

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

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

YEAR ENDED JUNE 30, 2008

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Corwith-Wesley Community School District
Corwith, Iowa

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2007 Election)		
Douglas DeGroot	President	2008
Keith Hauswirth	Vice President	2009
Tracy Studer	Board Member	2009
Kevin Wilhite	Board Member	2007
Jonathon Chambers	Board Member	2008
Board of Education (After September 2007 Election)		
Douglas DeGroot	President	2008
Keith Hauswirth	Vice President	2009
Tracy Studer	Board Member	2009
Kevin Wilhite	Board Member	2011
Jonathon Chambers	Board Member	2008
School Officials		
William Stone	Superintendent	2008
Helen Burrington	District Secretary/Treasurer and Business Manager	2008
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, 2008, 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, 2008, 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 March 3, 2009 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 44 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise 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, 2007 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. 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

March 3, 2009

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, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2008 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$2,240,563 in fiscal 2007 to \$2,174,472 in fiscal 2008, while General Fund expenditures decreased from \$2,280,707 in fiscal 2007 to \$2,219,310 in fiscal 2008. The District's General Fund balance decreased from a deficit of \$94,026 in fiscal 2007 to a deficit of \$139,263 in fiscal 2008, a 48% decrease.
- The decrease in General Fund revenues was attributable to a decrease in state receipts in fiscal 2008. The decrease in expenditures was due primarily to an increase 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 the District.

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

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

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
Annual Financial Report

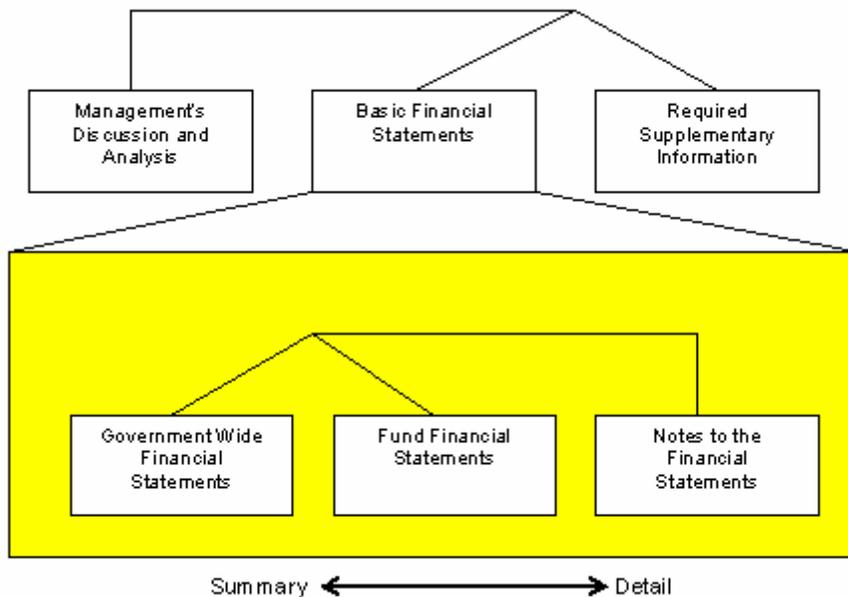


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food 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"> • 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 cash flows • Statement of revenues, expenses and changes in fund net assets 	<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, 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, the Debt Service Fund and the 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 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 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, 2008 compared to June 30, 2007.

Figure A-3							
Condensed Statement of Net Assets							
(Expressed in Thousands)							
	<u>Governmental</u>		<u>Business type</u>		<u>Total</u>		<u>Total</u>
	<u>Activities</u>		<u>Activities</u>		<u>District</u>		<u>Change</u>
	<u>June 30,</u>		<u>June 30,</u>		<u>June 30,</u>		<u>June 30,</u>
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2007-2008</u>
Current and other assets	\$ 2,609	2,164	4	4	2,613	2,168	20.5%
Capital assets	389	342	4	5	393	347	13.3%
Total assets	<u>2,998</u>	<u>2,506</u>	<u>8</u>	<u>9</u>	<u>3,006</u>	<u>2,515</u>	<u>19.5%</u>
Long-term liabilities	38	9	---	---	38	9	322.2%
Other liabilities	<u>2,381</u>	<u>1,917</u>	<u>20</u>	<u>20</u>	<u>2,401</u>	<u>1,937</u>	<u>24.0%</u>
Total liabilities	<u>2,419</u>	<u>1,926</u>	<u>20</u>	<u>20</u>	<u>2,439</u>	<u>1,946</u>	<u>25.3%</u>
Net assets:							
Invested in capital assets, net of related debt	360	342	4	5	364	347	4.9%
Restricted	140	101	---	---	140	101	38.6%
Unrestricted	<u>79</u>	<u>137</u>	<u>(16)</u>	<u>(16)</u>	<u>63</u>	<u>121</u>	<u>-47.9%</u>
Total net assets	<u>\$ 579</u>	<u>580</u>	<u>(12)</u>	<u>(11)</u>	<u>567</u>	<u>569</u>	<u>-0.4%</u>

The District's combined net assets decreased .4% or approximately \$2,000, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, buildings and equipment).

Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$39,000 or 39% over the prior year. The increase was primarily a result of keeping expenditures below revenues in the Management Levy and Physical Plant and Equipment Levy Funds.

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 58,000 or 48%. 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, 2008 compared to the year ended June 30, 2007.

Figure A-4							
Changes in Net Assets							
(Expressed in Thousands)							
	Governmental		Business type		Total		Total
	Activities		Activities		School District		
	2008	2007	2008	2007	2008	2007	2007-2008
Revenues:							
Program revenues:							
Charges for service and sales	\$ 253	227	31	29	284	256	10.9%
Operating grants, contributions and restricted interest	299	283	37	45	336	328	2.4%
Capital grants, contributions and restricted interest	---	14	---	---	---	14	-100.0%
General revenues:							
Property tax	1,104	1,067	---	---	1,104	1,067	3.5%
Income surtax	118	150	---	---	118	150	-21.3%
Local option sales and service tax	90	114	---	---	90	114	-21.1%
Unrestricted state grants	546	639	---	---	546	639	-14.6%
Unrestricted investment earnings	24	36	---	---	24	36	-33.3%
Other	12	27	---	---	12	27	-55.6%
Transfer	(30)	---	30	---	---	---	0.0%
Total revenues	<u>2,416</u>	<u>2,557</u>	<u>98</u>	<u>74</u>	<u>2,514</u>	<u>2,631</u>	<u>-4.4%</u>
Program expenses:							
Governmental activities:							
Instruction	1,528	1,644	---	---	1,528	1,644	-7.1%
Support services	763	701	---	---	763	701	8.8%
Non-instructional programs	---	---	99	94	99	94	5.3%
Other expenses	127	139	---	---	127	139	-8.6%
Total expenses	<u>2,418</u>	<u>2,484</u>	<u>99</u>	<u>94</u>	<u>2,517</u>	<u>2,578</u>	<u>-2.4%</u>
 Increase (decrease) in net assets	 \$ (2)	 73	 (1)	 (20)	 (3)	 53	 105.7%
	=====	=====	=====	=====	=====	=====	=====

In fiscal 2008, property tax and unrestricted state grants account for 68% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 100% of the revenue from business type activities.

The District's total revenues were approximately \$2.5 million, of which \$2.4 million was for governmental activities and less than \$0.1 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 4.4% decrease in revenues and a 2.4% decrease in expenses. Property tax increased approximately \$37,000 to fund increases in expenses.

The District's expenses primarily relate to instruction and support services, which account for 91% of total expenses.

Governmental Activities

Revenues for governmental activities were \$2,415,856 and expenses were \$2,417,785 for the year ended June 30, 2008.

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, 2008 compared to the year ended June 30, 2007.

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

	Total Cost of Services			Net Cost of Services		
	2008	2007	Change 2007-2008	2008	2007	Change 2007-2008
Instruction	\$ 1,528	1,644	-7.1 %	1,075	1,217	-11.7 %
Support services	763	701	8.8%	738	692	6.6%
Other expenses	127	139	-8.6 %	54	51	5.9%
Total	\$ 2,418	2,484	-2.7%	1,867	1,960	-4.7%
	=====	=====	=====	=====	=====	=====

For the year ended June 30, 2008:

- The cost financed by users of the District was \$252,517.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$298,575.
- The net cost of governmental activities was financed with \$1,311,761 in property and other taxes and \$546,462 in unrestricted state grants.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2008 were \$98,078 and expenses were \$99,380. 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, investment income and a transfer from the General Fund.

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 combined fund balances of \$118,808, below last year's ending fund balances of \$137,086.

Governmental Fund Highlights

- The District's deteriorating General Fund financial position is the result of many factors. Increases during the year in tax were offset by decreases in state revenues which resulted in a decrease in total revenues. The decrease in revenues could not offset 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 deficit of \$94,026 to a deficit of \$139,263.
- The Physical Plant and Equipment Levy (PEEL) Fund balance increased from \$60,512 in fiscal 2007 to \$77,273 in fiscal 2008.
- The Capital Projects Fund balance decreased from \$130,148 in fiscal 2007 to 117,660 in fiscal 2008.

Proprietary Fund Highlights

School Nutrition Fund net assets decreased from a deficit of \$10,741 at June 30, 2007 to a deficit of \$12,043 at June 30, 2008, representing a decrease of approximately 12%. Despite, a \$30,000 transfer from the General Fund revenues exceeded expenses by \$1302.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2008, the District had invested \$389,000 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) More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$78,048.

The original cost of the District's capital assets was \$2.6 million. Governmental funds account for the majority of this \$2.6 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,
	2008	2007	2008	2007	2008	2007	2007-2008
Land	2	2	---	---	2	2	0.0%
Buildings	97	93	---	---	97	93	4.3%
Improvements other than buildings	21	23	---	---	21	23	-8.7%
Furniture and equipment	<u>269</u>	<u>224</u>	<u>4</u>	<u>5</u>	<u>273</u>	<u>229</u>	<u>19.2%</u>
Total	389	342	4	5	393	347	13.3%
	===	===	===	===	===	===	=====

Long-Term Debt

At June 30, 2008, the District had \$37,897 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,
	2008	2007	2007-2008
Compensated absences	\$ 9	9	0.0%
Bus lease purchase obligation	<u>29</u>	---	<u>100.0%</u>
Total	\$38	9	322.2%
	===	===	=====

BUDGETARY HIGHLIGHTS

Over the course of the year, Corwith-Wesley Community School District did not amend its annual budget.

The District's receipts were \$143,562 more than budgeted receipts, a variance of 6.1%.

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 non-instructional programs and other expenditures 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.

- 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.
- In 2009, we began a superintendent sharing agreement with Lu Verne that will increase our supplemental weighting by the minimum of 10 students. This will increase our supplemental weighting each year for the next five years. We are also looking for various opportunities to share instructors with surrounding districts. We currently share 5 teachers with other districts.
- As of December 22, 2008 we have restructured our whole grade sharing with Lu Verne Community School District for the FY 10. By doing this we are able to cut instructional expenses for the Corwith-Wesley District by \$348,029.00. We will also be closing our elementary building for the FY 10 school year. This will save the District \$56,388.00 in utility and building fees. With the change we will save the District a total of \$404,417.00.
- We have also taken steps this year to cut \$50,383.00 from the FY 09 budget through staff cuts. We realize that we will have a negative unspent balance again in FY 09, but the major cuts made in FY 10 will put our unspent balance in the positive by the end of FY 11. As talked about in the section above, Corwith-Wesley has already taken the steps to be able to cut \$404,417.00 from its' FY 10 budget. Will do this by cutting staff: Preschool - \$36,225, Kindergarten - \$41,408, 1st Grade - \$38,375, 2nd Grade - \$40,106, 3rd Grade - \$46,303, 4th Grade - \$57,008, P.E. \$34,982, TAG/Title - \$34,674, Band - \$17,442, Librarian - \$5,610, Custodial - \$30,750, Administrative Assistant - \$27,160, Paraprofessional - \$21,990, Food Service - \$22,372, Vocal Shared out to Lu Verne - \$14,074, and Band Shared out to Lu Verne - \$19,078. We will also be closing our elementary building for the FY 10 school year. This will save the District \$56,388.00 in utility and building fees. We will incur costs from the new agreement also: 2.88 FTE - \$139,528.

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 Beth DeGroot, 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, 2008

Exhibit A

	<u>Governmental</u> <u>Activities</u>	<u>Business Type</u> <u>Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents:			
ISCAP	\$ 772,212	-	772,212
Other	384,347	-	384,347
Receivables:			
Property tax:			
Delinquent	25,533	-	25,533
Succeeding year	1,263,000	-	1,263,000
Accounts	2,411	387	2,798
Accrued interest:			
ISCAP	2,346	-	2,346
Other	50	-	50
Due from other governments	157,809	-	157,809
Prepaid expenses	1,278	-	1,278
Inventories	-	3,399	3,399
Capital assets, net of accumulated depreciation	<u>389,004</u>	<u>3,858</u>	<u>392,862</u>
Total assets	<u>2,997,990</u>	<u>7,644</u>	<u>3,005,634</u>
Liabilities			
Excess of warrants issued over bank balance	-	10,621	10,621
Accounts payable	13,444	-	13,444
Salaries and benefits payable	197,643	9,066	206,709
Accrued interest payable	510	-	510
Deferred revenue - succeeding year property tax	1,263,000	-	1,263,000
ISCAP warrants payable	890,000	-	890,000
ISCAP accrued interest payable	16,851	-	16,851
Long-term liabilities:			
Portion due within one year:			
Bus lease purchase obligation	14,351	-	14,351
Portion due after one year:			
Compensated absences	8,596	-	8,596
Bus lease purchase obligation	<u>14,950</u>	<u>-</u>	<u>14,950</u>
Total liabilities	<u>2,419,345</u>	<u>19,687</u>	<u>2,439,032</u>
Net assets			
Invested in capital assets, net of related debt	359,703	3,858	363,561
Restricted for:			
Management levy	54,523	-	54,523
Physical plant and equipment levy	77,273	-	77,273
Other special revenue purposes	8,615	-	8,615
Unrestricted	<u>78,531</u>	<u>(15,901)</u>	<u>62,630</u>
Total net assets	<u>\$ 578,645</u>	<u>(12,043)</u>	<u>566,602</u>

See notes to financial statements.

Corwith-Wesley Community School District
Corwith, Iowa
Statement of Activities
Year ended June 30, 2008

	<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>
Functions/Programs:				
Governmental activities:				
Instruction:				
Regular instruction	\$ 856,096	99,824	150,941	-
Special instruction	297,728	58,023	10,695	-
Other instruction	373,910	94,670	38,723	-
	<u>1,527,734</u>	<u>252,517</u>	<u>200,359</u>	<u>-</u>
Support services:				
Student	36,904	-	-	-
Instructional staff	29,416	-	24,877	-
Administration	306,115	-	-	-
Operation and maintenance of plant	245,206	-	-	-
Transportation	145,372	-	-	-
	<u>763,013</u>	<u>-</u>	<u>24,877</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	35,297	-	-	-
Long-term debt interest	510	-	-	-
AEA flowthrough	73,339	-	73,339	-
Depreciation (unallocated)*	17,892	-	-	-
	<u>127,038</u>	<u>-</u>	<u>73,339</u>	<u>-</u>
Total governmental activities	2,417,785	252,517	298,575	-
Business type activities:				
Non-instructional programs:				
Food service operations	99,380	30,584	37,067	-
Total	<u>\$ 2,517,165</u>	<u>283,101</u>	<u>335,642</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
Sale of assets
Transfer
Total general revenues
Change in net assets
Net assets beginning of year
Net assets end of year

* This amount excludes the depreciation 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
(605,331)	-	(605,331)
(229,010)	-	(229,010)
(240,517)	-	(240,517)
<u>(1,074,858)</u>	<u>-</u>	<u>(1,074,858)</u>
(36,904)	-	(36,904)
(4,539)	-	(4,539)
(306,115)	-	(306,115)
(245,206)	-	(245,206)
(145,372)	-	(145,372)
<u>(738,136)</u>	<u>-</u>	<u>(738,136)</u>
(35,297)	-	(35,297)
(510)	-	(510)
-	-	-
(17,892)	-	(17,892)
<u>(53,699)</u>	<u>-</u>	<u>(53,699)</u>
(1,866,693)	-	(1,866,693)
-	(31,729)	(31,729)
<u>(1,866,693)</u>	<u>(31,729)</u>	<u>(1,898,422)</u>
\$ 1,077,135	-	1,077,135
26,187	-	26,187
118,014	-	118,014
90,425	-	90,425
546,462	-	546,462
24,083	-	24,083
12,158	427	12,585
300	-	300
(30,000)	30,000	-
<u>1,864,764</u>	<u>30,427</u>	<u>1,895,191</u>
(1,929)	(1,302)	(3,231)
<u>580,574</u>	<u>(10,741)</u>	<u>569,833</u>
<u>\$ 578,645</u>	<u>(12,043)</u>	<u>566,602</u>

Corwith-Wesley Community School District
Corwith, Iowa

Exhibit C

Balance Sheet
Governmental Funds

June 30, 2008

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Special Revenue</u>	<u>Total</u>
Assets				
Cash and pooled investments:				
ISCAP	\$ 772,212	-	-	772,212
Other	156,641	104,521	123,185	384,347
Receivables:				
Property tax:				
Delinquent	23,539	-	1,994	25,533
Succeeding year	1,196,000	-	67,000	1,263,000
Accounts	784	-	1,627	2,411
Accrued interest:				
ISCAP	2,346	-	-	2,346
Other	-	50	-	50
Due from other governments	121,149	22,472	14,188	157,809
Prepaid expenses	-	1,278	-	1,278
	<u>-</u>	<u>1,278</u>	<u>-</u>	<u>1,278</u>
Total assets	<u>\$ 2,272,671</u>	<u>128,321</u>	<u>207,994</u>	<u>2,608,986</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 2,200	10,661	583	13,444
Salaries and benefits payable	197,643	-	-	197,643
ISCAP warrants payable	890,000	-	-	890,000
ISCAP accrued interest payable	16,851	-	-	16,851
Deferred revenue:				
Succeeding year property tax	1,196,000	-	67,000	1,263,000
Other	109,240	-	-	109,240
Total liabilities	<u>2,411,934</u>	<u>10,661</u>	<u>67,583</u>	<u>2,490,178</u>
Fund balances:				
Reserved for Teacher Quality	3,534	-	-	3,534
Reserved for Phase III	31	-	-	31
Reserved for Teacher Mentoring	1,027	-	-	1,027
Reserved for Professional Development	12,908	-	-	12,908
Reserved for Additional Professional Development	104	-	-	104
Reserved for Market Factor	3,272	-	-	3,272
Unreserved	(160,139)	117,660	140,411	97,932
Total fund balances	<u>(139,263)</u>	<u>117,660</u>	<u>140,411</u>	<u>118,808</u>
Total liabilities and fund balances	<u>\$ 2,272,671</u>	<u>128,321</u>	<u>207,994</u>	<u>2,608,986</u>

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, 2008

Total fund balances of governmental funds (page 18)	\$ 118,808
 <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.	389,004
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	109,240
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	(510)
Long-term liabilities, including lease purchase obligations and compensated absences are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(37,897)</u>
Net assets of governmental activities (page 15)	<u><u>\$ 578,645</u></u>

See notes to financial statements.

Corwith-Wesley Community School District
 Corwith, Iowa
 Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 Year ended June 30, 2008

Exhibit E

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Special Revenue</u>	<u>Total</u>
Revenues:					
Local sources:					
Local tax	\$ 1,126,927	-	90,425	86,168	1,303,520
Tuition	152,893	-	-	-	152,893
Other	40,757	-	1,100	94,008	135,865
State sources	772,200	-	-	42	772,242
Federal sources	81,695	-	-	-	81,695
Total revenues	2,174,472	-	91,525	180,218	2,446,215
Expenditures:					
Current:					
Instruction:					
Regular	838,525	-	-	-	838,525
Special	297,728	-	-	-	297,728
Other	286,334	-	-	87,576	373,910
	1,422,587	-	-	87,576	1,510,163
Support services:					
Student	36,904	-	-	-	36,904
Instructional staff	41,062	-	-	-	41,062
Administration	284,471	-	-	13,427	297,898
Operation and maintenance of plant	212,419	-	-	30,421	242,840
Transportation	148,528	-	53,567	5,403	207,498
	723,384	-	53,567	49,251	826,202
Other expenditures:					
Facilities acquisition	-	-	50,446	3,944	54,390
Long-term debt:					
Principal	-	15,576	-	-	15,576
AEA flowthrough	73,339	-	-	-	73,339
	73,339	15,576	50,446	3,944	143,305
Total expenditures	2,219,310	15,576	104,013	140,771	2,479,670
Excess (deficiency) of revenues over (under) expenditures	(44,838)	(15,576)	(12,488)	39,447	(33,455)
Other financing sources (uses):					
Proceeds from sale of personal property	300	-	-	-	300
Lease purchase obligation issued	44,877	-	-	-	44,877
Operating transfer in	-	15,576	-	-	15,576
Operating transfers out	(45,576)	-	-	-	(45,576)
Total other financing sources (uses)	(399)	15,576	-	-	15,177
Net change in fund balances	(45,237)	-	(12,488)	39,447	(18,278)
Fund balances beginning of year	(94,026)	-	130,148	100,964	137,086
Fund balances end of year	\$ (139,263)	-	117,660	140,411	118,808

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, 2008

Net change in fund balances - total governmental funds (page 20) \$ (18,278)

*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. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 124,890	
Depreciation expense	<u>(78,048)</u>	46,842

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. (659)

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 exceeded repayments, as follows:

Issued	(44,877)	
Repaid	<u>15,576</u>	(29,301)

Corwith-Wesley Community School District
Corwith, Iowa

Exhibit F

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

Year ended June 30, 2008

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 funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. (510)

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 (23)

Change in net assets of governmental activities (page 17) \$ (1,929)

See notes to financial statements.

Corwith-Wesley Community School District
Corwith, Iowa

Exhibit G

Statement of Net Assets
Proprietary Fund

June 30, 2008

	<u>School Nutrition</u>
Assets	
Accounts receivable	\$ 387
Inventories	3,399
Capital assets, net of accumulated depreciation	<u>3,858</u>
Total assets	<u>7,644</u>
Liabilities	
Excess of warrants issued over bank balance	10,621
Salaries and benefits payable	<u>9,066</u>
Total liabilities	<u>19,687</u>
Net Assets	
Invested in capital assets	3,858
Unrestricted	<u>(15,901)</u>
Total net assets	<u>\$ (12,043)</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, 2008

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for service	\$ <u>30,585</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	34,539
Benefits	21,183
Supplies	42,571
Depreciation	<u>1,087</u>
Total operating expenses	<u>99,380</u>
Operating loss	<u>(68,795)</u>
Non-operating revenues:	
Local sources	428
State sources	908
Federal sources	<u>36,157</u>
Total non-operating revenues	<u>37,493</u>
Deficiency of receipts under disbursements	(31,302)
Other financing sources:	
Transfers in	<u>30,000</u>
Net loss	(1,302)
Net assets beginning of year	<u>(10,741)</u>
Net assets end of year	<u>\$ (12,043)</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, 2008

School
Nutrition

Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 30,198
Cash paid to employees for services	(56,940)
Cash paid to suppliers for goods or services	<u>(33,607)</u>
Net cash used by operating activities	<u>(60,349)</u>
Cash flows from non-capital financing activities:	
Other income received	428
State grants received	908
Federal grants received	27,966
Excess of warrants issued over bank balance	10,621
Transfer from General Fund	<u>30,000</u>
Net cash provided by non-capital financing activities	<u>69,923</u>
Net decrease in cash and cash equivalents	9,574
Cash and cash equivalents beginning of year	<u>(9,574)</u>
Cash and cash equivalents end of year	<u><u>\$ -</u></u>

(continued)

Corwith-Wesley Community School District
Corwith, Iowa

Exhibit I

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2008

School
Nutrition

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

Operating loss	\$ (68,795)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	8,191
Depreciation	1,087
Increase in receivables	(387)
Decrease in inventories	773
Decrease in salaries and benefits payable	<u>(1,218)</u>
Net cash used by operating activities	<u>\$ (60,349)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2008, the District received \$8,191 of federal commodities.

See notes to financial statements.

Corwith-Wesley Community School District
Corwith, Iowa

Notes to Financial Statements

June 30, 2008

(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 five 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, 2008

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 not meeting 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, 2008

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

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, 2008

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, 2008

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, 2008

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, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2007.

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, 2008

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, 2008

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, 2008. 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 are imposed by law through constitutional provisions or enabling legislation.

Corwith-Wesley Community School District
Corwith, Iowa

Notes to Financial Statements

June 30, 2008

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, expenditures in the non-instructional programs and other expenditures functional areas exceeded the amounts budgeted and the District exceeded its General Fund unspent authorized budget.

(2) Cash and Pooled Investments

The District's deposits in banks at June 30, 2008 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, 2008 and deposited its excess cash in certificates of deposit and savings.

Corwith-Wesley Community School District
Corwith, Iowa

Notes to Financial Statements

June 30, 2008

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	General	\$ 15,576
Proprietary: School Nutrition	General	<u>30,000</u>
Total		\$45,576 =====

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, 2008 is as follows:

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Investments</u>	<u>Accrued Interest Receivable</u>	<u>Warrants Payable</u>	<u>Accrued Interest Payable</u>
2007-08A	6-27-07	6-27-08	\$ -	92	-	-
2007-08B	1-23-08	1-23-09	180,428	2,030	303,000	6,559
2008-09A	6-26-08	6-25-09	<u>591,784</u>	224	<u>587,000</u>	<u>10,292</u>
Total			\$ 772,212	2,346	890,000	16,851

Corwith-Wesley Community School District
Corwith, Iowa

Notes to Financial Statements

June 30, 2008

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 25th of each month immediately following the final date 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, 2008 is as follows:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2007-08A	\$ ---	225,000	225,000	---
2007-08B	---	250,000	126,454	123,546
Total	---	475,000	351,454	123,546

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
2007-08A	4.500%	5.455%
2007-08B	3.750%	3.451%
2007-08A	3.500%	3.469%

Corwith-Wesley Community School District
Corwith, Iowa

Notes to Financial Statements

June 30, 2008

(5) Capital Assets

Capital assets activity for the year ended June 30, 2008 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 2,605	---	---	2,605
Capital assets being depreciated:				
Buildings	961,983	9,268	---	971,251
Improvements other than buildings	141,717	---	---	141,717
Furniture and equipment	1,395,634	115,622	39,614	1,471,642
Total capital assets being depreciated	<u>2,499,334</u>	<u>124,890</u>	<u>39,614</u>	<u>2,584,610</u>
Less accumulated depreciation for:				
Buildings	869,387	5,160	---	874,547
Improvements other than buildings	118,974	1,474	---	120,448
Furniture and equipment	1,171,416	71,414	39,614	1,203,216
Total accumulated depreciation	<u>2,159,777</u>	<u>78,048</u>	<u>39,614</u>	<u>2,198,211</u>
Total capital assets being depreciated, net	<u>339,557</u>	<u>46,842</u>	<u>---</u>	<u>386,399</u>
Governmental activities capital assets, net	<u>\$ 342,162</u>	<u>46,842</u>	<u>---</u>	<u>389,004</u>
=====				
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Furniture and equipment	\$ 13,045	---	---	13,045
Less accumulated depreciation	8,100	1,087	---	9,187
Business type activities capital assets, net	<u>\$ 4,945</u>	<u>(1,087)</u>	<u>---</u>	<u>3,858</u>
=====				

Corwith-Wesley Community School District
Corwith, Iowa

Notes to Financial Statements

June 30, 2008

Depreciation expense was charged to the following functions:

Governmental activities:		
Instruction:		
Regular		\$ 17,548
Support services:		
Administration		8,217
Operation and maintenance of plant		2,366
Transportation		<u>32,025</u>
		60,156
Unallocated		<u>17,892</u>
Total depreciation expense – governmental activities		\$ 78,048
		=====
Business type activities:		
Food service operations		\$ 1,087
		=====

(6) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2008 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Compensated absences	\$ 8,573	23	---	8,596	---
Bus lease purchase obligation	---	44,877	15,576	29,301	14,351
Total	<u>\$ 8,573</u>	<u>44,900</u>	<u>15,576</u>	<u>37,897</u>	<u>14,351</u>
=====					

Capital Lease Purchase Agreement

In January 2008, the District entered into a capital lease-purchase agreement with Blue Bird Body Company to finance the purchase of a bus totaling \$44,877. The lease is financed for three years at an interest rate of 4.18%. The following is a schedule of the future minimum lease payments, including interest per annum, and the present value of net minimum lease payments under the agreement at June 30, 2008:

Corwith-Wesley Community School District
Corwith, Iowa

Notes to Financial Statements

June 30, 2008

Year ending <u>June 30,</u>	<u>Amount</u>
2009	\$ 15,576
2010	<u>15,576</u>
Total minimum lease payments	31,152
Less amount representing interest	<u>(1,851)</u>
Present value of net minimum lease payments	\$ 29,301
	=====

Payments under the agreement totaled \$15,576 for the year ended June 30, 2008.

(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 3.90% of their annual covered salary and the District is required to contribute 6.05% of annual covered payroll for the years ended June 30, 2008, 2007, and 2006. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2008, 2007, and 2006 were \$68,469, \$64,260, and \$61,374 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.

Corwith-Wesley Community School District
Corwith, Iowa

Notes to Financial Statements

June 30, 2008

(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 \$73,339 for the year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Operating Lease

The District entered into an operating lease with Advanced Systems, Inc. for the rental of three Cannon copiers on March 8, 2006 for a period of five years. The amount paid for the fiscal year ended June 30, 2008 was \$7,188. Future rentals are scheduled as follows:

<u>Year Ending June 30,</u>	
2009	\$ 7,188
2010	7,188
2011	<u>4,872</u>
Total	\$ 19,248
	=====

(11) Deficit Balances

The General Fund had a deficit fund balance of \$139,263 at June 30, 2008. The Proprietary Fund, School Nutrition Account, had a deficit net asset balance of \$12,043 at June 30, 2008.

(12) Subsequent Event

On December 22, 2008 the District approved the closing of the elementary building in Wesley and approved a Whole Grade Sharing Realignment with LuVerne Community School District for the 2009-2010 school year. PreK through sixth grade will be in LuVerne and seventh through twelve grade will be in Corwith.

Required Supplementary Information

Corwith-Wesley Community School District
Corwith, Iowa

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2008

	Governmental Funds <u>Actual</u>	Proprietary Fund <u>Actual</u>
Receipts:		
Local sources	\$ 1,592,278	31,013
State sources	772,242	908
Federal sources	<u>81,695</u>	<u>36,157</u>
Total revenues	<u>2,446,215</u>	<u>68,078</u>
Expenditures/Expenses:		
Instruction	1,510,163	
Support services	826,202	-
Non-instructional programs	-	99,380
Other expenditures	<u>143,305</u>	<u>-</u>
Total expenditures/expenses	<u>2,479,670</u>	<u>99,380</u>
Deficiency of revenues under expenditures/expenses	(33,455)	(31,302)
Other financing sources, net	<u>15,177</u>	<u>30,000</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	(18,278)	(1,302)
Balances beginning of year	<u>137,086</u>	<u>(10,741)</u>
Balances end of year	<u>\$ 118,808</u>	<u>(12,043)</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>	
1,623,291	1,520,354	1,520,354	102,937
773,150	778,377	778,377	(5,227)
<u>117,852</u>	<u>72,000</u>	<u>72,000</u>	<u>45,852</u>
<u>2,514,293</u>	<u>2,370,731</u>	<u>2,370,731</u>	<u>143,562</u>
1,510,163	1,597,863	1,597,863	87,700
826,202	970,102	970,102	143,900
99,380	67,489	67,489	(31,891)
<u>143,305</u>	<u>76,129</u>	<u>76,129</u>	<u>(67,176)</u>
<u>2,579,050</u>	<u>2,711,583</u>	<u>2,711,583</u>	<u>132,533</u>
(64,757)	(340,852)	(340,852)	276,095
<u>45,177</u>	<u>-</u>	<u>-</u>	<u>45,177</u>
(19,580)	(340,852)	(340,852)	321,272
<u>126,345</u>	<u>390,178</u>	<u>390,178</u>	<u>(263,833)</u>
<u>106,765</u>	<u>49,326</u>	<u>49,326</u>	<u>57,439</u>

Corwith-Wesley Community School District
Corwith, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2008

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 a GAAP basis.

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 ended June 30, 2008, expenditures in the support services and non-instructional programs functions exceeded the amounts budgeted and the District exceeded its General Fund unspent authorized budget.

Other Supplementary Information

Corwith-Wesley Community School District
Corwith, Iowa

Schedule 1

Combining Balance Sheet
Nonmajor Special Revenue Funds

June 30, 2008

	Manage- ment <u>Levy</u>	Student <u>Activity</u>	Physical Plant and Equipment <u>Levy</u>	<u>Total</u>
Assets				
Cash and pooled investments	\$ 53,636	7,070	62,479	123,185
Receivables:				
Property tax:				
Delinquent	1,388	-	606	1,994
Succeeding year	40,000	-	27,000	67,000
Accounts	-	1,627	-	1,627
Due from other governments	<u>-</u>	<u>-</u>	<u>14,188</u>	<u>14,188</u>
Total assets	<u>\$ 95,024</u>	<u>8,697</u>	<u>104,273</u>	<u>207,994</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 501	82	-	583
Deferred revenue:				
Succeeding year property tax	<u>40,000</u>	<u>-</u>	<u>27,000</u>	<u>67,000</u>
Total liabilities	40,501	82	27,000	67,583
Fund balances:				
Unreserved fund balances	<u>54,523</u>	<u>8,615</u>	<u>77,273</u>	<u>140,411</u>
Total liabilities and fund balances	<u>\$ 95,024</u>	<u>8,697</u>	<u>104,273</u>	<u>207,994</u>

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, 2008

	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	\$ 59,981	-	26,187	86,168
Other	6,016	87,980	12	94,008
State sources	<u>29</u>	<u>-</u>	<u>13</u>	<u>42</u>
Total revenues	<u>66,026</u>	<u>87,980</u>	<u>26,212</u>	<u>180,218</u>
Expenditures:				
Current:				
Instruction:				
Other instruction	-	87,576	-	87,576
Support services:				
Administration services	13,427	-	-	13,427
Operation and maintenance of plant services	24,914	-	5,507	30,421
Transportation services	5,403	-	-	5,403
Other expenditures:				
Facilities acquisition	<u>-</u>	<u>-</u>	<u>3,944</u>	<u>3,944</u>
Total expenditures	<u>43,744</u>	<u>87,576</u>	<u>9,451</u>	<u>140,771</u>
Excess of revenues over expenditures	22,282	404	16,761	39,447
Fund balances beginning of year	<u>32,241</u>	<u>8,211</u>	<u>60,512</u>	<u>100,964</u>
Fund balances end of year	<u>\$ 54,523</u>	<u>8,615</u>	<u>77,273</u>	<u>140,411</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, 2008

<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	\$ 109	-	-	(109)	-
Athletics	(985)	3,444	5,233	-	(2,774)
Baseball	(2,332)	2,813	3,766	-	(3,285)
Book Club	569	-	-	(469)	100
Boys Basketball	1,299	15,719	13,221	-	3,797
Boys Track	1,558	1,301	1,767	-	1,092
Business Class	-	1,526	1,119	-	407
Cheerleaders	2,806	3,227	4,482	-	1,551
Class of 2005	446	-	-	(446)	-
Class of 2006	(212)	-	-	212	-
Class of 2007	155	-	114	-	41
Class of 2008	3,983	2,138	5,917	-	204
Class of 2009	3,798	3,570	3,279	-	4,089
Class of 2010	328	1,789	83	-	2,034
Class of 2011	-	380	105	-	275
Clubs and Organizations	328	180	186	(334)	(12)
Cross Country	90	829	2,071	-	(1,152)
Danz Squad	(2,374)	10,674	10,652	-	(2,352)
Drama	(225)	3,734	1,730	-	1,779
FFA	1,020	2,996	3,175	-	841
Football	(1,612)	6,232	6,452	-	(1,832)
Girls Basketball	3,284	4,716	2,827	-	5,173
Girls Track	38	3,026	2,254	-	810
Golf	(2,847)	100	583	1,823	(1,507)
Instrumental - High School and Elementary	(633)	190	121	641	77
Interest	608	724	633	-	699

(continued)

Corwith-Wesley Community School District
Corwith, Iowa

Schedule 3

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2008

<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>
National Honor Society	866	-	225	-	641
Newspaper	335	-	-	(335)	-
Pop Machines	1,221	486	429	(1,121)	157
Shop	2,033	-	-	(2,033)	-
Softball	(5,912)	4,532	5,414	2,156	(4,638)
Speech	(934)	-	377	-	(1,311)
Student Council	1,067	2,907	3,345	-	629
Student Trip Account	655	5,422	1,393	-	4,684
Vocal	(266)	190	538	-	(614)
Volleyball	(38)	4,196	4,835	-	(677)
Weightlifting	(15)	939	1,250	15	(311)
Total	<u>\$ 8,211</u>	<u>87,980</u>	<u>87,576</u>	<u>-</u>	<u>8,615</u>

See accompanying independent auditor's report.

Corwith-Wesley Community School District
Corwith, Iowa

Schedule 4

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

For the Last Four Years

	Modified Accrual Basis			
	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Revenues:				
Local sources:				
Local tax	\$ 1,303,520	1,281,748	1,161,181	1,164,783
Tuition	152,893	159,428	123,214	111,521
Other	135,865	130,605	122,487	150,130
State sources	772,242	847,067	946,873	957,461
Federal sources	81,695	93,737	73,371	93,310
Total	\$ 2,446,215	2,512,585	2,427,126	2,477,205
Expenditures:				
Instruction:				
Regular	\$ 838,525	894,887	856,555	869,497
Special	297,728	386,422	347,821	456,817
Other	373,910	341,596	362,730	309,196
Support services:				
Student	36,904	34,374	32,194	31,260
Instructional staff	41,062	29,699	36,666	21,350
Administration	297,898	284,300	268,795	295,396
Operation and maintenance of plant	242,840	236,317	322,388	233,177
Transportation	207,498	166,385	116,616	94,254
Other expenditures:				
Facilities acquisition	54,390	64,348	-	93,629
Long-term debt:				
Principal	15,576	-	-	-
AEA flowthrough	73,339	74,531	73,379	74,979
Total	\$ 2,479,670	2,512,859	2,417,144	2,479,555

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, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 3, 2009. 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 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 Corwith-Wesley Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Corwith-Wesley 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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, including deficiencies we consider to be material weaknesses.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Corwith-Wesley Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Corwith-Wesley Community School District's financial statements that is more than inconsequential will not be prevented or detected by Corwith-Wesley Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Corwith-Wesley Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items I-A-08 and I-B-08 are material weaknesses.

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, 2008 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.

Corwith-Wesley 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 Corwith-Wesley 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 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

March 3, 2009

Corwith-Wesley Community School District
Corwith, Iowa

Schedule of Findings

Year ended June 30, 2008

Part I: Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

I-A-08 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-08 Financial Reporting – During the audit, we identified material amounts of receivables, payables and capital assets additions not recorded in the District's financial statements. Adjustments were subsequently made by the District to properly include these amounts in the financial statements. Financial statement preparation is the responsibility of the District. District personnel do not have the skills necessary to be able to write the District's financial statements and the related note disclosures. This is not an unusual situation for small governmental entities.

Corwith-Wesley Community School District
Corwith, Iowa

Schedule of Findings

Year ended June 30, 2008

Recommendation – The District should implement procedures to ensure all receivables, payables and capital asset additions are identified and included in the District’s financial statements. District personnel should attend any governmental accounting and reporting training sessions that may be offered by the Iowa Department of Education, State Auditor’s Office or Iowa Association of School Business Officials. The school business office should also have governmental accounting and reporting reference materials.

Response – We will try to record these transactions in the future. As a school we certainly understand the need for continuing education classes for all our staff. However, we have a limited budget and must continually prioritize needs. At this point in time it is not cost effective to train our staff to the level necessary that would enable them to write the financial statements, nor is it feasible to hire additional employees that already possess the skills.

Conclusion – Response accepted.

I-C-08 Reimbursement Claims – During the audit, we noted that one federal and state meal reimbursement claim was not filed timely, resulting in the reimbursement being denied.

Recommendation – The District should implement procedures to insure the claims are timely filed so that all reimbursements are paid to the District.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Corwith-Wesley Community School District
Corwith, Iowa

Schedule of Findings

Year ended June 30, 2008

Part II: Other Findings Related to Required Statutory Reporting:

II-A-08 Certified Budget – Expenditures for the year ended June 30, 2008 exceeded the certified budget amounts in the non-instructional programs and other expenditures functions. The District also exceeded its unspent authorized budget for the year ended June 30, 2008.

Recommendation – The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget. The District should contact the Iowa Department of Education and the School Budget Review Committee to resolve the unspent authorized budget issue.

Response – Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded. We will contact the Iowa Department of Education and the School Budget Review Committee to resolve the issue regarding the unspent authorized budget.

Conclusion – Response accepted.

II-B-08 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

II-C-08 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.

Corwith-Wesley Community School District
Corwith, Iowa

Schedule of Findings

Year ended June 30, 2008

II-D-08 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>
Merl Sohl, teacher, Owner of J&M Construction	Construction supplies and labor	\$ 687

The transaction does not appear to represent a conflict of interest as it is not for textbooks or school supplies as provided by Chapter 301.28 of the Code of Iowa.

II-E-08 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-08 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted. However, the minutes did not document if closed sessions were closed by a roll call vote and the specific exemption under Chapter 21.5 was not always identified.

Recommendation – A roll call vote and the specific exemption should be noted for all closed sessions.

Response – We will do a roll call vote and note the specific exemption as required by the Code of Iowa.

Conclusion – Response accepted

Corwith-Wesley Community School District
Corwith, Iowa

Schedule of Findings

Year ended June 30, 2008

II-G-08 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 October 2007 was understated. The District’s certified enrollment count did not include 5 tuitioned out resident students on line 3. This resulted in understating the total actual enrollment at line 7 by 5 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-08 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-08 Certified Annual Report – The Certified Annual Report was certified timely to the Iowa Department of Education.

II-J-08 Deficit Balances – The General Fund, the Enterprise Fund, School Nutrition Account, and several student activity accounts had deficit balances at June 30, 2008.

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, school nutrition fund and student activity accounts at the end off the fiscal year.

Conclusion – Response accepted.