

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

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

YEAR ENDED JUNE 30, 2009

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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 2008 Election)		
Douglas DeGroote	President	2008
Keith Hauswirth	Vice President	2009
Tracy Studer	Board Member	2010
Kevin Wilhite	Board Member	2010
Jonathon Chambers	Board Member	2008
Board of Education (After September 2008 Election)		
Keith Hauswirth	President	2009
Jonathon Chambers	Vice President	2011
Tracy Studer	Board Member	2009*
Kevin Wilhite	Board Member	2011*
Susan Burrs	Board Member	2011
School Officials		
William Stone	Superintendent	2009
Beth DeGroote	District Secretary/Treasurer and Business Manager	2009
Ahlers & Cooney, P.C.	Attorney	Indefinite

* Board term extended/reduced per the District's transition plan for changing Board terms from 3 to 4 years in accordance with Chapter 39.24 of the Code of Iowa.

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, 2009, 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, 2009, 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 4, 2010 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 44 through 46 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 six years ended June 30, 2008 (which are not presented herein) and expressed unqualified opinions on those financial statements except for an adverse opinion on the 2004 financial statements. The adverse opinion on the financial statements for the year ended June 30, 2004 was due to capital assets and depreciation expense not recorded in accordance with U.S. generally accepted accounting principles. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

March 4, 2010

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, 2009. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2009 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$2,174,472 in fiscal 2008 to \$2,294,042 in fiscal 2009, while General Fund expenditures decreased from \$2,219,310 in fiscal 2008 to \$2,146,367 in fiscal 2009. The District's General Fund balance increased from a deficit of \$139,263 in fiscal 2008 to a deficit of \$54,787 in fiscal 2009, a 61% increase.
- The increase in General Fund revenues was attributable to an increase in property tax revenue in fiscal 2009. The decrease in expenditures was due primarily to controlling expenditures in all functional areas.

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

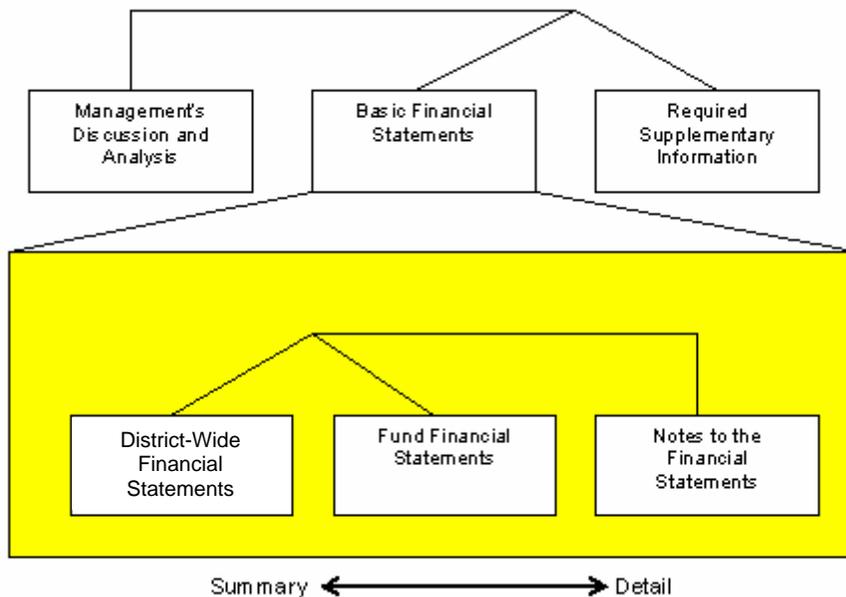


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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 include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2009 compared to June 30, 2008.

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>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2008-2009</u>
Current and other assets	\$ 3,181	2,609	21	4	3,202	2,613	22.5%
Capital assets	367	389	5	4	372	393	-5.3%
Total assets	<u>3,548</u>	<u>2,998</u>	<u>26</u>	<u>8</u>	<u>3,574</u>	<u>3,006</u>	<u>18.9%</u>
Long-term liabilities	24	38	---	---	24	38	-36.8%
Other liabilities	<u>2,759</u>	<u>2,381</u>	9	20	<u>2,768</u>	<u>2,401</u>	<u>15.3%</u>
Total liabilities	<u>2,783</u>	<u>2,419</u>	<u>9</u>	<u>20</u>	<u>2,792</u>	<u>2,439</u>	<u>14.5%</u>
Net assets:							
Invested in capital assets, net of related debt	352	360	5	4	357	364	-1.9%
Restricted	256	140	---	---	256	140	82.9%
Unrestricted	<u>157</u>	<u>79</u>	12	(16)	<u>169</u>	<u>63</u>	<u>168.3%</u>
Total net assets	<u>\$ 765</u>	<u>579</u>	<u>17</u>	<u>(12)</u>	<u>782</u>	<u>567</u>	<u>37.9%</u>

The District's combined net assets increased 37.9% or approximately \$215,000, over the prior year. The largest portion of the District's net assets is 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 \$116,000 or 83% 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 and an increase in the amount reserved for categorical funding.

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 – increased approximately 106,000 or 168%. This increase in unrestricted net assets was a result of the District reducing expenditures during the year.

Figure A-4 shows the change in net assets for the year ended June 30, 2009 compared to the year ended June 30, 2008.

Figure A-4							
Changes in Net Assets							
(Expressed in Thousands)							
	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	2009	2008	2009	2008	2009	2008	2008-2009
Revenues:							
Program revenues:							
Charges for service and sales	\$ 210	253	27	31	237	284	-16.5%
Operating grants, contributions and restricted interest	346	299	40	37	386	336	14.9%
Capital grants, contributions and restricted interest	27	---	2	---	29	---	100.0%
General revenues:							
Property tax	1,257	1,104	---	---	1,257	1,104	13.9%
Income surtax	128	118	---	---	128	118	8.5%
Statewide sales and service tax	104	90	---	---	104	90	15.6%
Unrestricted state grants	486	546	---	---	486	546	-11.0%
Unrestricted investment earnings	24	24	---	---	24	24	0.0%
Other	25	12	---	---	25	12	108.3%
Total revenues	<u>2,607</u>	<u>2,446</u>	<u>69</u>	<u>68</u>	<u>2,676</u>	<u>2,514</u>	<u>6.4%</u>
Program expenses:							
Governmental activities:							
Instruction	1,482	1,528	---	---	1,482	1,528	-3.0%
Support services	768	763	---	---	768	763	0.7%
Non-instructional programs	1	---	102	99	103	99	4.0%
Other expenses	108	127	---	---	108	127	-15.0%
Total expenses	<u>2,359</u>	<u>2,418</u>	<u>102</u>	<u>99</u>	<u>2,461</u>	<u>2,517</u>	<u>-2.2%</u>
Excess (deficiency) of revenue over (under) expenditures	248	28	(33)	(31)	215	(3)	7,266.7%
Transfers	<u>(62)</u>	<u>(30)</u>	<u>62</u>	<u>30</u>	---	---	<u>0.0%</u>
Increase (decrease) in net assets	\$ 186	(2)	29	(1)	215	(3)	7,266.7%
	=====	=====	=====	=====	=====	=====	=====

In fiscal 2009, property tax and unrestricted state grants account for 67% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 97% of the revenue from business type activities.

The District's total revenues were approximately \$2.7 million, of which \$2.6 million was for governmental activities and approximately \$0.1 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 6.4% increase in revenues and a 2.2% decrease in expenses. Property tax increased approximately \$153,000 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 \$2,608,054 and expenses were \$2,360,119 for the year ended June 30, 2009.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2009 compared to the year ended June 30, 2008.

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

	Total Cost of Services			Net Cost of Services		
	2009	2008	Change 2008-2009	2009	2008	Change 2008-2009
Instruction	\$ 1,482	1,528	-3.0 %	999	1,075	-7.1 %
Support services	768	763	0.7 %	741	738	0.4 %
Non-instructional programs	1	---	100.0 %	1	---	100.0 %
Other expenses	<u>109</u>	<u>127</u>	<u>-14.1 %</u>	<u>35</u>	<u>54</u>	<u>-35.2 %</u>
Total	\$ 2,360	2,418	-2.4 %	1,776	1,867	-4.9 %
	=====	=====	=====	=====	=====	=====

For the year ended June 30, 2009:

- The cost financed by users of the District's programs was \$210,462.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$346,729.
- The net cost of governmental activities was financed with \$1,488,935 in property and other taxes and \$486,026 in unrestricted state grants.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2009 were \$69,165 and expenses were \$102,592. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, and investment income. The District also transferred \$62,000 from the General Fund to the School Nutrition 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.

well. As the District completed the year, its governmental funds reported combined fund balances of \$291,513, above last year's ending fund balances of \$118,808.

Governmental Fund Highlights

- The District's improving General Fund financial position is the result of many factors. Growth during the year in tax and grants resulted in an increase in revenues. The increase in revenues along with the District's decrease in General Fund expenditures allowed the District to reduce the prior year deficit.
- The General Fund balance increased from a deficit of \$139,263 to a deficit of \$54,787.
- The Physical Plant and Equipment Levy (PEEL) Fund balance increased from \$77,273 in fiscal 2008 to \$94,566 in fiscal 2009.
- The Capital Projects Fund balance increased from \$117,660 in fiscal 2008 to 179,581 in fiscal 2009.

Proprietary Fund Highlights

School Nutrition Fund net assets increased from a deficit of \$12,043 at June 30, 2008 to \$16,530 at June 30, 2009, representing an increase of approximately 237%. The District transferred \$62,000 from the General Fund to cover expenses and eliminate the fund deficit.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2009, the District had invested \$371,000 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 \$70,703.

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,
	2009	2008	2009	2008	2009	2008	2008-2009
Land	2	2	---	---	2	2	0.0%
Buildings	105	97	---	---	105	97	8.2%
Improvements other than buildings	20	21	---	---	20	21	-4.8%
Furniture and equipment	<u>239</u>	<u>269</u>	<u>5</u>	<u>4</u>	<u>244</u>	<u>273</u>	<u>-10.6%</u>
Total	366	389	5	4	371	393	-5.6%
	===	===	===	===	===	===	=====

Long-Term Debt

At June 30, 2009, the District had \$24,221 in long-term debt outstanding. (See Figure A-7) 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		Total Change
	June 30,	June 30,	June 30,
	2009	2008	2008-2009
Compensated absences	\$ 9	9	0.0%
Bus lease purchase obligation	<u>15</u>	<u>29</u>	<u>-48.3%</u>
Total	\$24	38	-36.8%
	===	===	=====

BUDGETARY HIGHLIGHTS

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

The District's receipts were \$100,225 less than budgeted receipts, a variance of 3.7%.

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 functional area.

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 facing declining enrollment in the future and is investigating alternatives to eliminate deficits. The District is projecting to not be in a deficit situation at the end of the 2009-2010 year.
- The Corwith-Wesley district continues to share a superintendent with LuVerne Community School District. The District continues to benefit from the supplemental weighting from the state due to this arrangement. We also currently share five teachers with other schools.
- The implementation of changes to our whole grade sharing agreement with LuVerne is fully implemented.
- Closure of the Wesley attendance center will save the District \$56,388 each year in costs.
- By action of the Iowa School Budget Review Committee, the amount of spending authority (\$102,096) exceeded in 2007-2008 has been forgiven. The SBRC also acted to restore negative spending authority (\$184,747) incurred in 2008-2009. The SBRC also approved a request to restore spending authority (\$50,000) for the loss of Phase I money from the State of Iowa.
- The District also will explore a sharing agreement with a neighboring school for a transportation supervisory position for which sharing incentive money is available.
- The District will continue to explore options to further cut costs for the future school years.
- The District is also investigating opportunities for whole grade sharing with area school districts, which would hopefully lead to reorganization.

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 DeGroote, 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, 2009

Exhibit A

	<u>Governmental</u> <u>Activities</u>	<u>Business Type</u> <u>Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents:			
ISCAP	\$ 1,148,794	-	1,148,794
Other	427,319	17,349	444,668
Receivables:			
Property tax:			
Delinquent	27,341	-	27,341
Succeeding year	1,304,000	-	1,304,000
Accounts	5,388	464	5,852
Accrued interest:			
ISCAP	3,618	-	3,618
Due from other governments	264,975	-	264,975
Inventories	-	3,576	3,576
Capital assets, net of accumulated depreciation	<u>366,484</u>	<u>4,636</u>	<u>371,120</u>
Total assets	<u>3,547,919</u>	<u>26,025</u>	<u>3,573,944</u>
 Liabilities			
Accounts payable	89,822	-	89,822
Salaries and benefits payable	209,100	9,495	218,595
Accrued interest payable	260	-	260
Deferred revenue - succeeding year property tax	1,304,000	-	1,304,000
ISCAP warrants payable	1,132,000	-	1,132,000
ISCAP accrued interest payable	5,191	-	5,191
ISCAP unamortized premium	18,745	-	18,745
Long-term liabilities:			
Portion due within one year:			
Bus lease purchase obligation	14,950	-	14,950
Portion due after one year:			
Compensated absences	<u>9,271</u>	<u>-</u>	<u>9,271</u>
Total liabilities	<u>2,783,339</u>	<u>9,495</u>	<u>2,792,834</u>
 Net assets			
Invested in capital assets, net of related debt	351,534	4,636	356,170
Restricted for:			
Categorical funding	88,952	-	88,952
Management levy	58,971	-	58,971
Physical plant and equipment levy	94,566	-	94,566
Other special revenue purposes	13,182	-	13,182
Unrestricted	<u>157,375</u>	<u>11,894</u>	<u>169,269</u>
Total net assets	<u>\$ 764,580</u>	<u>16,530</u>	<u>781,110</u>

See notes to financial statements.

Corwith-Wesley Community School District
Corwith, Iowa
Statement of Activities
Year ended June 30, 2009

	Expenses	Program Revenues		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Instruction:				
Regular instruction	\$ 855,709	89,507	220,224	-
Special instruction	256,634	23,833	14,496	-
Other instruction	370,151	97,122	37,768	-
	<u>1,482,494</u>	<u>210,462</u>	<u>272,488</u>	<u>-</u>
Support services:				
Student	36,293	-	-	-
Instructional staff	37,505	-	-	18,864
Administration	325,988	-	-	8,100
Operation and maintenance of plant	249,422	-	-	-
Transportation	118,981	-	400	-
	<u>768,189</u>	<u>-</u>	<u>400</u>	<u>26,964</u>
Non-instructional programs	857	-	-	-
Other expenditures:				
Facilities acquisition	11,067	-	-	-
Long-term debt interest	975	-	-	-
AEA flowthrough	73,841	-	73,841	-
Depreciation (unallocated)*	22,696	-	-	-
	<u>108,579</u>	<u>-</u>	<u>73,841</u>	<u>-</u>
Total governmental activities	2,360,119	210,462	346,729	26,964
Business type activities:				
Non-instructional programs:				
Food service operations	102,592	27,067	40,064	2,034
Total	<u>\$ 2,462,711</u>	<u>237,529</u>	<u>386,793</u>	<u>28,998</u>

General Revenues:

Property tax levied for:
 General purposes
 Capital outlay
Income surtax
Statewide 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
(545,978)	-	(545,978)
(218,305)	-	(218,305)
<u>(235,261)</u>	<u>-</u>	<u>(235,261)</u>
<u>(999,544)</u>	<u>-</u>	<u>(999,544)</u>
(36,293)	-	(36,293)
(18,641)	-	(18,641)
(317,888)	-	(317,888)
(249,422)	-	(249,422)
<u>(118,581)</u>	<u>-</u>	<u>(118,581)</u>
<u>(740,825)</u>	<u>-</u>	<u>(740,825)</u>
<u>(857)</u>	<u>-</u>	<u>(857)</u>
(11,067)	-	(11,067)
(975)	-	(975)
-	-	-
<u>(22,696)</u>	<u>-</u>	<u>(22,696)</u>
<u>(34,738)</u>	<u>-</u>	<u>(34,738)</u>
(1,775,964)	-	(1,775,964)
-	(33,427)	(33,427)
<u>(1,775,964)</u>	<u>(33,427)</u>	<u>(1,809,391)</u>
\$ 1,229,939	-	1,229,939
26,954	-	26,954
128,272	-	128,272
103,770	-	103,770
486,026	-	486,026
23,806	-	23,806
10,755	-	10,755
14,377	-	14,377
<u>(62,000)</u>	<u>62,000</u>	<u>-</u>
<u>1,961,899</u>	<u>62,000</u>	<u>2,023,899</u>
185,935	28,573	214,508
<u>578,645</u>	<u>(12,043)</u>	<u>566,602</u>
<u>\$ 764,580</u>	<u>16,530</u>	<u>781,110</u>

Corwith-Wesley Community School District
Corwith, Iowa

Exhibit C

Balance Sheet
Governmental Funds

June 30, 2009

Assets	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Special Revenue</u>	<u>Total</u>
Cash and pooled investments:				
ISCAP	\$ 1,148,794	-	-	1,148,794
Other	100,408	162,858	164,053	427,319
Receivables:				
Property tax:				
Delinquent	25,884	-	1,457	27,341
Succeeding year	1,206,000	-	98,000	1,304,000
Accounts	1,227	600	3,561	5,388
Accrued interest:				
ISCAP	3,618	-	-	3,618
Due from other governments	<u>246,865</u>	<u>18,110</u>	<u>-</u>	<u>264,975</u>
Total assets	<u>\$ 2,732,796</u>	<u>181,568</u>	<u>267,071</u>	<u>3,181,435</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 85,483	1,987	2,352	89,822
Salaries and benefits payable	209,100	-	-	209,100
ISCAP warrants payable	1,132,000	-	-	1,132,000
ISCAP accrued interest payable	5,191	-	-	5,191
ISCAP unamortized premium	18,745	-	-	18,745
Deferred revenue:				
Succeeding year property tax	1,206,000	-	98,000	1,304,000
Other	<u>131,064</u>	<u>-</u>	<u>-</u>	<u>131,064</u>
Total liabilities	<u>2,787,583</u>	<u>1,987</u>	<u>100,352</u>	<u>2,889,922</u>
Fund balances:				
Reserved for:				
Categorical funding	88,952	-	-	88,952
Unreserved	<u>(143,739)</u>	<u>179,581</u>	<u>166,719</u>	<u>202,561</u>
Total fund balances	<u>(54,787)</u>	<u>179,581</u>	<u>166,719</u>	<u>291,513</u>
Total liabilities and fund balances	<u>\$ 2,732,796</u>	<u>181,568</u>	<u>267,071</u>	<u>3,181,435</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, 2009

Total fund balances of governmental funds (page 18)	\$ 291,513
 <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.	366,484
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	131,064
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.	(260)
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>(24,221)</u>
Net assets of governmental activities (page 15)	<u><u>\$ 764,580</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, 2009

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	\$ 1,318,202	-	103,770	66,963	1,488,935
Tuition	103,548	-	-	-	103,548
Other	43,329	-	8,446	98,602	150,377
State sources	750,761	-	-	30	750,791
Federal sources	<u>78,202</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>78,202</u>
Total revenues	<u>2,294,042</u>	<u>-</u>	<u>112,216</u>	<u>165,595</u>	<u>2,571,853</u>
Expenditures:					
Current:					
Instruction:					
Regular	842,921	-	-	-	842,921
Special	257,846	-	-	-	257,846
Other	<u>281,798</u>	<u>-</u>	<u>-</u>	<u>88,353</u>	<u>370,151</u>
	<u>1,382,565</u>	<u>-</u>	<u>-</u>	<u>88,353</u>	<u>1,470,918</u>
Support services:					
Student	36,293	-	-	-	36,293
Instructional staff	40,935	-	-	-	40,935
Administration	300,882	-	25,827	22,159	348,868
Operation and maintenance of plant	224,683	-	-	22,372	247,055
Transportation	<u>86,311</u>	<u>-</u>	<u>-</u>	<u>5,035</u>	<u>91,346</u>
	<u>689,104</u>	<u>-</u>	<u>25,827</u>	<u>49,566</u>	<u>764,497</u>
Non-instructional programs	<u>857</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>857</u>
Other expenditures:					
Facilities acquisition	-	-	24,468	1,368	25,836
Long-term debt:					
Principal	-	14,351	-	-	14,351
Interest and fiscal charges	-	1,225	-	-	1,225
AEA flowthrough	<u>73,841</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>73,841</u>
	<u>73,841</u>	<u>15,576</u>	<u>24,468</u>	<u>1,368</u>	<u>115,253</u>
Total expenditures	<u>2,146,367</u>	<u>15,576</u>	<u>50,295</u>	<u>139,287</u>	<u>2,351,525</u>
Excess (deficiency) of revenues over (under) expenditures	<u>147,675</u>	<u>(15,576)</u>	<u>61,921</u>	<u>26,308</u>	<u>220,328</u>
Other financing sources (uses):					
Proceeds from sale of personal property	14,377	-	-	-	14,377
Operating transfer in	-	15,576	-	-	15,576
Operating transfers out	<u>(77,576)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(77,576)</u>
Total other financing sources (uses)	<u>(63,199)</u>	<u>15,576</u>	<u>-</u>	<u>-</u>	<u>(47,623)</u>
Net change in fund balances	84,476	-	61,921	26,308	172,705
Fund balances beginning of year	<u>(139,263)</u>	<u>-</u>	<u>117,660</u>	<u>140,411</u>	<u>118,808</u>
Fund balances end of year	<u>\$ (54,787)</u>	<u>-</u>	<u>179,581</u>	<u>166,719</u>	<u>291,513</u>

See notes to financial statements.

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

Year ended June 30, 2009

Net change in fund balances - total governmental funds (page 20) \$ 172,705

*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. Depreciation expense exceeded capital outlay expenditures in the current year, as follows:

Expenditures for capital assets	\$ 46,927	
Depreciation expense	<u>(69,447)</u>	(22,520)

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. 21,824

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 repayments are as follows:

Repaid		14,351
--------	--	--------

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, 2009

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

250

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

(675)

Change in net assets of governmental activities (page 17)

\$ 185,935

See notes to financial statements.

Corwith-Wesley Community School District
Corwith, Iowa

Exhibit G

Statement of Net Assets
Proprietary Fund

June 30, 2009

	<u>School Nutrition</u>
Assets	
Cash and cash equivalents	\$ 17,349
Accounts receivable	464
Inventories	3,576
Capital assets, net of accumulated depreciation	<u>4,636</u>
Total assets	<u>26,025</u>
Liabilities	
Salaries and benefits payable	<u>9,495</u>
Total liabilities	<u>9,495</u>
Net Assets	
Invested in capital assets	4,636
Unrestricted	<u>11,894</u>
Total net assets	<u>\$ 16,530</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, 2009

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for service	\$ 26,257
Miscellaneous	810
Total operating revenues	<u>27,067</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	37,101
Benefits	19,853
Purchased services	247
Supplies	44,135
Depreciation	1,256
Total operating expenses	<u>102,592</u>
Operating loss	<u>(75,525)</u>
Non-operating revenues:	
State sources	730
Federal sources	39,334
Total non-operating revenues	<u>40,064</u>
Loss before other revenue and transfers	(35,461)
Capital asset contributions and transfers:	
Capital asset contributions	2,034
Transfers in	62,000
Total capital asset contributions and transfers	<u>64,034</u>
Net income	28,573
Net assets beginning of year	(12,043)
Net assets end of year	<u>\$ 16,530</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, 2009

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 26,180
Cash received from miscellaneous operating activities	810
Cash paid to employees for services	(56,525)
Cash paid to suppliers for goods or services	<u>(38,050)</u>
Net cash used by operating activities	<u>(67,585)</u>
Cash flows from non-capital financing activities:	
State grants received	730
Federal grants received	32,825
Excess of warrants issued over bank balance	(10,621)
Transfer from General Fund	<u>62,000</u>
Net cash provided by non-capital financing activities	<u>84,934</u>
Net increase in cash and cash equivalents	17,349
Cash and cash equivalents beginning of year	<u>-</u>
Cash and cash equivalents end of year	<u>\$ 17,349</u>

(continued)

Corwith-Wesley Community School District
Corwith, Iowa

Exhibit I

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2009

School
Nutrition

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

Operating loss	\$ (75,525)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	6,509
Depreciation	1,256
Increase in receivables	(77)
Increase in inventories	(177)
Increase in salaries and benefits payable	<u>429</u>
Net cash used by operating activities	<u>\$ (67,585)</u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2009, the District received \$6,509 of federal commodities.

During the year ended June 30, 2009, the District received \$609 in capital asset contributions from the PPEL Fund and \$1,425 in capital asset contributions from the Capital Projects Fund.

See notes to financial statements.

Corwith-Wesley Community School District
Corwith, Iowa

Exhibit J

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2009

Agency

Assets

Cash and pooled investments \$ 10

Total assets 10

Liabilities

Other payables 10

Total liabilities 10

Net assets \$ -

See notes to financial statements.

Corwith-Wesley Community School District
Corwith, Iowa

Notes to Financial Statements

June 30, 2009

(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, 2009

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, 2009

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 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, 2009

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, 2009

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, 2009

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, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2008.

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, 2009

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, 2009

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, 2009. 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, 2009

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, expenditures in the non-instructional programs functional area 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, 2009 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, 2009 and deposited its excess cash in certificates of deposit and savings.

Corwith-Wesley Community School District
Corwith, Iowa

Notes to Financial Statements

June 30, 2009

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2009 is as follows:

Transfer to	Transfer from	Amount
Debt Service	General	\$ 15,576
Proprietary: School Nutrition	General	<u>62,000</u>
Total		<u>\$77,576</u> =====

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, 2009 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2008-09A	6-26-08	6-25-09	\$ -	10	-	-
2008-09B	1-21-09	1-21-10	379,808	3,513	375,000	9,023
2009-10A	6-25-09	6-23-10	<u>768,986</u>	95	<u>757,000</u>	<u>14,913</u>
Total			<u>\$1,148,794</u>	3,618	1,132,000	<u>23,936</u> =====

Corwith-Wesley Community School District
Corwith, Iowa

Notes to Financial Statements

June 30, 2009

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, 2009 is as follows:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2007-08B	\$ 123,546	---	123,546	---
2008-09A	---	300,000	300,000	---
Total	\$ 123,546	300,000	423,546	---

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
2008-09A	3.500%	3.469%
2008-09B	3.000%	2.110%
2009-10A	2.500%	0.902%

Corwith-Wesley Community School District
Corwith, Iowa

Notes to Financial Statements

June 30, 2009

(5) Capital Assets

Capital assets activity for the year ended June 30, 2009 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	971,251	14,769	---	986,020
Improvements other than buildings	141,717	---	---	141,717
Furniture and equipment	1,471,642	32,158	52,142	1,451,658
Total capital assets being depreciated	<u>2,584,610</u>	<u>46,927</u>	<u>52,142</u>	<u>2,579,395</u>
Less accumulated depreciation for:				
Buildings	874,547	6,758	---	881,305
Improvements other than buildings	120,448	1,474	---	121,922
Furniture and equipment	1,203,216	61,215	52,142	1,212,289
Total accumulated depreciation	<u>2,198,211</u>	<u>69,447</u>	<u>52,142</u>	<u>2,215,516</u>
Total capital assets being depreciated, net	<u>386,399</u>	<u>(22,520)</u>	<u>---</u>	<u>363,879</u>
Governmental activities capital assets, net	<u>\$ 389,004</u>	<u>(22,520)</u>	<u>---</u>	<u>366,484</u>
Business type activities:				
Furniture and equipment	\$ 13,045	2,034	---	15,079
Less accumulated depreciation	9,187	1,256	---	10,443
Business type activities capital assets, net	<u>\$ 3,858</u>	<u>778</u>	<u>---</u>	<u>4,636</u>

Corwith-Wesley Community School District
Corwith, Iowa

Notes to Financial Statements

June 30, 2009

Depreciation expense was charged to the following functions:

Governmental activities:		
Instruction:		
Regular		\$ 12,113
Special		303
Support services:		
Administration		4,333
Operation and maintenance of plant		2,367
Transportation		<u>27,635</u>
		46,751
Unallocated		<u>22,696</u>
Total depreciation expense – governmental activities		\$ 69,447
		=====
Business type activities:		
Food service operations		\$ 1,256
		=====

(6) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2009 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Compensated absences	\$ 8,596	1,633	958	9,271	---
Bus lease purchase obligation	<u>29,301</u>	---	14,351	<u>14,950</u>	14,950
Total	<u>\$ 37,897</u>	1,633	15,309	24,221	14,950
=====					

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, 2009:

Corwith-Wesley Community School District
Corwith, Iowa

Notes to Financial Statements

June 30, 2009

Year ending <u>June 30,</u> 2010	<u>Amount</u>
	\$ 15,576
Less amount representing interest	<u>(626)</u>
Present value of net minimum lease payments	\$ 14,950 =====

Payments under the agreement totaled \$15,576 for the year ended June 30, 2009.

(7) Pension and Retirement Benefits

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

Plan members are required to contribute 4.10% of their annual covered salary and the District is required to contribute 6.35% of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2009, 2008, and 2007 were \$74,292, \$68,469, and \$64,260 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, 2009

(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 \$73,841 for the year ended June 30, 2009 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, 2009 was \$8,163. Future rentals are scheduled as follows:

<u>Year Ending June 30,</u>	
2010	\$ 8,410
2011	<u>5,497</u>
Total	\$ 13,907
	=====

(11) Deficit Fund Balance

The General Fund had a deficit fund balance of \$54,787 at June 30, 2009.

(12) Subsequent Event

Subsequent events have been evaluated through March 4, 2010, which is the date the financial statements were available to be issued.

The District approved a Whole Grade Sharing Realignment with LuVerne Community School District starting with the 2009-2010 school year. Pre K through sixth grade will be taught in LuVerne and seventh through twelve grade will be taught in Corwith.

Corwith-Wesley Community School District
Corwith, Iowa

Notes to Financial Statements

June 30, 2009

On October 8, 2009, Governor Chet Culver announced a 10 percent across-the-board cut to state general fund appropriations, effective immediately. The cut is a reduction of approximately \$238.5 million to Iowa schools and approximately \$800,000 to the Iowa Department of Education. What this will mean to Iowa school districts is still unfolding.

On February 18, 2010, the District approved the sale of the former Wesley elementary school building to the City of Wesley for \$1.

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, 2009

	Governmental Funds <u>Actual</u>	Proprietary Fund <u>Actual</u>
Revenues:		
Local sources	\$ 1,742,860	27,067
Intermediary sources	-	-
State sources	750,791	730
Federal sources	<u>78,202</u>	<u>39,334</u>
Total revenues	<u>2,571,853</u>	<u>67,131</u>
Expenditures/Expenses:		
Instruction	1,470,918	-
Support services	764,497	-
Non-instructional programs	857	102,592
Other expenditures	<u>115,253</u>	<u>-</u>
Total expenditures/expenses	<u>2,351,525</u>	<u>102,592</u>
Deficiency of revenues under expenditures/expenses	220,328	(35,461)
Other financing sources, net	<u>(47,623)</u>	<u>64,034</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	172,705	28,573
Balances beginning of year	<u>118,808</u>	<u>(12,043)</u>
Balances end of year	<u>\$ 291,513</u>	<u>16,530</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>	
1,769,927	1,813,070	1,813,070	(43,143)
-	200,000	200,000	(200,000)
751,521	625,139	625,139	126,382
117,536	101,000	101,000	16,536
<u>2,638,984</u>	<u>2,739,209</u>	<u>2,739,209</u>	<u>(100,225)</u>
1,470,918	1,631,528	1,631,528	160,610
764,497	988,714	988,714	224,217
103,449	96,227	96,227	(7,222)
115,253	266,276	266,276	151,023
<u>2,454,117</u>	<u>2,982,745</u>	<u>2,982,745</u>	<u>528,628</u>
184,867	(243,536)	(243,536)	428,403
16,411	1,000	1,000	15,411
201,278	(242,536)	(242,536)	443,814
<u>106,765</u>	<u>243,286</u>	<u>243,286</u>	<u>(136,521)</u>
<u>308,043</u>	<u>750</u>	<u>750</u>	<u>307,293</u>

Corwith-Wesley Community School District
Corwith, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2009

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, 2009, expenditures in the non-instructional programs function 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, 2009

	Manage- ment <u>Levy</u>	Student <u>Activity</u>	Physical Plant and Equipment <u>Levy</u>	<u>Total</u>
Assets				
Cash and pooled investments	\$ 59,038	11,036	93,979	164,053
Receivables:				
Property tax:				
Delinquent	870	-	587	1,457
Succeeding year	70,000	-	28,000	98,000
Accounts	<u>-</u>	<u>3,561</u>	<u>-</u>	<u>3,561</u>
Total assets	<u>\$ 129,908</u>	<u>14,597</u>	<u>122,566</u>	<u>267,071</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 937	1,415	-	2,352
Deferred revenue:				
Succeeding year property tax	<u>70,000</u>	<u>-</u>	<u>28,000</u>	<u>98,000</u>
Total liabilities	<u>70,937</u>	<u>1,415</u>	<u>28,000</u>	<u>100,352</u>
Fund balances:				
Unreserved fund balances	<u>58,971</u>	<u>13,182</u>	<u>94,566</u>	<u>166,719</u>
Total liabilities and fund balances	<u>\$ 129,908</u>	<u>14,597</u>	<u>122,566</u>	<u>267,071</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, 2009

	<u>Manage-</u> <u>ment</u>	<u>Student</u>	<u>Physical</u> <u>Plant and</u> <u>Equipment</u>	<u>Total</u>
	<u>Levy</u>	<u>Activity</u>	<u>Levy</u>	
Revenues:				
Local sources:				
Local tax	\$ 40,008	-	26,955	66,963
Other	5,613	92,920	69	98,602
State sources	18	-	12	30
Total revenues	<u>45,639</u>	<u>92,920</u>	<u>27,036</u>	<u>165,595</u>
Expenditures:				
Current:				
Instruction:				
Other instruction	-	88,353	-	88,353
Support services:				
Administration	13,996	-	8,163	22,159
Operation and maintenance of plant	22,160	-	212	22,372
Transportation	5,035	-	-	5,035
Other expenditures:				
Facilities acquisition	-	-	1,368	1,368
Total expenditures	<u>41,191</u>	<u>88,353</u>	<u>9,743</u>	<u>139,287</u>
Excess of revenues over expenditures	4,448	4,567	17,293	26,308
Fund balances beginning of year	<u>54,523</u>	<u>8,615</u>	<u>77,273</u>	<u>140,411</u>
Fund balances end of year	<u>\$ 58,971</u>	<u>13,182</u>	<u>94,566</u>	<u>166,719</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, 2009

<u>Account</u>	<u>Balance</u> <u>Beginning</u> <u>of Year</u>	<u>Revenues</u> <u>and Interfund</u> <u>Transfers</u>	<u>Expenditures</u>	<u>Intrafund</u> <u>Transfers</u>	<u>Balance</u> <u>End of</u> <u>Year</u>
Annual	\$ -	2,676	5,897	-	(3,221)
Athletics	(2,774)	1,670	396	-	(1,500)
Baseball	(3,285)	1,916	2,366	-	(3,735)
Book Club	100	-	-	-	100
Boys Basketball	3,797	3,736	2,493	-	5,040
Boys Track	1,092	1,943	1,837	-	1,198
Business Class	407	-	-	-	407
Cheerleaders	1,551	2,312	2,358	-	1,505
Class of 2007	41	-	-	(41)	-
Class of 2008	204	-	-	(204)	-
Class of 2009	4,089	1,415	5,515	-	(11)
Class of 2010	2,034	2,678	3,161	245	1,796
Class of 2011	275	2,108	112	-	2,271
Class of 2012	-	770	-	-	770
Class of 2013	-	140	-	-	140
Clubs and Organizations	(12)	-	56	-	(68)
Cross Country	(1,152)	1,179	1,766	-	(1,739)
Danz Squad	(2,352)	3,211	1,838	-	(979)
Drama	1,779	1,628	1,422	-	1,985
FFA	841	3,107	2,011	-	1,937
Football	(1,832)	35,569	29,119	-	4,618
Girls Basketball	5,173	3,880	3,012	-	6,041
Girls Track	810	1,796	2,498	-	108
Golf	(1,507)	83	792	-	(2,216)
Instrumental - High School and Elementary	77	1,565	273	-	1,369
Interest	699	505	442	-	762

(continued)

Corwith-Wesley Community School District
Corwith, Iowa

Schedule 3

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2009

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues and Interfund Transfers</u>	<u>Expenditures</u>	<u>Intrafund Transfers</u>	<u>Balance End of Year</u>
National Honor Society	641	424	613	-	452
Pop Machines	157	546	704	-	(1)
Softball	(4,638)	2,413	1,704	-	(3,929)
Speech	(1,311)	-	222	-	(1,533)
Student Council	629	4,409	3,847	-	1,191
Student Trip Account	4,684	5,790	10,674	-	(200)
Vocal	(614)	2,450	606	-	1,230
Volleyball	(677)	2,756	2,374	-	(295)
Weightlifting	(311)	-	-	-	(311)
Total	<u>\$ 8,615</u>	<u>92,675</u>	<u>88,108</u>	<u>-</u>	<u>13,182</u>

See accompanying independent auditor's report.

Corwith-Wesley Community School District
 Corwith, Iowa

Schedule 4

Schedule of Changes in Fiduciary Assets and Liabilities -
 Agency Fund

Year ended June 30, 2009

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
Assets				
Cash	\$ -	260	250	10
Total assets	<u>\$ -</u>	<u>260</u>	<u>250</u>	<u>10</u>
Liabilities				
Other payables	\$ -	260	250	10
Total liabilities	<u>\$ -</u>	<u>260</u>	<u>250</u>	<u>10</u>

See accompanying independent auditor's report.

Corwith-Wesley Community School District
Corwith, Iowa

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

For the Last Seven Years

	Modified Accrual Basis			
	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Revenues:				
Local sources:				
Local tax	\$ 1,488,935	1,303,520	1,281,748	1,161,181
Tuition	103,548	152,893	159,428	123,214
Other	150,377	135,865	130,605	122,487
State sources	750,791	772,242	847,067	946,873
Federal sources	78,202	81,695	93,737	73,371
Total	<u>\$ 2,571,853</u>	<u>2,446,215</u>	<u>2,512,585</u>	<u>2,427,126</u>
Expenditures:				
Instruction:				
Regular	\$ 842,921	838,525	894,887	856,555
Special	257,846	297,728	386,422	347,821
Other	370,151	373,910	341,596	362,730
Support services:				
Student	36,293	36,904	34,374	32,194
Instructional staff	40,935	41,062	29,699	36,666
Administration	348,868	297,898	284,300	268,795
Operation and maintenance of plant	247,055	242,840	236,317	322,388
Transportation	91,346	207,498	166,385	116,616
Non-instructional programs	857	-	-	-
Other expenditures:				
Facilities acquisition	25,836	54,390	64,348	-
Long-term debt:				
Principal	14,351	15,576	-	-
Interest and other charges	1,225	-	-	-
AEA flowthrough	73,841	73,339	74,531	73,379
Total	<u>\$ 2,351,525</u>	<u>2,479,670</u>	<u>2,512,859</u>	<u>2,417,144</u>

See accompanying independent auditor's report.

Schedule 5

<u>2005</u>	<u>2004</u>	<u>2003</u>
1,164,783	1,112,721	1,027,811
111,521	94,033	79,961
150,130	126,496	111,652
957,461	954,149	919,570
93,310	89,589	161,545
<u>2,477,205</u>	<u>2,376,988</u>	<u>2,300,539</u>
869,497	856,161	789,158
456,817	423,783	414,019
309,196	310,160	296,146
31,260	37,428	40,349
21,350	38,226	77,749
295,396	246,143	240,006
233,177	218,423	227,795
94,254	85,848	76,659
-	197	731
93,629	18,162	71,746
-	17,573	-
-	896	-
74,979	76,732	76,541
<u>2,479,555</u>	<u>2,329,732</u>	<u>2,310,899</u>

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, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 4, 2010. 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-09 and I-B-09 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, 2009 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 4, 2010

Corwith-Wesley Community School District
Corwith, Iowa

Schedule of Findings

Year ended June 30, 2009

Part I: Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

I-A-09 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-09 Preparation of Financial Statements – The District does not have an internal control system designed to provide for the preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America. Therefore, as auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. This circumstance is not unusual for an entity similar in size to Corwith-Wesley Community School District. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Corwith-Wesley Community School District
Corwith, Iowa

Schedule of Findings

Year ended June 30, 2009

Recommendation – We realize that obtaining the expertise necessary to prepare the financial statements, including all necessary disclosures, can be considered costly and ineffective. However, it is the responsibility of the District’s management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response – Management feels that committing the resources to remain current on reporting requirements and corresponding footnote disclosures would lack benefit in relation to the cost, but will continue to evaluate the risks to be accepted in preparation of the financial statements.

Conclusion – Response accepted.

I-C-09 Disbursement Approval – For one transaction there was insufficient documentation to determine the date the Superintendent approved routine expenditures for advance payment in accordance with the District’s policy. Also, two checks were signed by the Board Secretary not by the Board President.

Recommendation – The District should ensure all expenditures are properly approved and checks properly signed. For payments made in advance of Board meetings, the District should maintain documentation of the Superintendent’s approval of claims for payment, such as the Superintendent’s initials and date of approval. The District should make sure the Board President and Board Secretary’s signatures are on all checks.

Response – We will ensure all expenditures are properly approved and maintain documentation of the approval of disbursements made in advance of Board approval by having the Superintendent initial and date the claims. We will also have the Board President and the Board Secretary sign all checks.

Conclusion – Responses accepted.

Corwith-Wesley Community School District
Corwith, Iowa

Schedule of Findings

Year ended June 30, 2009

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Part II: Other Findings Related to Required Statutory Reporting:

II-A-09 Certified Budget – Expenditures for the year ended June 30, 2009 exceeded the certified budget amounts in the non-instructional programs function. The District also exceeded its unspent authorized budget for the year ended June 30, 2009.

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 have contacted 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-09 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-09 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, 2009

II-D-09 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	\$ 3,064

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-09 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-09 Board Minutes – As previously noted, one transaction had insufficient documentation it had been approved for payment by the Superintendent in advance of the Board meeting as allowed in Chapter 279.30 of the Code of Iowa.

Also, the minutes did not document if closed sessions were closed by a roll call vote.

Recommendation – Sufficient documentation should be maintained to evidence proper Superintendent approval of expenditures paid in advance of Board approval. A roll call vote should be noted for all closed sessions.

Response – We will document the Superintendent’s approval of expenditures prior to Board meetings. We will do a roll call vote and note it for all closed sessions.

Conclusion – Response accepted.

Corwith-Wesley Community School District
Corwith, Iowa

Schedule of Findings

Year ended June 30, 2009

II-G-09 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 2008 was understated. The District’s certified enrollment count did not include 1 student on line 1 and 3 tuitioned out resident students on line 3. This resulted in understating the total actual enrollment at line 7 by 4 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-09 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-09 Certified Annual Report – The Certified Annual Report was certified timely to the Iowa Department of Education.

II-J-09 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.

II-K-09 Statewide Sales and Services Tax – No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Corwith-Wesley Community School District
Corwith, Iowa

Schedule of Findings

Year ended June 30, 2009

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2009, the District's financial activity and other required information for the statewide sales and services tax are as follows:

Beginning balance	\$ ---
Statewide sales and services tax revenue	<u>103,770</u>
Ending balance	\$ <u>103,770</u>

II-L-09 Deficit Balances – The General Fund and several student activity accounts had deficit balances at June 30, 2009.

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

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

Conclusion – Response accepted.

II-M-09 Check Signers – As previously noted, two checks were signed by only the Board Secretary. Chapter 291.1 of the Code of Iowa states that the president or the president's designee shall sign, using an original or facsimile signature, all school district warrants drawn as provided by law.

Recommendation – The District should make sure all warrants are signed by the board president and the board secretary.

Response – The District will have the president sign all warrants.

Conclusion – Response accepted.