</u>	<u>-</u>	<u>35,547</u>	<u>2,348,305</u>
Support services:					
Student	51,885	-	-	-	51,885
Instructional staff	46,588	17,863	-	-	64,451
Administration	499,801	11,353	500	-	511,654
Operation and maintenance of plant	226,807	24,838	-	16,138	267,783
Transportation	168,900	-	-	5,039	173,939
	<u>993,981</u>	<u>54,054</u>	<u>500</u>	<u>21,177</u>	<u>1,069,712</u>
Non-instructional programs:					
Other enterprise operations	10,163	-	-	-	10,163
Capital outlay	-	1,278,218	-	-	1,278,218
Long term debt:					
Principal	-	-	270,000	-	270,000
Interest and fiscal charges	-	-	137,034	-	137,034
	<u>-</u>	<u>-</u>	<u>407,034</u>	<u>-</u>	<u>407,034</u>
Other expenditures:					
AEA flowthrough	126,297	-	-	-	126,297
Total expenditures	<u>3,443,199</u>	<u>1,332,272</u>	<u>407,534</u>	<u>56,724</u>	<u>5,239,729</u>
Deficiency of revenues under expenditures	(334,911)	(932,124)	(407,223)	(31,593)	(1,705,851)
Other financing sources(uses):					
General obligation bond issuance	-	4,250,000	319,000	-	4,569,000
Premium on general obligation bond issuance	-	81,972	-	-	81,972
Discount on general obligation bond issuance	-	(61,995)	-	-	(61,995)
Transfer in	-	-	165,893	-	165,893
Transfer out	-	(165,893)	-	-	(165,893)
Insurance proceeds	20,302	-	-	-	20,302
Total other financing sources(uses)	<u>20,302</u>	<u>4,104,084</u>	<u>484,893</u>	<u>-</u>	<u>4,609,279</u>
Change in fund balances	(314,609)	3,171,960	77,670	(31,593)	2,903,428
Fund balances beginning of year	852,801	481,063	75,629	241,186	1,650,679
Fund balances end of year	<u>\$ 538,192</u>	<u>3,653,023</u>	<u>153,299</u>	<u>209,593</u>	<u>4,554,107</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, 2015

Change in fund balances - total governmental funds(page 22) \$ 2,903,428

*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 for capital outlay and depreciation expense in the year are as follows:

Capital outlay	\$ 1,207,364	
Depreciation expense	<u>(120,415)</u>	1,086,949

Income surtax accounts receivable is not available to finance expenditures of the current year and is recognized as deferred inflows of resources in the governmental funds. (67,495)

Net change in the Internal Service Funds charged back against expenditures made for self-funded insurance on an entity-wide basis. 812

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

Issued	(4,569,000)	
Repaid	<u>270,000</u>	(4,299,000)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. (9,821)

The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position. 128,613

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	12,300	
Accrued compensated absences	6,203	
Pension expense	(61,876)	
Other postemployment benefits	<u>(16,321)</u>	<u>(59,694)</u>

Change in net position of governmental activities(page 19) \$ (316,208)

SEE NOTES TO FINANCIAL STATEMENTS.

SCHLESWIG COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015

	Business Type	
	Activities: Enterprise Fund	Governmental Activities: Internal Service Fund
	School Nutrition	
Assets		
Cash and pooled investments	\$ 7,762	10,432
Due from other governments	5,158	-
Inventories	8,175	-
Capital assets, net of accumulated depreciation	19,255	-
Total assets	40,350	10,432
Liabilities		
Unearned revenue	2,149	-
Net Position		
Net investment in capital assets	19,255	-
Unrestricted	18,946	10,432
Total net position	\$ 38,201	10,432

SEE NOTES TO FINANCIAL STATEMENTS.

SCHLESWIG COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2015

	Business Type	
	Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Operating revenues:		
Local sources:		
Charges for service	\$ 52,720	-
Miscellaneous	12	9,076
Total operating revenues	<u>52,732</u>	<u>9,076</u>
Operating expenses:		
Non-instructional programs:		
Food service operations:		
Services	116,882	-
Supplies	17,952	-
Depreciation	4,575	-
Other	16	-
Other enterprise operations:		
Benefits	-	8,264
Total operating expenses	<u>139,425</u>	<u>8,264</u>
Operating income(loss)	<u>(86,693)</u>	<u>812</u>
Non-operating revenues:		
State sources	1,145	-
Federal sources	84,579	-
Interest on investments	50	-
Total non-operating revenues	<u>85,774</u>	<u>-</u>
Change in net position	(919)	812
Net position beginning of year	<u>39,120</u>	<u>9,620</u>
Net position end of year	<u>\$ 38,201</u>	<u>10,432</u>

SEE NOTES TO FINANCIAL STATEMENTS.

SCHLESWIG COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2015

	Business Type Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 58,398	-
Cash received from miscellaneous	12	9,076
Cash payments to suppliers for goods or services	(127,774)	(8,264)
Net cash provided by(used by) operating activities	(69,364)	812
Cash flows from non-capital financing activities:		
State grants received	1,145	-
Federal grants received	74,874	-
Net cash provided by non-capital financing activities	76,019	-
Cash flows from investing activities:		
Interest on investments	50	-
Net increase in cash and pooled investments	6,705	812
Cash and pooled investments beginning of year	1,057	9,620
Cash and pooled investments end of year	\$ 7,762	10,432
Reconciliation of operating income(loss) to net cash provided by(used by) operating activities:		
Operating income(loss)	\$ (86,693)	812
Adjustments to reconcile operating income(loss) to net cash provided by(used by) operating activities:		
Commodities used	9,389	-
Depreciation	4,575	-
Increase in inventories	(2,313)	-
Decrease in accounts receivable	5,757	-
Decrease in unearned revenue	(79)	-
Net cash provided by(used by) operating activities	\$ (69,364)	812

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2015, the District received \$9,389 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS.

SCHLESWIG COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUND
JUNE 30, 2015

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

SEE NOTES TO FINANCIAL STATEMENTS.

SCHLESWIG COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

(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 prekindergarten. 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, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in three categories:

Net investment in capital assets 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. Unspent bond proceeds are added to invested in capital assets net of related debt.

Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of net position not meeting the definition of the 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 Debt Service Fund is used to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

The District's nonmajor proprietary funds are the School Nutrition Fund and the Internal Service Fund. The Nutrition fund is used to account for the food service operations of the District. The Internal Service Funds is used to account for the flex spending 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, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity

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

Cash and Pooled Investments - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in non-negotiable certificates of deposit which are stated at cost and the investment in the Iowa Schools Joint Investment Trust which is valued as amortized 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, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2014.

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

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

Capital Assets - Capital assets, which include property, 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

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

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

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from

IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources - Deferred inflows of resources represent an acquisition of net position that applies to future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred inflows of resources consist of property tax receivables and other receivables not collected within sixty days after year end.

Deferred inflows of resources 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 and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

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 days 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, 2015. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

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

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

Unassigned - All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2015, expenditures exceeded the amounts budgeted in the other expenditures functional area.

(2) Cash and Pooled Investments

The District's deposits at June 30, 2015 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education 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, 2015 the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$2 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investments in the Iowa Schools Joint Investment Trust was rated AAA by Standard & Poor's Financial Services.

(3) Interfund Transfers

The detail of interfund transfers at June 30, 2015 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	<u>\$ 165,893</u>

The transfer from Capital Projects: Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was needed for principle and interest payments on the District's revenue bonds.

(4) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 117,443	-	-	117,443
Construction in progress	111,224	1,171,930	-	1,283,154
Total capital assets not being depreciated	<u>228,667</u>	<u>1,171,930</u>	-	<u>1,400,597</u>
Capital assets being depreciated:				
Land improvements	121,812	27,872	-	149,684
Buildings and improvements	2,280,077	-	-	2,280,077
Machinery and equipment	865,147	7,562	-	872,709
Total capital assets being depreciated	<u>3,267,036</u>	<u>35,434</u>	-	<u>3,302,470</u>
Less accumulated depreciation for:				
Land improvements	30,560	7,485	-	38,045
Buildings and improvements	754,675	41,622	-	796,297
Machinery and equipment	655,632	71,308	-	726,940
Total accumulated depreciation	<u>1,440,867</u>	<u>120,415</u>	-	<u>1,561,282</u>
Total capital assets being depreciated, net	<u>1,826,169</u>	<u>(84,981)</u>	-	<u>1,741,188</u>
Governmental activities capital assets, net	<u>\$ 2,054,836</u>	<u>1,086,949</u>	-	<u>3,141,785</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 87,531	-	-	87,531
Less accumulated depreciation	63,701	4,575	-	68,276
Business type activities capital assets, net	\$ 23,830	(4,575)	-	19,255

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

Regular	\$ 12,402
Special	2,252

Support services:

Instructional staff	14,519
Operation and maintenance of plant	7,990
Transportation	34,145
	<u>71,308</u>

Unallocated depreciation	<u>49,107</u>
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Total governmental activities depreciation expense	<u>\$ 120,415</u>
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Business type activities:

Food service operations	<u>\$ 4,575</u>
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(5) Long-Term Liabilities

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

	Balance Beginning of Year Restated	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ -	4,569,000	205,000	4,364,000	223,170
Revenue bonds	1,137,000	-	65,000	1,072,000	66,000
Termination benefits	41,500	-	12,300	29,200	10,300
Accrued compensated absences	18,150	11,947	18,150	11,947	11,947
Net pension liability	1,157,779	-	330,334	827,445	-
Net OPEB liability	179,917	16,321	-	196,238	-
Total	\$ 2,534,346	4,597,268	630,784	6,500,830	311,417

General Obligation Bonds

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

Year Ending June 30,	Gymnasium Construction				Refunding Bonds				Total		
	Interest Rates	Issued July 1, 2014		Interest Rates	Issued May 27, 2015		Principal	Interest	Total		
2016	2.00 %	\$ 170,000	112,640	0.60 %	\$ 53,170	3,521	223,170	116,161	339,331		
2017	2.00	175,000	109,240	0.75	53,166	3,163	228,166	112,403	340,569		
2018	2.00	175,000	105,740	1.00	53,166	2,765	228,166	108,505	336,671		
2019	2.00	180,000	102,240	1.25	53,166	2,233	233,166	104,473	337,639		
2020	2.00	185,000	98,640	1.35	53,166	1,568	238,166	100,208	338,374		
2021-2025	2.00-3.00	980,000	430,400	1.60	53,166	851	1,033,166	431,251	1,464,417		
2026-2030	3.00-3.10	1,135,000	280,550	-	-	-	1,135,000	280,550	1,415,550		
2031-2034	3.20-3.50	1,045,000	90,360	-	-	-	1,045,000	90,360	1,135,360		
Total		\$ 4,045,000	1,329,810		\$ 319,000	14,101	4,364,000	1,343,911	5,707,911		

Revenue Bonds

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

Year Ending June 30,	Bond Issue of June 28, 2012			
	Interest Rates	Principal	Interest	Total
2016	1.50%	\$ 66,000	29,622	95,622
2017	1.50%	67,000	28,633	95,633
2018	2.00%	68,000	27,627	95,627
2019	2.00%	69,000	26,268	95,268
2020	2.50%	71,000	24,887	95,887
2021-2025	2.50-3.10%	381,000	95,683	476,683
2026-2029	3.35-3.60%	350,000	31,402	381,402
Total		\$ 1,072,000	264,122	1,336,122

The District has pledged future statewide sales, services and use tax revenues to repay the \$1,237,000 of bonds issued in June 2012. 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 2029. 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 35 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$1,336,122. For the current year, \$65,000 of principal and \$30,273 of interest was paid on the bonds and total statewide sales, services and use tax revenues were \$271,483.

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.

Termination Benefits

The District did not offer a voluntary early retirement incentive plan to its employees during the year ended June 30, 2015. However, the District did offer such plans to their certified employees in fiscal years 2010 and 2013. Eligible employees must have completed at least fifteen years of service and have attained the age of fifty five on or before July 1 of the year the application was submitted.

Early retirement benefits for the fiscal year 2010 offering included District contributions up to \$500 per month, applied to the retiree's premiums for continued participation in the District's health plan. Early retirement benefits for the fiscal year 2013 offering included District contributions up to \$525 per month, applied to the retiree's premiums for continued participation in the District's health plan. The contributions are to cease when the retiree either reaches Medicare eligibility or secures other employment that provides health insurance coverage.

At June 30, 2015, the District had obligations to two participants with a total liability of \$29,200. Actual early retirement expenditures for the year ended June 30, 2014 totaled \$12,300.

(6) Pension Plan

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

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

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

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

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

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

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

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

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

The District's contributions to IPERS for the year ended June 30, 2015 were \$128,613.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the District reported a liability of \$827,445 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District's collective proportion was 0.020445 percent, which was a decrease of 0.000003 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$61,876. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 8,993	\$ -
Changes of assumptions	36,517	-
Net difference between projected and actual earnings on pension plan investments	-	315,564
Changes in proportion and differences between District contributions and proportionate share of contributions	-	239
District contributions subsequent to the measurement date	128,613	-
Total	\$ 174,123	\$ 315,803

\$128,613 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2016	\$ (68,314)
2017	(68,314)
2018	(68,314)
2019	(68,314)
2020	2,963
	<u>\$ (270,293)</u>

There were no non-employer contributing entities at IPERS.

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

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

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

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

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

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

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

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

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	\$ 1,563,435	\$ 827,445	\$ 206,194

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

Payables to the Pension Plan - At June 30, 2015, the District reported payables to the defined benefit pension plan of \$13,605 for legally required employer contributions and \$9,065 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

(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, 2015, 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	8,096
Adjustment to annual required contribution	(6,775)
Annual OPEB cost	<u>34,321</u>
Contributions made	<u>(18,000)</u>
Increase in net OPEB obligation	16,321
Net OPEB obligation beginning of year	179,917
Net OPEB obligation end of year	<u>\$ 196,238</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, 2015.

For the year ended June 30, 2015 the District contributed \$18,000 to the medical plan. Plan members eligible for benefits contributed \$16,000, or 47.06% 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, 2015 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$34,000	47.06%	\$166,693
2014	\$34,224	61.36%	\$179,917
2015	\$34,321	52.45%	\$196,238

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$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 \$1,185,688 and the ratio of the UAAL to covered payroll was 20.16%. As of June 30, 2015 there were no trust fund assets.

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

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2012 actuarial valuation date, the alternative measurement method was used. The actuarial assumptions include 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.

Annual age adjusted premiums 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) 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 \$126,297 for the year ended June 30, 2015 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(9) 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 include 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, 2015 were \$136,292.

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.

(10) Budget Overexpenditure

During the year ended June 30, 2015, the District's expenditures in the other expenditures functional area exceeded the amounts budgeted.

(11) Construction Commitment

As of June 30, 2015, the District had incurred \$1,283,154 of expenses associated with the District's gymnasium project. Construction is expected to continue during fiscal year 2016. The entire cost of the project will be added to the District's capital asset listing upon completion.

(12) Categorical Funding

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

Program	Amount
Limited english proficient	\$ 61,903
Gifted and talented programs	50,950
Beginning teacher mentoring and induction program	25
Teacher salary supplement	13,712
Professional development	14,088
Market factor incentives	938
Teacher leadership grants	2,366
Successful progression for early readers	8,267
Total	<u>\$ 152,249</u>

(13) Reconciliation of Governmental Fund Balances to Net Position

Reconciliation of certain governmental fund balances to net position is as follows:

	Net investment in Capital Assets	Management Levy	Debt Service	School Infrastructure	Unassigned/ Unrestricted
Balance (Exhibit C)	\$ -	209,593	153,299	3,446,418	385,943
Capital assets, net of accumulated depreciation	3,141,785	-	-	-	-
Revenue bond capitalized indebtedness	(1,072,000)	-	-	-	-
General obligation bond capitalized indebtedness	(1,284,264)	-	-	-	-
Unspent bond proceeds	-	-	-	(3,079,736)	-
Termination benefits	-	(29,200)	-	-	-
Accrued interest payable	-	-	(9,821)	-	-
Income surtax receivable	-	-	-	-	13,613
Internal service fund	-	-	-	-	10,432
Accrued compensated absences	-	-	-	-	(11,947)
Pension related deferred outflows	-	-	-	-	174,123
Net pension liability	-	-	-	-	(827,445)
Pension related deferred inflows	-	-	-	-	(315,803)
Net OPEB liability	-	-	-	-	(196,238)
Net position (Exhibit A)	<u>\$ 785,521</u>	<u>180,393</u>	<u>143,478</u>	<u>366,682</u>	<u>(767,322)</u>

(14) Accounting Change/Restatement Note

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

	<u>Governmental Activities</u>
Net position June 30, 2014, as previously reported	\$ 2,419,676
Net pension liability at June 30, 2014	(1,157,779)
Deferred outflows of resources related to the contributions made after the June 30, 2013 measurement date	<u>121,917</u>
Net position July 1, 2014, as restated	<u><u>\$ 1,383,814</u></u>

(15) Deficit Net Position

At June 30, 2015 the District had a deficit unrestricted net position of \$767,322 in the governmental activities of the District.

SCHLESWIG COMMUNITY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

SCHLESWIG COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUND
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2015

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Funds	Fund		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 1,637,223	52,782	1,690,005	2,052,891	2,052,891	(362,886)
State sources	1,807,104	1,145	1,808,249	2,024,666	2,024,666	(216,417)
Federal sources	89,551	84,579	174,130	203,000	203,000	(28,870)
Total revenues	<u>3,533,878</u>	<u>138,506</u>	<u>3,672,384</u>	<u>4,280,557</u>	<u>4,280,557</u>	<u>(608,173)</u>
Expenditures/Expenses:						
Instruction	2,348,305	-	2,348,305	3,240,000	3,240,000	891,695
Support services	1,069,712	-	1,069,712	1,510,000	1,510,000	440,288
Non-instructional programs	10,163	139,425	149,588	330,000	330,000	180,412
Other expenditures	1,811,549	-	1,811,549	311,058	311,058	(1,500,491)
Total expenditures/expenses	<u>5,239,729</u>	<u>139,425</u>	<u>5,379,154</u>	<u>5,391,058</u>	<u>5,391,058</u>	<u>11,904</u>
Deficiency of revenues under expenditures	(1,705,851)	(919)	(1,706,770)	(1,110,501)	(1,110,501)	(596,269)
Other financing sources, net	<u>4,609,279</u>	-	<u>4,609,279</u>	-	-	<u>4,609,279</u>
Excess(Deficiency) of revenues and other financing sources over(under) expenditures and other financing uses	2,903,428	(919)	2,902,509	(1,110,501)	(1,110,501)	4,013,010
Balances beginning of year	<u>1,650,679</u>	<u>39,120</u>	<u>1,689,799</u>	<u>1,730,092</u>	<u>1,730,092</u>	<u>(40,293)</u>
Balances end of year	<u>\$ 4,554,107</u>	<u>38,201</u>	<u>4,592,308</u>	<u>619,591</u>	<u>619,591</u>	<u>3,972,717</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SCHLESWIG COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2015

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting 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, 2015, expenditures in the other expenditures functional area exceeded the amounts budgeted.

SCHLESWIG COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
 LAST FISCAL YEAR*
 (IN THOUSANDS)
 REQUIRED SUPPLEMENTARY INFORMATION

	2015
District's proportion of the net pension liability	0.020445%
District's proportionate share of the net pension liability	\$ 827
District's covered-employee payroll	\$ 1,440
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	57.43%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

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

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SCHLESWIG COMMUNITY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS
(IN THOUSANDS)
REQUIRED SUPPLEMENTARY INFORMATION

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Statutorily required contribution	\$ 129	121	115	106	88	83	79	73	68	68
Contributions in relation to the statutorily required contribution	<u>(129)</u>	<u>(121)</u>	<u>(115)</u>	<u>(106)</u>	<u>(88)</u>	<u>(83)</u>	<u>(79)</u>	<u>(73)</u>	<u>(68)</u>	<u>(68)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	\$ 1,440	1,355	1,326	1,314	1,266	1,194	1,244	1,207	1,183	1,183
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%	6.95%	6.95%	6.35%	6.05%	5.75%	5.75%

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SCHLESWIG COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY
YEAR ENDED JUNE 30, 2015

Changes of benefit terms:

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

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

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

Changes of assumptions:

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

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

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

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

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

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

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

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)	UAAL 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%
2014	July 1, 2012	-	239,000	239,000	0.0%	1,111,995	21.49%
2015	July 1, 2012	-	239,000	239,000	0.0%	1,185,688	20.16%

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.

SCHLESWIG COMMUNITY SCHOOL DISTRICT

SUPPLEMENTARY INFORMATION

SCHLESWIG COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS ACCOUNTS
 JUNE 30, 2015

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Bond Construction Fund	Physical Plant and Equipment Levy	
Assets				
Cash and pooled investments	\$ 393,191	3,298,996	205,337	3,897,524
Receivables:				
Property tax:				
Delinquent	-	-	1,268	1,268
Succeeding year	-	-	137,596	137,596
Due from other governments	42,363	-	-	42,363
Total assets	\$ 435,554	3,298,996	344,201	4,078,751
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 68,872	219,260	-	288,132
Deferred inflows of resources:				
Unavailable revenue:				
Succeeding year property tax	-	-	137,596	137,596
Fund balances:				
Restricted for:				
School infrastructure	366,682	3,079,736	-	3,446,418
Physical plant and equipment	-	-	206,605	206,605
Total fund balances	366,682	3,079,736	206,605	3,653,023
Total liabilities, deferred inflows of resources and fund balances	\$ 435,554	3,298,996	344,201	4,078,751

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SCHLESWIG COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECTS ACCOUNTS
 YEAR ENDED JUNE 30, 2015

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Bond Construction Fund	Physical Plant and Equipment Levy	
Revenues:				
Local sources:				
Local tax	\$ -	-	127,083	127,083
Other	-	283	516	799
State sources	271,483	-	783	272,266
Total revenues	271,483	283	128,382	400,148
Expenditures:				
Current:				
Support services:				
Instructional staff	-	-	17,863	17,863
Administration	-	-	11,353	11,353
Operation and maintenance of plant	-	-	24,838	24,838
Capital outlay	68,873	1,190,524	18,821	1,278,218
Total expenditures	68,873	1,190,524	72,875	1,332,272
Excess(Deficiency) of revenues over(under) expenditures	202,610	(1,190,241)	55,507	(932,124)
Other financing sources(uses):				
General obligation bond issuance	-	4,250,000	-	4,250,000
Premium on general obligation bond issuance	-	81,972	-	81,972
Discount on general obligation bond issuance	-	(61,995)	-	(61,995)
Transfer out	(165,893)	-	-	(165,893)
Total other financing sources(uses)	(165,893)	4,269,977	-	4,104,084
Change in fund balances	36,717	3,079,736	55,507	3,171,960
Fund balances beginning of year	329,965	-	151,098	481,063
Fund balances end of year	\$ 366,682	3,079,736	206,605	3,653,023

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SCHLESWIG COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUND
 YEAR ENDED JUNE 30, 2015

	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 FUNDS
FOR THE LAST TEN YEARS

	Modified Accrual Basis									
	Years Ended June 30,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues:										
Local sources:										
Local tax	\$ 1,396,111	1,386,011	1,600,663	1,584,596	1,537,265	1,346,479	1,284,751	1,142,115	1,016,989	958,018
Tuition	169,642	188,490	183,282	223,586	175,861	205,113	124,332	147,694	131,973	147,746
Other	71,470	84,659	126,596	103,186	70,798	90,554	110,742	124,938	101,604	66,629
State sources	1,807,104	1,808,587	1,574,259	1,632,249	1,415,172	1,328,464	1,449,669	1,436,388	1,394,467	1,237,317
Federal sources	89,551	97,291	95,616	97,600	234,283	314,305	93,487	79,904	88,339	95,222
Total	\$ 3,533,878	3,565,038	3,580,416	3,641,217	3,433,379	3,284,915	3,062,981	2,931,039	2,733,372	2,504,932
Expenditures:										
Current:										
Instruction:										
Regular	\$ 1,725,390	1,631,379	1,531,351	1,495,863	1,365,705	1,386,763	1,367,760	1,319,900	1,276,644	1,231,717
Special	487,853	508,976	489,129	473,411	485,214	485,005	411,849	373,780	375,520	354,991
Other	135,062	119,183	151,797	143,335	158,385	28,330	115,293	38,690	103,509	35,509
Support services:										
Student	51,885	35,471	33,138	29,295	30,427	30,482	63,829	58,582	53,657	47,901
Instructional	64,451	113,765	116,102	157,230	67,088	56,769	60,148	46,650	53,854	46,261
Administration	511,654	477,352	434,245	382,964	383,110	387,680	361,288	370,817	352,064	385,258
Operation and maintenance										
of plant	267,783	253,685	272,957	294,123	256,696	206,588	241,864	202,853	172,668	205,128
Transportation	173,939	158,120	144,742	210,918	126,713	188,054	114,114	102,247	154,354	105,974
Non-instructional programs:										
Other enterprise operations	10,163	9,621	-	-	-	-	-	-	-	-
Capital outlays	1,278,218	308,374	88,706	105,961	1,136,678	288,323	73,223	80,098	144,114	86,792
Long-term debt:										
Principal	270,000	65,000	35,000	1,535,000	-	-	-	-	-	-
Interest and fiscal charges	137,034	30,760	31,193	99,088	43,578	-	-	-	-	-
Other expenditures:										
AEA flow-through	126,297	124,666	122,225	118,991	128,110	126,288	107,467	102,057	93,902	85,438
Total	\$ 5,239,729	3,836,352	3,450,585	5,046,179	4,181,704	3,184,282	2,916,835	2,695,674	2,780,286	2,584,969

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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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, 2015, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 17, 2016.

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 a material weakness.

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-15 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.

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

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 17, 2016
Newton, Iowa

SCHLESWIG COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2015

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-15 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) Payroll - recording approved pay rates and deductions, recordkeeping, preparation, posting and distribution.
- 6) Transfers - preparing and approving.
- 7) Computer systems - performing all general accounting functions and controlling all data input and output.
- 8) 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 accepted.

Part II: Other Findings Related to Required Statutory Reporting:

II-A-15 Certified Budget - District expenditures for the year ended June 30, 2015, 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 certified budget will be reviewed throughout the fiscal year and an amendment will be timely filed if an over expenditure is anticipated.

Conclusion - Response accepted.

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

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

Name, Title and Business Connection	Transaction Description	Amount
Barb Quandt, Bus driver Spouse owns Quandt Repair	Purchased Services	\$ 14,574
Neil Nahnsen, Bus driver Owner D&N Disposal	Services	\$ 2,640

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

II-F-15 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. We did note an instance where the minutes of the Board meeting were not published within the time frame required under Chapter 279.35 of the Code of Iowa.

Recommendation - The District should review its procedures to ensure compliance with the Code of Iowa.

Response - The minutes will be submitted to the publisher as quickly as possible to assure timely publication.

Conclusion - Response accepted.

II-G-15 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

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

II-I-15 Deposits and Investments - 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-15 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-15 Categorical Funding - No instances were noted of the District using categorical funding to supplant rather than supplement other funds.

II-L-15 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, 2015, the following information includes the amounts the District reported for the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2015 audit:

Beginning balance		\$	329,965
Revenues/transfers in:			
Sales tax revenues			271,483
			<u>601,448</u>
Expenditures/transfers out:			
Other	\$	68,873	
Transfers to other funds:			
Debt service fund		<u>165,893</u>	<u>234,766</u>
Ending balance		\$	<u>366,682</u>

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

II-M-15 Financial Condition - At June 30, 2015, the District had a deficit unrestricted net position of \$767,322 in the governmental activities. The primary reason for this deficit net position is due to the implementation of GASB Statements No. 68 and No. 71 during the year.

Recommendation - The District should take steps to ensure the District's administration and Board of Education understand this accounting change/restatement and how GASB Statements No. 68 and 71 will affect the District's financials moving forward.

Response - The administration and board are aware of the changes due to GASB Statements No. 68 & No. 71 and will continue to monitor the effects on the district's financials.

Conclusion - Response accepted.