

**CORWITH-WESLEY COMMUNITY SCHOOL DISTRICT  
CORWITH, IOWA**

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

**YEAR ENDED JUNE 30, 2006**

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Corwith-Wesley Community School District  
Corwith, Iowa

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education (Before September 2005 Election)</b>		
Douglas DeGroot	President	2005
Judy Grandgenett	Vice President	2005
Keith Hauswirth	Board Member	2006
Leslie Ludwig	Board Member	2007
Kevin Whilhite	Board Member	2007
<b>Board of Education (After September 2005 Election)</b>		
Douglas DeGroot	President	2008
Keith Hauswirth	Vice President	2006
Leslie Ludwig	Board Member	(Resigned) 2007
Tracy Studer	Board Member	(Appointed) 2006
Kevin Wilhite	Board Member	2007
Jon Chambers	Board Member	2008
<b>School Officials</b>		
Jim McDermott	Superintendent	2006
Sharon Hankins	District Secretary/Treasurer and Business Manager	2006
Ahlers & Cooney, P.C.	Attorney	Indefinite

## Independent Auditor's Report

To the Board of Education of  
Corwith-Wesley 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 Corwith-Wesley Community School District, Corwith, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements 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 that 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 Corwith-Wesley Community School District at June 30, 2006, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated October 11, 2006 on our consideration of Corwith-Wesley Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 14 and 42 through 45 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Corwith-Wesley 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 three years ended June 30, 2005 (which are not presented herein) and expressed an unqualified opinion on the 2005 and 2003 financial statements and an adverse opinion on the 2004 financial statements. The adverse opinion on the financial statements for the year ended June 30, 2004 was due to capital assets and depreciation expense not recorded in accordance with U.S. generally accepted accounting principles. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

October 11, 2006

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

Corwith-Wesley 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, 2006. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2006 FINANCIAL HIGHLIGHTS**

- General Fund revenues decreased from \$2,247,571 in fiscal 2005 to \$2,188,171 in fiscal 2006, while General Fund expenditures decreased from \$2,272,848 in fiscal 2005 to \$2,234,834 in fiscal 2006. The District's General Fund balance decreased from a surplus of \$14,011 in fiscal 2005 to a deficit of \$54,682 in fiscal 2006, a 490% decrease.
- The decrease in General Fund revenues was attributable to a decrease in property tax and state and federal grant revenue in fiscal 2006. The decrease in expenditures was due primarily to a decrease in special instruction expenditures.

### **USING THIS ANNUAL REPORT**

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

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

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Corwith-Wesley 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 Corwith-Wesley 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 Corwith-Wesley Community School District acts solely as an agent or custodian for the benefit of those outside of District government.

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

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

Other Supplementary Information provides detailed information about the nonmajor Special Revenue Funds.

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

**Figure A-1**

Corwith-Wesley Community School District GASB 34 Community School District Annual Financial Report

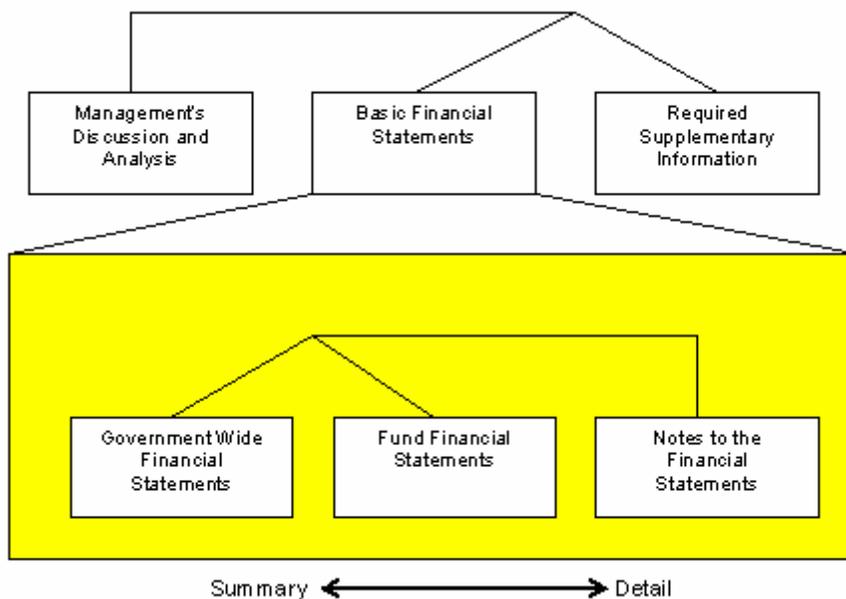


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

<b>Figure A-2: Major Features of the Government Wide and Fund Financial Statements</b>				
	Government-wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of cash flows</li> <li>• Statement of revenues, expenses and changes in fund net assets</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resource 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 financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### *Fund Financial Statements*

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

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

The District has three kinds of funds:

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

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

The required financial statements for 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 proprietary funds include a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

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

- Agency Funds – These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures.

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 includes 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 at June 30, 2006 compared to June 30, 2005.

**Figure A-3**  
**Condensed Statement of Net Assets**  
**(Expressed in Thousands)**

	Governmental		Business type		Total		Total Change June 30, 2005-2006
	Activities		Activities		District		
	June 30,		June 30,		June 30,		
	2006	2005	2006	2005	2006	2005	
Current and other assets	\$ 2,305	2,357	13	7	2,318	2,364	-1.9%
Capital assets	318	332	6	7	324	339	-4.4%
Total assets	<u>2,623</u>	<u>2,689</u>	<u>19</u>	<u>14</u>	<u>2,642</u>	<u>2,703</u>	<u>-2.3%</u>
Long-term liabilities	11	8	---	---	11	8	37.5%
Other liabilities	2,105	2,116	9	8	2,114	2,124	-.5%
Total liabilities	<u>2,116</u>	<u>2,124</u>	<u>9</u>	<u>8</u>	<u>2,125</u>	<u>2,132</u>	<u>-3.3%</u>
Net assets:							
Invested in capital assets, net of related debt	318	332	6	7	324	339	-4.4%
Restricted	59	54	---	---	59	54	9.3%
Unrestricted	<u>130</u>	<u>179</u>	<u>4</u>	<u>(1)</u>	<u>134</u>	<u>178</u>	<u>-24.7%</u>
Total net assets	\$ 507	565	10	6	517	571	-9.5%

The District's combined net assets decreased 10% or approximately \$54,000, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, building and equipment).

Restricted net assets represent resources subject to external restrictions, constitutional provisions of enabling legislation on how they can be used. The District's restricted net assets increased approximately \$5,000 or 9% over the prior year. The increase was primarily a result of decreased expenditures in the Physical Plant and Equipment Levy Fund.

Unrestricted net assets – the part of net asset that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately 44,000 of 25%. This reduction in unrestricted net assets was a result of the District using carryover fund balance to meet its financial obligations during the year.

Figure A-4 shows the change in net assets for the year ended June 30, 2006 compared to June 30, 2005.

**Figure A-4**  
**Changes in Net Asset**  
**(Expressed in Thousands)**

Total	Governmental		Business type		Total	
	Activities		Activities		District	
<u>Change</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Revenues:						
<u>2005-2006</u>						
Program revenues:						
Charges for service	\$ 194	190	31	31	225	2211.8%
Operating grants, contributions and restricted interest	284	285	42	43	326	328-.6%
Capital grants, contributions and Restricted interest	---	---	---	---	---	---0.0%
General revenues:						
Property tax	937	943	---	---	937	943-.6%
Income surtax	64	108	---	---	64	108-40.7%
Local option sales and service tax	120	113	---	---	120	1136.2%
Unrestricted state grants	750	766	---	---	750	766-2.1%
Unrestricted investment earnings	35	18	---	---	35	1894.4%
Other	17	54	---	---	17	54-68.5%
Transfer	<u>(22)</u>	<u>(25)</u>	<u>22</u>	<u>25</u>	<u>---</u>	<u>---</u> 0.0%
Total revenues	<u>2,379</u>	<u>2,452</u>	<u>95</u>	<u>99</u>	<u>2,474</u>	<u>2,551</u> -3.0%
Program expenses						
Governmental activities:						
Instruction	1,605	1,655	---	---	1,605	1,655-3.0%
Support services	731	703	---	---	731	7034.0%
Non-instructional programs	---	---	91	84	91	848.3%
Other expenses	<u>100</u>	<u>153</u>	<u>---</u>	<u>---</u>	<u>100</u>	<u>153</u> -34.6%
Total expenses	<u>2,436</u>	<u>2,511</u>	<u>91</u>	<u>84</u>	<u>2,527</u>	<u>2,595</u> -2.6%
Change in net assets	\$ (57)	(59)	4	15	(53)	(44) -
20.5%			=====	=====	=====	=====
=====	=====	=====				

In Fiscal year 2006 property tax and unrestricted state grants account for 68% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 92% of the total expenses.

## GOVERNMENTAL ACTIVITIES

Revenues for governmental activities were \$2,400,858 and expenses were \$2,435,900.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, and other expenses.

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

	<u>Total Cost</u> <u>of Services</u>	<u>Net Cost</u> <u>of Services</u>
Instruction	\$ 1,605	1,212
Support services	731	719
Other expenses	<u>100</u>	<u>27</u>
	\$ 2,436	1,958
	=====	=====

- The cost financed by users of the District was \$193,952.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$284,139.
- The net cost of governmental activities was financed with \$1,121,182 in property and other taxes and \$749,836 in unrestricted state grants.

## BUSINESS TYPE ACTIVITIES

Revenues for business type activities were \$72,882 and expenses were \$90,806. 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.

During the year ended June 30, 2005 the General Fund transferred \$22,030 to the School Nutrition Fund to eliminate a deficit.

## INDIVIDUAL FUND ANALYSIS

As previously noted, Corwith-Wesley 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 a combined fund balance of \$136,560, below last year's ending fund balances of \$148,608.

## **Governmental Fund Highlights**

- The District's deteriorating General Fund financial position is the result of many factors. Decreases during the year in tax and grants resulted in a decrease in revenues. However, the increase in revenues was not offset by the District's decrease in General Fund expenditures requiring the District to use carryover fund balance to meet its financial obligations during the year.
- The General Fund balance decreased from a surplus of \$14,011 to a deficit of \$54,682.
- The Physical Plant and Equipment Levy (PPEL) Fund balance increased from \$15,946 in fiscal 2005 to \$34,420 in fiscal 2006.
- The Capital Projects Fund balance increased from \$80,482 in fiscal 2005 to 132,445 in fiscal 2006.

## **Proprietary Fund Highlights**

School Nutrition Fund net assets increased from (\$5,883) at June 30, 2005 to \$9,989 at June 30, 2006, representing an increase of approximately 70%. This was largely due to a \$22,030 transfer from the General Fund.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2006, the District had invested \$324,000 net of accumulated depreciation, in a broad range of capital assets, including land, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$94,109.

The original cost of the District's capital assets was \$2.4 million. Governmental funds account for the majority of this \$2.4 million.

**Figure A-6**  
**Capital Assets, Net of Depreciation**  
**(Expressed in Thousands)**

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2006	2005	2006	2005	2006	2005	2005-2006
Land	2	2	---	---	2	2	0.0%
Buildings	59	71	---	---	59	71	-16.9%
Improvements other than buildings	24	26	---	---	24	26	-7.7%
Furniture and equipment	<u>233</u>	<u>233</u>	<u>6</u>	<u>7</u>	<u>239</u>	<u>240</u>	<u>-.4%</u>
Total	318	332	6	7	324	339	-4.4%
	===	===	===	===	===	===	=====

### Long-Term Debt

At June 30, 2006, the District had \$13,326 in long-term debt outstanding. Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

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

	Total District		Change
	June 30,	June 30,	June 30,
	<u>2006</u>	<u>2005</u>	<u>2005-2006</u>
Compensated absences	\$ 13	8	62.5%
	===	===	=====

### BUDGETARY HIGHLIGHTS

Over the course of the year, Corwith-Wesley Community School District amended its annual budget one time to reflect additional expenditures.

The District's receipts were \$34,680 less than budgeted receipts, a variance of 1.4%.

Total expenditures were less than budgeted. The District manages or controls spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the support services and non-instructional programs functional areas.

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

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

- Construction of a storage building in Corwith
- A new 66 passenger bus was purchased
- Change in administrators
- As with most districts in the State of Iowa Corwith-Wesley is looking at possible declining enrollment in the future and is investigating alternatives to eliminate deficits

## **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 demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Helen Burrington, District Secretary/Treasurer and Business Manager, Corwith-Wesley Community School District, 408 S.E. Elm St., P.O. Box 220, Corwith, Iowa 50430.

## **Basic Financial Statements**

Corwith-Wesley Community School District  
 Corwith, Iowa  
 Statement of Net Assets  
 June 30, 2006

Exhibit A

	<u>Governmental</u> <u>Activities</u>	<u>Business Type</u> <u>Activities</u>	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents:			
ISCAP	\$ 836,990	-	836,990
Other	167,227	250	167,477
Receivables:			
Property tax:			
Delinquent	24,543	-	24,543
Succeeding year	1,048,000	-	1,048,000
Accounts	224	1,425	1,649
Accrued interest:			
ISCAP	9,091	-	9,091
Due from other governments	218,656	7,620	226,276
Inventories	-	3,380	3,380
Capital assets, net of accumulated depreciation	318,393	6,032	324,425
<b>Total assets</b>	<b>2,623,124</b>	<b>18,707</b>	<b>2,641,831</b>
 <b>Liabilities</b>			
Excess of warrants issued over bank balance	1,412	-	1,412
Accounts payable	13,434	-	13,434
Salaries and benefits payable	189,308	8,718	198,026
Deferred revenue - succeeding year property tax	1,048,000	-	1,048,000
ISCAP warrants payable	836,000	-	836,000
ISCAP accrued interest payable	14,285	-	14,285
Long-term liabilities:			
Portion due within one year			
Compensated absences	2,170	-	2,170
Portion due after one year:			
Compensated absences	11,156	-	11,156
<b>Total liabilities</b>	<b>2,115,765</b>	<b>8,718</b>	<b>2,124,483</b>
 <b>Net assets</b>			
Invested in capital assets, net of related debt	318,393	6,032	324,425
Restricted for:			
Management levy	13,769	-	13,769
Physical plant and equipment levy	34,420	-	34,420
Other special revenue purposes	10,608	-	10,608
Unrestricted	130,169	3,957	134,126
<b>Total net assets</b>	<b>\$ 507,359</b>	<b>9,989</b>	<b>517,348</b>

See notes to financial statements.

Corwith-Wesley Community School District  
 Corwith, Iowa  
 Statement of Activities  
 Year ended June 30, 2006

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Service</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
<b>Governmental activities:</b>				
Instruction:				
Regular instruction	\$ 894,464	85,816	140,716	-
Special instruction	347,821	41,936	56,323	-
Other instruction	362,730	65,795	2,028	-
	<u>1,605,015</u>	<u>193,547</u>	<u>199,067</u>	<u>-</u>
Support services:				
Student services	32,194	-	1,561	-
Instructional staff services	20,577	-	9,100	-
Administration services	272,751	-	1,032	-
Operation and maintenance of plant services	268,386	405	-	-
Transportation services	136,749	-	-	-
	<u>730,657</u>	<u>405</u>	<u>11,693</u>	<u>-</u>
Other expenditures:				
AEA flowthrough	73,379	-	73,379	-
Depreciation (unallocated)*	26,849	-	-	-
	<u>100,228</u>	<u>-</u>	<u>73,379</u>	<u>-</u>
Total governmental activities	2,435,900	193,952	284,139	-
<b>Business type activities:</b>				
Non-instructional programs:				
Food service operations	90,806	31,264	41,618	-
<b>Total</b>	<u>\$ 2,526,706</u>	<u>225,216</u>	<u>325,757</u>	<u>-</u>

**General Revenues:**

Property tax levied for:  
 General purposes  
 Capital outlay  
 Income surtax  
 Local option sales and services tax  
 Unrestricted state grants  
 Unrestricted investment earnings  
 Other  
 Transfers  
 Total general revenues  
 Change in net assets  
 Net assets beginning of year, as restated  
 Net assets end of year

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

See notes to financial statements.

Net (Expense) Revenue  
and Changes in Net Assets

Governmental Activities	Business Type Activities	Total
(667,932)	-	(667,932)
(249,562)	-	(249,562)
(294,907)	-	(294,907)
<u>(1,212,401)</u>	<u>-</u>	<u>(1,212,401)</u>
(30,633)	-	(30,633)
(11,477)	-	(11,477)
(271,719)	-	(271,719)
(267,981)	-	(267,981)
(136,749)	-	(136,749)
<u>(718,559)</u>	<u>-</u>	<u>(718,559)</u>
-	-	-
<u>(26,849)</u>	<u>-</u>	<u>(26,849)</u>
<u>(26,849)</u>	<u>-</u>	<u>(26,849)</u>
(1,957,809)	-	(1,957,809)
-	(17,924)	(17,924)
<u>(1,957,809)</u>	<u>(17,924)</u>	<u>(1,975,733)</u>
\$ 913,408	-	913,408
24,191	-	24,191
63,613	-	63,613
119,969	-	119,969
749,836	-	749,836
34,853	-	34,853
16,897	-	16,897
<u>(22,030)</u>	<u>22,030</u>	<u>-</u>
<u>1,900,737</u>	<u>22,030</u>	<u>1,922,767</u>
(57,072)	4,106	(52,966)
<u>564,431</u>	<u>5,883</u>	<u>570,314</u>
<u>\$ 507,359</u>	<u>9,989</u>	<u>517,348</u>

Corwith-Wesley Community School District  
Corwith, Iowa

Exhibit C

Balance Sheet  
Governmental Funds

June 30, 2006

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Special Revenue</u>	<u>Total</u>
<b>Assets</b>				
Cash and pooled investments:				
ISCAP	\$ 836,990	-	-	836,990
Other	9,006	100,920	57,301	167,227
Receivables:				
Property tax:				
Delinquent	23,047	-	1,496	24,543
Succeeding year	972,000	-	76,000	1,048,000
Accounts	224	-	-	224
Accrued interest:				
ISCAP	9,091	-	-	9,091
Due from other governments	<u>187,131</u>	<u>31,525</u>	<u>-</u>	<u>218,656</u>
<b>Total assets</b>	<b><u>\$ 2,037,489</u></b>	<b><u>132,445</u></b>	<b><u>134,797</u></b>	<b><u>2,304,731</u></b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Excess of warrants issued over bank balance	\$ 1,412	-	-	1,412
Accounts payable	13,434	-	-	13,434
Salaries and benefits payable	189,308	-	-	189,308
ISCAP warrants payable	836,000	-	-	836,000
ISCAP accrued interest payable	14,285	-	-	14,285
Deferred revenue:				
Succeeding year property tax	972,000	-	76,000	1,048,000
Other	<u>65,732</u>	<u>-</u>	<u>-</u>	<u>65,732</u>
Total liabilities	<u>2,092,171</u>	<u>-</u>	<u>76,000</u>	<u>2,168,171</u>
Fund balances:				
Reserved for Teacher Quality	11,239	-	-	11,239
Reserved for Phase III	795	-	-	795
Reserved for Teacher Mentoring	858	-	-	858
Unreserved	<u>(67,574)</u>	<u>132,445</u>	<u>58,797</u>	<u>123,668</u>
Total fund balances	<u>(54,682)</u>	<u>132,445</u>	<u>58,797</u>	<u>136,560</u>
<b>Total liabilities and fund balances</b>	<b><u>\$ 2,037,489</u></b>	<b><u>132,445</u></b>	<b><u>134,797</u></b>	<b><u>2,304,731</u></b>

See notes to financial statements.

Corwith-Wesley Community School District  
Corwith, Iowa

Exhibit D

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

June 30, 2006

<b>Total fund balances of governmental funds (page 18)</b>	\$ 136,560
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	318,393
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	65,732
Long-term liabilities, such as compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(13,326)</u>
<b>Net assets of governmental activities (page 15)</b>	<u><u>\$ 507,359</u></u>

See notes to financial statements.

Corwith-Wesley Community School District  
Corwith, Iowa

Exhibit E

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
Year ended June 30, 2006

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Special Revenue</u>	<u>Total</u>
Revenues:				
Local sources:				
Local tax	\$ 984,048	119,969	57,164	1,161,181
Tuition	123,214	-	-	123,214
Other	60,695	-	61,792	122,487
State sources	946,843	-	30	946,873
Federal sources	<u>73,371</u>	<u>-</u>	<u>-</u>	<u>73,371</u>
Total revenues	<u>2,188,171</u>	<u>119,969</u>	<u>118,986</u>	<u>2,427,126</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	856,555	-	-	856,555
Special instruction	347,821	-	-	347,821
Other instruction	<u>297,042</u>	<u>-</u>	<u>65,688</u>	<u>362,730</u>
	<u>1,501,418</u>	<u>-</u>	<u>65,688</u>	<u>1,567,106</u>
Support services:				
Student services	32,194	-	-	32,194
Instructional staff services	36,666	-	-	36,666
Administration services	255,240	-	13,555	268,795
Operation and maintenance of plant services	224,199	68,006	30,183	322,388
Transportation services	<u>111,738</u>	<u>-</u>	<u>4,878</u>	<u>116,616</u>
	<u>660,037</u>	<u>68,006</u>	<u>48,616</u>	<u>776,659</u>
Other expenditures:				
AEA flowthrough	<u>73,379</u>	<u>-</u>	<u>-</u>	<u>73,379</u>
	<u>73,379</u>	<u>-</u>	<u>-</u>	<u>73,379</u>
Total expenditures	<u>2,234,834</u>	<u>68,006</u>	<u>114,304</u>	<u>2,417,144</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(46,663)</u>	<u>51,963</u>	<u>4,682</u>	<u>9,982</u>
Other financing sources (uses):				
Operating transfers out	<u>(22,030)</u>	<u>-</u>	<u>-</u>	<u>(22,030)</u>
Total other financing sources (uses)	<u>(22,030)</u>	<u>-</u>	<u>-</u>	<u>(22,030)</u>
Net change in fund balances	(68,693)	51,963	4,682	(12,048)
Fund balances beginning of year	<u>14,011</u>	<u>80,482</u>	<u>54,115</u>	<u>148,608</u>
Fund balances end of year	<u>\$ (54,682)</u>	<u>132,445</u>	<u>58,797</u>	<u>136,560</u>

See notes to financial statements.

Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances - Governmental Funds  
to the Statement of Activities

Year ended June 30, 2006

**Net change in fund balances - total governmental funds (page 20)** \$ (12,048)

*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 Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense exceeded capital outlay expenditures in the current year, as follows:

Expenditures for capital assets	\$ 79,243	
Depreciation expense	<u>(93,022)</u>	(13,779)

Certain unspent grant proceeds and income surtax not collected for several months after year end, is not considered available revenue and is deferred in the governmental funds. (26,268)

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:

Compensated absences		<u>(4,977)</u>
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**Change in net assets of governmental activities (page 17)** \$ (57,072)

See notes to financial statements.

Corwith-Wesley Community School District  
Corwith, Iowa

Exhibit G

Statement of Net Assets  
Proprietary Fund

June 30, 2006

	<u>School Nutrition</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 250
Accounts receivable	1,425
Due from other governments	7,620
Inventories	3,380
Capital assets, net of accumulated depreciation	<u>6,032</u>
<b>Total assets</b>	<u>18,707</u>
<b>Liabilities</b>	
Salaries and benefits payable	<u>8,718</u>
<b>Total liabilities</b>	<u>8,718</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	6,032
Unrestricted	<u>3,957</u>
<b>Total net assets</b>	<u>\$ 9,989</u>

See notes to financial statements.

Corwith-Wesley Community School District  
Corwith, Iowa

Exhibit H

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

Year ended June 30, 2006

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for service	\$ 31,229
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	32,113
Benefits	20,373
Purchased services	447
Supplies	36,763
Depreciation	1,087
Other	23
Total operating expenses	<u>90,806</u>
Operating loss	<u>(59,577)</u>
Non-operating revenues:	
Local sources	35
State sources	1,031
Federal sources	40,587
Total non-operating revenues	<u>41,653</u>
Deficiency of receipts under disbursements	(17,924)
Other financing sources:	
Transfers in	<u>22,030</u>
Change in net assets	4,106
Net assets beginning of year	<u>5,883</u>
Net assets end of year	<u><u>\$ 9,989</u></u>

See notes to financial statements.

Corwith-Wesley Community School District  
Corwith, Iowa

Exhibit I

Statement of Cash Flows  
Proprietary Fund

Year ended June 30, 2006

School  
Nutrition

Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 22,196
Cash paid to employees for services	(51,856)
Cash paid to suppliers for goods or services	<u>(33,027)</u>
Net cash used by operating activities	<u>(62,687)</u>
Cash flows from non-capital financing activities:	
Other income received	35
State grants received	1,031
Federal grants received	35,221
Transfer from General Fund	<u>22,030</u>
Net cash provided by non-capital financing activities	<u>58,317</u>
Net decrease in cash and cash equivalents	(4,370)
Cash and cash equivalents beginning of year	<u>4,620</u>
Cash and cash equivalents end of year	<u>\$ 250</u>

(continued)

Corwith-Wesley Community School District  
Corwith, Iowa

Exhibit I

Statement of Cash Flows  
Proprietary Fund

Year ended June 30, 2006

School  
Nutrition

**Reconciliation of operating loss to net cash used by  
operating activities:**

Operating loss	\$ (59,577)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	5,366
Depreciation	1,087
Increase in receivables	(9,033)
Increase in inventories	(1,160)
Increase in salaries and benefits payable	<u>630</u>
Net cash used by operating activities	<u>\$ (62,687)</u>

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

During the year ended June 30, 2006, the District received \$5,366 of federal commodities.

See notes to financial statements.

Corwith-Wesley Community School District  
Corwith, Iowa

Exhibit J

Statement of Fiduciary Net Assets  
Fiduciary Funds

June 30, 2006

	<u>Agency</u>
<b>Assets</b>	
Cash	\$ <u>23</u>
<b>Total assets</b>	<u>23</u>
<b>Liabilities</b>	
Other payables	<u>23</u>
<b>Net assets</b>	<u><u>\$ -</u></u>

See notes to financial statements.

Corwith-Wesley Community School District  
Corwith, Iowa

Notes to Financial Statements

June 30, 2006

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

Corwith-Wesley Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. An academic sharing agreement exists with LuVerne Community School District whereby grades six through eight attend the LuVerne Community School District. 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 cities of Corwith, Wesley, and LuVerne, Iowa and the predominate agricultural territory in Hancock, Kossuth, and Wright 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, Corwith-Wesley Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. Corwith-Wesley 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 does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Hancock and Kossuth County Assessor's Conference boards.

Corwith-Wesley Community School District  
Corwith, Iowa

Notes to Financial Statements

June 30, 2006

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 attributable to the acquisition, construction or improvement of those assets.

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

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

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

Corwith-Wesley Community School District  
Corwith, Iowa

Notes to Financial Statements

June 30, 2006

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

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues 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 expenditures, 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.

The District reports the following major proprietary fund:

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

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include 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.

Corwith-Wesley Community School District  
Corwith, Iowa

Notes to Financial Statements

June 30, 2006

C. Measurement Focus and Basis of Accounting

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

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

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

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

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net 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.

Corwith-Wesley Community School District  
Corwith, Iowa

Notes to Financial Statements

June 30, 2006

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

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

D. Assets, Liabilities and Fund Equity

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. Non-negotiable certificates of deposit are stated at cost.

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

Corwith-Wesley Community School District  
Corwith, Iowa

Notes to Financial Statements

June 30, 2006

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2005.

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.

Corwith-Wesley Community School District  
Corwith, Iowa

Notes to Financial Statements

June 30, 2006

Capital Assets – Capital assets, which include property, furniture and equipment, 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 repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 1,000
Buildings	1,000
Improvements other than buildings	1,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	1,000

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

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	40 years
Improvements other than buildings	10-30 years
Furniture 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 are payable in July and August, have been accrued as liabilities.

Corwith-Wesley Community School District  
Corwith, Iowa

Notes to Financial Statements

June 30, 2006

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 represents 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 receivable and other receivables not collected within sixty days after year end.

Deferred revenue in 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.

Compensated Absences – District employees do not accumulate earned but unused vacation. District employees accumulate a limited amount of earned but unused sick leave benefits. A liability for earned but unused sick leave is recorded when incurred in the government-wide financial statements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2006. 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.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

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.

Corwith-Wesley Community School District  
Corwith, Iowa

Notes to Financial Statements

June 30, 2006

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, disbursements in the support services and non-instructional programs functional areas exceeded the amounts budgeted.

**(2) Cash and Pooled Investments**

The District's deposits in banks at June 30, 2006 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments at or during the year ended June 30, 2006 and deposited its excess cash in certificates of deposit and savings.

Corwith-Wesley Community School District  
Corwith, Iowa

Notes to Financial Statements

June 30, 2006

**(3) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2006 is as follows:

Transfer to	Transfer from	Amount
Proprietary:		
School Nutrition	General	\$ 22,030 =====

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

**(4) Iowa School Cash Anticipation Program (ISCAP)**

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2006 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2005-06B	1-26-06	1-26-07	\$ 442,539	8,968	441,000	11,182
2006-07A	6-28-06	6-28-07	394,451	123	395,000	3,103
Total			\$ 836,990	9,091	836,000	14,285

Corwith-Wesley Community School District  
Corwith, Iowa

Notes to Financial Statements

June 30, 2006

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25<sup>th</sup> of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2006 is as follows:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2005-06A	\$ ---	200,000	200,000	---

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2005-06A	4.500%	4.772%
2006-07A	5.500%	5.676%

Corwith-Wesley Community School District  
Corwith, Iowa

Notes to Financial Statements

June 30, 2006

**(5) Capital Assets**

Capital assets activity for the year ended June 30, 2006 was as follows:

	Balance Beginning of of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 2,605	---	---	2,605
Capital assets being depreciated:				
Buildings	919,766	---	---	919,766
Improvements other than buildings	141,717	---	---	141,717
Furniture and equipment	1,275,474	79,243	---	1,354,717
Total capital assets being depreciated	2,336,957	79,243	---	2,416,200
Less accumulated depreciation for:				
Buildings	849,129	11,655	---	860,784
Improvements other than buildings	116,026	1,474	---	117,500
Furniture and equipment	1,042,235	79,893	---	1,122,128
Total accumulated depreciation	2,007,390	93,022	---	2,100,412
Total capital assets being depreciated, net	329,567	(13,779)	---	315,788
Governmental activities capital assets, net	\$ 332,172	(13,779)	---	318,393
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Business type activities:</b>				
Furniture and equipment	\$ 13,045	---	---	13,045
Less accumulated depreciation	5,926	1,087	---	7,013
Business type activities capital assets, net	\$ 7,119	(1,087)	---	6,032

Corwith-Wesley Community School District  
Corwith, Iowa

Notes to Financial Statements

June 30, 2006

Depreciation expense was charged to the following functions:

Governmental activities:		
Instruction:		
Regular	\$ 32,932	
Support services:		
Administration	11,407	
Operation and maintenance of plant	1,701	
Transportation	<u>20,133</u>	
	66,173	
Unallocated	<u>26,849</u>	
Total depreciation expense – governmental activities	\$ 93,022	=====
Business type activities:		
Food service operations	\$ 1,087	=====

**(6) Long-Term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2006 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Compensated absences	\$ 8,349	4,977	---	13,326	2,170
	=====				

Corwith-Wesley Community School District  
Corwith, Iowa

Notes to Financial Statements

June 30, 2006

**(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 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual payroll for the years ended June 30, 2006, 2005, and 2004. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2006, 2005, and 2004 were \$61,374, \$61,655, and \$58,009 respectively, equal to the required contributions for each year.

**(8) Risk Management**

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

**(9) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$73,379 for the year ended June 30, 2006 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Corwith-Wesley Community School District  
Corwith, Iowa

Notes to Financial Statements

June 30, 2006

**(10) Operating Lease**

The District entered into an operating lease with Advanced Systems, Inc. for the rental of three Toshiba copiers on September 14, 2001 for a period of 60 months. On March 8, 2006 the District canceled the previous lease and entered into an operating lease with Advanced Systems, Inc. for the rental of three copiers for a period of one year. The lease can be automatically renewed in one year increments. The amount paid for the fiscal year ended June 30, 2006 was \$4,074. Future rentals are scheduled as follows:

<u>Year Ending June 30,</u>	
2007	\$ 3,192
	=====

**(11) Deficit Balances**

The General Fund had a deficit balance of \$54,682 at June 30, 2006. The deficit balance was a result of costs incurred prior to availability of funds. The deficit will be eliminated upon receipt of property taxes and state monies.

**Required Supplementary Information**

Corwith-Wesley Community School District  
Corwith, Iowa

Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances -  
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2006

	Governmental Funds <u>Actual</u>	Proprietary Fund <u>Actual</u>
Receipts:		
Local sources	\$ 1,361,025	29,851
State sources	940,308	1,358
Federal sources	<u>77,876</u>	<u>27,274</u>
Total receipts	<u>2,379,209</u>	<u>58,483</u>
Disbursements:		
Instruction	1,574,243	-
Support services	704,713	-
Non-instructional programs	-	84,883
Other expenditures	<u>96,982</u>	<u>-</u>
Total disbursements	<u>2,375,938</u>	<u>84,883</u>
Deficiency of receipts under disbursements	3,271	(26,400)
Other financing sources (uses), net	<u>(22,030)</u>	<u>22,030</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(18,759)	(4,370)
Balances beginning of year	<u>184,574</u>	<u>4,620</u>
Balances end of year	<u>\$ 165,815</u>	<u>250</u>

See accompanying independent auditor's report.

Total <u>Actual</u>	<u>Budgeted Amounts</u>		Final to Actual <u>Variance</u>
	<u>Original</u>	<u>Final</u>	
1,390,876	1,430,966	1,430,996	(40,120)
941,666	953,376	953,376	(11,710)
<u>105,150</u>	<u>88,000</u>	<u>88,000</u>	<u>17,150</u>
<u>2,437,692</u>	<u>2,472,342</u>	<u>2,472,372</u>	<u>(34,680)</u>
1,574,243	1,664,620	1,664,620	90,377
704,713	612,248	612,248	(92,465)
84,883	76,346	84,000	(883)
<u>96,982</u>	<u>189,828</u>	<u>189,828</u>	<u>92,846</u>
<u>2,460,821</u>	<u>2,543,042</u>	<u>2,550,696</u>	<u>89,875</u>
(23,129)	(70,700)	(78,324)	55,195
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(23,129)	(70,700)	(78,324)	55,195
<u>189,194</u>	<u>396,576</u>	<u>396,576</u>	<u>(207,382)</u>
<u>166,065</u>	<u>325,876</u>	<u>318,252</u>	<u>(152,187)</u>

Corwith-Wesley Community School District  
Corwith, Iowa

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2006

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 2,379,209	47,917	2,427,126
Expenditures	2,375,938	41,206	2,417,144
Net	3,271	6,711	9,982
Other financing uses, net	(22,030)	-	(22,030)
Beginning fund balances	184,574	(35,966)	148,608
Ending fund balances	\$ 165,815	(29,255)	136,560
	Proprietary Funds		
	Enterprise		
	Cash Basis	Accrual Adjust- ments	Accrual Basis
Revenues	\$ 58,483	14,399	72,882
Expenses	84,883	5,923	90,806
Net	(26,400)	8,476	(17,924)
Other financing sources, net	22,030	-	22,030
Beginning net assets	4,620	1,263	5,883
Ending net assets	\$ 250	9,739	9,989

See accompanying independent auditor's report.

Corwith-Wesley Community School District  
Corwith, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2006

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted disbursements by \$7,654.

During the year ended June 30, 2006, disbursements in the support services and non-instructional programs functions exceeded the amounts budgeted.

## **Other Supplementary Information**

Corwith-Wesley Community School District  
Corwith, Iowa

Schedule 1

Combining Balance Sheet  
Nonmajor Special Revenue Funds

June 30, 2006

		Manage- ment <u>Levy</u>	Student Activity <u>Activity</u>	Physical Plant and Equipment <u>Levy</u>	<u>Total</u>
<b>Assets</b>					
Cash and pooled investments	\$	12,906	10,608	33,787	57,301
Receivables:					
Property tax:					
Delinquent		863	-	633	1,496
Succeeding year		<u>50,000</u>	<u>-</u>	<u>26,000</u>	<u>76,000</u>
<b>Total assets</b>	<b>\$</b>	<b><u>63,769</u></b>	<b><u>10,608</u></b>	<b><u>60,420</u></b>	<b><u>134,797</u></b>
<b>Liabilities and Fund Equity</b>					
Liabilities:					
Deferred revenue:					
Succeeding year property tax	\$	<u>50,000</u>	<u>-</u>	<u>26,000</u>	<u>76,000</u>
Total liabilities		50,000	-	26,000	76,000
Fund equity:					
Unreserved fund balances		<u>13,769</u>	<u>10,608</u>	<u>34,420</u>	<u>58,797</u>
<b>Total liabilities and fund equity</b>	<b>\$</b>	<b><u>63,769</u></b>	<b><u>10,608</u></b>	<b><u>60,420</u></b>	<b><u>134,797</u></b>

See accompanying independent auditor's report.

Corwith-Wesley Community School District  
Corwith, Iowa

Schedule 2

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

Year ended June 30, 2006

	Manage- ment <u>Levy</u>	Student Activity <u>Activity</u>	Physical Plant and Equipment <u>Levy</u>	<u>Total</u>
Revenues:				
Local sources:				
Local tax	\$ 32,973	-	24,191	57,164
Other	43	61,749	-	61,792
State sources	15	-	15	30
Total revenues	<u>33,031</u>	<u>61,749</u>	<u>24,206</u>	<u>118,986</u>
Expenditures:				
Current:				
Instruction:				
Other instruction	-	65,688	-	65,688
Support services:				
Administration services	13,555	-	-	13,555
Operation and maintenance of plant services	24,451	-	5,732	30,183
Transportation services	4,878	-	-	4,878
Total expenditures	<u>42,884</u>	<u>65,688</u>	<u>5,732</u>	<u>114,304</u>
Excess (deficiency) of revenues over (under) expenditures	(9,853)	(3,939)	18,474	4,682
Fund balances beginning of year	<u>23,622</u>	<u>14,547</u>	<u>15,946</u>	<u>54,115</u>
Fund balances end of year	<u>\$ 13,769</u>	<u>10,608</u>	<u>34,420</u>	<u>58,797</u>

See accompanying independent auditor's report.

Corwith-Wesley Community School District  
Corwith, Iowa

Schedule 3

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2006

<u>Account</u>	<u>Balance</u> <u>Beginning</u> <u>of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Intrafund</u> <u>Transfers</u>	<u>Balance</u> <u>End of</u> <u>Year</u>
Art	\$ 249	-	67	-	182
Athletics	(780)	1,254	702	-	(228)
Baseball	(3,506)	4,185	2,920	-	(2,241)
Book Club	452	946	829	-	569
Boys Basketball	1,673	7,071	8,546	-	198
Boys Track	831	2,286	1,379	-	1,738
Cheerleaders	1,190	2,237	1,874	-	1,553
Class of 2004	229	-	-	(229)	-
Class of 2005	229	-	12	229	446
Class of 2006	3,125	2,417	5,754	-	(212)
Class of 2007	3,385	2,964	2,927	-	3,422
Class of 2008	2,662	1,499	34	-	4,127
Class of 2009	-	2,409	87	-	2,322
Clubs and Organizations	(81)	885	795	325	334
Cross Country	(85)	130	492	-	(447)
Danz Squad	935	6,538	8,985	-	(1,512)
Drama	71	1,402	1,510	-	(37)
FFA	833	2,465	3,050	-	248
Football	1,073	4,326	6,802	-	(1,403)
Girls Basketball	(406)	3,605	1,797	-	1,402
Girls Track	1,274	3,575	2,692	-	2,157
Golf	(507)	572	1,722	-	(1,657)
Instrumental - High School and Elementary	(134)	141	489	-	(482)
Interest	456	245	152	-	549
Leadership	315	-	-	(315)	-
Letterman	10	-	-	(10)	-
National Honor Society	1,170	332	636	-	866
Newspaper	360	-	-	-	360

(continued)

Corwith-Wesley Community School District  
Corwith, Iowa

Schedule 3

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2006

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Intrafund Transfers</u>	<u>Balance End of Year</u>
Pop Machines	832	657	500	-	989
Shop	1,799	70	-	-	1,869
Softball	(2,418)	2,268	4,457	-	(4,607)
Speech	(306)	-	202	-	(508)
Student Council	(907)	5,637	4,223	-	507
Student Trip Account	197	-	-	-	197
Vocal	(67)	126	174	-	(115)
Volleyball	384	1,507	1,854	-	37
Weightlifting	10	-	25	-	(15)
Total	<u>\$ 14,547</u>	<u>\$ 61,749</u>	<u>\$ 65,688</u>	<u>\$ -</u>	<u>10,608</u>

See accompanying independent auditor's report.

Corwith-Wesley Community School District  
Corwith, Iowa

Schedule 4

Schedule of Changes in Fiduciary Assets and Liabilities -  
Agency Fund

Year ended June 30, 2006

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b>Assets</b>				
Cash	\$ 23	-	-	23
<b>Total assets</b>	<u>\$ 23</u>	<u>-</u>	<u>-</u>	<u>23</u>
<b>Liabilities</b>				
Other payable	\$ 23	-	-	23
<b>Total liabilities</b>	<u>\$ 23</u>	<u>-</u>	<u>-</u>	<u>23</u>

See accompanying independent auditor's report.

Corwith-Wesley Community School District  
Corwith, Iowa

Schedule 5

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

For the Last Four Years

	Modified Accrual Basis			
	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
<b>Revenues:</b>				
Local sources:				
Local tax	\$ 1,161,181	1,164,783	1,112,721	1,027,811
Tuition	123,214	111,521	94,033	79,961
Other	122,487	150,130	126,496	111,652
State sources	946,873	957,461	954,149	919,570
Federal sources	73,371	93,310	89,589	161,545
Total	<u>\$ 2,427,126</u>	<u>2,477,205</u>	<u>2,376,988</u>	<u>2,300,539</u>
<b>Expenditures:</b>				
Instruction:				
Regular instruction	\$ 856,555	869,497	856,161	789,158
Special instruction	347,821	456,817	423,783	414,019
Other instruction	362,730	309,196	310,160	296,146
Support services:				
Student services	32,194	31,260	37,428	40,349
Instructional staff services	36,666	21,350	38,226	77,749
Administration services	268,795	295,396	246,143	240,006
Operation and maintenance of plant services	322,388	233,177	218,423	227,795
Transportation services	116,616	94,254	85,848	76,659
Non-instructional programs	-	-	197	731
Other expenditures:				
Facilities acquisition	-	93,629	18,162	71,746
Long-term debt:				
Principal	-	-	17,573	-
Interest and other charges	-	-	896	-
AEA flowthrough	73,379	74,979	76,732	76,541
Total	<u>\$ 2,417,144</u>	<u>2,479,555</u>	<u>2,329,732</u>	<u>2,310,899</u>

See accompanying independent auditor's report.

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  
Corwith-Wesley 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 Corwith-Wesley Community School District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated October 11, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Corwith-Wesley Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over

financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item I-A-06 is a material weakness.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Corwith-Wesley 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, 2006 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.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Corwith-Wesley Community School District and other parties to whom Corwith-Wesley 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 Corwith-Wesley Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

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

October 11, 2006

Corwith-Wesley Community School District  
Corwith, Iowa

Schedule of Findings

Year ended June 30, 2006

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

**REPORTABLE CONDITIONS:**

I-A-06 Segregation of Duties – One important aspect of internal control is the segregation

of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

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

Response – We are doing everything we can within our situation and make improvements as the situation changes.

Conclusion – Response acknowledged. The District could segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

I-B-06 Disbursement Approval – On two transactions tested, there was no evidence of Board approval. For six transactions tested, there was insufficient documentation to determine the date the Board President approved routine expenditures for advance payment in accordance with the District's policy.

Corwith-Wesley Community School District  
Corwith, Iowa

Schedule of Findings

Year ended June 30, 2006

Recommendation – The District should ensure that all expenditures are properly approved. For payments made in advance of Board meetings, the District should maintain documentation of the Board President’s approval of claims for payment, such as the President’s initials and date of approval. The District should also review the list of bills presented to the Board at regular meetings to ensure that all claims are included including the student activity bills.

Response – We will ensure all expenditures are properly approved and maintain documentation of the approval of disbursements made in advance of Board approval by having the Board President or Administrator initial and date the claims.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE**

No matters were noted.

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

II-A-06 Certified Budget – Disbursements for the year ended June 30, 2006 exceeded the amended certified budget amounts in the support services and non-instructional programs functions.

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

Response – Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion – Response accepted.

II-B-06 Questionable Expenditures – No expenditures that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

Corwith-Wesley Community School District  
Corwith, Iowa

Schedule of Findings

Year ended June 30, 2006

II-C-06 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-06 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Douglas DeGroot	Track and baseball coach	\$ 2,828

The transaction with the Board member, DeGroot does not appear to represent a conflict of interest since the transaction was competitively bid as provided by Chapter 279.7A of the Code of Iowa.

II-E-06 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage is reviewed annually to insure the coverage is adequate for current operations.

II-F-06 Board Minutes – As previously, noted two transactions requiring Board approval had not been approved by the Board and some transactions had insufficient documentation they had been approved for payment by the Board President in advance of the Board meeting. Certain minutes were not published within 15 days as required by Chapter 279.35 of the Code of Iowa.

Recommendation – All expenditures should be approved by the Board, with sufficient documentation maintained to evidence proper approval. The Board Secretary should furnish a copy of the Board proceedings to be published within two weeks of each meeting.

Response – All expenditures will be approved by the Board prior to payment and procedures have been revised to ensure this is adequately documented. Procedures have been revised to ensure the minutes are published as required.

Conclusion – Response accepted.

Corwith-Wesley Community School District  
Corwith, Iowa

Schedule of Findings

Year ended June 30, 2006

II-G-06 Certified Enrollment – The number of basic resident students reported to the Iowa Department of Education on line 7 of the Certified Enrollment Certification Form for September 2005 was understated. The District’s certified enrollment count did not include 3 tuitioned-out resident public students in line 3. This resulted in understating the total actual enrollment at line 7 by 3 students.

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

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

Conclusion – Response accepted.

II-H-06 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.

II-I-06 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely.

II-J-06 Financial Condition – The General Fund and several student activity accounts had deficit balances at June 30, 2006.

Recommendation – The District should continue to investigate alternatives to eliminate these deficits in order to return these accounts to a sound financial condition.

Response – The District is continuing to investigate alternatives to eliminate deficits in the general fund and student activity accounts at the end of the fiscal year.

Conclusion – Response accepted.