

SCHLESWIG COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2011

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Schleswig Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
Alan Weiss	President	2013
Jerrold Reimer	Board Member	2011
Todd Schultz	Board Member	2011
Rhonda Nemitz	Board Member	2013
Phil Smith	Board Member	2011
<b>School Officials</b>		
Brian Johnson	Superintendent	2011
Sherri Jones	Business Manager	2011
Vanessa Zimmer	District Treasurer	2011
Mundt, Franck & Schumacher	Attorney	2011

SCHLESWIG COMMUNITY SCHOOL DISTRICT

# **NOLTE, CORNMAN & JOHNSON P.C.**

**Certified Public Accountants**

**(a professional corporation)**

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

**Telephone (641) 792-1910**

## INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the  
Schleswig Community School District:

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 the Schleswig Community School District, Schleswig, Iowa as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our 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 at June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 22, 2012 on our consideration of Schleswig Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 15 and 42 through 44 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have

applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

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 second paragraph of this report, the financial statements for the seven years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 7, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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 22, 2012

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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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, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2011 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$2,959,555 in fiscal 2010 to \$3,045,249 in fiscal 2011, while General Fund expenditures increased from \$2,729,537 in fiscal 2010 to \$2,893,945 in fiscal 2011. This resulted in an increase in the District's General Fund balance from a balance of \$790,744 in fiscal 2010 to a balance of \$942,048 in fiscal 2011, a 19.13% increase from the prior year.
- The increase in General Fund revenues was attributable to an increase in local tax and state source revenues during fiscal 2011. The increase in General Fund expenditures was attributable to an increase in all the functional area expenditures.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets 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 School District.

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

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

Other Supplementary Information provides detailed information about the nonmajor funds.

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

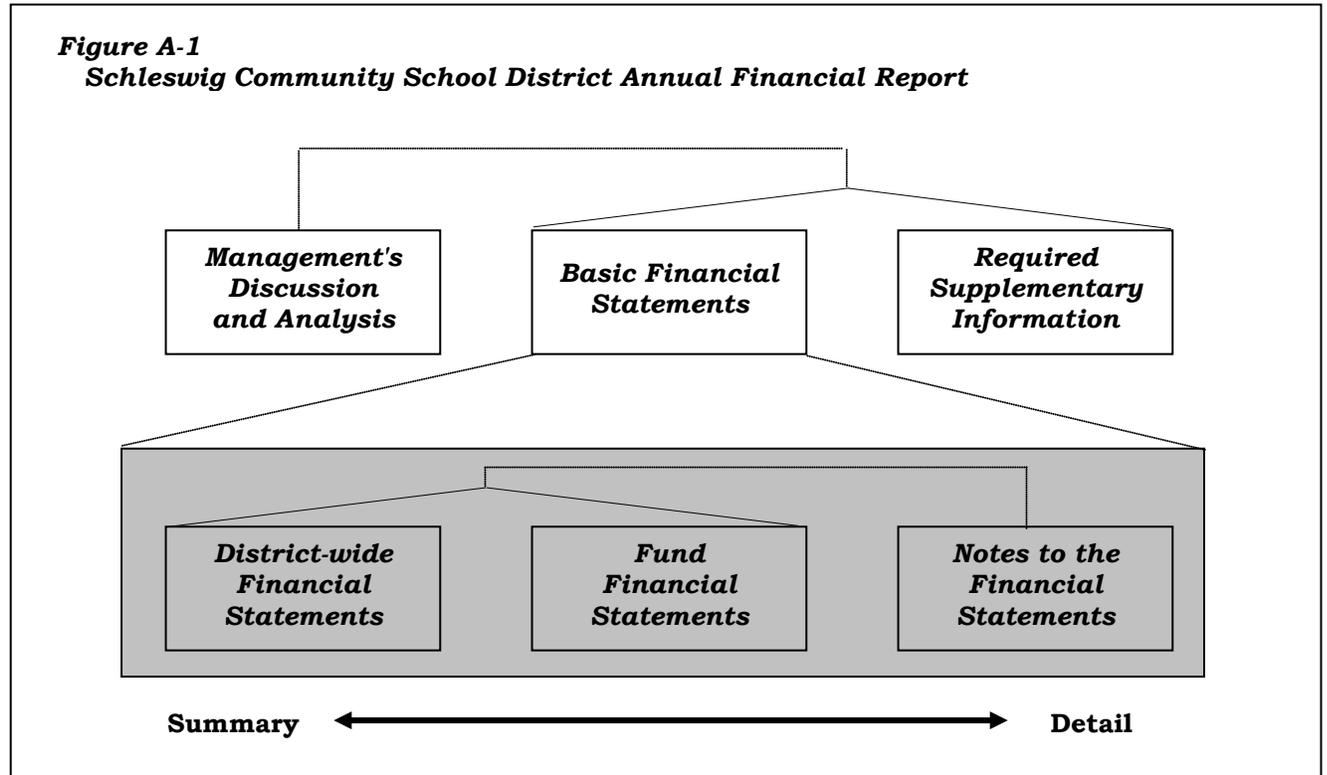


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

<b>Figure A-2 Major Features of the Government-Wide and Fund Financial Statements</b>				
	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, e.g., food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## **REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES**

### **Government-wide Financial Statements**

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

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are 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 and 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 required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets 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 on behalf of other Districts.

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 assets and a statement of changes in fiduciary net assets.

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2011 compared to June 30, 2010.

Figure A-3 Condensed Statement of Net Assets							
	Governmental Activities		Business Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-11
Current and other assets	\$ 3,617,641	4,260,242	25,191	31,128	3,642,832	4,291,370	-15.11%
Capital assets	1,806,418	738,829	18,529	18,244	1,824,947	757,073	141.05%
Total assets	5,424,059	4,999,071	43,720	49,372	5,467,779	5,048,443	8.31%
Long-term liabilities	1,676,597	1,617,988	0	0	1,676,597	1,617,988	3.62%
Other liabilities	1,610,642	1,492,373	982	182	1,611,624	1,492,555	7.98%
Total liabilities	3,287,239	1,492,373	982	182	3,288,221	3,110,543	5.71%
Net assets:							
Invested in capital assets, net of related debt	501,866	526,594	18,529	18,244	520,395	544,838	-4.49%
Restricted	927,312	653,861	0	0	927,312	653,861	41.82%
Unrestricted	707,642	708,255	24,209	30,946	731,851	739,201	-0.99%
Total net assets	\$ 2,136,820	1,888,710	42,738	49,190	2,179,558	1,937,900	12.47%

The District's combined net assets increased by \$241,658, or 12.47% over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$273,451, or 41.82% over the prior year. The increase in restricted net assets was primarily due to the increase in the fund balances of the Capital Projects: Physical Plant and Equipment Levy and the Debt Service Fund.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements– decreased \$7,350, or 0.99%. The decrease in unrestricted net assets is primarily due to the deficit fund balance of the Student Activity Fund.

Figure A-4 shows the changes in net assets for the year ended June 30, 2011 compared to June 30, 2010.

Figure A-4 Changes of Net Assets							
	Governmental Activities		Business Type Activities		Total School District		Total Change
	2011	2010	2011	2010	2011	2010	2010-11
Revenues and Transfers:							
Program revenues:							
Charges for services	\$ 211,967	241,845	44,438	67,536	256,405	309,381	-17.12%
Operating grants, contributions and restricted interest	285,742	614,371	70,367	65,247	356,109	679,618	-47.60%
General revenues:							
Property tax	1,245,085	1,089,170	0	0	1,245,085	1,089,170	14.32%
Income surtax	89,480	84,651	0	0	89,480	84,651	5.70%
Statewide sales, services and use tax	213,052	177,276	0	0	213,052	177,276	20.18%
Unrestricted state grants	1,268,362	1,034,485	0	0	1,268,362	1,034,485	22.61%
Nonspecific program federal grants	95,601	0	0	0	95,601	0	100.00%
Other general revenues	34,442	47,735	13,880	355	48,322	48,090	0.48%
Total revenues and transfers	3,443,731	3,289,533	128,685	133,138	3,572,416	3,422,671	4.38%
Program expenses:							
Governmental activities:							
Instructional	2,019,224	1,967,222	0	0	2,019,224	1,967,222	2.64%
Support services	938,047	834,368	0	0	938,047	834,368	12.43%
Non-instructional programs	0	0	135,137	122,688	135,137	122,688	10.15%
Other expenses	238,350	232,465	0	0	238,350	232,465	2.53%
Total expenses	3,195,621	3,034,055	135,137	122,688	3,330,758	3,156,743	5.51%
Changes in net assets	248,110	255,478	(6,452)	10,450	241,658	265,928	-10.04%
Net assets beginning of year, as restated	1,888,710	1,633,232	49,190	38,740	1,937,900	1,671,972	15.91%
Net assets end of year	\$ 2,136,820	1,888,710	42,738	49,190	2,179,558	1,937,900	12.47%

In fiscal year 2011, property tax and unrestricted state grants account for 72.99% of governmental activities revenue, while charges for services and operating grant, contributions and restricted interest account for 89.21% of business type activities revenue.

The District's total revenues were approximately \$3.57 million, of which approximately \$3.44 million was for governmental activities and approximately \$.13 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 4.38% increase in revenues and 5.51% increase in expenses. The increase in expenses is related to the increase in all functional area expenditures as compared to the previous year.

**Governmental Activities**

Revenues for governmental activities were \$3,443,731 and expenses were \$3,195,621. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District’s major governmental activities: instruction, support services and other expenses for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-5 Total and Net Cost of Governmental Activities						
	Total Cost of Services			Net Cost of Services		
	2011	2010	Change 2010-11	2011	2010	Change 2010-11
Instruction	\$ 2,019,224	1,967,232	2.64%	1,650,939	1,239,628	33.18%
Support services	938,047	834,368	12.43%	936,733	832,034	12.58%
Other expenses	238,350	232,465	2.53%	110,240	106,177	3.83%
Totals	\$ 3,195,621	3,034,065	5.32%	2,697,912	2,177,839	23.88%

For the year ended June 30, 2011:

- The cost financed by users of the District’s programs was \$211,967.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$285,742.
- The net cost of governmental activities was financed with \$1,245,085 in property tax, \$89,480 in income surtax, \$213,052 in statewide sales, services and use tax, \$1,268,362 in unrestricted state grants, \$95,601 in nonspecific federal program grants, \$19,582 in interest income and \$14,860 in other general revenues.

**Business Type Activities**

Revenues of the District’s business type activities were \$128,685 and expenses were \$135,137. The District’s business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

**INDIVIDUAL FUND ANALYSIS**

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$1,960,124, below last year’s ending fund balances of \$2,708,449. The primary reason for the decrease in combined fund balances in fiscal 2011 is due to the decrease in the Capital Projects Fund balance.

**Governmental Fund Highlights**

- The District’s improving General Fund financial position is the product of many factors. The District had increased expenditures all functional area expenditures compared to the prior year. However, the increase in revenues was enough to offset the increase in expenditures over the prior fiscal year causing the General Fund balance to increase.

- The Capital Projects Fund balance decreased from \$1,824,565 in fiscal 2010 to \$731,361 in fiscal 2011. This decrease was primarily due to the completion of the construction in progress during the year. The District implemented GASB Statement No. 54 which reclassified the Physical Plant and Equipment Levy Fund as a Capital Project Fund.

### Proprietary Fund Highlights

The Proprietary Funds net assets decreased from \$49,190 at June 30, 2010 to \$42,738 at June 30, 2011, representing a decrease of 13.12%. The reason for the decrease in net assets was due to the School Nutrition Fund receiving less in local sources of revenue, as well as an increase in overall expenses.

## BUDGETARY HIGHLIGHTS

The District's revenues were \$1,891,905 less than budgeted revenues, a variance of 34.69%. The most significant variance resulted from the District receiving less in local sources than originally anticipated.

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

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2011, the District had invested \$1,824,947, 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 141.05% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$101,641.

The original cost of the District's capital assets was \$3,053,013. Governmental funds account for \$2,976,674 with the remainder of \$76,339 in the Proprietary funds.

The largest change in capital asset activity during the year occurred in the buildings category. The District's buildings had a balance of \$1,483,964 at June 30, 2011, compared to \$222,285 reported at June 30, 2010. This increase was due to the classroom addition project being finished and capitalized in fiscal 2011.

	Governmental Activities		Business Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-11
Land	\$ 117,443	117,443	0	0	117,443	117,443	0.00%
Construction in progress	0	207,174	0	0	0	207,174	-100.00%
Improvements other than buildings	43,424	45,296	0	0	43,424	45,296	-4.31%
Buildings	1,483,964	222,285	0	0	1,483,964	222,285	85.02%
Machinery and equipment	161,587	146,631	18,529	18,244	180,116	164,875	8.46%
Total	\$ 1,806,418	738,829	18,529	18,244	1,824,947	757,073	141.05%

## Long-Term Debt

At June 30, 2011, the District had \$1,676,597 in total long-term debt outstanding. This represents an increase of 3.62% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

The District had total outstanding revenue bonds payable at June 30, 2011 of \$1,535,000 payable from Capital Projects: Statewide Sales, Services and Use Tax Fund.

The District had total outstanding early retirement payable of \$28,000 at June 30, 2011 payable from Special Revenue: Management Levy fund.

The District had total accrued compensated absences payable of \$14,365 at June 30, 2011 payable from the General Fund.

The District had total outstanding net OPEB liability of \$99,232 at June 30, 2011.

	Figure A-7		
	Outstanding Long-Term Obligations		
	Total School District		Total Change
	June 30,		June 30,
	2011	2010	2010-11
Revenue bonds	\$ 1,535,000	1,535,000	0.00%
Early retirement	28,000	32,988	-15.12%
Accrued compensated absences	14,365	0	100.00%
Net OPEB liability	99,232	50,000	98.46%
Totals	<u>\$ 1,676,597</u>	<u>1,617,988</u>	<u>3.62%</u>

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Continued budget concerns at the state level will affect future projections.
- The apparent increased costs of gasoline/diesel fuel will also impact the District's efforts to control transportation expenditures.
- On July 1, 2011, the IPERS increase to 8.07% will increase the Schleswig Community Schools employer benefits costs during fiscal 2012. An additional increase to 8.67% is anticipated for FY13.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Sherri Jones, Business Manager, Schleswig Community School District, 714 Date Street, Schleswig, Iowa, 51461.

SCHLESWIG COMMUNITY SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS

SCHLESWIG COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2011

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 2,163,968	22,592	2,186,560
Receivables:			
Property tax:			
Delinquent	19,604	0	19,604
Succeeding year	1,262,269	0	1,262,269
Income surtax	80,113	0	80,113
Accounts	0	183	183
Due from other governments	91,687	0	91,687
Inventories	0	2,416	2,416
Capital assets, net of accumulated depreciation	1,806,418	18,529	1,824,947
<b>Total assets</b>	<b>5,424,059</b>	<b>43,720</b>	<b>5,467,779</b>
<b>Liabilities</b>			
Accounts payable	160,048	0	160,048
Salaries and benefits payable	155,087	0	155,087
Accrued interest payable	33,238	0	33,238
Deferred revenue:			
Succeeding year property tax	1,262,269	0	1,262,269
Unearned revenue	0	982	982
Long-term liabilities:			
Portion due within one year:			
Revenue bonds payable	25,000	0	25,000
Early retirement payable	6,000	0	6,000
Portion due after one year:			
Revenue bonds payable	1,510,000	0	1,510,000
Accrued compensated absences payable	14,365	0	14,365
Early retirement payable	22,000	0	22,000
Net OPEB liability	99,232	0	99,232
<b>Total liabilities</b>	<b>3,287,239</b>	<b>982</b>	<b>3,288,221</b>
<b>Net Assets</b>			
Invested in capital assets	501,866	18,529	520,395
Restricted for:			
Categorical funding	88,777	0	88,777
Management levy purposes	69,846	0	69,846
Student activities	74,547	0	74,547
Debt service	193,229	0	193,229
School infrastructure	318,573	0	318,573
Physical plant and equipment	182,340	0	182,340
Unrestricted	707,642	24,209	731,851
<b>Total net assets</b>	<b>\$ 2,136,820</b>	<b>42,738</b>	<b>2,179,558</b>

SEE NOTES TO FINANCIAL STATEMENTS.

SCHLESWIG COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2011

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs						
Governmental activities:						
Instruction:						
Regular	\$ 1,366,760	151,968	51,006	(1,163,786)	0	(1,163,786)
Special	494,079	25,893	38,420	(429,766)	0	(429,766)
Other	158,385	34,106	66,892	(57,387)	0	(57,387)
	<u>2,019,224</u>	<u>211,967</u>	<u>156,318</u>	<u>(1,650,939)</u>	<u>0</u>	<u>(1,650,939)</u>
Support services:						
Student	32,593	0	0	(32,593)	0	(32,593)
Instructional	67,088	0	0	(67,088)	0	(67,088)
Administration	399,645	0	0	(399,645)	0	(399,645)
Operation and maintenance of plant	299,697	0	0	(299,697)	0	(299,697)
Transportation	139,024	0	1,314	(137,710)	0	(137,710)
	<u>938,047</u>	<u>0</u>	<u>1,314</u>	<u>(936,733)</u>	<u>0</u>	<u>(936,733)</u>
Other expenditures:						
Long-term debt interest	66,475	0	0	(66,475)	0	(66,475)
AEA flowthrough	128,110	0	128,110	0	0	0
Depreciation(unallocated)*	43,765	0	0	(43,765)	0	(43,765)
	<u>238,350</u>	<u>0</u>	<u>128,110</u>	<u>(110,240)</u>	<u>0</u>	<u>(110,240)</u>
Total governmental activities	3,195,621	211,967	285,742	(2,697,912)	0	(2,697,912)
Non-instructional programs:						
Nutrition services	135,137	44,438	70,367	0	(20,332)	(20,332)
Total business type activities	<u>135,137</u>	<u>44,438</u>	<u>70,367</u>	<u>0</u>	<u>(20,332)</u>	<u>(20,332)</u>
Total	\$ <u>3,330,758</u>	<u>256,405</u>	<u>356,109</u>	<u>(2,697,912)</u>	<u>(20,332)</u>	<u>(2,718,244)</u>
<b>General Revenues:</b>						
Local tax for:						
General purposes				\$ 1,148,940	0	1,148,940
Capital outlay				96,145	0	96,145
Income surtax				89,480	0	89,480
Statewide sales, services and use tax				213,052	0	213,052
Unrestricted state grants				1,268,362	0	1,268,362
Nonspecific program federal grants				95,601	0	95,601
Unrestricted investment earnings				19,582	347	19,929
Other				14,860	13,533	28,393
Total general revenues				<u>2,946,022</u>	<u>13,880</u>	<u>2,959,902</u>
Changes in net assets				248,110	(6,452)	241,658
Net assets beginning of year				<u>1,888,710</u>	<u>49,190</u>	<u>1,937,900</u>
Net assets end of year				\$ <u>2,136,820</u>	<u>42,738</u>	<u>2,179,558</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

SCHLESWIG COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2011

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>Assets</b>				
Cash and pooled investments	\$ 1,160,115	712,769	291,084	2,163,968
Receivables:				
Property tax:				
Delinquent	17,476	1,497	631	19,604
Succeeding year	1,121,476	100,793	40,000	1,262,269
Income surtax	80,113	0	0	80,113
Interfund	5,000	0	0	5,000
Due from other governments	38,315	53,372	0	91,687
<b>Total assets</b>	<b>\$ 2,422,495</b>	<b>868,431</b>	<b>331,715</b>	<b>3,622,641</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Interfund payable	\$ 0	0	5,000	5,000
Accounts payable	123,771	36,277	0	160,048
Salaries and benefits payable	155,087	0	0	155,087
<b>Deferred revenue:</b>				
Succeeding year property tax	1,121,476	100,793	40,000	1,262,269
Income surtax	80,113	0	0	80,113
<b>Total liabilities</b>	<b>1,480,447</b>	<b>137,070</b>	<b>45,000</b>	<b>1,662,517</b>
<b>Fund balances:</b>				
<b>Restricted for:</b>				
Categorical funding	88,777	0	0	88,777
Management levy purposes	0	0	97,846	97,846
Student activities	0	0	74,547	74,547
Debt service	0	0	193,229	193,229
School infrastructure	0	318,573	0	318,573
Construction	0	230,448	0	230,448
Physical plant and equipment	0	182,340	0	182,340
<b>Unassigned:</b>				
General	853,271	0	0	853,271
Student activities	0	0	(78,907)	(78,907)
<b>Total fund balances</b>	<b>942,048</b>	<b>731,361</b>	<b>286,715</b>	<b>1,960,124</b>
<b>Total liabilities and fund balances</b>	<b>\$ 2,422,495</b>	<b>868,431</b>	<b>331,715</b>	<b>3,622,641</b>

SEE NOTES TO FINANCIAL STATEMENTS.

SCHLESWIG COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 JUNE 30, 2011

<b>Total fund balances of governmental funds(page 20)</b>	\$	1,960,124
 <b><i>Amounts reported for governmental activities in the statement of net assets are different because:</i></b>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.		1,806,418
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.		80,113
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.		(33,238)
Long-term liabilities, including general obligation bonds payable, accrued compensated absences payable, early retirement payable and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		<u>(1,676,597)</u>
 <b>Net assets of governmental activities(page 18)</b>	 \$	 <u><u>2,136,820</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, 2011

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
Revenues:				
Local sources:				
Local tax	\$ 1,188,057	309,197	40,011	1,537,265
Tuition	175,861	0	0	175,861
Other	31,947	4,483	34,368	70,798
State sources	1,415,101	51	20	1,415,172
Federal sources	234,283	0	0	234,283
Total revenues	<u>3,045,249</u>	<u>313,731</u>	<u>74,399</u>	<u>3,433,379</u>
Expenditures:				
Current:				
Instruction:				
Regular	1,339,237	0	26,468	1,365,705
Special	485,214	0	0	485,214
Other	130,104	0	28,281	158,385
	<u>1,954,555</u>	<u>0</u>	<u>54,749</u>	<u>2,009,304</u>
Support services:				
Student	30,427	0	0	30,427
Instructional	63,026	4,062	0	67,088
Administration	383,110	0	0	383,110
Operation and maintenance of plant	214,798	30,279	11,619	256,696
Transportation	119,919	0	6,794	126,713
	<u>811,280</u>	<u>34,341</u>	<u>18,413</u>	<u>864,034</u>
Other expenditures:				
Facilities acquisitions	0	1,136,678	0	1,136,678
Long term debt:				
Interest and fiscal charges	0	0	43,578	43,578
AEA flowthrough	128,110	0	0	128,110
	<u>128,110</u>	<u>1,136,678</u>	<u>43,578</u>	<u>1,308,366</u>
Total expenditures	<u>2,893,945</u>	<u>1,171,019</u>	<u>116,740</u>	<u>4,181,704</u>
Excess(Deficiency) of revenues over(under) expenditures	151,304	(857,288)	(42,341)	(748,325)
Other financing sources(uses):				
Transfer in	0	0	235,916	235,916
Transfer out	0	(235,916)	0	(235,916)
Total other financing sources(uses)	<u>0</u>	<u>(235,916)</u>	<u>235,916</u>	<u>0</u>
Net change in fund balances	151,304	(1,093,204)	193,575	(748,325)
Fund balance beginning of year, as restated	790,744	1,824,565	93,140	2,708,449
Fund balance end of year	<u>\$ 942,048</u>	<u>731,361</u>	<u>286,715</u>	<u>1,960,124</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, 2011

Net change in fund balances - total governmental funds(page 22) \$ (748,325)

**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 reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 1,166,122	
Depreciation expense	<u>(98,533)</u>	1,067,589

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds.	10,352
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Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.	(22,897)
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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:

Early retirement	4,988	
Accrued compensated absences	(14,365)	
Other postemployment benefits	<u>(49,232)</u>	<u>(58,609)</u>

Changes in net assets of governmental activities(page 19)	<u>\$ 248,110</u>
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SCHLESWIG COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF NET ASSETS  
 PROPRIETARY FUND  
 JUNE 30, 2011

	<u>School Nutrition</u>
Assets	
Cash and pooled investments	\$ 22,592
Accounts receivable	183
Inventories	2,416
Capital assets, net of accumulated depreciation	18,529
Total assets	<u>43,720</u>
Liabilities	
Unearned revenue	982
Total liabilities	<u>982</u>
Net Assets	
Invested in capital assets	18,529
Unrestricted	24,209
Total net assets	<u>\$ 42,738</u>

SEE NOTES TO FINANCIAL STATEMENTS.

SCHLESWIG COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2011

	<u>School Nutrition</u>
Operating revenue:	
Local sources:	
Charges for services	\$ 44,438
Miscellaneous	13,533
Total operating revenue	<u>57,971</u>
Operating expenses:	
Non-instructional programs:	
Salaries	45,460
Benefits	6,581
Services	9,897
Supplies	70,043
Other	48
Depreciation	3,108
Total operating expenses	<u>135,137</u>
Operating loss	<u>(77,166)</u>
Non-operating revenues:	
State sources	1,176
Federal sources	69,191
Interest on investments	347
Total non-operating revenues	<u>70,714</u>
Change in net assets	(6,452)
Net assets beginning of year	<u>49,190</u>
Net assets end of year	<u>\$ 42,738</u>

SEE NOTES TO FINANCIAL STATEMENTS.

SCHLESWIG COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2011

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 45,055
Cash received from miscellaneous	13,533
Cash payments to employees for services	(52,041)
Cash payments to suppliers for goods or services	(72,153)
Net cash used in operating activities	(65,606)
Cash flows from non-capital financing activities:	
State grants received	1,176
Federal grants received	62,962
Net cash provided by non-capital financing activities	64,138
Cash flows from capital and related financing activities:	
Purchase of capital assets	(3,393)
Cash flows from investing and other activities:	
Interest on investments	347
Net decrease in cash and cash equivalents	(4,514)
Cash and cash equivalents at beginning of year	27,106
Cash and cash equivalents at end of year	\$ 22,592
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (77,166)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	6,229
Depreciation	3,108
Decrease in inventories	1,606
Increase in accounts receivable	(183)
Increase in unearned revenue	800
Net cash used in operating activities	\$ (65,606)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2011, the District received Federal commodities valued at \$6,229.

SEE NOTES TO FINANCIAL STATEMENTS.

SCHLESWIG COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
FIDUCIARY FUND  
JUNE 30, 2011

	<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, 2011

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

The Schleswig Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the city of Schleswig, Iowa, and the predominate agricultural territory in Crawford and Ida Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

For financial reporting purposes, Schleswig Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Schleswig Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Crawford and Ida Counties Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets 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 support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

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

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

*Unrestricted net asset* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

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

The District reports the following major governmental funds:

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

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

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

The District also reports a fiduciary fund which focus on net assets and changes in net assets. 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 assets 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.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB

pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Assets, Liabilities and Fund Balances

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

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

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

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2010.

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 Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

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

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

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

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

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial

statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

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

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

Designated For Special Purposes by the Board - In the governmental fund financial statements, the District's board designated \$350,000 of the General Fund's unreserved balance for special purposes by the Board.

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.

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

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2011 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, 2011 the District had no investments.

**(3) Interfund Transfers**

The detail of interfund transfers at June 30, 2011 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	<u>\$ 235,916</u>

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

**(4) Due From and Due to Other Funds**

The detail of interfund receivables and payables at June 30, 2011 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Activity	<u>\$ 5,000</u>

The Activity Fund is repaying the General Fund for funds that were borrowed during the year.

**(5) Capital Assets**

Capital assets activity for the year ended June 30, 2011 is as follows:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 117,443	0	0	117,443
Construction in Progress	207,174	1,095,217	1,302,391	0
Total capital assets not being depreciated	<u>324,617</u>	<u>0</u>	<u>0</u>	<u>117,443</u>
Capital assets being depreciated:				
Land improvements	59,881	1,181	0	61,062
Buildings and improvements	821,840	1,302,391	0	2,124,231
Machinery and equipment	604,214	69,724	0	673,938
Total capital assets being depreciated	<u>1,485,935</u>	<u>1,373,296</u>	<u>0</u>	<u>2,859,231</u>
Less accumulated depreciation for:				
Land improvements	14,585	3,053	0	17,638
Buildings and improvements	599,555	40,712	0	640,267
Machinery and equipment	457,583	54,768	0	512,351
Total accumulated depreciation	<u>1,071,723</u>	<u>98,533</u>	<u>0</u>	<u>1,170,256</u>
Total capital assets being depreciated, net	<u>414,212</u>	<u>1,274,763</u>	<u>0</u>	<u>1,688,975</u>
Governmental activities capital assets, net	<u>\$ 738,829</u>	<u>1,274,763</u>	<u>0</u>	<u>1,806,418</u>
<b>Business type activities:</b>				
Furniture and equipment	\$ 72,946	3,393	0	76,339
Less accumulated depreciation	54,702	3,108	0	57,810
Business type activities capital assets, net	<u>\$ 18,244</u>	<u>285</u>	<u>0</u>	<u>18,529</u>

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 15,585
Special		760
Support services:		
Operation and maintenance of plant		2,212
Transportation		36,211
		<u>54,768</u>
Unallocated depreciation		<u>43,765</u>
Total governmental activities depreciation expense		<u>\$ 98,533</u>
Business-type activities:		
Food service operations		<u>\$ 3,108</u>

**(6) Long-Term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2011 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental Activities:					
Revenue Bonds	\$ 1,535,000	0	0	1,535,000	25,000
Early retirement	32,988	0	4,988	28,000	6,000
Accrued compensated absences	0	14,365	0	14,365	0
Net OPEB liability	50,000	49,232	0	99,232	0
Total	<u>\$ 1,617,988</u>	<u>63,597</u>	<u>4,988</u>	<u>1,676,597</u>	<u>31,000</u>

Revenue Bonds

Details of the District's June 30, 2011 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Bond Issue of May 5, 2010		
		Principal	Interest	Total
2012	2.50%	\$ 25,000	66,163	91,163
2013	2.75%	35,000	65,369	100,369
2014	2.75%	40,000	64,338	104,338
2015	3.00%	60,000	62,887	122,887
2016	3.00%	70,000	60,937	130,937
2017-2021	3.25-4.00%	380,000	268,307	648,307
2022-2026	4.00-5.00%	465,000	182,962	647,962
2027-2030	5.25-5.75%	460,000	53,075	513,075
Total		<u>\$ 1,535,000</u>	<u>824,038</u>	<u>2,359,038</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$1,535,000 of bonds issued in May 2010. The bonds were issued for the purpose of financing a portion of the costs of an addition to the school. The bonds are payable solely for the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 100 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$2,359,038. For the current year, \$0 of principal and \$43,578 of interest was paid on the bonds and total statewide sales, services and use tax revenues were \$213,052.

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

- a) \$134,100 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) All proceeds for the statewide sales, services and use tax shall be placed in a revenue account.
- 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.

**(7) Pension and Retirement Benefits**

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

Plan members are required to contribute 4.50% of their annual covered salary and the District is required to contribute 6.95% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$88,017, \$82,770, and \$79,342, respectively, equal to the required contributions for each year.

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

Plan Description - The District operates a single-employer retiree benefit plan which provides medical coverage for retirees and their spouses. There are 20 active and 1 retired members in the plan. Participants must be age 55 or older at retirement.

The medical benefits are provided through a fully-insured plan with Wellmark. 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, 2011, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 61,000
Interest on net OPEB obligation	2,250
Adjustment to annual required contribution	(2,018)
Annual OPEB cost	<u>61,232</u>
Contributions made	(12,000)
Increase in net OPEB obligation	<u>49,232</u>
Net OPEB obligation beginning of year	50,000
Net OPEB obligation end of year	<u><u>\$ 99,232</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. 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, 2011.

For the year ended June 30, 2011 the District contributed \$12,000 to the medical plan. Plan members eligible for benefits contributed \$9,000, or 42.9% 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, 2011 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$61,000	18.03%	\$50,000
2011	\$61,232	19.60%	\$99,232

Funded Status and Funding Progress - As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$223,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$223,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$890,590 and the ratio of the UAAL to covered payroll was 25.04%. As of June 30, 2011 there were no trust fund assets.

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

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

As of the July 1, 2008 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions includes a 4.50% discount rate based on the District's funding policy. The projected annual medical trend rate is 11%. 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 PR2000 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, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

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.

**(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: long term disability and health. District contributions to ISEBA for the year ended June 30, 2011 were \$137,090.

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) 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 \$128,110 for the year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(11) Deficit Fund Balance**

The District's total Activity Fund had a deficit fund balance of \$4,360, and a deficit unassigned fund balance of \$78,907.

**(12) Categorical Funding**

The District's ending restricted balance for categorical funding at June 30, 2011 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Talented and gifted	\$ 53,281
Limited english proficient	9,933
Teacher salary supplement	14,712
Professional development	9,913
Market factor incentives	938
Total	<u>\$ 88,777</u>

**(13) Accounting Change/Restatement**

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	<u>Capital Projects</u>	<u>Special Revenue, Physical Plant and Equipment Levy</u>
Balances June 30, 2010 as previously reported	\$ 1,699,357	125,208
Changes in fund type classification per implementation of GASB Statement No. 54	125,208	(125,208)
Balances July 1, 2010, as restated	<u>\$ 1,824,565</u>	<u>0</u>

SCHLESWIG COMMUNITY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

SCHLESWIG COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES AND  
 CHANGES IN BALANCES -  
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
 AND PROPRIETARY FUNDS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 YEAR ENDED JUNE 30, 2011

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Fund Types	Fund Type		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 1,783,924	58,318	1,842,242	3,416,314	3,416,314	(1,574,072)
Intermediary sources	0	0	0	1,500	1,500	(1,500)
State sources	1,415,172	1,176	1,416,348	1,862,155	1,862,155	(445,807)
Federal sources	234,283	69,191	303,474	174,000	174,000	129,474
Total revenues	<u>3,433,379</u>	<u>128,685</u>	<u>3,562,064</u>	<u>5,453,969</u>	<u>5,453,969</u>	<u>(1,891,905)</u>
Expenditures/Expenses:						
Instruction	2,009,304	0	2,009,304	3,285,000	3,285,000	1,275,696
Support services	864,034	0	864,034	1,595,088	1,595,088	731,054
Non-instructional programs	0	135,137	135,137	181,140	181,140	46,003
Other expenditures	1,308,366	0	1,308,366	3,229,651	3,229,651	1,921,285
Total expenditures	<u>4,181,704</u>	<u>135,137</u>	<u>4,316,841</u>	<u>8,290,879</u>	<u>8,290,879</u>	<u>3,974,038</u>
Excess(Deficiency) of revenues over (under) expenditures	(748,325)	(6,452)	(754,777)	(2,836,910)	(2,836,910)	2,082,133
Balance beginning of year	<u>2,708,449</u>	<u>49,190</u>	<u>2,757,639</u>	<u>2,078,047</u>	<u>2,078,047</u>	<u>679,592</u>
Balance end of year	<u>\$ 1,960,124</u>	<u>42,738</u>	<u>2,002,862</u>	<u>(758,863)</u>	<u>(758,863)</u>	<u>2,761,725</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SCHLESWIG COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2011

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.

SCHLESWIG COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF FUNDING IN PROGRESS FOR THE  
 RETIREE HEALTH PLAN  
 REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2008	-	\$ 223,000	223,000	0.0%	\$ 944,091	23.62%
2011	July 1, 2008	-	223,000	223,000	0.0%	890,590	25.04%

See Note 8 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.

OTHER SUPPLEMENTARY INFORMATION

SCHLESWIG COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2011

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Manage- ment Levy	Student Activity	Total Special Revenue	Debt Service	
<b>Assets</b>					
Cash and pooled investments	\$ 97,215	640	97,855	193,229	291,084
Receivables:					
Property tax:					
Delinquent	631	0	631	0	631
Succeeding year	40,000	0	40,000	0	40,000
<b>Total assets</b>	<b>\$ 137,846</b>	<b>640</b>	<b>138,486</b>	<b>193,229</b>	<b>331,715</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities:</b>					
Interfund payable	\$ 0	5,000	5,000	0	5,000
Deferred revenue:					
Succeeding year property tax	40,000	0	40,000	0	40,000
<b>Total liabilities</b>	<b>40,000</b>	<b>5,000</b>	<b>45,000</b>	<b>0</b>	<b>45,000</b>
<b>Fund balances:</b>					
<b>Restricted for:</b>					
Management levy purposes	97,846	0	97,846	0	97,846
Student activities	0	74,547	74,547	0	74,547
Debt service	0	0	0	193,229	193,229
Unassigned	0	(78,907)	(78,907)	0	(78,907)
<b>Total fund balances</b>	<b>97,846</b>	<b>(4,360)</b>	<b>93,486</b>	<b>193,229</b>	<b>286,715</b>
<b>Total liabilities and fund balances</b>	<b>\$ 137,846</b>	<b>640</b>	<b>138,486</b>	<b>193,229</b>	<b>331,715</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SCHLESWIG COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2011

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Manage- ment Levy	Student Activity	Total Special Revenue	Debt Service	
Revenues:					
Local sources:					
Local tax	\$ 40,011	0	40,011	0	40,011
Other	2,448	31,029	33,477	891	34,368
State sources	20	0	20	0	20
Total revenues	42,479	31,029	73,508	891	74,379
Expenditures:					
Current:					
Instruction:					
Regular	26,468	0	26,468	0	26,468
Other	0	28,281	28,281	0	28,281
Support services:					
Operation and maintenance of plant	11,619	0	11,619	0	11,619
Transportation	2,913	3,881	6,794	0	6,794
Other expenditures:					
Long term debt:					
Interest and fiscal charges	0	0	0	43,578	43,578
Total expenditures	41,000	32,162	73,162	43,578	116,740
Excess(Deficiency) of revenues over (under) expenditures	1,479	(1,133)	346	(42,687)	(42,361)
Other financing sources:					
Transfer in	0	0	0	235,916	235,916
Excess(Deficiency) of revenues and other financing sources over(under) expenditures	1,479	(1,133)	346	193,229	193,555
Fund balances beginning of year, as restated	96,367	(3,227)	93,140	0	93,140
Fund balances end of year	\$ 97,846	(4,360)	93,486	193,229	286,715

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SCHLESWIG COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECT ACCOUNTS  
 JUNE 30, 2011

	Capital Projects			
	Statewide Sales, Services and Use Tax	Classroom Addition	Physical Plant and Equipment Levy	Total
<b>Assets</b>				
Cash and pooled investments	\$ 301,478	230,448	180,843	712,769
Receivables:				
Property tax:				
Delinquent	0	0	1,497	1,497
Succeeding year	0	0	100,793	100,793
Due from other governments	53,372	0	0	53,372
<b>Total assets</b>	<b>\$ 354,850</b>	<b>230,448</b>	<b>283,133</b>	<b>868,431</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 36,277	0	0	36,277
Deferred revenue:				
Succeeding year property tax	0	0	100,793	100,793
<b>Total liabilities</b>	<b>36,277</b>	<b>0</b>	<b>100,793</b>	<b>137,070</b>
Fund balances:				
Restricted for:				
School infrastructure	318,573	0	0	318,573
Construction	0	230,448	0	230,448
Physical plant and equipment	0	0	182,340	182,340
<b>Total fund balances</b>	<b>318,573</b>	<b>230,448</b>	<b>182,340</b>	<b>731,361</b>
<b>Total liabilities and fund balances</b>	<b>\$ 354,850</b>	<b>230,448</b>	<b>283,133</b>	<b>868,431</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SCHLESWIG COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 CAPITAL PROJECT ACCOUNTS  
 YEAR ENDED JUNE 30, 2011

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Classroom Addition	Physical Plant and Equipment Levy	
Revenues:				
Local sources:				
Local tax	\$ 213,052	0	96,145	309,197
Other	0	2,900	1,583	4,483
State sources	0	0	51	51
Total revenues	<u>213,052</u>	<u>2,900</u>	<u>97,779</u>	<u>313,731</u>
Expenditures:				
Support services:				
Instructional	0	0	4,062	4,062
Operation and maintenance of plant	0	0	30,279	30,279
Other expenditures:				
Facilities acquisitions	35,155	1,095,217	6,306	1,136,678
Total expenditures	<u>35,155</u>	<u>1,095,217</u>	<u>40,647</u>	<u>1,171,019</u>
Excess(Deficiency) of revenues over (under) expenditures	177,897	(1,092,317)	57,132	(857,288)
Other financing uses:				
Transfer out	(235,916)	0	0	(235,916)
Excess(Deficiency) of revenues and other financing sources over(under) expenditures	(58,019)	(1,092,317)	57,132	(1,093,204)
Fund balances beginning of year, as restated	376,592	1,322,765	125,208	1,824,565
Fund balances end of year	<u>\$ 318,573</u>	<u>230,448</u>	<u>182,340</u>	<u>731,361</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SCHLESWIG COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2011

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Activity Fund Balance	\$ 23	0	0	23
Vocal Music	(19,015)	0	2,901	(21,916)
Instrumental Music	(1,548)	0	1,134	(2,682)
M.S. Athletics	(48,859)	0	5,450	(54,309)
M.S. Student Council	278	126	306	98
School Annual	2,958	420	0	3,378
Music Boosters	1,888	1,466	0	3,354
Athletic Boosters	32,065	5,686	1,421	36,330
Student Projects	21,468	23,285	20,950	23,803
Old High School Clubs	4,162	0	0	4,162
Activity Fund Savings	3,353	46	0	3,399
 Total	 \$ (3,227)	 31,029	 32,162	 (4,360)

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SCHLESWIG COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
 AGENCY FUND  
 YEAR ENDED JUNE 30, 2011

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash and pooled investments	\$ 2,770	0	0	2,770
Liabilities				
Due to other groups	\$ 2,770	0	0	2,770

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis							
	Years Ended June 30,							
	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:								
Local sources:								
Local tax	\$ 1,537,265	1,346,479	1,284,751	1,142,115	1,016,989	958,018	929,644	1,055,373
Tuition	175,861	205,113	124,332	147,694	131,973	147,746	198,439	139,342
Other	70,798	90,554	110,742	124,938	101,604	66,629	73,116	73,970
State sources	1,415,172	1,328,464	1,449,669	1,436,388	1,394,467	1,237,317	1,131,112	1,014,565
Federal sources	234,283	314,305	93,487	79,904	88,339	95,222	99,873	97,528
Total	\$ 3,433,379	3,284,915	3,062,981	2,931,039	2,733,372	2,504,932	2,432,184	2,380,778
Expenditures:								
Current:								
Instruction:								
Regular	\$ 1,365,705	1,386,763	1,367,760	1,319,900	1,276,644	1,231,717	1,274,540	1,178,714
Special	485,214	485,005	411,849	373,780	375,520	354,991	347,318	280,686
Other	158,385	28,330	115,293	38,690	103,509	35,509	119,888	52,749
Support services:								
Student	30,427	30,482	63,829	58,582	53,657	47,901	55,241	48,217
Instructional	67,088	56,769	60,148	46,650	53,854	46,261	60,903	52,280
Administration	383,110	387,680	361,288	370,817	352,064	385,258	300,450	322,592
Operation and maintenance of plant	256,696	206,588	241,864	202,853	172,668	205,128	166,354	171,970
Transportation	126,713	188,054	114,114	102,247	154,354	105,974	95,190	92,954
Central	0	0	0	0	0	0	0	20,757
Other expenditures:								
Facilities acquisitions	1,136,678	288,323	73,223	80,098	144,114	86,792	87,756	88,997
Long-term debt:								
Interest and fiscal charges	43,578	0	0	0	0	0	0	0
AEA flow-through	128,110	126,288	107,467	102,057	93,902	85,438	84,987	85,214
Total	\$ 4,181,704	3,184,282	2,916,835	2,695,674	2,780,286	2,584,969	2,592,627	2,395,130

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

# **NOLTE, CORNMAN & JOHNSON P.C.**

**Certified Public Accountants**

**(a professional corporation)**

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

**Telephone (641) 792-1910**

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

To the Board of Education of the  
Schleswig Community School District:

We have audited 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 of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 22, 2012. 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.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Schleswig Community School District internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Schleswig Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Schleswig Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting 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 in internal control described in Part I of the accompanying Schedule of Findings as item I-A-11 to be a material weakness.

### 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 that 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, 2011 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 identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Schleswig Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Schleswig Community School District and other parties to whom Schleswig Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

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.

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

NOLTE, CORNMAN & JOHNSON, P.C.

March 22, 2012

SCHLESWIG COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2011

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-11 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - The District will investigate alternative controls where deemed necessary.

Conclusion - Response accepted.

SCHLESWIG COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2011

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-11 Certified Budget - District disbursements for the year ended June 30, 2011, did not exceed the amount budgeted.
- II-B-11 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-11 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-11 Business Transactions - Business transactions between the District and District officials and employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Tim Helkenn, Bus driver Owner HT Construction	Purchased Services	\$ 247
Neil Nahnsen, Bus driver Owner D&N Disposal	Trash collector	\$ 2,426

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

- II-E-11 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-11 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-11 Certified Enrollment - We noted no variances in the basic enrolment data certified to the Department of Education.
- II-H-11 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-11 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-11 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-11 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- II-L-11 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, 2011, 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 2011 audit.

Beginning balance		\$	376,592
Revenues/transfers in:			
Sales tax revenues			213,052
			<u>589,644</u>
Expenditures/transfers out:			
School infrastructure construction	\$	35,155	
Transfers to other funds:			
Debt service fund		<u>235,916</u>	<u>271,071</u>
Ending balance		\$	<u>318,573</u>

For the year ended June 30, 2011, 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-11 Deficit Balances - Three individual accounts within the Student Activity Fund had deficit balances of \$78,907 with a total fund deficit of \$4,360 at June 30, 2011.

Recommendation - The District should review purchase approval procedures for the Student Activity Fund and may wish to require additional approval before ordering goods or services from these accounts. The District should investigate alternatives to eliminate these deficit balances.

Response - The District will review these accounts and implement needed changes.

Conclusion - Response accepted.

II-N-11 Student Activity Fund - We noted during the audit inappropriate expenditures in the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. The purpose of the Student Activity Fund is to account for financial transactions related to the co curricular and extracurricular activities offered as a part of the education program for the students established under Iowa Administrative Code 281-12.6(1).

Recommendation - The District should review the propriety of receipts and expenditures that are recorded in the Student Activity Fund. It would appear the Vocal Music Activities Account, the Restricted Instrumental Activities Account and the Middle School Athletics Account appear to be more administratively maintained in nature, rather than maintained by a club or organization. Therefore, they need to be corrected or transferred to the proper fund where these monies can be receipted and expended.

Response - The District will review these accounts and implement needed changes.

Conclusion - Response accepted.