

SCHLESWIG COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2012

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Schleswig Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2011 Election)		
Alan Weiss	President	2013
Jerrod Reimer	Board Member	2011
Todd Schultz	Board Member	2011
Rhonda Nemitz	Board Member	2013
Phil Smith	Board Member	2011
(After September 2011 Election)		
Alan Weiss	President	2013
Jerrod Reimer	Board Member	2015
Lyle Schumann	Board Member	2015
Rhonda Nemitz	Board Member	2013
Wade Gurney	Board Member	2015
School Officials		
Brian Johnson	Superintendent	2012
Sherri Jones	Business Manager	2012
Vanessa Zimmer	District Treasurer	2012
Mundt, Franck & Schumacher	Attorney	2012

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, 2012, 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 February 5, 2013 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.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 42 through 44 be presented to supplement the basic financial statements. Such information, although not a part of the

basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in the appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with the sufficient evidence to express an opinion or provide any assurance.

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 eight years ended June 30, 2011 (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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



NOLTE, CORNMAN & JOHNSON, P.C.

February 5, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

Schleswig Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2012 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$3,045,249 in fiscal 2011 to \$3,234,255 in fiscal 2012, while General Fund expenditures increased from \$2,893,945 in fiscal 2011 to \$3,053,638 in fiscal 2012. This resulted in an increase in the District's General Fund balance from a balance of \$942,048 in fiscal 2011 to a balance of \$1,122,665 in fiscal 2012, a 19.17% 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 2012. The increase in General Fund expenditures was attributable to an increase in the regular instruction and operation and maintenance of plant 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 District.

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

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

Supplementary Information provides detailed information about the nonmajor governmental funds.

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

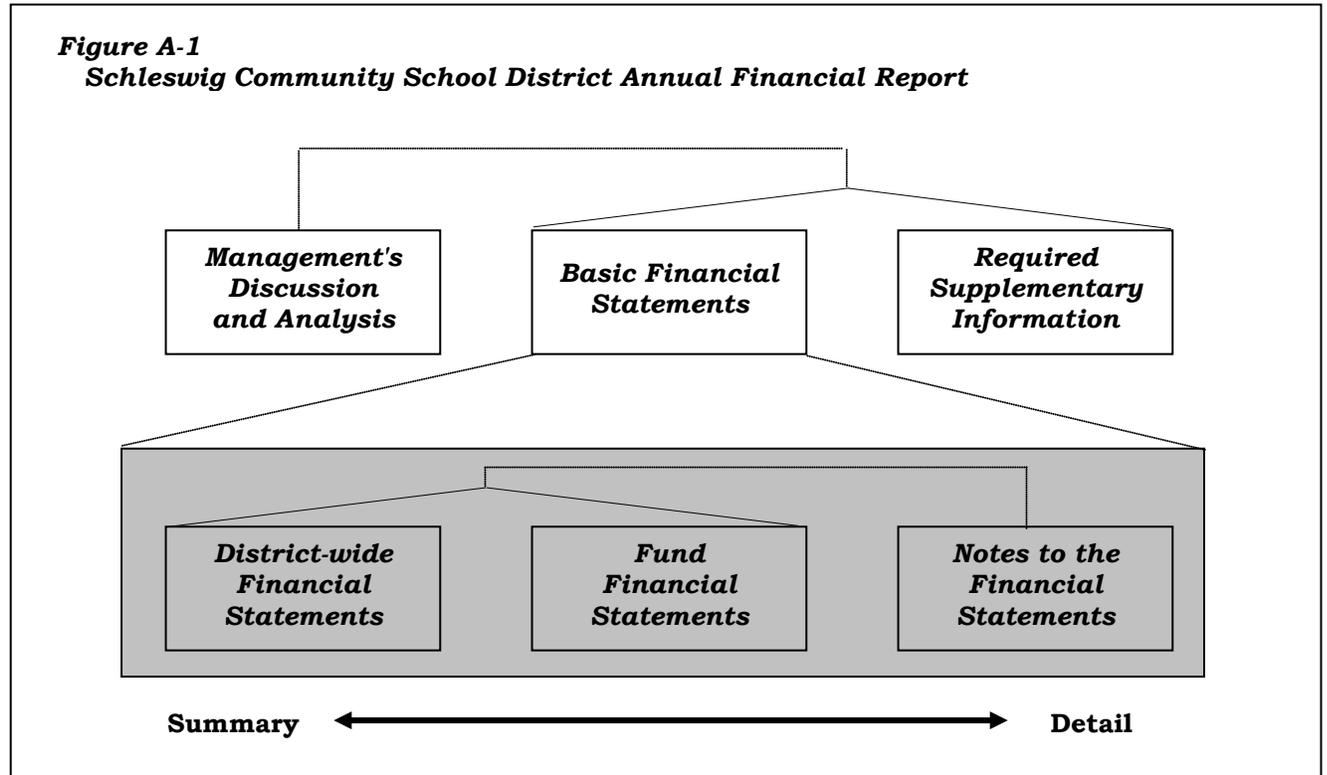


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, 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"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
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, the Debt Service Fund and the Capital Projects Fund.

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

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

The required financial statements for the proprietary funds include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Fund 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 as a fiscal agent.

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

The required financial statements for fiduciary funds include a Statement of Fiduciary Net 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, 2012 compared to June 30, 2011.

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,
	2012	2011	2012	2011	2012	2011	2011-12
Current and other assets	\$ 3,539,834	3,617,641	82,402	25,191	3,622,236	3,642,832	-0.57%
Capital assets	1,892,056	1,806,418	21,053	18,529	1,913,109	1,824,947	4.83%
Total assets	5,431,890	5,424,059	103,455	43,720	5,535,345	5,467,779	1.24%
Long-term liabilities	1,420,996	1,676,597	0	0	1,420,996	1,676,597	-15.25%
Other liabilities	1,680,115	1,610,642	50,119	982	1,730,234	1,611,624	7.36%
Total liabilities	3,101,111	3,287,239	50,119	982	3,151,230	3,288,221	-4.17%
Net assets:							
Invested in capital assets, net of related debt	663,036	501,866	21,053	18,529	684,089	520,395	31.46%
Restricted	829,275	927,312	0	0	829,275	927,312	-10.57%
Unrestricted	838,468	707,642	32,283	24,209	870,751	731,851	18.98%
Total net assets	\$ 2,330,779	2,136,820	53,336	42,738	2,384,115	2,179,558	9.39%

The District's combined net assets increased by \$204,557, or 9.39% 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 decreased \$98,037, or 10.57% from the prior year. The decrease in restricted net assets was primarily due to the decrease in the fund balances of the Capital Projects Funds 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 increased \$138,900, or 18.98%. The increase in unrestricted net assets is primarily due to the increase in fund balance of the General Fund.

Figure A-4 shows the changes in net assets for the year ended June 30, 2012 compared to June 30, 2011.

Figure A-4							
Changes of Net Assets							
	Governmental Activities		Business Type Activities		Total School District		Total Change
	2012	2011	2012	2011	2012	2011	2011-12
Revenues:							
Program revenues:							
Charges for services	\$ 256,790	211,967	59,468	44,438	316,258	256,405	23.34%
Operating grants, contributions and restricted interest	219,351	285,742	77,576	70,367	296,927	356,109	-16.62%
General revenues:							
Property tax	1,262,729	1,245,085	0	0	1,262,729	1,245,085	1.42%
Income surtax	77,042	89,480	0	0	77,042	89,480	-13.90%
Statewide sales, services and use tax	232,527	213,052	0	0	232,527	213,052	9.14%
Unrestricted state grants	1,512,758	1,268,362	0	0	1,512,758	1,268,362	19.27%
Nonspecific program federal grants	945	95,601	0	0	945	95,601	-99.01%
Unrestricted investment earnings	18,629	19,582	299	347	18,928	19,929	-5.02%
Other general revenues	48,148	14,860	0	13,533	48,148	28,393	69.58%
Total revenues	3,628,919	3,443,731	137,343	128,685	3,766,262	3,572,416	5.43%
Program expenses:							
Governmental activities:							
Instructional	2,151,392	2,019,224	0	0	2,151,392	2,019,224	6.55%
Support services	1,058,887	938,047	0	0	1,058,887	938,047	12.88%
Non-instructional programs	0	0	126,745	135,137	126,745	135,137	-6.21%
Other expenses	224,681	238,350	0	0	224,681	238,350	-5.73%
Total expenses	3,434,960	3,195,621	126,745	135,137	3,561,705	3,330,758	6.93%
Changes in net assets	193,959	248,110	10,598	(6,452)	204,557	241,658	-18.14%
Net assets beginning of year	2,136,820	1,888,710	42,738	49,190	2,179,558	1,937,900	12.47%
Net assets end of year	\$ 2,330,779	2,136,820	53,336	42,738	2,384,115	2,179,558	9.39%

In fiscal year 2012, property tax and unrestricted state grants account for 76.48% of governmental activities revenue, while charges for services and operating grant, contributions and restricted interest account for 99.78% of business type activities revenue.

The District's total revenues were approximately \$3.77 million, of which approximately \$3.63 million was for governmental activities and approximately \$0.14 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 5.43% increase in revenues and 6.93% increase in expenses. The increase in expenses is related to the increases in negotiated salaries and benefits.

Governmental Activities

Revenues for governmental activities were \$3,628,919 and expenses were \$3,434,960.

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, 2012 compared to the year ended June 30, 2011.

Figure A-5 Total and Net Cost of Governmental Activities						
	Total Cost of Services			Net Cost of Services		
	2012	2011	Change 2011-12	2012	2011	Change 2011-12
Instruction	\$ 2,151,392	2,019,224	6.55%	1,794,742	1,650,939	8.71%
Support services	1,058,887	938,047	12.88%	1,058,387	936,733	12.99%
Other expenses	224,681	238,350	-5.73%	105,690	110,240	-4.13%
Totals	\$ 3,434,960	3,195,621	7.49%	2,958,819	2,697,912	9.67%

For the year ended June 30, 2012:

- The cost financed by users of the District's programs was \$256,790.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$219,351.
- The net cost of governmental activities was financed with \$1,262,729 in property tax, \$77,042 in income surtax, \$232,527 in statewide sales, services and use tax, \$1,512,758 in unrestricted state grants, \$945 in nonspecific federal program grants, \$18,629 in interest income and \$48,148 in other general revenues.

Business Type Activities

Revenues of the District's business type activities were \$137,343 and expenses were \$126,745. 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 \$1,792,162, below last year's ending fund balances of \$1,960,124. The primary reasons for the decrease in combined fund balances in fiscal 2012 is due to the decrease in the Capital Projects Fund and Debt Service Fund balances.

Governmental Fund Highlights

- The District's improving General Fund financial position is the product of many factors. The District had increased expenditures compared to the prior year. Revenues outpaced expenditures ensuring an increase in General Fund balance.
- The Capital Projects Fund balance decreased from \$731,361 in fiscal 2011 to \$469,499 in fiscal 2012. This decrease was primarily due to the majority of the remaining bond proceeds in the Capital Projects: Classroom Addition Fund being spent in fiscal 2012.
- The Debt Service Fund balance increased from \$193,229 in fiscal 2011 to \$98,618 in fiscal 2012. This decrease was due to the District refunding its bonds in fiscal 2012.

Proprietary Fund Highlights

The Proprietary Funds net assets increased from \$42,738 at June 30, 2011 to \$53,336 at June 30, 2012, representing an increase of 24.80%. The reason for the increase in net assets was due to the School Nutrition Fund receiving more in local and federal sources of revenue, as well as a decrease in overall expenses.

BUDGETARY HIGHLIGHTS

The District's revenues were \$216,981 less than budgeted revenues, a variance of 5.43%. The most significant variance resulted from the District receiving less in state sources than originally anticipated.

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

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, the District had invested \$1,913,109, 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 4.83% from last year. More detailed information about the District's capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$120,268.

The original cost of the District's capital assets was \$3,212,280. Governmental funds account for \$3,134,196 with the remainder of \$76,084 in the Proprietary funds.

The largest change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment had a balance of \$292,502 at June 30, 2012, compared to \$180,116 reported at June 30, 2011. This increase was due to the purchase of a school bus and classroom technology being capitalized in fiscal 2012.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-12
Land	\$ 117,443	117,443	0	0	117,443	117,443	0.00%
Land improvements	47,266	43,424	0	0	47,266	43,424	8.13%
Buildings	1,455,898	1,483,964	0	0	1,455,898	1,483,964	-1.93%
Machinery and equipment	271,449	161,587	21,053	18,529	292,502	180,116	38.42%
Total	\$ 1,892,056	1,806,418	21,053	18,529	1,913,109	1,824,947	4.83%

Long-Term Debt

At June 30, 2012, the District had \$1,420,996 in total long-term debt outstanding. This represents a decrease of 15.25% 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, 2012 of \$1,237,000 payable from Capital Projects: Statewide Sales, Services and Use Tax Fund.

The District had total outstanding early retirement payable of \$22,000 at June 30, 2012 payable from Special Revenue: Management Levy fund.

The District had total accrued compensated absences payable of \$13,303 at June 30, 2012 payable from the General Fund.

The District had total outstanding net OPEB liability of \$148,693 at June 30, 2012.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2012	2011	2011-12
Revenue bonds	\$ 1,237,000	1,535,000	-19.41%
Early retirement	22,000	28,000	-21.43%
Accrued compensated absences	13,303	14,365	-7.39%
Net OPEB liability	148,693	99,232	49.84%
Totals	\$ 1,420,996	1,676,597	-15.25%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- 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, 2012, the IPERS increase to 8.67% will increase the Schleswig Community Schools employer benefits costs during fiscal 2013. An additional increase to 8.93% is anticipated for FY14.

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.

BASIC FINANCIAL STATEMENTS

SCHLESWIG COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2012

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and cash equivalents	\$ 1,909,364	69,478	1,978,842
Receivables:			
Property tax:			
Delinquent	16,276	0	16,276
Succeeding year	1,332,287	0	1,332,287
Income surtax	67,815	0	67,815
Due from other funds	48,471	0	48,471
Accounts	0	4,919	4,919
Due from other governments	165,621	0	165,621
Inventories	0	8,005	8,005
Capital assets, net of accumulated depreciation	1,892,056	21,053	1,913,109
Total assets	5,431,890	103,455	5,535,345
Liabilities			
Due to other funds	0	48,471	48,471
Accounts payable	197,028	457	197,485
Salaries and benefits payable	150,542	0	150,542
Accrued interest payable	258	0	258
Deferred revenue:			
Succeeding year property tax	1,332,287	0	1,332,287
Unearned revenue	0	1,191	1,191
Long-term liabilities:			
Portion due within one year:			
Revenue bonds payable	35,000	0	35,000
Early retirement payable	6,000	0	6,000
Portion due after one year:			
Revenue bonds payable	1,202,000	0	1,202,000
Accrued compensated absences payable	13,303	0	13,303
Early retirement payable	16,000	0	16,000
Net OPEB liability	148,693	0	148,693
Total liabilities	3,101,111	50,119	3,151,230
Net Assets			
Invested in capital assets	663,036	21,053	684,089
Restricted for:			
Categorical funding	102,235	0	102,235
Management levy purposes	84,325	0	84,325
Student activities	82,578	0	82,578
Debt service	98,618	0	98,618
School infrastructure	307,961	0	307,961
Physical plant and equipment	153,558	0	153,558
Unrestricted	838,468	32,283	870,751
Total net assets	\$ 2,330,779	53,336	2,384,115

SEE NOTES TO FINANCIAL STATEMENTS.

SCHLESWIG COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012

	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	\$ 1,532,162	197,860	34,271	(1,300,031)	0	(1,300,031)
Special	475,895	27,976	16,210	(431,709)	0	(431,709)
Other	143,335	30,954	49,379	(63,002)	0	(63,002)
	<u>2,151,392</u>	<u>256,790</u>	<u>99,860</u>	<u>(1,794,742)</u>	<u>0</u>	<u>(1,794,742)</u>
Support services:						
Student	31,471	0	0	(31,471)	0	(31,471)
Instructional	102,595	0	0	(102,595)	0	(102,595)
Administration	389,643	0	0	(389,643)	0	(389,643)
Operation and maintenance of plant	366,395	0	0	(366,395)	0	(366,395)
Transportation	168,783	0	500	(168,283)	0	(168,283)
	<u>1,058,887</u>	<u>0</u>	<u>500</u>	<u>(1,058,387)</u>	<u>0</u>	<u>(1,058,387)</u>
Other expenditures:						
Long-term debt interest	66,108	0	0	(66,108)	0	(66,108)
AEA flowthrough	118,991	0	118,991	0	0	0
Depreciation(unallocated)*	39,582	0	0	(39,582)	0	(39,582)
	<u>224,681</u>	<u>0</u>	<u>118,991</u>	<u>(105,690)</u>	<u>0</u>	<u>(105,690)</u>
Total governmental activities	3,434,960	256,790	219,351	(2,958,819)	0	(2,958,819)
Non-instructional programs:						
Nutrition services	126,745	59,468	77,576	0	10,299	10,299
Total business type activities	<u>126,745</u>	<u>59,468</u>	<u>77,576</u>	<u>0</u>	<u>10,299</u>	<u>10,299</u>
Total	<u>\$ 3,561,705</u>	<u>316,258</u>	<u>296,927</u>	<u>(2,958,819)</u>	<u>10,299</u>	<u>(2,948,520)</u>
General Revenues:						
Local tax for:						
General purposes				\$ 1,161,875	0	1,161,875
Capital outlay				100,854	0	100,854
Income surtax				77,042	0	77,042
Statewide sales, services and use tax				232,527	0	232,527
Unrestricted state grants				1,512,758	0	1,512,758
Nonspecific program federal grants				945	0	945
Unrestricted investment earnings				18,629	299	18,928
Other				48,148	0	48,148
Total general revenues				<u>3,152,778</u>	<u>299</u>	<u>3,153,077</u>
Changes in net assets				193,959	10,598	204,557
Net assets beginning of year				<u>2,136,820</u>	<u>42,738</u>	<u>2,179,558</u>
Net assets end of year				<u>\$ 2,330,779</u>	<u>53,336</u>	<u>2,384,115</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Debt Service	Nonmajor	Total
Assets					
Cash and pooled investments	\$ 1,271,270	433,613	98,618	105,863	1,909,364
Receivables:					
Property tax:					
Delinquent	14,484	1,275	0	517	16,276
Succeeding year	1,055,494	186,793	0	90,000	1,332,287
Income surtax	67,815	0	0	0	67,815
Due from other funds	53,471	0	0	0	53,471
Due from other governments	86,056	79,565	0	0	165,621
Total assets	\$ 2,548,590	701,246	98,618	196,380	3,544,834
Liabilities and Fund Balances					
Liabilities:					
Due to other funds	\$ 0	0	0	5,000	5,000
Accounts payable	152,074	44,954	0	0	197,028
Salaries and benefits payable	150,542	0	0	0	150,542
Deferred revenue:					
Succeeding year property tax	1,055,494	186,793	0	90,000	1,332,287
Income surtax	67,815	0	0	0	67,815
Total liabilities	1,425,925	231,747	0	95,000	1,752,672
Fund balances:					
Restricted for:					
Categorical funding	102,235	0	0	0	102,235
Management levy purposes	0	0	0	106,325	106,325
Student activities	0	0	0	82,578	82,578
Debt service	0	0	98,618	0	98,618
Construction	0	7,980	0	0	7,980
School infrastructure	0	307,961	0	0	307,961
Physical plant and equipment	0	153,558	0	0	153,558
Unassigned:					
General	1,020,430	0	0	0	1,020,430
Student activities	0	0	0	(87,523)	(87,523)
Total fund balances	1,122,665	469,499	98,618	101,380	1,792,162
Total liabilities and fund balances	\$ 2,548,590	701,246	98,618	196,380	3,544,834

SEE NOTES TO FINANCIAL STATEMENTS.

SCHLESWIG COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2012

Total fund balances of governmental funds(page 20)	\$	1,792,162
 Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.		1,892,056
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.		67,815
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.		(258)
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>(1,420,996)</u>
 Net assets of governmental activities(page 18)	 \$	 <u><u>2,330,779</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, 2012

	General	Capital Projects	Debt Service	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 1,211,192	333,381	0	40,023	1,584,596
Tuition	223,586	0	0	0	223,586
Other	69,628	2,829	874	29,855	103,186
State sources	1,632,249	0	0	0	1,632,249
Federal sources	97,600	0	0	0	97,600
Total revenues	<u>3,234,255</u>	<u>336,210</u>	<u>874</u>	<u>69,878</u>	<u>3,641,217</u>
Expenditures:					
Current:					
Instruction:					
Regular	1,476,517	0	0	19,346	1,495,863
Special	473,411	0	0	0	473,411
Other	119,618	0	0	23,717	143,335
	<u>2,069,546</u>	<u>0</u>	<u>0</u>	<u>43,063</u>	<u>2,112,609</u>
Support services:					
Student	29,295	0	0	0	29,295
Instructional staff	80,307	76,923	0	0	157,230
Administration	382,964	0	0	0	382,964
Operation and maintenance of plant	250,213	32,719	0	11,191	294,123
Transportation	122,322	80,866	0	7,730	210,918
	<u>865,101</u>	<u>190,508</u>	<u>0</u>	<u>18,921</u>	<u>1,074,530</u>
Capital outlays	0	105,961	0	0	105,961
Long term debt:					
Principal	0	0	1,535,000	0	1,535,000
Interest and fiscal charges	0	0	99,088	0	99,088
	<u>0</u>	<u>0</u>	<u>1,634,088</u>	<u>0</u>	<u>1,634,088</u>
Other expenditures:					
AEA flowthrough	118,991	0	0	0	118,991
Total expenditures	<u>3,053,638</u>	<u>296,469</u>	<u>1,634,088</u>	<u>61,984</u>	<u>5,046,179</u>
Excess(Deficiency) of revenues over(under) expenditures	180,617	39,741	(1,633,214)	7,894	(1,404,962)
Other financing sources(uses):					
Transfer in	0	0	301,603	0	301,603
Transfer out	0	(301,603)	0	0	(301,603)
Proceeds of bond issue	0	0	1,237,000	0	1,237,000
Total other financing sources(uses)	<u>0</u>	<u>(301,603)</u>	<u>1,538,603</u>	<u>0</u>	<u>1,237,000</u>
Net change in fund balances	180,617	(261,862)	(94,611)	7,894	(167,962)
Fund balance beginning of year	942,048	731,361	193,229	93,486	1,960,124
Fund balance end of year	<u>\$ 1,122,665</u>	<u>469,499</u>	<u>98,618</u>	<u>101,380</u>	<u>1,792,162</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, 2012

Net change in fund balances - total governmental funds(page 22) \$ (167,962)

**Amounts reported for governmental activities in the
 statement of activities are different because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 202,285	
Depreciation expense	(116,647)	85,638

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. (12,298)

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

Issued	(1,237,000)	
Repaid	1,535,000	298,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 32,980

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	6,000	
Accrued compensated absences	1,062	
Other postemployment benefits	(49,461)	(42,399)

Changes in net assets of governmental activities(page 19) \$ 193,959

SEE NOTES TO FINANCIAL STATEMENTS.

SCHLESWIG COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2012

	<u>School Nutrition</u>
Assets	
Cash and pooled investments	\$ 69,478
Accounts receivable	4,919
Inventories	8,005
Capital assets, net of accumulated depreciation	<u>21,053</u>
Total assets	<u>103,455</u>
Liabilities	
Due to other funds	48,471
Accounts payable	457
Unearned revenue	<u>1,191</u>
Total liabilities	<u>50,119</u>
Net Assets	
Invested in capital assets	21,053
Unrestricted	<u>32,283</u>
Total net assets	<u>\$ 53,336</u>

SEE NOTES TO FINANCIAL STATEMENTS.

SCHLESWIG COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2012

	<u>School Nutrition</u>
Operating revenue:	
Local sources:	
Charges for services	\$ 59,468
Total operating revenue	<u>59,468</u>
Operating expenses:	
Non-instructional programs:	
Salaries	41,993
Benefits	6,478
Services	6,243
Supplies	68,410
Depreciation	3,621
Total operating expenses	<u>126,745</u>
Operating loss	<u>(67,277)</u>
Non-operating revenues:	
State sources	1,236
Federal sources	76,340
Interest on investments	299
Total non-operating revenues	<u>77,875</u>
Change in net assets	10,598
Net assets beginning of year	<u>42,738</u>
Net assets end of year	<u>\$ 53,336</u>

SEE NOTES TO FINANCIAL STATEMENTS.

SCHLESWIG COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2012

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 54,941
Cash payments to employees for services	(48,471)
Cash payments to suppliers for goods or services	(72,569)
Net cash used in operating activities	(66,099)
Cash flows from non-capital financing activities:	
General fund borrowing	48,471
State grants received	1,236
Federal grants received	69,124
Net cash provided by non-capital financing activities	118,831
Cash flows from capital and related financing activities:	
Purchase of capital assets	(6,145)
Cash flows from investing and other activities:	
Interest on investments	299
Net increase in cash and cash equivalents	46,886
Cash and cash equivalents at beginning of year	22,592
Cash and cash equivalents at end of year	\$ 69,478
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (67,277)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	7,216
Depreciation	3,621
Increase in inventories	(5,589)
Increase in accounts receivable	(4,736)
Increase in accounts payable	457
Increase in unearned revenue	209
Net cash used in operating activities	\$ (66,099)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2012, the District received Federal commodities valued at \$7,216.

SEE NOTES TO FINANCIAL STATEMENTS.

SCHLESWIG COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUND
JUNE 30, 2012

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

SEE NOTES TO FINANCIAL STATEMENTS.

SCHLESWIG COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

(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 service.

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

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

The District also reports a fiduciary fund which focus on net 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, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2011.

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.

Compensated Absences - District employees accumulate a limited number of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates or pay in effect at June 30, 2012. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

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. During the year ended June 30, 2012, expenditures exceeded the amounts budgeted in the other expenditures functional area.

(2) Cash and Pooled Investments

The District's deposits at June 30, 2012 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, 2012 the District had no investments.

(3) Interfund Transfers

The detail of interfund transfers at June 30, 2012 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 197,703
Debt Service	Capital Projects: Construction Projects	103,900
Total		<u>\$ 301,603</u>

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

The transfer from the Capital Projects: Construction Projects fund to the 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, 2012 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Student Activity	\$ 5,000
General	Enterprise Fund: School Nutrition	48,471
Total		<u>\$ 53,471</u>

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

The Enterprise: School Nutrition Fund is repaying the General Fund for fiscal 2012 salaries.

(5) Capital Assets

Capital assets activity for the year ended June 30, 2012 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 117,443	0	0	117,443
Total capital assets not being depreciated	<u>117,443</u>	<u>0</u>	<u>0</u>	<u>117,443</u>
Capital assets being depreciated:				
Land improvements	61,062	7,258	0	68,320
Buildings and improvements	2,124,231	8,100	0	2,132,331
Machinery and equipment	673,938	186,927	42,763	818,102
Total capital assets being depreciated	<u>2,859,231</u>	<u>202,285</u>	<u>42,763</u>	<u>3,018,753</u>
Less accumulated depreciation for:				
Land improvements	17,638	3,416	0	21,054
Buildings and improvements	640,267	36,166	0	676,433
Machinery and equipment	512,351	77,065	42,763	546,653
Total accumulated depreciation	<u>1,170,256</u>	<u>116,647</u>	<u>42,763</u>	<u>1,244,140</u>
Total capital assets being depreciated, net	<u>1,688,975</u>	<u>85,638</u>	<u>0</u>	<u>1,774,613</u>
Governmental activities capital assets, net	<u>\$ 1,806,418</u>	<u>85,638</u>	<u>0</u>	<u>1,892,056</u>
Business type activities:				
Furniture and equipment	\$ 76,339	6,145	6,400	76,084
Less accumulated depreciation	57,810	3,621	6,400	55,031
Business type activities capital assets, net	<u>\$ 18,529</u>	<u>2,524</u>	<u>0</u>	<u>21,053</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 14,298
Special	2,469
Support services:	
Instructional staff	13,659
Operation and maintenance of plant	8,055
Transportation	38,584
	<u>77,065</u>
Unallocated depreciation	<u>39,582</u>
	<u>\$ 116,647</u>
Business-type activities:	
Food service operations	<u>\$ 3,621</u>

(6) Long-Term Liabilities

On June 28, 2012 the District issued \$1,237,000 of revenue refunding bonds with interest rates ranging from 0.5% to 3.6% to refund a portion of the bonds issued May 5, 2010. The present value of the savings of the refunding is \$227,397.

Changes in long-term liabilities for the year ended June 30, 2012 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	1,237,000	1,535,000	1,237,000	35,000
Early retirement	28,000	0	6,000	22,000	6,000
Accrued compensated absences	14,365	13,303	14,365	13,303	13,303
Net OPEB liability	99,232	49,461	0	148,693	0
Total	<u>\$ 1,676,597</u>	<u>1,299,764</u>	<u>1,555,365</u>	<u>1,420,996</u>	<u>54,303</u>

Revenue Bonds

Details of the District's June 30, 2012 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of June 28, 2012			
	Interest Rates	Principal	Interest	Total
2013	0.50%	35,000	31,193	66,193
2014	0.75%	65,000	30,760	95,760
2015	1.00%	65,000	30,273	95,273
2016	1.50%	66,000	29,622	95,622
2017	1.50%	67,000	28,632	95,632
2018-2022	2.00-2.50%	354,000	123,208	477,208
2023-2027	3.10-3.35%	404,000	72,832	476,832
2028-2030	3.60%	181,000	9,828	190,828
Total		<u>\$ 1,237,000</u>	<u>356,348</u>	<u>1,593,348</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$1,237,000 of bonds issued in May 2010. The bonds were issued for the purpose of financing a portion of the costs of an addition to the school. The bonds are payable solely for the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 29 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$1,593,348. For the current year, \$0 of principal and \$0 of interest was paid on the bonds and total statewide sales, services and use tax revenues were \$232,527.

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

- a) \$95,888 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- b) 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 5.38% of their annual covered salary and the District is required to contribute 8.07% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$105,855, \$88,017, and \$82,770, 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, 2012, 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	4,465
Adjustment to annual required contribution	(4,005)
Annual OPEB cost	<u>61,461</u>
Contributions made	(12,000)
Increase in net OPEB obligation	<u>49,461</u>
Net OPEB obligation beginning of year	99,232
Net OPEB obligation end of year	<u>\$ 148,693</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2012.

For the year ended June 30, 2012 the District contributed \$12,000 to the medical plan. Plan members eligible for benefits contributed \$10,000, or 45.45% 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, 2012 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
2012	\$61,461	19.52%	\$148,693

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, 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 \$1,055,255 and the ratio of the UAAL to covered payroll was 21.13%. As of June 30, 2012 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, 2009 actuarial valuation date, the alternative measurement method was used. The actuarial assumptions includes a 4.50% discount rate based on the District's funding policy. The projected annual medical trend rate is 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 RP-2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2009 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2009.

Projected claim costs of the medical plan for retirees under age 65 are \$1,133 per month for the 250 S/F plan, and \$2,361 for the 1000 S/F plan. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(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, 2012 were \$125,609.

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 \$118,991 for the year ended June 30, 2012 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 \$4,945, and a deficit unassigned fund balance of \$87,523 in three accounts.

(12) Categorical Funding

The District's ending restricted balance for categorical funding at June 30, 2012 is comprised of the following programs:

Projects	Amount
LEP weighting	\$ 27,539
Home school assistance program	1,177
Gifted and talented programs	48,941
Teacher salary supplement	13,727
Professional development	9,913
Market factor incentives	938
Total	<u>\$ 102,235</u>

(13) Budget Over Expenditure

During the year ended June 30, 2012, the District's expenditures in the other expenditures functional area exceeded the amounts budgeted.

REQUIRED SUPPLEMENTARY INFORMATION

SCHLESWIG COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2012

	Governmental	Proprietary	Total	Budgeted Amounts		Final to
	Fund Types	Fund Type		Original	Final	Actual
	Actual	Actual				Actual
Revenues:						
Local sources	\$ 1,911,368	59,767	1,971,135	1,940,382	1,940,382	30,753
Intermediary sources	0	0	0	2,000	2,000	(2,000)
State sources	1,632,249	1,236	1,633,485	1,871,159	1,871,159	(237,674)
Federal sources	97,600	76,340	173,940	182,000	182,000	(8,060)
Total revenues	<u>3,641,217</u>	<u>137,343</u>	<u>3,778,560</u>	<u>3,995,541</u>	<u>3,995,541</u>	<u>(216,981)</u>
Expenditures/Expenses:						
Instruction	2,112,609	0	2,112,609	2,395,000	2,395,000	282,391
Support services	1,074,530	0	1,074,530	1,549,824	1,549,824	475,294
Non-instructional programs	0	126,745	126,745	157,500	157,500	30,755
Other expenditures	1,859,040	0	1,859,040	1,732,168	1,732,168	(126,872)
Total expenditures	<u>5,046,179</u>	<u>126,745</u>	<u>5,172,924</u>	<u>5,834,492</u>	<u>5,834,492</u>	<u>661,568</u>
Excess(Deficiency) of revenues over (under) expenditures	(1,404,962)	10,598	(1,394,364)	(1,838,951)	(1,838,951)	444,587
Other financing sources, net	1,237,000	0	1,237,000	0	0	1,237,000
Excess(Deficiency) of revenues and other financing sources over(under) expenditures and other financing uses	(167,962)	10,598	(157,364)	(1,838,951)	(1,838,951)	1,681,587
Balance beginning of year	1,960,124	42,738	2,002,862	1,862,541	1,862,541	140,321
Balance end of year	<u>\$ 1,792,162</u>	<u>53,336</u>	<u>1,845,498</u>	<u>23,590</u>	<u>23,590</u>	<u>1,821,908</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SCHLESWIG COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2012

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2012, expenditures in the other expenditure functional area exceeded the amounts budgeted.

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

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial		Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
			Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)			
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%
2012	July 1, 2009	-	223,000	223,000	0.0%	1,055,255	21.13%

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.

SUPPLEMENTARY INFORMATION

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

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
Assets			
Cash and pooled investments	\$ 105,808	55	105,863
Receivables:			
Property tax:			
Delinquent	517	0	517
Succeeding year	90,000	0	90,000
Total assets	<u>\$ 196,325</u>	<u>55</u>	<u>196,380</u>
Liabilities and Fund Balances			
Liabilities:			
Interfund payable	\$ 0	5,000	5,000
Deferred revenue:			
Succeeding year property tax	90,000	0	90,000
Total liabilities	<u>90,000</u>	<u>5,000</u>	<u>95,000</u>
Fund balances:			
Restricted for:			
Management levy purposes	106,325	0	106,325
Student activities	0	82,578	82,578
Unassigned	0	(87,523)	(87,523)
Total fund balances	<u>106,325</u>	<u>(4,945)</u>	<u>101,380</u>
Total liabilities and fund balances	<u>\$ 196,325</u>	<u>55</u>	<u>196,380</u>

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, 2012

	Special Revenue Funds		
	Manage- ment Levy	Student Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 40,023	0	40,023
Other	2,535	27,320	29,855
Total revenues	<u>42,558</u>	<u>27,320</u>	<u>69,878</u>
Expenditures:			
Current:			
Instruction:			
Regular	19,346	0	19,346
Other	0	23,717	23,717
Support services:			
Operation and maintenance of plant	11,191	0	11,191
Transportation	3,542	4,188	7,730
Total expenditures	<u>34,079</u>	<u>27,905</u>	<u>61,984</u>
Net change in fund balances	8,479	(585)	7,894
Fund balances beginning of year	97,846	(4,360)	93,486
Fund balances end of year	<u>\$ 106,325</u>	<u>(4,945)</u>	<u>101,380</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SCHLESWIG COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2012

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Classroom Addition	Physical Plant and Equipment Levy	
Assets				
Cash and pooled investments	\$ 265,350	15,980	152,283	433,613
Receivables:				
Property tax:				
Delinquent	0	0	1,275	1,275
Succeeding year	0	0	186,793	186,793
Due from other governments	79,565	0	0	79,565
Total assets	\$ 344,915	15,980	340,351	701,246
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 36,954	8,000	0	44,954
Deferred revenue:				
Succeeding year property tax	0	0	186,793	186,793
Total liabilities	36,954	8,000	186,793	231,747
Fund balances:				
Restricted for:				
Construction	0	7,980	0	7,980
School infrastructure	307,961	0	0	307,961
Physical plant and equipment	0	0	153,558	153,558
Total fund balances	307,961	7,980	153,558	469,499
Total liabilities and fund balances	\$ 344,915	15,980	340,351	701,246

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Classroom Addition	Physical Plant and Equipment Levy	
Revenues:				
Local sources:				
Local tax	\$ 232,527	0	100,854	333,381
Other	0	1,536	1,293	2,829
State sources	0	0	0	0
Total revenues	232,527	1,536	102,147	336,210
Expenditures:				
Support services:				
Instructional staff	63,504	0	13,419	76,923
Operation and maintenance of plant	0	0	32,719	32,719
Transportation	40,866	0	40,000	80,866
Capital outlays	36,954	24,216	44,791	105,961
Total expenditures	141,324	24,216	130,929	296,469
Excess(Deficiency) of revenues over (under) expenditures	91,203	(22,680)	(28,782)	39,741
Other financing uses:				
Transfer out	(101,815)	(199,788)	0	(301,603)
Net change in fund balances	(10,612)	(222,468)	(28,782)	(261,862)
Fund balances beginning of year	318,573	230,448	182,340	731,361
Fund balances end of year	\$ 307,961	7,980	153,558	469,499

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SCHLESWIG COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2012

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance Change	Balance End of Year
Activity Fund Balance	\$ 23	0	0	0	23
Vocal Music	(21,916)	0	1,466	0	(23,382)
Instrumental Music	(2,682)	0	896	0	(3,578)
M.S. Athletics	(54,309)	0	6,254	0	(60,563)
M.S. Student Council	98	124	259	37	0
School Annual	3,378	460	0	0	3,838
Music Boosters	3,354	1,923	0	0	5,277
Athletic Boosters	36,330	4,647	2,135	0	38,842
Student Projects	23,803	20,119	16,895	(37)	26,990
Old High School Clubs	4,162	0	0	0	4,162
Activity Fund Savings	3,399	47	0	0	3,446
Total	\$ (4,360)	27,320	27,905	0	(4,945)

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SCHLESWIG COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUND
 YEAR ENDED JUNE 30, 2012

	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 NINE YEARS

	Modified Accrual Basis								
	Years Ended June 30,								
	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:									
Local sources:									
Local tax	\$ 1,584,596	1,537,265	1,346,479	1,284,751	1,142,115	1,016,989	958,018	929,644	1,055,373
Tuition	223,586	175,861	205,113	124,332	147,694	131,973	147,746	198,439	139,342
Other	103,186	70,798	90,554	110,742	124,938	101,604	66,629	73,116	73,970
State sources	1,632,249	1,415,172	1,328,464	1,449,669	1,436,388	1,394,467	1,237,317	1,131,112	1,014,565
Federal sources	97,600	234,283	314,305	93,487	79,904	88,339	95,222	99,873	97,528
Total	\$ 3,641,217	3,433,379	3,284,915	3,062,981	2,931,039	2,733,372	2,504,932	2,432,184	2,380,778
Expenditures:									
Current:									
Instruction:									
Regular	\$ 1,495,863	1,365,705	1,386,763	1,367,760	1,319,900	1,276,644	1,231,717	1,274,540	1,178,714
Special	473,411	485,214	485,005	411,849	373,780	375,520	354,991	347,318	280,686
Other	143,335	158,385	28,330	115,293	38,690	103,509	35,509	119,888	52,749
Support services:									
Student	29,295	30,427	30,482	63,829	58,582	53,657	47,901	55,241	48,217
Instructional	157,230	67,088	56,769	60,148	46,650	53,854	46,261	60,903	52,280
Administration	382,964	383,110	387,680	361,288	370,817	352,064	385,258	300,450	322,592
Operation and maintenance									
of plant	294,123	256,696	206,588	241,864	202,853	172,668	205,128	166,354	171,970
Transportation	210,918	126,713	188,054	114,114	102,247	154,354	105,974	95,190	92,954
Central	0	0	0	0	0	0	0	0	20,757
Capital outlays	105,961	1,136,678	288,323	73,223	80,098	144,114	86,792	87,756	88,997
Long-term debt:									
Principal	1,535,000	0	0	0	0	0	0	0	0
Interest and fiscal charges	99,088	43,578	0	0	0	0	0	0	0
Other expenditures:									
AEA flow-through	118,991	128,110	126,288	107,467	102,057	93,902	85,438	84,987	85,214
Total	\$ 5,046,179	4,181,704	3,184,282	2,916,835	2,695,674	2,780,286	2,584,969	2,592,627	2,395,130

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

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(a professional corporation)

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

To the Board of Education of 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, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 5, 2013. 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

The management of Schleswig Community School District is responsible for establishing and maintaining effective 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 and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings as item I-A-12 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-B-12 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Schleswig Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters 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, 2012 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.



NOLTE, CORNMAN & JOHNSON, P.C.

February 5, 2013

SCHLESWIG COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2012

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

II-A-12 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. One individual has control over data processing in general, receipt posting, investing, disbursement journalizing, payroll preparation and bank reconciling.

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 and implement where necessary.

Conclusion - Response accepted.

I-B-12 Athletic Officials - We noted during our audit that the District paid an employee to officiate an athletic event. However, the District did not include this income in the employee's payroll.

Recommendation - The District should include all additional compensation to employees on the District's payroll in the employee's W-2 and District payroll reports.

Response - The District will run all additional referee compensation through payroll for any employee of the District.

Conclusion - Response accepted.

SCHLESWIG COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FINDINGS
 YEAR ENDED JUNE 30, 2012

Part II: Other Findings Related to Required Statutory Reporting:

II-A-12 Certified Budget - District expenditures for the year ended June 30, 2012, exceeded the amount budgeted in the other expenditures functional area.

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

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

Conclusion - Response accepted.

II-B-12 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-12 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-12 Business Transactions - Business transactions between the District and District officials and employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Wade Gurney, Board Member Coach	Purchased Services	\$ 1,400
Neil Nahnsen, Bus driver Owner D&N Disposal	Trash collector	\$ 2,520

The transactions between the District and the board member do not appear to create a conflict of interest according to Chapter 279.7A of the Code of Iowa.

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

II-E-12 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-12 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

II-G-12 Certified Enrollment - We noted no variances in the basic enrolment data certified to the Department of Education.

II-H-12 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

- II-I-12 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-12 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-12 Categorical Funding - No instances were noted of the District using categorical funding to supplant rather than supplement other funds.
- II-L-12 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, 2012, the following information includes the amounts the District reported for the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance	\$	318,573
Revenues/transfers in:		
Other local revenues		232,527
		551,100
Expenditures/transfers out:		
Equipment	104,370	
Other	36,954	
Transfers to other funds:		
Debt service fund	101,815	243,139
Ending balance	\$	307,961

For the year ended June 30, 2012, 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-12 Deficit Balances - Three individual accounts within the Student Activity Fund had deficit balances of \$87,523 with a total deficit fund balance of \$4,945 at June 30, 2012.

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 has reviewed the Activity Fund and will eliminate this fund in fiscal 2013 and incorporate it into the General Fund.

Conclusion - Response accepted.

- II-N-12 Electronic Check Retention - Chapter 291.6 of the code of Iowa requires the Board Secretary to preserve and file all copies of pertinent paperwork related to the business of the District. Chapter 554D.114 of the Code of Iowa allows the District to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. During our audit, we noted there were no electronic images or copies of the backs checks written from the General Fund's Bank Iowa account available for audit after August 2011.

Recommendation - The District Secretary should be required by the Board of Directors of the District to preserve all copies of pertinent paperwork for the District to be in compliance with 291.6 of the Code of Iowa. The District could choose to retain electronic images of the front and back of each cancelled check to be in compliance with Chapter 554D.114 of the Code of Iowa.

Response - The District reviewed the electronic statements for fiscal 2012 and found that only a couple of months were missing proper documentation. This was discussed with the bank as their oversight and has been corrected for fiscal 2013 statements.

Conclusion - Response accepted.

II-O-12 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 reviewed the Activity Fund and will incorporate the fund into the General Fund during fiscal 2013.

Conclusion - Response accepted.