

WESTWOOD COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2009

Contents

| | | <u>Page</u> |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|-------------|
| Officials | | 1 |
| Independent Auditor's Report | | 2-3 |
| Management's Discussion and Analysis (MD&A) | | 4-12 |
| Basic Financial Statements: | <u>Exhibit</u> | |
| Government-Wide Financial Statements: | | |
| Statement of Net Assets | A | 13 |
| Statement of Activities | B | 14 |
| Governmental Fund Financial Statements: | | |
| Balance Sheet | C | 15 |
| Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets | D | 16 |
| Statement of Revenues, Expenditures and Changes in Fund Balances | E | 17 |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities | F | 18 |
| Proprietary Fund Financial Statements: | | |
| Statement of Net Assets | G | 19 |
| Statement of Revenues, Expenses and Changes in Fund Net Assets | H | 20 |
| Statement of Cash Flows | I | 21 |
| Fiduciary Fund Financial Statements: | | |
| Statement of Fiduciary Net Assets | J | 22 |
| Statement of Changes in Fiduciary Net Assets | K | 23 |
| Notes to Basic Financial Statements | | 24-33 |
| Required Supplementary Information: | | |
| Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund | | 34 |
| Notes to Required Supplementary Information - Budgetary Reporting | | 35 |
| Other Supplementary Information: | <u>Schedule</u> | |
| Nonmajor Governmental Funds: | | |
| Combining Balance Sheet | 1 | 36 |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balances | 2 | 37 |
| Schedule of Changes in Special Revenue Fund, Student Activity Accounts | 3 | 38 |
| Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund | 4 | 39 |
| Combining Statement of Fiduciary Net Assets Private Purpose Trust - Scholarship Funds | 5 | 40 |
| Combining Statement of Changes in Fiduciary Net Assets Private Purpose Trust - Scholarship Funds | 6 | 41 |
| Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types | 7 | 42 |
| 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 <u>Government Auditing Standards</u> | | 43-44 |
| Schedule of Findings | | 45-49 |

Westwood Community School District

Officials

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|----------------------------------------------------------------|-----------------------------------------------------------|---------------------|
| Board of Education (Before September 2008 election) | | |
| Dennis Gallagher | President | 2009 |
| Steve Jewett | Vice President | 2008 |
| Marty Choquette | Board Member | 2009 |
| Roxie Ullrich | Board Member | 2008 |
| Rob Copple | Board Member | 2011 |
| Board of Education (After September 2008 election) | | |
| Dennis Gallagher | President | 2009 |
| Marty Choquette | Vice President | 2009 |
| Cathy Wilt | Board Member | 2011 |
| Roxie Ullrich | Board Member | 2011 |
| Rob Copple | Board Member | 2011 |
| School Officials | | |
| Kirk Ahrends | Superintendent | 2009 |
| Denise Patterson | District Secretary/Treasurer (Resigned November 2008) | 2009 |
| Jill Sponder | District Secretary/Treasurer (Appointed December 2008) | 2009 |
| Ahlers & Cooney, P.C. | Attorney | 2009 |

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the Westwood Community School District, Sloan, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe 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 the Westwood Community School District at June 30, 2009, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 12, 2010, on our consideration of the Westwood Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts 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 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 results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 34 through 35 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 supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Westwood 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 five years ended June 30, 2008 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 7, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Nolte, Cornman & Johnson PC
NOLTE, CORNMAN & JOHNSON, P.C.

March 12, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

Westwood 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 \$5,791,658 in fiscal 2008 to \$5,964,744 in fiscal 2009, while General Fund expenditures also increased from \$5,737,323 in fiscal 2008 to \$6,099,725 in fiscal 2009. This resulted in a decrease in the District's fund balance from \$741,967 in fiscal 2008 to \$606,986 in fiscal 2009, which was an 18.19% increase from the prior year.
- The District's solvency ratio (unreserved-undesignated fund balance/general fund revenues) decreased as compared to fiscal 2008. At June 30, 2008 the District's solvency ratio was 11.96% as compared to 9.65% at June 30, 2009. The State School Budget Review Committee recommends a solvency ratio between 5% - 10%.

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 Westwood 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 Westwood 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 Westwood Community School District acts solely as an agent or custodian for the benefit of those outside of the School 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.

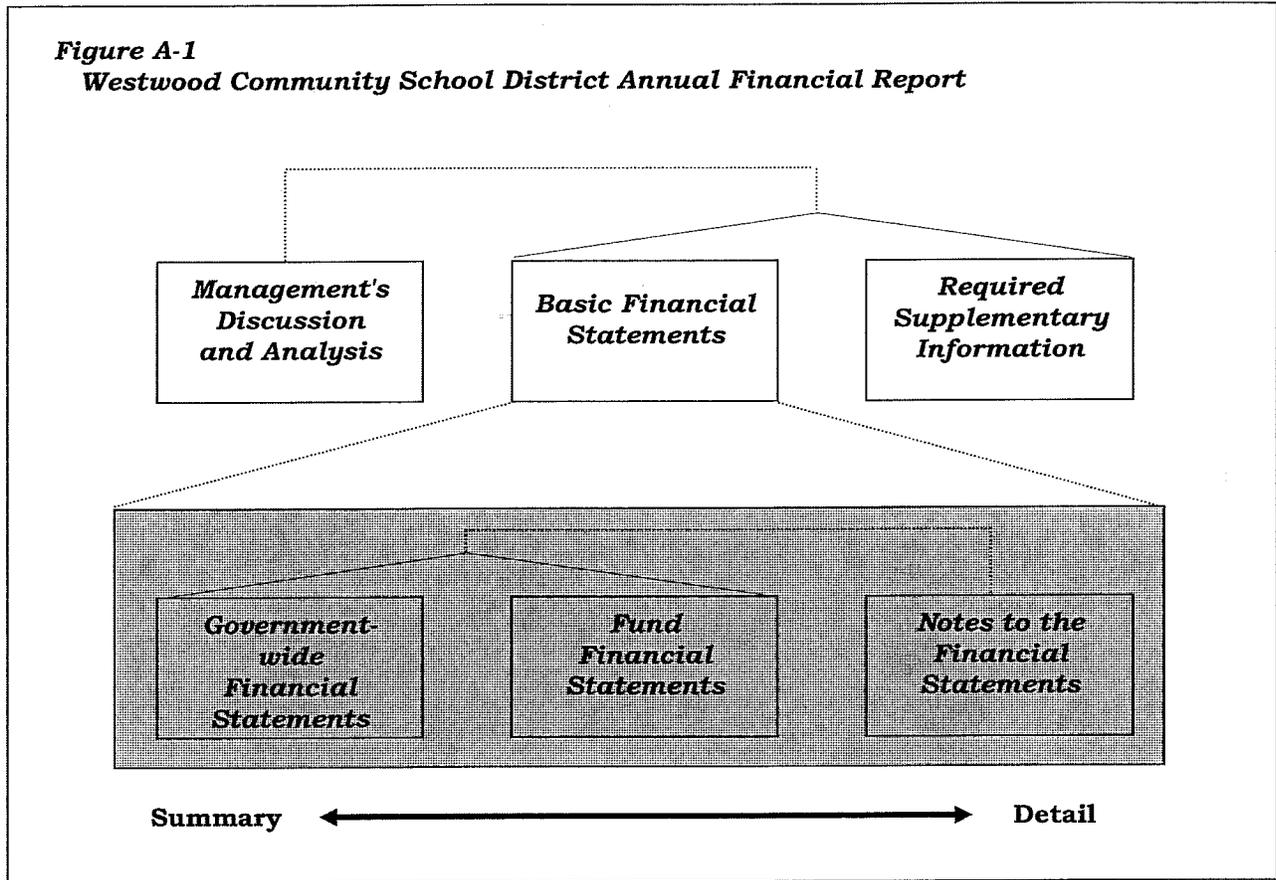


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

| 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 revenues, expenses and changes in net assets • Statement of cash flows | <ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets |
| Accounting basis and measurement focus | Accrual accounting and economic resources focus | Modified accrual accounting and current financial resources focus | Accrual accounting and economic resources focus | Accrual accounting and economic resources focus |
| Type of asset/liability information | All assets and liabilities, both financial and capital, short-term and long-term | Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included | All assets and liabilities, both financial and capital, and short-term and long-term | All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can |
| Type of inflow/outflow information | All revenues and expenses during year, regardless of when cash is received or paid | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter | All revenues and expenses during the year, regardless of when cash is received or paid | All additions and deductions during the year, regardless of when cash is received or paid |

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or 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 established 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, Debt Service and Capital Projects Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

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

The required financial statements for the proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in 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 Private-Purpose Trust and Agency funds.

- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Fund - These are funds for 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 that 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 District-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 total net assets at June 30, 2009 compared to June 30, 2008.

Figure A-3
Condensed Statement of Net Assets

| | Governmental | | Business type | | Total | | Total |
|----------------------------------------------------|--------------|------------|---------------|--------|-----------------|------------|----------|
| | Activities | | Activities | | School District | | Change |
| | June 30, | | June 30, | | June 30, | | June 30, |
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 | 2008-09 |
| Current and other assets | \$ 6,079,955 | 5,988,737 | 50,645 | 35,978 | 6,130,600 | 6,024,715 | 1.76% |
| Capital assets | 8,119,298 | 8,134,904 | 7,202 | 9,100 | 8,126,500 | 8,144,004 | -0.21% |
| Total assets | 14,199,253 | 14,123,641 | 57,847 | 45,078 | 14,257,100 | 14,168,719 | 0.62% |
| Long-term obligations | 605,000 | 1,215,000 | 0 | 0 | 605,000 | 1,215,000 | -50.21% |
| Other liabilities | 3,838,268 | 3,271,675 | 4,322 | 3,501 | 3,842,590 | 3,275,176 | 17.32% |
| Total liabilities | 4,443,268 | 4,486,675 | 4,322 | 3,501 | 4,447,590 | 4,490,176 | -0.95% |
| Net assets: | | | | | | | |
| Invested in capital assets, net of related debt | 7,514,298 | 6,919,904 | 7,202 | 9,100 | 7,521,500 | 6,929,004 | 8.55% |
| Restricted | 1,525,775 | 1,862,041 | 0 | 0 | 1,525,775 | 1,862,041 | -18.06% |
| Unrestricted | 715,912 | 855,021 | 46,323 | 32,477 | 762,235 | 887,498 | -14.11% |
| Total net assets | \$ 9,755,985 | 9,636,966 | 53,525 | 41,577 | 9,809,510 | 9,678,543 | 1.35% |

The District's combined net assets increased by 1.35%, or \$130,967, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased \$336,266, or 18.06% over the prior year. The decrease in fund balance in the Management Levy Fund and the Debt Service Fund were factors in the decrease in restricted net assets.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$125,263, or 14.11%. This decrease in unrestricted net assets was a result of the District’s decrease in the General Fund balance.

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

Figure A-4
Changes of Net Assets

| | Governmental Activities | | Business type Activities | | Total School District | | Total Change |
|------------------------------------------------------------|-------------------------|------------------|--------------------------|----------------|-----------------------|------------------|----------------|
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 | 2008-09 |
| Revenues: | | | | | | | |
| Program revenues: | | | | | | | |
| Charges for services | \$ 685,561 | 739,547 | 149,887 | 146,147 | 835,448 | 885,694 | -5.67% |
| Operating grants and contributions and restricted interest | 950,345 | 734,071 | 145,822 | 136,667 | 1,096,167 | 870,738 | 25.89% |
| Capital grants and contributions and restricted interest | 0 | 3,261 | 0 | 0 | 0 | 3,261 | -100.00% |
| General revenues: | | | | | | | |
| Property tax | 3,095,126 | 3,010,568 | 0 | 0 | 3,095,126 | 3,010,568 | 2.81% |
| Income surtax | 159,576 | 182,621 | 0 | 0 | 159,576 | 182,621 | -12.62% |
| Statewide sales and service tax | 469,043 | 525,641 | 0 | 0 | 469,043 | 525,641 | -10.77% |
| Unrestricted state grants | 1,966,396 | 1,998,230 | 0 | 0 | 1,966,396 | 1,998,230 | -1.59% |
| Unrestricted investment earnings | 23,096 | 104,777 | 188 | 382 | 23,284 | 105,159 | -77.86% |
| Other | 76,899 | 46,296 | 0 | 0 | 76,899 | 46,296 | 66.10% |
| Total revenues | 7,426,042 | 7,345,012 | 295,897 | 283,196 | 7,721,939 | 7,628,208 | 1.23% |
| Program expenses: | | | | | | | |
| Governmental activities: | | | | | | | |
| Instruction | 4,501,625 | 4,147,718 | 0 | 0 | 4,501,625 | 4,147,718 | 8.53% |
| Support services | 2,168,023 | 1,955,491 | 0 | 0 | 2,168,023 | 1,955,491 | 10.87% |
| Non-instructional programs | 3,258 | 4,846 | 283,949 | 267,723 | 287,207 | 272,569 | 5.37% |
| Other expenses | 634,117 | 756,827 | 0 | 0 | 634,117 | 756,827 | -16.21% |
| Total expenses | 7,307,023 | 6,864,882 | 283,949 | 267,723 | 7,590,972 | 7,132,605 | 6.43% |
| Change in net assets | 119,019 | 480,130 | 11,948 | 15,473 | 130,967 | 495,603 | -73.57% |
| Beginning net assets | 9,636,966 | 9,156,836 | 41,577 | 26,104 | 9,678,543 | 9,182,940 | 5.40% |
| Ending net assets | \$ 9,755,985 | 9,636,966 | 53,525 | 41,577 | 9,809,510 | 9,678,543 | 1.35% |

Property tax, income surtax, statewide sales and service tax and unrestricted state grants account for 76.62% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.94% of the revenue from business type activities.

The District’s total revenues were approximately \$7.72 million of which approximately \$7.42 million was for governmental activities and approximately \$0.30 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 1.23% increase in revenues and a 6.43% increase in expenses. The increase in revenues can be mainly attributed to the increase in federal grant monies provided through the American Recovery and Reinvestment Act. The increases in expenses related to increases in the negotiated salary and benefits.

Governmental Activities

Total revenues for all of the Districts’ governmental activities were \$7,426,042 and expenses were \$7,307,023.

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.

Figure A-5
Total and Net Cost of Governmental Activities

| | Total Cost of Services | | | Net Cost of Services | | |
|-------------------|------------------------|-----------|---------|----------------------|-----------|---------|
| | 2009 | 2008 | Change | 2009 | 2008 | Change |
| | | | 2008-09 | | | 2008-09 |
| Instruction | \$ 4,501,625 | 4,147,718 | 8.53% | 3,087,909 | 2,885,639 | 7.01% |
| Support services | 2,168,023 | 1,955,491 | 10.87% | 2,166,914 | 1,952,190 | 11.00% |
| Non-instructional | 3,258 | 4,846 | -32.77% | 3,258 | 4,846 | -32.77% |
| Other expenses | 634,117 | 756,827 | -16.21% | 413,036 | 545,328 | -24.26% |
| Totals | \$ 7,307,023 | 6,864,882 | 6.44% | 5,671,117 | 5,388,003 | 5.25% |

- The cost financed by users of the District’s programs was \$685,561.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$950,345.
- The net cost of governmental activities was financed with property tax of \$3,095,126, income surtax of \$159,576, statewide sales and services tax of \$469,043, unrestricted state grants of \$1,966,396, interest income of \$23,096 and other general revenues of \$76,899.

Business type Activities

Revenues for business type activities were \$295,897 and expenses were \$283,949. The District’s only business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for services, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

A strong financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported combined fund balances of \$2,101,216, a decrease of \$453,440 from last years ending fund balances of \$2,554,656.

Governmental Fund Highlights

- The District’s decrease in General Fund financial position from \$741,967 to \$606,986 is the product of many factors. The increase in General Fund revenues can be attributed to the increase in state and federal source revenues. The increase in expenditures can be attributed to the increase in negotiated salaries and benefits received by District employees. Although General Fund revenues increased, the increase was not enough to offset the increase in fund expenditures thus ensuring the decrease in General Fund balance.

- Management Levy Fund expenditures were \$333,653 and the revenues were \$268,511 which led to the decrease in fund balance from \$186,506 to \$121,364.
- The Capital Projects Fund increased from \$868,003 to \$953,997. The most significant factor in the increase in fund balance was from the District transferring unused debt sinking monies from the Debt Service Fund. The District has now repaid all of its revenue bond debt.

Proprietary Fund Highlights

School Nutrition Fund net assets increased from \$41,577 in fiscal 2008 to \$53,525 in fiscal 2009, representing an increase of 28.74%.

BUDGETARY HIGHLIGHTS

The District's receipts were \$706,112 less than budgeted receipts, a variance of 8.35%. The District received less in local and state sources than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2009, the District had invested \$8,126,500, 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 4 to the financial statements. Depreciation expense for year was \$354,146.

The original cost of the District's capital assets was \$13.18 million. Governmental funds account for \$13.03 million, with the remainder of \$0.15 million accounted for in the Proprietary, School Nutrition Fund.

Figure A-6
Capital Assets, Net of Depreciation

| | Governmental | | Business type | | Total | | Total |
|-------------------------|--------------|-----------|---------------|-------|-----------------|-----------|----------|
| | Activities | | Activities | | School District | | Change |
| | June 30, | | June 30, | | June 30, | | June 30, |
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 | 2008-09 |
| Land | \$ 76,000 | 76,000 | 0 | 0 | 76,000 | 76,000 | 0.00% |
| Buildings | 7,387,835 | 7,550,089 | 0 | 0 | 7,387,835 | 7,550,089 | -2.15% |
| Land improvements | 166,156 | 182,738 | 0 | 0 | 166,156 | 182,738 | -9.07% |
| Machinery and equipment | 489,307 | 326,077 | 7,202 | 9,100 | 496,509 | 335,177 | 48.13% |
| Total | \$ 8,119,298 | 8,134,904 | 7,202 | 9,100 | 8,126,500 | 8,144,004 | -0.21% |

Long-Term Debt

At June 30, 2009, the District had \$605,000 in capital loan notes outstanding. This represents a decrease of 50.21% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

As of June 30, 2009, the District has repaid all outstanding revenue bond indebtedness.

The District had total outstanding capital loan notes payable of \$605,000 at June 30, 2009.

Figure A-7
Outstanding Long-Term Obligations

| | Total School District | | Total Change |
|--------------------|-----------------------|-----------|--------------|
| | June 30, | | June 30, |
| | 2009 | 2008 | 2008-09 |
| Revenue Bonds | \$ 0 | 330,000 | -100.00% |
| Capital Loan Notes | 605,000 | 885,000 | -31.64% |
| Totals | \$ 605,000 | 1,215,000 | -50.21% |

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- With the September 25, 2009 ten percent across-the-board reduction, the district will continue to implement cost-saving measures and put together a plan for the remainder of the 2009/2010 year. The Board of Education will determine what cost saving measures we will implement and how much we can spend from our reserves.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jill Sponder, Business Manager, Westwood Community School District, 1000 Rebel Way, Sloan, Iowa, 51055.

BASIC FINANCIAL STATEMENTS

WESTWOOD COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2009

| | Governmental Activities | Business type Activities | Total |
|----------------------------------------------------|----------------------------|-----------------------------|-------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 2,432,840 | 35,098 | 2,467,938 |
| Receivables: | | | |
| Property tax: | | | |
| Delinquent | 27,944 | 0 | 27,944 |
| Succeeding year | 3,206,526 | 0 | 3,206,526 |
| Income surtax | 144,909 | 0 | 144,909 |
| Accounts | 21,335 | 5,878 | 27,213 |
| Due from other governments | 246,401 | 0 | 246,401 |
| Inventories | 0 | 9,669 | 9,669 |
| Capital assets, net of accumulated depreciation | 8,119,298 | 7,202 | 8,126,500 |
| TOTAL ASSETS | 14,199,253 | 57,847 | 14,257,100 |
| LIABILITIES | | | |
| Accounts payable | 127,496 | 0 | 127,496 |
| Salaries and benefits payable | 499,808 | 0 | 499,808 |
| Accrued interest payable | 4,438 | 0 | 4,438 |
| Deferred revenue: | | | |
| Succeeding year property tax | 3,206,526 | 0 | 3,206,526 |
| Unearned revenue | 0 | 4,322 | 4,322 |
| Long-term liabilities: | | | |
| Portion due within one year: | | | |
| Capital loan notes | 295,000 | 0 | 295,000 |
| Portion due after one year: | | | |
| Capital loan notes | 310,000 | 0 | 310,000 |
| TOTAL LIABILITIES | 4,443,268 | 4,322 | 4,447,590 |
| NET ASSETS | | | |
| Invested in capital assets, net of related debt | 7,514,298 | 7,202 | 7,521,500 |
| Restricted for: | | | |
| Debt service | 275,154 | 0 | 275,154 |
| Categorical funding | 31,545 | 0 | 31,545 |
| Management levy | 121,364 | 0 | 121,364 |
| Physical plant and equipment levy | 85,744 | 0 | 85,744 |
| Capital projects | 953,997 | 0 | 953,997 |
| Other special revenue purposes | 57,971 | 0 | 57,971 |
| Unrestricted | 715,912 | 46,323 | 762,235 |
| TOTAL NET ASSETS | \$ 9,755,985 | 53,525 | 9,809,510 |

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WESTWOOD COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2009

| | Program Revenues | | | Net (Expense) Revenue and Changes in Net Assets | | |
|---------------------------------------|---------------------|---------------------------------------------|------------------|----------------------------------------------------|--------------------------------|--------------------|
| | Expenses | Operating Grants, Charges for Services | | Governmental Activities | Business Type Activities | Total |
| | | Contributions and Restricted Interest | | | | |
| Functions/Programs: | | | | | | |
| Governmental activities: | | | | | | |
| Instruction: | | | | | | |
| Regular | \$ 2,673,885 | 239,117 | 624,153 | (1,810,615) | 0 | (1,810,615) |
| Special | 867,594 | 115,737 | 96,176 | (655,681) | 0 | (655,681) |
| Other | 960,146 | 330,587 | 7,946 | (621,613) | 0 | (621,613) |
| | <u>4,501,625</u> | <u>685,441</u> | <u>728,275</u> | <u>(3,087,909)</u> | <u>0</u> | <u>(3,087,909)</u> |
| Support services: | | | | | | |
| Student | 186,623 | 0 | 0 | (186,623) | 0 | (186,623) |
| Instructional staff | 262,731 | 0 | 0 | (262,731) | 0 | (262,731) |
| Administration | 795,255 | 0 | 0 | (795,255) | 0 | (795,255) |
| Operation and maintenance of plant | 451,608 | 0 | 0 | (451,608) | 0 | (451,608) |
| Transportation | 471,806 | 120 | 989 | (470,697) | 0 | (470,697) |
| | <u>2,168,023</u> | <u>120</u> | <u>989</u> | <u>(2,166,914)</u> | <u>0</u> | <u>(2,166,914)</u> |
| Non-instructional programs: | | | | | | |
| Food service operations | 3,258 | 0 | 0 | (3,258) | | (3,258) |
| Other expenditures: | | | | | | |
| Facilities acquisitions | 137,969 | 0 | 0 | (137,969) | 0 | (137,969) |
| Long-term debt interest | 41,774 | 0 | 0 | (41,774) | 0 | (41,774) |
| AEA flowthrough | 221,081 | 0 | 221,081 | 0 | 0 | 0 |
| Depreciation(unallocated)* | 233,293 | 0 | 0 | (233,293) | 0 | (233,293) |
| | <u>634,117</u> | <u>0</u> | <u>221,081</u> | <u>(413,036)</u> | <u>0</u> | <u>(413,036)</u> |
| Total governmental activities | 7,307,023 | 685,561 | 950,345 | (5,671,117) | 0 | (5,671,117) |
| Business type activities: | | | | | | |
| Non-instructional programs: | | | | | | |
| Nutrition services | 283,949 | 149,887 | 145,822 | 0 | 11,760 | 11,760 |
| Total business type activities | <u>283,949</u> | <u>149,887</u> | <u>145,822</u> | <u>0</u> | <u>11,760</u> | <u>11,760</u> |
| Total | \$ <u>7,590,972</u> | <u>835,448</u> | <u>1,096,167</u> | <u>(5,671,117)</u> | <u>11,760</u> | <u>(5,659,357)</u> |
| General Revenues | | | | | | |
| Local tax for: | | | | | | |
| General purposes | | | | \$ 2,697,721 | 0 | 2,697,721 |
| Capital outlay | | | | 397,405 | 0 | 397,405 |
| Income surtax | | | | 159,576 | 0 | 159,576 |
| Statewide sales and services | | | | 469,043 | 0 | 469,043 |
| Unrestricted state grants | | | | 1,966,396 | 0 | 1,966,396 |
| Unrestricted investment earnings | | | | 23,096 | 188 | 23,284 |
| Other general revenues | | | | 76,899 | 0 | 76,899 |
| Total general revenues | | | | <u>5,790,136</u> | <u>188</u> | <u>5,790,324</u> |
| Change in net assets | | | | 119,019 | 11,948 | 130,967 |
| Net assets beginning of year | | | | <u>9,636,966</u> | <u>41,577</u> | <u>9,678,543</u> |
| Net assets end of year | | | | \$ <u>9,755,985</u> | <u>53,525</u> | <u>9,809,510</u> |

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

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WESTWOOD COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009

| | General | Manage- ment Levy | Physical Plant and Equipment Levy | Capital Projects | Other Nonmajor Governmental Funds | Total |
|--------------------------------------------|---------------------|-------------------------|--------------------------------------------|---------------------|--------------------------------------------|------------------|
| ASSETS | | | | | | |
| Cash and pooled investments | \$ 766,063 | 348,619 | 82,156 | 903,324 | 332,678 | 2,432,840 |
| Receivables: | | | | | | |
| Property tax: | | | | | | |
| Delinquent | 22,142 | 2,214 | 3,588 | 0 | 0 | 27,944 |
| Succeeding year | 2,557,636 | 245,385 | 403,505 | 0 | 0 | 3,206,526 |
| Income surtax | 144,909 | 0 | 0 | 0 | 0 | 144,909 |
| Accounts | 13,817 | 0 | 0 | 0 | 7,518 | 21,335 |
| Due from other governments | 173,887 | 0 | 0 | 72,514 | 0 | 246,401 |
| TOTAL ASSETS | \$ 3,678,454 | 596,218 | 489,249 | 975,838 | 340,196 | 6,079,955 |
| LIABILITIES AND FUND BALANCES | | | | | | |
| Liabilities: | | | | | | |
| Accounts payable | \$ 98,584 | 0 | 0 | 21,841 | 7,071 | 127,496 |
| Salaries and benefits payable | 270,339 | 229,469 | 0 | 0 | 0 | 499,808 |
| Deferred revenue: | | | | | | |
| Succeeding year property tax | 2,557,636 | 245,385 | 403,505 | 0 | 0 | 3,206,526 |
| Income surtax | 144,909 | 0 | 0 | 0 | 0 | 144,909 |
| Total liabilities | 3,071,468 | 474,854 | 403,505 | 21,841 | 7,071 | 3,978,739 |
| Fund balances: | | | | | | |
| Reserved for: | | | | | | |
| Debt service | 0 | 0 | 0 | 0 | 275,154 | 275,154 |
| Categorical funding | 31,545 | 0 | 0 | 0 | 0 | 31,545 |
| Unreserved | 575,441 | 121,364 | 85,744 | 953,997 | 57,971 | 1,794,517 |
| Total fund balances | 606,986 | 121,364 | 85,744 | 953,997 | 333,125 | 2,101,216 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 3,678,454 | 596,218 | 489,249 | 975,838 | 340,196 | 6,079,955 |

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WESTWOOD COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2009

| | | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|--------------------------------|
| Total fund balances of governmental funds (page 15) | \$ | 2,101,216 |
| <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. | | 8,119,298 |
| 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. | | (4,438) |
| Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period. | | 144,909 |
| Long-term liabilities, including capital loan notes are not due and payable in the current period and, therefore, are not reported in the funds. | | <u>(605,000)</u> |
| Net assets of governmental activities (page 13) | \$ | <u><u>9,755,985</u></u> |

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WESTWOOD COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2009

| | General | Manage- ment Levy | Physical Plant and Equipment Levy | Capital Projects | Other Nonmajor Governmental Funds | Total |
|------------------------------------------------------------|--------------|-------------------------|--------------------------------------------|---------------------|--------------------------------------------|-----------|
| REVENUES: | | | | | | |
| Local sources: | | | | | | |
| Local tax | \$ 2,638,596 | 245,206 | 397,405 | 469,043 | 0 | 3,750,250 |
| Tuition | 341,478 | 0 | 0 | 0 | 0 | 341,478 |
| Other | 79,211 | 23,177 | 317 | 7,002 | 345,317 | 455,024 |
| State sources | 2,643,978 | 128 | 208 | 0 | 0 | 2,644,314 |
| Federal sources | 261,481 | 0 | 0 | 0 | 0 | 261,481 |
| Total revenues | 5,964,744 | 268,511 | 397,930 | 476,045 | 345,317 | 7,452,547 |
| EXPENDITURES: | | | | | | |
| Current: | | | | | | |
| Instruction: | | | | | | |
| Regular | 2,546,050 | 151,144 | 0 | 0 | 0 | 2,697,194 |
| Special | 867,594 | 0 | 0 | 0 | 0 | 867,594 |
| Other | 612,583 | 0 | 0 | 0 | 347,563 | 960,146 |
| | 4,026,227 | 151,144 | 0 | 0 | 347,563 | 4,524,934 |
| Support services: | | | | | | |
| Student | 185,444 | 1,179 | 0 | 0 | 0 | 186,623 |
| Instructional staff | 139,087 | 726 | 0 | 122,918 | 0 | 262,731 |
| Administration | 670,013 | 126,243 | 0 | 16 | 1,828 | 798,100 |
| Operation and maintenance of plant | 424,324 | 28,336 | 0 | 0 | 0 | 452,660 |
| Transportation | 433,549 | 22,767 | 0 | 151,514 | 0 | 607,830 |
| | 1,852,417 | 179,251 | 0 | 274,448 | 1,828 | 2,307,944 |
| Non-instructional programs: | | | | | | |
| Food service operations | 0 | 3,258 | 0 | 0 | 0 | 3,258 |
| Other expenditures: | | | | | | |
| Facilities acquisitions | 0 | 0 | 0 | 192,426 | 0 | 192,426 |
| Long-term debt: | | | | | | |
| Principal | 0 | 0 | 0 | 0 | 610,000 | 610,000 |
| Interest and fiscal charges | 0 | 0 | 0 | 0 | 46,344 | 46,344 |
| AEA flowthrough | 221,081 | 0 | 0 | 0 | 0 | 221,081 |
| | 221,081 | 0 | 0 | 192,426 | 656,344 | 1,069,851 |
| Total expenditures | 6,099,725 | 333,653 | 0 | 466,874 | 1,005,735 | 7,905,987 |
| Excess(deficiency) of revenues over(under) expenditures | (134,981) | (65,142) | 397,930 | 9,171 | (660,418) | (453,440) |
| Other financing sources(uses): | | | | | | |
| Transfers in | 0 | 0 | 0 | 195,737 | 437,442 | 633,179 |
| Transfers out | 0 | 0 | (318,528) | (118,914) | (195,737) | (633,179) |
| Total other financing sources(uses) | 0 | 0 | (318,528) | 76,823 | 241,705 | 0 |
| Net change in fund balances | (134,981) | (65,142) | 79,402 | 85,994 | (418,713) | (453,440) |
| Fund balance beginning of year | 741,967 | 186,506 | 6,342 | 868,003 | 751,838 | 2,554,656 |
| Fund balance end of year | \$ 606,986 | 121,364 | 85,744 | 953,997 | 333,125 | 2,101,216 |

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WESTWOOD COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 JUNE 30, 2009

Net change in fund balances - total governmental funds (page 17) \$ (453,440)

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

| | | |
|----------------------|------------------|----------|
| Capital outlays | \$ 336,642 | |
| Depreciation expense | <u>(352,248)</u> | (15,606) |

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 were as follows:

| | |
|--------|---------|
| Repaid | 610,000 |
|--------|---------|

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

4,570

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds.

(26,505)

Changes in net assets of governmental activities (page 14) \$ 119,019

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WESTWOOD COMMUNITY SCHOOL DISTRICT
 STATEMENT OF NET ASSETS
 PROPRIETARY FUND
 JUNE 30, 2009

| | <u>School</u> <u>Nutrition</u> |
|----------------------------------------------------|-----------------------------------|
| ASSETS | |
| Cash and pooled investments | \$ 35,098 |
| Accounts receivable | 5,878 |
| Inventories | 9,669 |
| Capital assets, net of accumulated depreciation | 7,202 |
| TOTAL ASSETS | <u>57,847</u> |
| LIABILITIES | |
| Unearned revenue | 4,322 |
| TOTAL LIABILITIES | <u>4,322</u> |
| NET ASSETS | |
| Invested in capital assets | 7,202 |
| Unrestricted | 46,323 |
| TOTAL NET ASSETS | <u>\$ 53,525</u> |

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WESTWOOD COMMUNITY SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 PROPRIETARY FUND
 YEAR ENDED JUNE 30, 2009

| | School Nutrition |
|------------------------------|---------------------|
| OPERATING REVENUE: | |
| Local sources: | |
| Charges for services | \$ 149,887 |
| OPERATING EXPENSES: | |
| Non-instructional programs: | |
| Food service operations: | |
| Salaries | 100,010 |
| Benefits | 36,851 |
| Services | 2,587 |
| Supplies | 142,603 |
| Depreciation | 1,898 |
| TOTAL OPERATING EXPENSES | 283,949 |
| OPERATING LOSS | (134,062) |
| NON-OPERATING REVENUES: | |
| State sources | 3,702 |
| Federal sources | 142,120 |
| Interest on investments | 188 |
| TOTAL NON-OPERATING REVENUES | 146,010 |
| Change in net assets | 11,948 |
| Net assets beginning of year | 41,577 |
| Net assets end of year | \$ 53,525 |

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WESTWOOD COMMUNITY SCHOOL DISTRICT
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 | \$ 146,703 |
| Cash received from miscellaneous operating activities | 4,659 |
| Cash payments to employees for services | (136,861) |
| Cash payments to suppliers for goods or services | (114,372) |
| Net cash used in operating activities | <u>(99,871)</u> |
| Cash flows from non-capital financing activities: | |
| State grants received | 3,702 |
| Federal grants received | 113,762 |
| Net cash provided by non-capital financing activities | <u>117,464</u> |
| Cash flows from investing activities: | |
| Interest on investments | <u>188</u> |
| Net increase in cash and cash equivalents | 17,781 |
| Cash and cash equivalents at beginning of year | <u>17,317</u> |
| Cash and cash equivalents at end of year | <u>\$ 35,098</u> |
| Reconciliation of operating loss to net cash used in operating activities: | |
| Operating loss | \$ (134,062) |
| Adjustments to reconcile operating loss to net cash used in operating activities: | |
| Commodities consumed | 28,386 |
| Depreciation | 1,898 |
| Decrease in inventories | 2,879 |
| Decrease in accounts receivable | 207 |
| Decrease in accounts payable | (447) |
| Increase in unearned revenue | 1,268 |
| Net cash used in operating activities | <u>\$ (99,871)</u> |

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2009, the District received Federal commodities valued at \$28,386.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WESTWOOD COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 JUNE 30, 2009

| | Private Purpose Trust | Agency |
|-----------------------------|--------------------------|---------------|
| | Scholarship | |
| ASSETS | | |
| Cash and pooled investments | \$ 29,629 | 17,525 |
| Accounts receivable | 0 | 395 |
| TOTAL ASSETS | <u>29,629</u> | <u>17,920</u> |
| LIABILITIES | | |
| Due to other groups | <u>0</u> | <u>17,920</u> |
| NET ASSETS | | |
| Reserved for scholarships | <u>\$ 29,629</u> | <u>0</u> |

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WESTWOOD COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 YEAR ENDED JUNE 30, 2009

| | Private Purpose Trust |
|------------------------------|--------------------------|
| | Scholarship |
| Additions: | |
| Local sources: | |
| Interest | \$ 1,006 |
| Deductions: | |
| Regular instruction: | |
| Scholarships awarded | 750 |
| Change in net assets | 256 |
| Net assets beginning of year | 29,373 |
| Net assets end of year | \$ 29,629 |

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WESTWOOD COMMUNITY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2009

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

The Westwood Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the district either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the cities of Sloan, Smithland, Hornick, Holly Springs, and Salix, Iowa, and the predominate agricultural territory in Woodbury and Monona 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, Westwood 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. The Westwood Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

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

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues,

are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

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

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

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

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

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

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

The District reports the following major governmental funds:

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

The Management Levy Fund is utilized to account for property insurance expense and early retirement benefits.

The Physical Plant and Equipment Levy Fund is utilized to account for major equipment purchases and capital improvements.

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 proprietary fund:

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

The District also reports a fiduciary fund which focus's on net assets and changes in net assets. The District's fiduciary fund includes the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

The Agency Funds are 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 do not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

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

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

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

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

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

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

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

D. Assets, Liabilities and Fund Balances

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

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be

collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the Government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 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.

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

| Asset Class | Amount |
|---------------------------------|----------|
| Land | \$ 1,500 |
| Buildings | 1,500 |
| Land improvements | 1,500 |
| Machinery and equipment: | |
| School Nutrition Fund equipment | 500 |
| Other machinery and equipment | 5,000 |

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

| Asset Class | Estimated Useful Lives (In Years) |
|-------------------------|-----------------------------------|
| Buildings | 50 years |
| Land improvements | 20 years |
| Machinery and equipment | 5-20 years |

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

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

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

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

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

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

E. Budgeting and Budgetary Control

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

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2009 were entirely covered by Federal depository insurance, collateralized with securities or letters of credit held by the District or the District's agent in the District's name, or by multiple financial institution collateral pool in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2009, the District had investments in the Iowa Schools Joint Investment Trust as follows:

| | Amortized Cost |
|-----------------------|----------------|
| Diversified Portfolio | \$ 907,436 |

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

(3) Transfers

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

| Transfer to | Transfer from | Amount |
|------------------|-----------------------------------|-------------------|
| Debt Service | Capital Projects | \$ 118,914 |
| Debt Service | Physical Plant and Equipment Levy | 318,528 |
| Capital Projects | Debt Service | 195,737 |
| Total | | <u>\$ 633,179</u> |

The Capital Projects transfer to Debt Service was needed for principal and interest payments on the District's revenue bond indebtedness.

The Physical Plant and Equipment Levy transfer to Debt Service was needed for principal and interest payments on the District's capital loan note indebtedness.

The transfer from Debt Service to the Capital Projects Fund was needed to return debt sinking monies to the Capital Projects Fund because the District repaid all revenue bond indebtedness.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2009 is as follows:

| | Balance Beginning of Year | Increases | Decreases | Balance End of Year |
|---------------------------------------------|---------------------------------|-----------|-----------|---------------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 76,000 | 0 | 0 | 76,000 |
| Total capital assets not being depreciated | 76,000 | 0 | 0 | 76,000 |
| Capital assets being depreciated: | | | | |
| Buildings | 10,699,408 | 54,457 | 0 | 10,753,865 |
| Land improvements | 772,170 | 0 | 0 | 772,170 |
| Machinery and equipment | 1,190,149 | 282,185 | 45,476 | 1,426,858 |
| Total capital assets being depreciated | 12,661,727 | 336,642 | 45,476 | 12,952,893 |
| Less accumulated depreciation for: | | | | |
| Buildings | 3,149,319 | 216,711 | 0 | 3,366,030 |
| Land improvements | 589,432 | 16,582 | 0 | 606,014 |
| Machinery and equipment | 864,072 | 118,955 | 45,476 | 937,551 |
| Total accumulated depreciation | 4,602,823 | 352,248 | 45,476 | 4,909,595 |
| Total capital assets being depreciated, net | 8,058,904 | (15,606) | 0 | 8,043,298 |
| Governmental activities capital assets, net | \$ 8,134,904 | (15,606) | 0 | 8,119,298 |

| | Balance Beginning Of Year | Increases | Decreases | Balance End of Year |
|----------------------------------------------|---------------------------------|-----------|-----------|---------------------------|
| Business type activities: | | | | |
| Machinery and equipment | \$ 150,380 | 0 | 0 | 150,380 |
| Less accumulated depreciation | 141,280 | 1,898 | 0 | 143,178 |
| Business type activities capital assets, net | \$ 9,100 | (1,898) | 0 | 7,202 |

Depreciation expense was charged by the District as follows:

| | | |
|----------------------------------------------------|--|------------|
| Governmental activities: | | |
| Instruction: | | |
| Regular | | \$ 22,732 |
| Support services: | | |
| Administration | | 5,819 |
| Operation and maintenance of plant | | 7,600 |
| Transportation | | 82,804 |
| | | 118,955 |
| Unallocated depreciation | | 233,293 |
| Total governmental activities depreciation expense | | \$ 352,248 |
| Business type activities: | | |
| Food services | | \$ 1,898 |

(5) 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 |
|--------------------|---------------------------------|-----------|------------|---------------------------|---------------------------|
| Revenue Bonds | \$ 330,000 | 0 | 330,000 | 0 | 0 |
| Capital Loan Notes | 885,000 | 0 | 280,000 | 605,000 | 295,000 |
| Total | \$ 1,215,000 | 0 | 610,000 | 605,000 | 295,000 |

Capital Loan Notes

The District issued \$2,590,000 in capital loan notes on May 1, 2002 for capital improvements. Principal and interest payments will be made by the Physical Plant and Equipment Levy Fund. Details of the District's June 30, 2009 capital loan notes indebtedness is as follows:

| Year Ending June 30, | Issue dated May 1, 2002 | | | | |
|----------------------------|-------------------------|--------------|----------|---------|--|
| | Interest Rates | Principal | Interest | Total | |
| 2010 | 4.35 | % \$ 295,000 | 26,628 | 321,628 | |
| 2011 | 4.45 | 310,000 | 13,796 | 323,796 | |
| Total | | \$ 605,000 | 40,424 | 645,424 | |

(6) 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 \$240,659, \$221,338 and \$195,324, respectively, equal to the required contributions for each year.

(7) Risk Management

The District is a member in the Iowa School Employees Benefits Association (ISEBA), an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed in July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical and vision. District contributions to ISEBA for the year ended June 30, 2009 were \$289,604.

Westwood 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.

(8) 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 \$221,081 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.

(9) Categorical Funding

The District's ending reserved balances for categorical funding as of June 30, 2009 are broken out by the following projects:

| <u>Project</u> | <u>Amount</u> |
|--------------------------------|------------------|
| Home school assistance program | \$ 1,673 |
| Talented and gifted | 191 |
| Beginning teacher mentoring | 3,900 |
| Salary improvement program | 92 |
| Model core curriculum | 858 |
| Professional development | 20,790 |
| Market factor incentives | 4,041 |
| Total | <u>\$ 31,545</u> |

(10) Other Postemployment Benefits (OPEB)

GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, issued June 2004, will be effective for the District beginning with its year ending June 30, 2010. This Statement establishes standards for the measurement, recognition and display of other postemployment benefits expenses and related liabilities or assets, note disclosures and, if applicable, required supplementary information in the financial reports. The District is in the process of obtaining an actuarial opinion to be in compliance with GASB Statement No. 45.

REQUIRED SUPPLEMENTARY INFORMATION

WESTWOOD COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2009

| | Governmental | | Proprietary | Budgeted Amounts | | Final to |
|----------------------------------------------------------------------------------------------------|---------------------|----------------|------------------|------------------|------------------|------------------|
| | Fund Types | Fund Type | Total | | | Actual |
| | Actual | Actual | Actual | Original | Final | Variance |
| Revenues: | | | | | | |
| Local sources | \$ 4,546,752 | 150,075 | 4,696,827 | 5,137,614 | 5,137,614 | (440,787) |
| State sources | 2,644,314 | 3,702 | 2,648,016 | 2,985,167 | 2,985,167 | (337,151) |
| Federal sources | 261,481 | 142,120 | 403,601 | 331,775 | 331,775 | 71,826 |
| Total revenues | <u>7,452,547</u> | <u>295,897</u> | <u>7,748,444</u> | <u>8,454,556</u> | <u>8,454,556</u> | <u>(706,112)</u> |
| Expenditures/Expenses: | | | | | | |
| Instruction | 4,524,934 | 0 | 4,524,934 | 5,319,238 | 5,319,238 | 794,304 |
| Support services | 2,307,944 | 0 | 2,307,944 | 2,359,286 | 2,359,286 | 51,342 |
| Non-instructional programs | 3,258 | 283,949 | 287,207 | 405,295 | 405,295 | 118,088 |
| Other expenditures | 1,069,851 | 0 | 1,069,851 | 1,899,421 | 1,899,421 | 829,570 |
| Total expenditures/expenses | <u>7,905,987</u> | <u>283,949</u> | <u>8,189,936</u> | <u>9,983,240</u> | <u>9,983,240</u> | <u>1,793,304</u> |
| Excess(deficiency) of revenues over(under) expenditures/expenses | (453,440) | 11,948 | (441,492) | (1,528,684) | (1,528,684) | 1,087,192 |
| Other financing sources, net | 0 | 0 | 0 | 5,150 | 5,150 | (5,150) |
| Excess(deficiency) of revenues and other financing sources over(under) expenditures/expenses | (453,440) | 11,948 | (441,492) | (1,523,534) | (1,523,534) | 1,082,042 |
| Balance beginning of year | <u>2,554,656</u> | <u>41,577</u> | <u>2,596,233</u> | <u>3,119,526</u> | <u>3,119,526</u> | <u>(523,293)</u> |
| Balance end of year | <u>\$ 2,101,216</u> | <u>53,525</u> | <u>2,154,741</u> | <u>1,595,992</u> | <u>1,595,992</u> | <u>558,749</u> |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WESTWOOD COMMUNITY SCHOOL DISTRICT
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 Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison for the General Fund and each major Special Revenue Fund.

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

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

OTHER SUPPLEMENTARY INFORMATION

WESTWOOD COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2009

| | Special Revenue: | | Total Nonmajor Governmental Funds |
|------------------------------------------------|---------------------|-----------------|--------------------------------------------|
| | Student Activity | Debt Service | |
| ASSETS | | | |
| Cash and pooled investments | \$ 57,524 | 275,154 | 332,678 |
| Receivables: | | | |
| Accounts | 7,518 | 0 | 7,518 |
| TOTAL ASSETS | \$ 65,042 | 275,154 | 340,196 |
| LIABILITIES AND FUND BALANCES | | | |
| Liabilities: | | | |
| Accounts payable | \$ 7,071 | 0 | 7,071 |
| Total liabilities | 7,071 | 0 | 7,071 |
| Fund balances: | | | |
| Reserved for debt service | 0 | 275,154 | 275,154 |
| Unreserved fund balances | 57,971 | 0 | 57,971 |
| Total fund balances | 57,971 | 275,154 | 333,125 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 65,042 | 275,154 | 340,196 |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WESTWOOD COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2009

| | Special Revenue: | | Total Nonmajor Governmental Funds |
|----------------------------------------------|---------------------|-----------------|--------------------------------------------|
| | Student Activity | Debt Service | |
| REVENUES: | | | |
| Local sources: | | | |
| Other | \$ 339,501 | 5,816 | 345,317 |
| EXPENDITURES: | | | |
| Current: | | | |
| Instruction: | | | |
| Other | 347,563 | 0 | 347,563 |
| Support services: | | | |
| Administration | 0 | 1,828 | 1,828 |
| Long-term debt: | | | |
| Principal | 0 | 610,000 | 610,000 |
| Interest and fiscal charges | 0 | 46,344 | 46,344 |
| TOTAL EXPENDITURES | 347,563 | 658,172 | 1,005,735 |
| DEFICIENCY OF REVENUES UNDER EXPENDITURES | (8,062) | (652,356) | (660,418) |
| OTHER FINANCING SOURCES (USES): | | | |
| Transfers in | 0 | 437,442 | 437,442 |
| Transfers out | 0 | (195,737) | (195,737) |
| TOTAL OTHER FINANCING SOURCES (USES) | 0 | 241,705 | 241,705 |
| NET CHANGE IN FUND BALANCES | (8,062) | (410,651) | (418,713) |
| FUND BALANCE BEGINNING OF YEAR | 66,033 | 685,805 | 751,838 |
| FUND BALANCE END OF YEAR | \$ 57,971 | 275,154 | 333,125 |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WESTWOOD COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2009

| Account | Balance Beginning of Year | Revenues | Expendi- tures | Balance End of Year |
|--------------------------------|---------------------------------|----------|-------------------|---------------------------|
| Miscellaneous Student Activity | \$ 977 | 1,407 | 2,236 | 148 |
| Concession Stand | 1,202 | 25,057 | 26,538 | (279) |
| Elementary Band | (350) | 769 | 419 | 0 |
| Elem. Student Affairs | 1,584 | 4,157 | 5,416 | 325 |
| Elem. Student Council | 1,287 | 0 | 500 | 787 |
| JH Jammers | 0 | 1,000 | 1,000 | 0 |
| JH Student Council | 420 | 0 | 19 | 401 |
| Plays | 964 | 1,497 | 1,494 | 967 |
| Musical | 497 | 0 | 278 | 219 |
| Madrigal | 787 | 5,016 | 2,971 | 2,832 |
| Music Boosters | 641 | 5,070 | 3,552 | 2,159 |
| Vocal Music | 401 | 10,244 | 10,645 | 0 |
| Rebelaires | 1,720 | 15,964 | 17,365 | 319 |
| Show Choir Invitational | 1,335 | 45,910 | 47,245 | 0 |
| Instrumental Music | 11,288 | 6,125 | 17,413 | 0 |
| Cross Country | 0 | 4,504 | 2,104 | 2,400 |
| Boy's Basketball | 1,731 | 12,516 | 12,435 | 1,812 |
| Football | 650 | 12,791 | 11,294 | 2,147 |
| Baseball | 452 | 5,501 | 5,953 | 0 |
| Boy's Track | 1,999 | 1,528 | 3,272 | 255 |
| Boy's Golf | (72) | 928 | 856 | 0 |
| Wrestling | 187 | 8,861 | 9,048 | 0 |
| Girl's Basketball | 1,000 | 9,685 | 7,240 | 3,445 |
| Volleyball | 547 | 10,172 | 7,497 | 3,222 |
| Softball | 196 | 6,307 | 6,503 | 0 |
| Girl's Track | 2,000 | 2,515 | 4,515 | 0 |
| Girl's Golf | 54 | 0 | 0 | 54 |
| Student Affairs | 2,670 | 4,926 | 5,472 | 2,124 |
| Annual | 3,520 | 5,610 | 4,546 | 4,584 |
| National Honor Society | 25 | 1,062 | 584 | 503 |
| Quiz Bowl | 229 | 25 | 0 | 254 |
| Future Problem Solving | 1,050 | 484 | 632 | 902 |
| Weight Room | 16 | 0 | 0 | 16 |
| FFA | 2,669 | 23,741 | 26,003 | 407 |
| FFA Trust | 2,871 | 47 | 0 | 2,918 |
| FHA | 0 | 289 | 289 | 0 |
| Media Club | 85 | 61 | 0 | 146 |
| Athletic Boosters | 11,702 | 41,404 | 34,929 | 18,177 |
| Season Passes | 0 | 8,458 | 8,100 | 358 |
| Class of 2008 | 734 | 0 | 0 | 734 |
| Class of 2009 | 2,353 | 2,037 | 3,903 | 487 |
| Class of 2010 | 0 | 6,449 | 5,794 | 655 |
| HS Student Council | 210 | 17,406 | 17,531 | 85 |
| Cheerleaders | 132 | 1,160 | 1,292 | 0 |
| Basketball Cheerleaders | 869 | 3,026 | 3,397 | 498 |
| Wrestling Cheerleading | 34 | 1,301 | 1,335 | 0 |
| Drill Team | 1,666 | 16,723 | 18,340 | 49 |
| After Prom Party | 3,701 | 7,768 | 7,608 | 3,861 |
| Total | \$ 66,033 | 339,501 | 347,563 | 57,971 |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WESTWOOD COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -
 AGENCY FUND
 YEAR ENDED JUNE 30, 2009

| | Balance Beginning of Year | Additions | Deductions | Balance End of Year |
|-----------------------------|---------------------------------|----------------|----------------|---------------------------|
| ASSETS | | | | |
| Cash and pooled investments | \$ 2,572 | 130,985 | 116,032 | 17,525 |
| Accounts receivable | 0 | 395 | 0 | 395 |
| | <u>\$ 2,572</u> | <u>131,380</u> | <u>116,032</u> | <u>17,920</u> |
| LIABILITIES | | | | |
| Due to other groups | \$ 2,572 | 131,380 | 116,032 | 17,920 |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WESTWOOD COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS
 JUNE 30, 2009

| | Mehl Scholarship | Tott Scholarship | Hopkins Scholarship | Weikel Scholarship | Rice Scholarship | Total |
|-----------------------------|---------------------|---------------------|------------------------|-----------------------|---------------------|--------|
| ASSETS | | | | | | |
| Cash and pooled investments | \$ 2,593 | 7,343 | 12,000 | 6,320 | 1,373 | 29,629 |
| LIABILITIES | | | | | | |
| | 0 | 0 | 0 | 0 | 0 | 0 |
| NET ASSETS | | | | | | |
| Reserved for scholarships | \$ 2,593 | 7,343 | 12,000 | 6,320 | 1,373 | 29,629 |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WESTWOOD COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS
 YEAR ENDED JUNE 30, 2009

| | Mehl Scholarship | Tott Scholarship | Hopkins Scholarship | Weikel Scholarship | Rice Scholarship | Total |
|------------------------------|---------------------|---------------------|------------------------|-----------------------|---------------------|--------|
| ADDITIONS: | | | | | | |
| Local sources: | | | | | | |
| Interest | \$ 115 | 334 | 207 | 297 | 53 | 1,006 |
| DEDUCTIONS: | | | | | | |
| Regular instruction: | | | | | | |
| Scholarships awarded | 500 | 250 | 0 | 0 | 0 | 750 |
| Changes in net assets | (385) | 84 | 207 | 297 | 53 | 256 |
| Net assets beginning of year | 2,978 | 7,259 | 11,793 | 6,023 | 1,320 | 29,373 |
| Net assets end of year | \$ 2,593 | 7,343 | 12,000 | 6,320 | 1,373 | 29,629 |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

| | Modified Accrual Basis | | | | | |
|------------------------------------|------------------------|-----------|-----------|-----------|-----------|-----------|
| | Years Ended June 30, | | | | | |
| | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 |
| Revenues: | | | | | | |
| Local sources: | | | | | | |
| Local tax | \$ 3,750,250 | 3,705,710 | 3,526,683 | 3,578,906 | 3,852,725 | 3,694,553 |
| Tuition | 341,478 | 393,580 | 364,395 | 340,776 | 247,314 | 303,419 |
| Other | 455,024 | 495,463 | 594,561 | 493,369 | 387,476 | 454,843 |
| State sources | 2,644,314 | 2,567,230 | 2,465,643 | 2,437,384 | 2,220,110 | 2,235,401 |
| Federal sources | 261,481 | 168,332 | 160,736 | 146,837 | 148,300 | 173,376 |
| Total | \$ 7,452,547 | 7,330,315 | 7,112,018 | 6,997,272 | 6,855,925 | 6,861,592 |
| Expenditures: | | | | | | |
| Instruction: | | | | | | |
| Regular | \$ 2,697,194 | 2,536,812 | 2,452,479 | 2,400,031 | 2,254,595 | 2,299,687 |
| Special | 867,594 | 803,722 | 696,062 | 767,795 | 717,390 | 795,993 |
| Other | 960,146 | 810,222 | 713,209 | 694,697 | 681,518 | 539,839 |
| Support services: | | | | | | |
| Student | 186,623 | 166,320 | 153,284 | 145,840 | 144,734 | 137,146 |
| Instructional staff | 262,731 | 177,049 | 172,518 | 193,769 | 123,536 | 97,427 |
| Administration | 798,100 | 690,337 | 682,910 | 598,678 | 580,160 | 570,496 |
| Operation and maintenance of plant | 452,660 | 420,190 | 397,535 | 354,575 | 368,832 | 355,605 |
| Transportation | 607,830 | 544,307 | 493,383 | 489,195 | 436,236 | 454,468 |
| Non-instructional programs | 3,258 | 4,846 | 824 | 757 | 737 | 704 |
| Other expenditures: | | | | | | |
| Facilities acquisitions | 192,426 | 293,855 | 230,744 | 208,371 | 96,863 | 145,996 |
| Long-term debt: | | | | | | |
| Principal | 610,000 | 575,000 | 550,000 | 845,000 | 1,015,000 | 965,000 |
| Interest and other charges | 46,344 | 72,200 | 97,233 | 132,265 | 178,252 | 218,792 |
| AEA flow-through | 221,081 | 208,238 | 203,337 | 190,338 | 189,051 | 193,525 |
| Total | \$ 7,905,987 | 7,303,098 | 6,843,518 | 7,021,311 | 6,786,904 | 6,774,678 |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3050
Telephone (641) 792-1910

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

To the Board of Education of the
Westwood 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 Westwood 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 12, 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 Westwood 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 Westwood Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Westwood 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 and other 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 Westwood 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 Westwood Community School District's financial statements that is more than inconsequential will not be prevented or detected by Westwood 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 Westwood 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 item I-A-09 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Westwood 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.

Westwood 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 Westwood 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 Westwood Community School District and other parties to whom Westwood 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 Westwood Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


NOLTE, CORNMAN & JOHNSON, P.C.

March 12, 2010

WESTWOOD COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2009

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

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 will continue to review our procedures and implement additional controls where possible.

Conclusion - Response accepted.

I-B-09 Reliable Financial Statements - Iowa School Districts are required to record the financial records on a GAAP Basis of Accounting. The financial records are normally converted at year end, after a year of cash based records. The recognition of receivables, payables, inventory, long-term debt recognition and depreciation of capital assets are all pieces which the accounting personnel is expected to be completing. The individuals performing the accounting function needs to be well trained in all areas to be effective in completing the Certified Annual Report. The Iowa Association of School Business Officials provides training to its members as does the Department of Education and Software Unlimited. This training helps in providing instruction as well as promotes networking of other accounting personnel. There were no adjustments made in the Nutrition Fund for the changes in inventories, capital assets, student lunch account balances or commodities received. Governmental fixed assets, receivables and payables did not have all adjustments made.

Recommendation - The maintenance of reliable accounting records has and continues to be important in every district. The necessity of the numerous adjustments for the financial statements may indicate that additional training is necessary for the accounting personnel. The District should consider sending their accounting staff to end-of-year training in an effort to provide more reliable financial statements.

Response - The necessity of numerous adjustments this fiscal year was due to a change in business managers mid-year. The current business manager has and will continue to seek as much training as possible.

Conclusion - Response accepted.

I-C-09 Federal Grant Reimbursement Claims - We noted during our audit that quarterly reports for the safe and drug free grant were not being filed timely by the District. As a result, subsequent funding was not received by the District in a timely manner.

Recommendation - The District should review procedures in place to the filing of grant reimbursement claims to ensure they are being filed in a timely manner.

Response - The District will transfer the responsibility of these reports to the business office to ensure that the reports will be filed timely.

Conclusion - Response accepted.

I-D-09 Grants - We noted during our audit, that when expenditures for specific projects were posted; it appeared that the expenses were not always properly posted to those projects.

Recommendation - The District should review the coding of bills, to ensure that all bills paid for a specific grant or project are properly coded. The project numbers may be obtained from the Uniform Financial Accounting for Iowa LEAs and AEAs. The proper coding also allows the district to maintain accountability of the grants by matching the revenues to the expenditures.

Response - The District will review the coding of bills to ensure that all bills are properly coded to a particular grant or project.

Conclusion - Response accepted.

I-E-09 Agency Fund - During our audit we noted the District utilizes an Agency Fund. According to Chapter 9 of the LEA Administrative Manual, "Agency funds are used to account for assets received and held as an agent for individuals, private organizations, or other governments. Agency Funds could include money collected for another government, a grant consortium when the District serves as fiscal agent for the other districts but has no managerial responsibilities, and funds for a teacher or a parent-teacher organization which has its own Federal Identification Number. The District acts as a custodian of the assets and not an owner. Agency Funds may be created when an organization which is related to the operation of the District places certain assets into the custody of the District. The District renders a service, as custodian, for the organization providing the assets. Agency funds typically involve only the receipt, temporary investment and remittance of assets to their rightful owners. Moneys owned by the District would not be accounted for in the Agency Fund".

The District appears to be improperly accounting for District funds as agency accounts.

Recommendation - Management should review each account identified in the agency fund and determine the most appropriate place to record the transactions. As stated above, the agency fund is created by the District to act as an 'agent' for non District accounts. The District may not arbitrarily choose which funds are placed into an agency account; based on convenience, amount, or sponsor preference. Monies accounted for in the Agency Fund should be the property of an entity that has its own federal identification number and would be considered a legally separate entity. If the accounts that are currently in the Agency Fund are truly District funds, the transactions should be recorded in the most appropriate fund where standard District policies and procedures should be followed.

It would appear that each of the accounts recorded in the Agency Fund are in fact District funds, which should be subject to the same level of accounting as any other transactions currently recorded in the District's records. The District needs to evaluate each account currently maintained in the Agency Fund and determine that account's validity as an Agency account.

Response - These agency fund accounts have been established for several years and this is the first time it has been brought to our attention. We will review each of the accounts and determine the appropriate fund to record the transactions.

Conclusion - Response accepted.

WESTWOOD COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2009

Part II: Other Findings Related to Required Statutory Reporting:

II-A-09 Certified Budget - District disbursements for the year ended June 30, 2009 did not exceed the certified budget amounts.

II-B-09 Questionable Disbursements - We noted during our audit that the District purchased gift cards to give to students as prizes. Gift cards do not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

Recommendation - The District should review the procedures in place, and make necessary adjustments to comply.

Response - The District will review procedures to ensure that gift cards will not be given to students as prizes.

Conclusion - Responses accepted.

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.

II-D-09 Business Transactions - No business transactions between the District and District officials were noted.

II-E-09 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-09 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

II-G-09 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

II-H-09 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

II-I-09 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

II-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.

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 | | \$ | 0 |
| Statewide sales and services tax revenue | | | 469,043 |
| Expenditures/Transfers out: | | | |
| School infrastructure: | | | |
| Buildings | \$ | 192,426 | |
| Equipment | | 157,703 | |
| Debt service for school infrastructure: | | | |
| Revenue bond debt | | 118,914 | 469,043 |
| | | <u> </u> | <u> </u> |
| Ending balance | | \$ | <u> 0</u> |

II-L-09 Officiating Contracts - We noted during our audit that the Athletic Director was signing Activity Fund officiating contracts. According to 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

Recommendation - The District should have the Board President sign all contracts entered into by the District.

Response - The District will have the Board President sign all officiating contracts.

Conclusion - Response accepted.