

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

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

YEAR ENDED JUNE 30, 2010

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Corwith-Wesley Community School District
Corwith, Iowa

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2009 Election)		
Keith Hauswirth	President	2009
Jonathon Chambers	Vice President	2011
Susan Burrs	Board Member	2011
Tracy Studer	Board Member	2009
Kevin Wilhite	Board Member	2011
Board of Education (After September 2009 Election)		
Keith Hauswirth	President	2013
Jonathon Chambers	Vice President	2011
Susan Burrs	Board Member	2011
Tracy Studer	Board Member	2013
Kevin Wilhite	Board Member	2011
School Officials		
Michael Bumgarner	Superintendent	2010
Beth DeGroote	District Secretary/Treasurer and Business Manager	2010
Ahlers & Cooney, P.C.	Attorney	Indefinite

Independent Auditor's Report

To the Board of Education of
Corwith-Wesley Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Corwith-Wesley Community School District, Corwith, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Corwith-Wesley Community School District at June 30, 2010, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 14, 2011 on our consideration of Corwith-Wesley Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 15 and 46 through 49 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Corwith-Wesley Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2009 (which are not presented herein) and expressed unqualified opinions on those financial statements except for an adverse opinion on the 2004 financial statements. The adverse opinion on the financial statements for the year ended June 30, 2004 was due to capital assets and depreciation expense not recorded in accordance with U.S. generally accepted accounting principles. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

March 14, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

Corwith-Wesley Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2010 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$2,294,042 in fiscal 2009 to \$2,234,544 in fiscal 2010, while General Fund expenditures decreased from \$2,146,367 in fiscal 2009 to \$2,002,834 in fiscal 2010. The District's General Fund balance increased from a deficit of \$54,787 in fiscal 2009 to a positive fund balance of \$153,260 in fiscal 2010, a 379% increase.
- The decrease in General Fund revenues was attributable to the 10% across the board cut in state foundation aid. The decrease in expenditures was due primarily to the closing of the Wesley elementary building and working to control expenditures in all functional areas.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Corwith-Wesley Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Corwith-Wesley Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Corwith-Wesley Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

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

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

Other Supplementary Information provides detailed information about the nonmajor governmental funds.

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

Figure A-1
Corwith-Wesley Community School District
Annual Financial Report

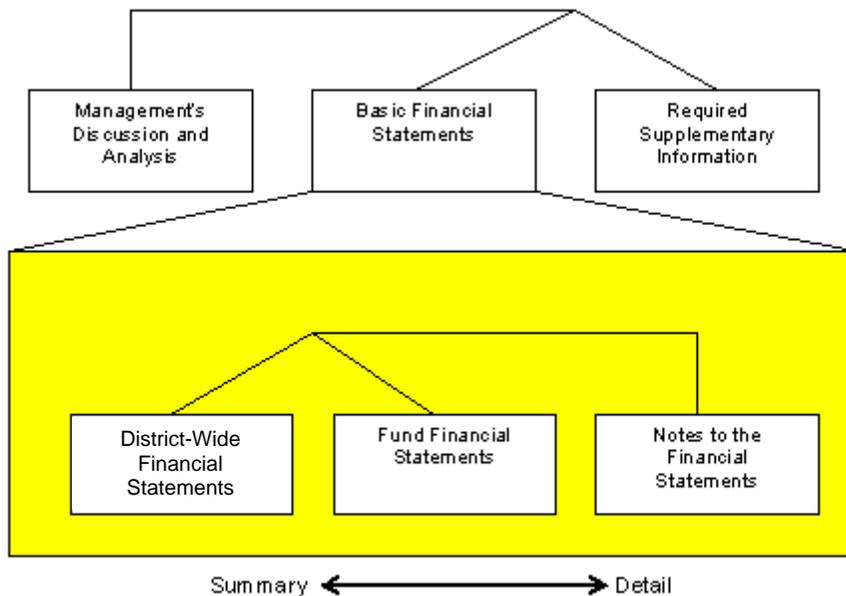


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of cash flows • Statement of revenues, expenses and changes in fund net assets 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

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

Fund Financial Statements

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

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show 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, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund.

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

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

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

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

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

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

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2010 compared to June 30, 2009.

Figure A-3							
Condensed Statement of Net Assets							
(Expressed in Thousands)							
	<u>Governmental</u>		<u>Business Type</u>		<u>Total</u>		<u>Total</u>
	<u>Activities</u>		<u>Activities</u>		<u>District</u>		<u>Change</u>
	<u>June 30,</u>		<u>June 30,</u>		<u>June 30,</u>		<u>June 30,</u>
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2009-2010</u>
Current and other assets	\$ 2,397	3,181	11	21	2,408	3,202	-24.8%
Capital assets	410	367	5	5	415	372	11.6%
Total assets	<u>2,807</u>	<u>3,548</u>	<u>16</u>	<u>26</u>	<u>2,823</u>	<u>3,574</u>	<u>-21.0%</u>
Long-term liabilities	7	24	---	---	7	24	-70.8%
Other liabilities	<u>1,760</u>	<u>2,759</u>	<u>7</u>	<u>9</u>	<u>1,767</u>	<u>2,768</u>	<u>-36.2%</u>
Total liabilities	<u>1,767</u>	<u>2,783</u>	<u>7</u>	<u>9</u>	<u>1,774</u>	<u>2,792</u>	<u>-36.5%</u>
Net assets:							
Invested in capital assets, net of related debt	410	352	5	5	415	357	16.2%
Restricted	370	256	---	---	370	256	44.5%
Unrestricted	<u>260</u>	<u>157</u>	<u>4</u>	<u>12</u>	<u>264</u>	<u>169</u>	<u>56.2%</u>
Total net assets	<u>\$ 1,040</u>	<u>765</u>	<u>9</u>	<u>17</u>	<u>1,049</u>	<u>782</u>	<u>34.1%</u>

The District's combined net assets increased 34% or approximately \$267,000, over the prior year. The largest portion of the District's net assets is invested in capital assets (e.g., land, buildings and equipment), less related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$114,000 or 45% over the prior year. The increase was primarily a result of keeping expenditures below revenues in the Management Levy and Physical Plant and Equipment Levy Funds and an increase in the amount reserved for categorical funding.

Unrestricted net assets – the part of net asset that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately 95,000 or 56%. This increase in unrestricted net assets was a result of the District reducing expenditures during the year.

Figure A-4 shows the changes in net assets for the year ended June 30, 2010 compared to the year ended June 30, 2009.

Figure A-4							
Changes in Net Assets							
(Expressed in Thousands)							
	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	2010	2009	2010	2009	2010	2009	2009-2010
Revenues:							
Program revenues:							
Charges for service	\$ 351	210	19	27	370	237	56.1%
Operating grants, contributions and restricted interest	314	346	22	40	336	386	-13.0%
Capital grants, contributions and restricted interest	30	27	2	2	32	29	10.3%
General revenues:							
Property tax	1,270	1,257	---	---	1,270	1,257	1.0%
Income surtax	164	128	---	---	164	128	28.1%
Statewide sales, services and use tax	90	104	---	---	90	104	-13.5%
Unrestricted state grants	264	486	---	---	264	486	-45.7%
Unrestricted investment earnings	12	24	---	---	12	24	-50.0%
Other	<u>19</u>	<u>25</u>	<u>---</u>	<u>---</u>	<u>19</u>	<u>25</u>	<u>-24.0%</u>
Total revenues	<u>2,514</u>	<u>2,607</u>	<u>43</u>	<u>69</u>	<u>2,557</u>	<u>2,676</u>	<u>-4.4%</u>
Program expenses:							
Governmental activities:							
Instruction	1,440	1,482	---	---	1,440	1,482	-2.8%
Support services	651	768	---	---	651	768	-15.2%
Non-instructional programs	---	1	71	102	71	103	-31.1%
Other expenses	<u>127</u>	<u>108</u>	<u>---</u>	<u>---</u>	<u>127</u>	<u>108</u>	<u>17.6%</u>
Total expenses	<u>2,218</u>	<u>2,359</u>	<u>71</u>	<u>102</u>	<u>2,289</u>	<u>2,461</u>	<u>-7.0%</u>
Excess (deficiency) of revenues over (under) expenditures							
Transfers	<u>(20)</u>	<u>(62)</u>	<u>20</u>	<u>62</u>	<u>---</u>	<u>---</u>	<u>0.0%</u>
Increase (decrease) in net assets	276	186	(8)	29	268	215	24.7%
Net assets beginning of year	<u>764</u>	<u>579</u>	<u>17</u>	<u>(12)</u>	<u>781</u>	<u>567</u>	<u>37.7</u>
Net assets end of year	\$ <u>1,040</u>	<u>765</u>	<u>9</u>	<u>17</u>	<u>1,049</u>	<u>782</u>	<u>34.1%</u>

In fiscal year 2010, property tax and unrestricted state grants accounted for 61% of governmental activities revenue while charges for service and operating grants, contributions and restricted interest accounted for 95% of business type activities revenue.

The District's total revenues were approximately \$2.6 million, of which approximately \$2.5 million was for governmental activities and less than \$0.1 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 4.4% decrease in revenues and a 7.0% decrease in expenses. The decrease in expenses is due to the District reducing expenses including closing the elementary building in Wesley.

Governmental Activities

Revenues for governmental activities were \$2,514,077 and expenses were \$2,218,573 for the year ended June 30, 2010. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2010 compared to the year ended June 30, 2009.

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

	Total Cost of Services			Net Cost of Services		
	2010	2009	Change 2009-2010	2010	2009	Change 2009-2010
Instruction	\$ 1,440	1,482	-2.8 %	856	999	-14.3 %
Support services	651	768	-15.2 %	632	741	-14.7 %
Non-instructional programs	---	1	-100.0 %	---	1	-100.0 %
Other expenses	127	108	17.6 %	36	35	2.9 %
Total	\$ 2,218	2,359	-6.0 %	1,524	1,776	-14.2 %
	=====	=====	=====	=====	=====	=====

For the year ended June 30, 2010:

- The cost financed by users of the District's programs was \$351,050.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$344,104.
- The net cost of governmental activities was financed with \$1,523,859 in property and other taxes and \$263,546 in unrestricted state grants.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2010 were \$42,888 representing a 38.0% decrease from the prior year, while expenses totaled \$70,579, 31.2% decrease from the prior year. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, and investment income. The District also transferred \$20,000 from the General Fund to the School Nutrition Fund.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$509,701, above last year's ending fund balances of \$291,513.

Governmental Fund Highlights

- The District's improving General Fund financial position is the result of many factors. While revenues decreased from the prior year, the District reduced spending in the General Fund and improved the financial condition of the fund.
- The General Fund balance increased from a deficit of \$54,787 to a positive balance of \$153,260.
- The Special Revenue, Physical Plant and Equipment Levy (PPEL) Fund balance increased from \$94,566 in fiscal 2009 to \$114,101 in fiscal 2010.
- The Capital Projects Fund balance decreased from \$179,581 in fiscal 2009 to \$139,923 in fiscal 2010.

Proprietary Fund Highlights

School Nutrition Fund net assets decreased from \$16,530 at June 30, 2009 to \$8,839 at June 30, 2010, representing a decrease of approximately 47%. The District transferred \$20,000 from the General Fund to cover expenses.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2010, the District had invested approximately \$415,000 net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 11.9% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$69,430.

The original cost of the District's capital assets was \$2.0 million. Governmental funds account for the majority of this \$2.0 million.

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

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-2010
Land	\$ 1	2	---	---	1	2	-50.0%
Buildings	122	105	---	---	122	105	16.2%
Improvements other than buildings	18	20	---	---	18	20	-10.0%
Furniture and equipment	<u>269</u>	<u>239</u>	<u>5</u>	<u>5</u>	<u>274</u>	<u>244</u>	<u>12.3%</u>
Total	<u>\$ 410</u>	<u>366</u>	<u>5</u>	<u>5</u>	<u>415</u>	<u>371</u>	<u>11.9%</u>

Long-Term Debt

At June 30, 2010, the District had \$6,967 in long-term debt outstanding. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

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

	Total District		Total Change
	June 30,	June 30,	June 30,
	2010	2009	2009-2010
Compensated absences	\$ 7	9	-22.2%
Bus lease purchase obligation	---	<u>15</u>	<u>-100.0%</u>
Total	<u>\$ 7</u>	<u>24</u>	<u>-70.8%</u>

BUDGETARY HIGHLIGHTS

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

The District's total revenues were \$181,640 less than total budgeted revenues, a variance of 6.6%. A reduction in state resources caused the total amount received to be less than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District cutting expenditures more than originally anticipated during the budgeting process. The District manages or controls spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the instruction functional area.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- A review of the enclosed financial information and statements gives the reader an overview of the financial condition of the Corwith-Wesley Community School District. Corwith-Wesley Community School District takes pride in its accounting and fiscal practices. The District will endeavor to maintain its approach to management in this area.
- The District has made a number of changes over recent years in order to cut back on expenditures. The District enjoys a whole grade sharing arrangement with its neighbor LuVerne Community School District. In more recent years the sharing was modified to include all grades, PK-12. Superintendent services were shared between the two districts following that change. Prior to the 2009-2010 school year, Corwith-Wesley closed the Wesley Elementary attendance center, resulting in significant savings. At the same time, the whole grade sharing agreement was modified to more accurately reflect the true economic load and contributions of both school districts. This has resulted in a decrease and a leveling off of expenditures in the district.
- Some opportunities have presented themselves for sharing staff with other neighboring school districts. All of these future opportunities will be explored and maximized in order to improve the operating efficiency of the District.
- Modifications to staffing levels and other specific expenditures have been implemented and will continue to be monitored for other possible changes in the future. Changes in the nutrition program have resulted in significantly less transfers from the general fund into the nutrition fund.
- While the cash position of the District has improved, management must continue to focus attention, strategies, and bring innovative solutions to bear in order to insure the continued economic viability of the District. Under Iowa's education formula, educational expenditures are controlled on dollars spent on a per pupil basis. Like many small sized Iowa districts, declining enrollment is having a significant negative effect on the legal spending authority of the District. The District will also focus on finding ways to improve revenue in an effort to maintain or increase spending authority.
- The District has paid off all of its long term debt and is no longer maintaining a debt service levy. There are no plans currently to start any projects which would require financing through a debt service levy.

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 Beth DeGroote, District Secretary/Treasurer and Business Manager, Corwith-Wesley Community School District, 408 S.E. Elm St., P.O. Box 220, Corwith, Iowa 50430.

Basic Financial Statements

Corwith-Wesley Community School District
 Corwith, Iowa
 Statement of Net Assets
 June 30, 2010

Exhibit A

	<u>Governmental</u> <u>Activities</u>	<u>Business Type</u> <u>Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 673,646	7,190	680,836
Receivables:			
Property tax:			
Delinquent	31,200	-	31,200
Succeeding year	1,377,000	-	1,377,000
Accounts	15,859	1,040	16,899
Due from other governments	299,978	-	299,978
Inventories	-	2,868	2,868
Capital assets, net of accumulated depreciation	409,544	5,275	414,819
Total assets	2,807,227	16,373	2,823,600
 Liabilities			
Accounts payable	149,124	-	149,124
Salaries and benefits payable	190,615	7,462	198,077
Deferred revenue:			
Succeeding year property tax	1,377,000	-	1,377,000
Other	43,437	-	43,437
Long-term liabilities:			
Portion due after one year:			
Compensated absences	6,967	-	6,967
Total liabilities	1,767,143	7,462	1,774,605
 Net assets			
Invested in capital assets, net of related debt	409,544	5,275	414,819
Restricted for:			
Categorical funding	153,942	-	153,942
Management levy	88,742	-	88,742
Physical plant and equipment levy	114,101	-	114,101
Other special revenue purposes	13,675	-	13,675
Unrestricted	260,080	3,564	263,644
Total net assets	\$ 1,040,084	8,839	1,048,923

See notes to financial statements.

Corwith-Wesley Community School District
 Corwith, Iowa
 Statement of Activities
 Year ended June 30, 2010

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Service</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
Functions/Programs:				
Governmental activities:				
Instruction:				
Regular instruction	\$ 849,363	225,857	174,963	-
Special instruction	233,060	52,428	20,785	-
Other instruction	358,013	72,765	37,808	-
	<u>1,440,436</u>	<u>351,050</u>	<u>233,556</u>	<u>-</u>
Support services:				
Student	36,156	-	20	-
Instructional staff	41,012	-	1,807	17,766
Administration	270,113	-	-	-
Operation and maintenance of plant	201,589	-	-	-
Transportation	102,594	-	-	-
	<u>651,464</u>	<u>-</u>	<u>1,827</u>	<u>17,766</u>
Other expenditures:				
Facilities acquisition	23,378	-	-	11,890
Long-term debt interest	366	-	-	-
AEA flowthrough	79,065	-	79,065	-
Depreciation (unallocated)*	23,864	-	-	-
	<u>126,673</u>	<u>-</u>	<u>79,065</u>	<u>11,890</u>
Total governmental activities	2,218,573	351,050	314,448	29,656
Business type activities:				
Non-instructional programs:				
Food service operations	70,579	18,774	22,045	2,069
Total	<u>\$ 2,289,152</u>	<u>369,824</u>	<u>336,493</u>	<u>31,725</u>

General Revenues:

Property tax levied for:
 General purposes
 Capital outlay
 Income surtax
 Statewide sales, services and use tax
 Unrestricted state grants
 Unrestricted investment earnings
 Other
 Gain on sale of assets
 Transfer
 Total general revenues
 Change in net assets
 Net assets beginning of year
 Net assets end of year

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

See notes to financial statements.

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business Type Activities	Total
(448,543)	-	(448,543)
(159,847)	-	(159,847)
(247,440)	-	(247,440)
<u>(855,830)</u>	<u>-</u>	<u>(855,830)</u>
(36,136)	-	(36,136)
(21,439)	-	(21,439)
(270,113)	-	(270,113)
(201,589)	-	(201,589)
(102,594)	-	(102,594)
<u>(631,871)</u>	<u>-</u>	<u>(631,871)</u>
(11,488)	-	(11,488)
(366)	-	(366)
-	-	-
<u>(23,864)</u>	<u>-</u>	<u>(23,864)</u>
<u>(35,718)</u>	<u>-</u>	<u>(35,718)</u>
(1,523,419)	-	(1,523,419)
-	(27,691)	(27,691)
<u>(1,523,419)</u>	<u>(27,691)</u>	<u>(1,551,110)</u>
\$ 1,241,411	-	1,241,411
28,095	-	28,095
164,267	-	164,267
90,086	-	90,086
263,546	-	263,546
11,740	-	11,740
15,894	-	15,894
3,884	-	3,884
<u>(20,000)</u>	20,000	<u>-</u>
<u>1,798,923</u>	<u>20,000</u>	<u>1,818,923</u>
275,504	(7,691)	267,813
<u>764,580</u>	<u>16,530</u>	<u>781,110</u>
<u>\$ 1,040,084</u>	<u>8,839</u>	<u>1,048,923</u>

Corwith-Wesley Community School District
Corwith, Iowa

Exhibit C

Balance Sheet
Governmental Funds

June 30, 2010

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Special Revenue</u>	<u>Total</u>
Assets				
Cash and pooled investments	\$ 345,837	125,731	202,078	673,646
Receivables:				
Property tax:				
Delinquent	28,797	-	2,403	31,200
Succeeding year	1,297,000	-	80,000	1,377,000
Accounts	3,822	-	12,037	15,859
Due from other governments	<u>285,786</u>	<u>14,192</u>	<u>-</u>	<u>299,978</u>
Total assets	<u>\$ 1,961,242</u>	<u>139,923</u>	<u>296,518</u>	<u>2,397,683</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 149,124	-	-	149,124
Salaries and benefits payable	190,615	-	-	190,615
Deferred revenue:				
Succeeding year property tax	1,297,000	-	80,000	1,377,000
Other	<u>171,243</u>	<u>-</u>	<u>-</u>	<u>171,243</u>
Total liabilities	<u>1,807,982</u>	<u>-</u>	<u>80,000</u>	<u>1,887,982</u>
Fund balances:				
Reserved for:				
Categorical funding	153,942	-	-	153,942
Unreserved, reported in:				
General fund	(682)	-	-	(682)
Special revenue funds	-	-	216,518	216,518
Capital projects fund	<u>-</u>	<u>139,923</u>	<u>-</u>	<u>139,923</u>
Total fund balances	<u>153,260</u>	<u>139,923</u>	<u>216,518</u>	<u>509,701</u>
Total liabilities and fund balances	<u>\$ 1,961,242</u>	<u>139,923</u>	<u>296,518</u>	<u>2,397,683</u>

See notes to financial statements.

Corwith-Wesley Community School District
Corwith, Iowa

Exhibit D

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

June 30, 2010

Total fund balances of governmental funds (page 19)	\$ 509,701
<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.	409,544
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	127,806
Long-term liabilities, including lease purchase obligations and compensated absences are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(6,967)</u>
Net assets of governmental activities (page 18)	<u>\$ 1,040,084</u>

See notes to financial statements.

Corwith-Wesley Community School District
 Corwith, Iowa
 Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 Year ended June 30, 2010

Exhibit E

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Special Revenue</u>	<u>Total</u>
Revenues:					
Local sources:					
Local tax	\$ 1,317,438	-	90,086	97,768	1,505,292
Tuition	275,176	-	-	-	275,176
Other	24,390	-	311	78,809	103,510
State sources	480,022	-	-	43	480,065
Federal sources	<u>137,518</u>	<u>-</u>	<u>-</u>	11,890	<u>149,408</u>
Total revenues	<u>2,234,544</u>	<u>-</u>	<u>90,397</u>	<u>188,510</u>	<u>2,513,451</u>
Expenditures:					
Current:					
Instruction:					
Regular	846,507	-	-	-	846,507
Special	232,757	-	-	-	232,757
Other	<u>286,507</u>	<u>-</u>	<u>-</u>	71,506	<u>358,013</u>
	<u>1,365,771</u>	<u>-</u>	<u>-</u>	<u>71,506</u>	<u>1,437,277</u>
Support services:					
Student	36,156	-	-	-	36,156
Instructional staff	41,012	-	-	-	41,012
Administration	245,000	-	-	22,139	267,139
Operation and maintenance of plant	172,759	-	-	26,516	199,275
Transportation	<u>63,071</u>	<u>-</u>	72,072	6,138	<u>141,281</u>
	<u>557,998</u>	<u>-</u>	<u>72,072</u>	<u>54,793</u>	<u>684,863</u>
Other expenditures:					
Facilities acquisition	-	-	57,983	12,413	70,396
Long-term debt:					
Principal	-	14,951	-	-	14,951
Interest and fiscal charges	-	625	-	-	625
AEA flowthrough	<u>79,065</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>79,065</u>
	<u>79,065</u>	<u>15,576</u>	<u>57,983</u>	<u>12,413</u>	<u>165,037</u>
Total expenditures	<u>2,002,834</u>	<u>15,576</u>	<u>130,055</u>	<u>138,712</u>	<u>2,287,177</u>
Excess (deficiency) of revenues over (under) expenditures	<u>231,710</u>	<u>(15,576)</u>	<u>(39,658)</u>	<u>49,798</u>	<u>226,274</u>
Other financing sources (uses):					
Proceeds from sale of real and personal property	11,913	-	-	1	11,914
Operating transfer in	-	15,576	-	-	15,576
Operating transfers out	<u>(35,576)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(35,576)</u>
Total other financing sources (uses)	<u>(23,663)</u>	<u>15,576</u>	<u>-</u>	<u>1</u>	<u>(8,086)</u>
Net change in fund balances	208,047	-	(39,658)	49,799	218,188
Fund balances beginning of year	<u>(54,787)</u>	<u>-</u>	<u>179,581</u>	<u>166,719</u>	<u>291,513</u>
Fund balances end of year	<u>\$ 153,260</u>	<u>-</u>	<u>139,923</u>	<u>216,518</u>	<u>509,701</u>

See notes to financial statements.

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

Year ended June 30, 2010

Net change in fund balances - total governmental funds (page 21) \$ 218,188

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

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

Expenditures for capital assets	\$ 119,090	
Depreciation expense	<u>(68,000)</u>	51,090

In the Statement of Activities, the gain on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources. (8,030)

Certain unspent grant proceeds and income surtax not collected for several months after year end, is not considered available revenue and is deferred in the governmental funds. (3,258)

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

Repaid		14,950
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Corwith-Wesley Community School District
Corwith, Iowa

Exhibit F

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

Year ended June 30, 2010

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

260

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Compensated absences

2,304

Change in net assets of governmental activities (page 18)

\$ 275,504

See notes to financial statements.

Corwith-Wesley Community School District
Corwith, Iowa

Exhibit G

Statement of Net Assets
Proprietary Fund

June 30, 2010

	<u>School Nutrition</u>
Assets	
Cash and cash equivalents	\$ 7,190
Accounts receivable	1,040
Inventories	2,868
Capital assets, net of accumulated depreciation	<u>5,275</u>
Total assets	<u>16,373</u>
Liabilities	
Accounts payable	72
Salaries and benefits payable	<u>7,462</u>
Total liabilities	<u>7,534</u>
Net Assets	
Invested in capital assets	5,275
Unrestricted	<u>3,564</u>
Total net assets	<u>\$ 8,839</u>

See notes to financial statements.

Corwith-Wesley Community School District
Corwith, Iowa

Exhibit H

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

Year ended June 30, 2010

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for service	\$ 18,687
Miscellaneous	<u>86</u>
Total operating revenues	<u>18,773</u>
Operating expenses:	
Support services:	
Operation and maintenance of plant	<u>459</u>
Non-instructional programs:	
Food service operations:	
Salaries	26,848
Benefits	16,003
Supplies	25,839
Depreciation	<u>1,430</u>
Total operating expenses	<u>70,120</u>
Total operating expenses	<u>70,579</u>
Operating loss	<u>(51,806)</u>
Non-operating revenues:	
State sources	406
Federal sources	<u>21,640</u>
Total non-operating revenues	<u>22,046</u>
Loss before other revenue and transfers	<u>(29,760)</u>
Capital asset contributions and transfers:	
Capital asset contributions	2,069
Transfers in	<u>20,000</u>
Total capital asset contributions and transfers	<u>22,069</u>
Decrease in net assets	(7,691)
Net assets beginning of year	<u>16,530</u>
Net assets end of year	<u>\$ 8,839</u>
See notes to financial statements.	

Corwith-Wesley Community School District
Corwith, Iowa

Exhibit I

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2010

School
Nutrition

Cash flows from operating activities:

Cash received from sale of lunches and breakfasts	\$ 18,111
Cash received from miscellaneous operating activities	86
Cash paid to employees for services	(44,884)
Cash paid to suppliers for goods or services	<u>(19,756)</u>
Net cash used by operating activities	<u>(46,443)</u>

Cash flows from non-capital financing activities:

State grants received	406
Federal grants received	15,878
Transfer from General Fund	<u>20,000</u>
Net cash provided by non-capital financing activities	<u>36,284</u>

Net decrease in cash and cash equivalents (10,159)

Cash and cash equivalents beginning of year 17,349

Cash and cash equivalents end of year \$ 7,190

(continued)

Corwith-Wesley Community School District
Corwith, Iowa

Exhibit I

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2010

School
Nutrition

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

Operating loss	\$ (51,806)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	5,762
Depreciation	1,430
(Increase) in accounts receivable	(576)
Decrease in inventories	708
Increase in accounts payable	72
(Decrease) in salaries and benefits payable	<u>(2,033)</u>
Net cash used by operating activities	<u>\$ (46,443)</u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2010, the District received \$5,762 of federal commodities.

During the year ended June 30, 2010, the District received \$2,069 in capital asset contributions from the Capital Projects Fund.

See notes to financial statements.

Corwith-Wesley Community School District
Corwith, Iowa

Exhibit J

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2010

Agency

Assets

Cash and pooled investments \$ 10

Total assets 10

Liabilities

Other payables 10

Total liabilities 10

Net assets \$ -

See notes to financial statements.

Corwith-Wesley Community School District
Corwith, Iowa

Notes to Financial Statements

June 30, 2010

(1) Summary of Significant Accounting Policies

Corwith-Wesley Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. An academic sharing agreement exists with LuVerne Community School District whereby grades kindergarten through six, attend the LuVerne Community School District. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the cities of Corwith, Wesley, and LuVerne, Iowa and the predominate agricultural territory in Hancock, Kossuth, and Wright counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Corwith-Wesley Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Hancock and Kossuth County Assessor's Conference boards.

Corwith-Wesley Community School District
Corwith, Iowa

Notes to Financial Statements

June 30, 2010

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

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

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

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

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

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

Corwith-Wesley Community School District
Corwith, Iowa

Notes to Financial Statements

June 30, 2010

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

The District reports the following major governmental funds:

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

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

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following major proprietary fund:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

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

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

Corwith-Wesley Community School District
Corwith, Iowa

Notes to Financial Statements

June 30, 2010

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

Corwith-Wesley Community School District
Corwith, Iowa

Notes to Financial Statements

June 30, 2010

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

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

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

D. Assets, Liabilities and Fund Equity

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

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Non-negotiable certificates of deposit are stated at cost.

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

Corwith-Wesley Community School District
Corwith, Iowa

Notes to Financial Statements

June 30, 2010

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2009.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Corwith-Wesley Community School District
Corwith, Iowa

Notes to Financial Statements

June 30, 2010

Capital Assets – Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

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

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

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	40 years
Improvements other than buildings	10-30 years
Furniture and equipment	5-20 years

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

Corwith-Wesley Community School District
Corwith, Iowa

Notes to Financial Statements

June 30, 2010

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

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences – District employees do not accumulate earned but unused vacation. District employees accumulate a limited amount of earned but unused sick leave benefits. A liability for earned but unused sick leave is recorded when incurred in the government-wide financial statements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2010. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

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

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

Corwith-Wesley Community School District
Corwith, Iowa

Notes to Financial Statements

June 30, 2010

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, expenditures in the instruction functional area exceeded the amounts budgeted.

(2) Cash and Pooled Investments

The District's deposits in banks at June 30, 2010 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The District had no investments at or during the year ended June 30, 2010 and deposited its excess cash in certificates of deposit and savings.

Corwith-Wesley Community School District
Corwith, Iowa

Notes to Financial Statements

June 30, 2010

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	General	\$ 15,576
Proprietary: School Nutrition	General	<u>20,000</u>
Total		\$35,576 =====

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

(4) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. Bankers Trust Co. NA is the trustee for the program.

Corwith-Wesley Community School District
Corwith, Iowa

Notes to Financial Statements

June 30, 2010

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. The District must make minimum warrant repayments on the 25th of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The interest rate on the Series 2009-10A warrants was 2.50%. The interest rate on the Series 2009-10B warrants is a variable rate, calculated daily upon the Bankers Trust Co. NA prime rate plus 50 basis points with a minimum interest rate of 4.50%. A summary of the District's ISCAP advance activity for the year ended June 30, 2010 is as follows:

Series	Warrant Date	Final Warrant Maturity	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year	Interest Payable
2009-10A	6/25/09	6/23/10	\$ ---	50,000	50,000	---	---

During the year ended June 30, 2010, the District paid \$6,134 of interest on the ISCAP warrants.

Corwith-Wesley Community School District
Corwith, Iowa

Notes to Financial Statements

June 30, 2010

(5) Capital Assets

Capital assets activity for the year ended June 30, 2010 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 2,605	---	(1,290)	1,315
Capital assets being depreciated:				
Buildings	986,020	24,518	(406,173)	604,365
Improvements other than buildings	141,717	---	(20,666)	121,051
Furniture and equipment	1,451,658	94,572	(296,026)	1,250,204
Total capital assets being depreciated	2,579,395	119,090	(722,865)	1,975,620
Less accumulated depreciation for:				
Buildings	881,305	7,444	(406,173)	482,576
Improvements other than buildings	121,922	1,394	(20,666)	102,650
Furniture and equipment	1,212,289	59,162	(289,286)	982,165
Total accumulated depreciation	2,215,516	68,000	(716,125)	1,567,391
Total capital assets being depreciated, net	363,879	51,090	(6,740)	408,229
Governmental activities capital assets, net	\$ 366,484	51,090	(8,030)	409,544
Business type activities:				
Furniture and equipment	\$ 15,079	2,069	---	17,148
Less accumulated depreciation	10,443	1,430	---	11,873
Business type activities capital assets, net	\$ 4,636	639	---	5,275

Corwith-Wesley Community School District
Corwith, Iowa

Notes to Financial Statements

June 30, 2010

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular	\$ 5,160
Special	303

Support services:

Administration	2,974
Operation and maintenance of plant	2,314
Transportation	<u>33,385</u>

44,136

Unallocated	<u>23,864</u>
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Total depreciation expense – governmental activities	\$ <u>68,000</u>
--	------------------

Business type activities:

Food service operations	\$ <u>1,430</u>
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(6) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2010 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Compensated absences	\$ 9,271	991	3,295	6,967	---
Bus lease purchase obligation	<u>14,950</u>	---	<u>14,950</u>	---	---
Total	<u>\$ 24,221</u>	991	<u>18,245</u>	<u>6,967</u>	---

Capital Lease Purchase Agreement

In January 2008, the District entered into a capital lease-purchase agreement with Blue Bird Body Company to finance the purchase of a bus totaling \$44,877. The lease is financed for three years at an interest rate of 4.18%. There are no future minimum lease payments as the final payment was made during the year ended June 30, 2010.

Payments under the agreement totaled \$15,576 for the year ended June 30, 2010.

Corwith-Wesley Community School District
Corwith, Iowa

Notes to Financial Statements

June 30, 2010

(7) Pension and Retirement Benefits

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

Plan members are required to contribute 4.30% of their annual covered salary and the District is required to contribute 6.65% of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2010, 2009, and 2008 were \$68,630, \$74,292, and \$68,469 respectively, equal to the required contributions for each year.

(8) Other Postemployment Benefits (OPEB)

Plan Description – The District operates a single-employer retiree benefit plan which provides health insurance coverage for retirees and their spouses. There are 32 active and no retired members in the plan. Participants must be age 55 or older at retirement.

The health insurance benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the health insurance benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

Corwith-Wesley Community School District
Corwith, Iowa

Notes to Financial Statements

June 30, 2010

The District has no net OPEB obligation for the year ended June 30, 2010 as the District's assumed retirement age is age 67.

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

For the year ended June 30, 2010, the District contributed \$0 to the medical plan. Plan members eligible contributed \$0, or 0% of the premium costs.

Funded Status and Funding Progress – As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$0, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$0. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,048,000 and the ratio of the UAAL to covered payroll was 0%. As of June 30, 2010, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefits costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Corwith-Wesley Community School District
Corwith, Iowa

Notes to Financial Statements

June 30, 2010

As of the July 1, 2009 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions includes a 4.50% discount rate based in the District's funding policy. The projected annual medical rate is 11%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP-2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the District's average retirement age of pension eligible retirees over the last five years and applying termination factors from the U.S. Office of Personnel Management.

Projected claim costs of the insurance plan are \$0, as there are no retirees in the plan. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(9) Risk Management

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

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$79,065 for the year ended June 30, 2010 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Operating Lease

The District entered into an operating lease with Advanced Systems, Inc. for the rental of three Cannon copiers on March 8, 2006 for a period of five years. On November 23, 2009 the District entered into a new operating lease with Advanced Systems, Inc. for the rental of three Cannon copiers for a period of five years. The amount paid for the fiscal year ended June 30, 2010 was \$7,920. Future rentals are scheduled as follows:

Corwith-Wesley Community School District
Corwith, Iowa

Notes to Financial Statements

June 30, 2010

<u>Year Ending June 30,</u>	
2011	\$ 9,216
2012	9,216
2013	9,216
2014	9,216
2015	<u>3,840</u>
Total	\$ 40,704 =====

(12) Categorical Funding

The District's reserved fund balance for categorical funding at June 30, 2010 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Beginning teacher mentoring	\$ 1,084
Teacher salary supplement	12,815
Market factor	3,272
Professional development – core curriculum	8,392
Professional development	23,120
Dropout prevention	80,795
Gifted and Talented	<u>24,464</u>
Total	\$ 153,942 =====

(13) Subsequent Events

Subsequent events have been evaluated through March 14, 2011, which is the date the financial statements were available to be issued.

Required Supplementary Information

Corwith-Wesley Community School District
Corwith, Iowa

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

Required Supplementary Information

Year ended June 30, 2010

	Governmental Funds <u>Actual</u>	Proprietary Fund <u>Actual</u>
Revenues:		
Local sources	\$ 1,883,978	18,773
State sources	480,065	406
Federal sources	<u>149,408</u>	<u>21,640</u>
Total revenues	<u>2,513,451</u>	<u>40,819</u>
Expenditures/Expenses:		
Instruction	1,437,277	-
Support services	684,863	459
Non-instructional programs	-	70,120
Other expenditures	<u>165,037</u>	<u>-</u>
Total expenditures/expenses	<u>2,287,177</u>	<u>70,579</u>
Deficiency of revenues under expenditures/expenses	226,274	(29,760)
Other financing sources, net	<u>(8,086)</u>	<u>22,069</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	218,188	(7,691)
Balances beginning of year	<u>291,513</u>	<u>16,530</u>
Balances end of year	<u>\$ 509,701</u>	<u>8,839</u>

See accompanying independent auditor's report.

Total <u>Actual</u>	<u>Budgeted Amounts</u>		Final to Actual <u>Variance</u>
	<u>Original</u>	<u>Final</u>	
1,902,751	1,853,372	1,853,372	49,379
480,471	671,538	671,538	(191,067)
<u>171,048</u>	<u>211,000</u>	<u>211,000</u>	<u>(39,952)</u>
<u>2,554,270</u>	<u>2,735,910</u>	<u>2,735,910</u>	<u>(181,640)</u>
1,437,277	1,349,319	1,349,319	(87,958)
685,322	811,353	811,353	126,031
70,120	148,957	148,957	78,837
<u>165,037</u>	<u>425,292</u>	<u>425,292</u>	<u>260,255</u>
<u>2,357,756</u>	<u>2,734,921</u>	<u>2,734,921</u>	<u>377,165</u>
196,514	989	989	195,525
<u>13,983</u>	<u>-</u>	<u>-</u>	<u>13,983</u>
210,497	989	989	209,508
<u>308,043</u>	<u>305,858</u>	<u>305,858</u>	<u>2,185</u>
<u>518,540</u>	<u>306,847</u>	<u>306,847</u>	<u>211,693</u>

Corwith-Wesley Community School District
Corwith, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2010

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

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

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

During the year ended June 30, 2010, expenditures in the instruction function exceeded the amounts budgeted.

Corwith-Wesley Community School District
Corwith, Iowa

Schedule of Funding Progress for the
Retiree Health Plan

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	-	-	0.0%	1,048,000	0.0%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

Other Supplementary Information

Corwith-Wesley Community School District
Corwith, Iowa

Schedule 1

Combining Balance Sheet
Nonmajor Special Revenue Funds

June 30, 2010

	Manage- ment <u>Levy</u>	Student Activity <u>Activity</u>	Physical Plant and Equipment <u>Levy</u>	<u>Total</u>
Assets				
Cash and pooled investments	\$ 87,030	13,528	101,520	202,078
Receivables:				
Property tax:				
Delinquent	1,712	-	691	2,403
Succeeding year	50,000	-	30,000	80,000
Accounts	<u>-</u>	<u>147</u>	<u>11,890</u>	<u>12,037</u>
Total assets	<u>\$ 138,742</u>	<u>13,675</u>	<u>144,101</u>	<u>296,518</u>
Liabilities and Fund Balances				
Liabilities:				
Deferred revenue:				
Succeeding year property tax	<u>\$ 50,000</u>	<u>-</u>	<u>30,000</u>	<u>80,000</u>
Total liabilities	50,000	-	30,000	80,000
Unreserved fund balances	<u>88,742</u>	<u>13,675</u>	<u>114,101</u>	<u>216,518</u>
Total liabilities and fund balances	<u>\$ 138,742</u>	<u>13,675</u>	<u>144,101</u>	<u>296,518</u>

See accompanying independent auditor's report.

Corwith-Wesley Community School District
Corwith, Iowa

Schedule 2

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

Year ended June 30, 2010

	Manage- ment <u>Levy</u>	Student Activity <u>Activity</u>	Physical Plant and Equipment <u>Levy</u>	<u>Total</u>
Revenues:				
Local sources:				
Local tax	\$ 69,673	-	28,095	97,768
Other	6,676	71,999	134	78,809
State sources	31	-	12	43
Federal sources	-	-	11,890	11,890
Total revenues	<u>76,380</u>	<u>71,999</u>	<u>40,131</u>	<u>188,510</u>
Expenditures:				
Current:				
Instruction:				
Other instruction	-	71,506	-	71,506
Support services:				
Administration	16,074	-	6,065	22,139
Operation and maintenance of plant	24,397	-	2,119	26,516
Transportation	6,138	-	-	6,138
Other expenditures:				
Facilities acquisition	-	-	12,413	12,413
Total expenditures	<u>46,609</u>	<u>71,506</u>	<u>20,597</u>	<u>138,712</u>
Excess of revenues over expenditures	29,771	493	19,534	49,798
Other financing sources:				
Proceeds from sale of real property	<u>-</u>	<u>-</u>	<u>1</u>	<u>1</u>
Excess of revenues and other financing sources over expenditures	29,771	493	19,535	49,799
Fund balances beginning of year	<u>58,971</u>	<u>13,182</u>	<u>94,566</u>	<u>166,719</u>
Fund balances end of year	<u>\$ 88,742</u>	<u>13,675</u>	<u>114,101</u>	<u>216,518</u>

See accompanying independent auditor's report.

Corwith-Wesley Community School District
Corwith, Iowa

Schedule 3

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2010

<u>Account</u>	<u>Balance</u> <u>Beginning</u> <u>of Year</u>	<u>Revenues</u> <u>and Interfund</u> <u>Transfers</u>	<u>Expenditures</u>	<u>Intrafund</u> <u>Transfers</u>	<u>Balance</u> <u>End of</u> <u>Year</u>
Annual	\$ (3,221)	7,034	7,305	-	(3,492)
Athletics - HS	(1,500)	1,105	802	-	(1,197)
Athletics - JH	-	361	1,325	-	(964)
Baseball	(3,735)	1,064	1,675	-	(4,346)
Book Club	100	-	-	-	100
Boys Basketball	5,040	3,696	3,361	-	5,375
Boys Track	1,198	829	2,211	-	(184)
Business Class	407	3,771	3,428	-	750
Cheerleaders	1,505	2,098	3,396	-	207
Class of 2009	(11)	-	-	11	-
Class of 2010	1,796	2,873	3,752	(11)	906
Class of 2011	2,271	4,597	3,714	-	3,154
Class of 2012	770	1,751	-	-	2,521
Class of 2013	140	322	-	-	462
Class of 2014	-	130	-	-	130
Class of 2015	-	65	-	-	65
Clubs and Organizations	(68)	-	-	-	(68)
Cross Country	(1,739)	66	344	-	(2,017)
Danz Squad	(979)	-	-	-	(979)
Drama	1,985	1,795	1,450	-	2,330
FFA	1,937	4,825	3,246	-	3,516
Football	4,618	21,669	20,584	-	5,703
Girls Basketball	6,041	2,873	1,940	-	6,974
Girls Track	108	2,788	2,229	-	667
Golf	(2,216)	92	543	-	(2,667)
Instrumental - High School and Elementary	1,369	-	239	-	1,130

(continued)

Corwith-Wesley Community School District
Corwith, Iowa

Schedule 3

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2010

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues and Interfund Transfers</u>	<u>Expenditures</u>	<u>Intrafund Transfers</u>	<u>Balance End of Year</u>
Interest	762	333	329	-	766
National Honor Society	452	-	327	-	125
Pop Machines	(1)	1	-	-	-
Softball	(3,929)	1,514	1,959	-	(4,374)
Speech	(1,533)	-	50	-	(1,583)
Student Council	1,191	2,734	3,682	-	243
Student Trip Account	(200)	369	411	-	(242)
Vocal	1,230	-	368	-	862
Volleyball	(295)	3,244	2,836	-	113
Weightlifting	(311)	-	-	-	(311)
Total	<u>\$ 13,182</u>	<u>71,999</u>	<u>71,506</u>	<u>-</u>	<u>13,675</u>

See accompanying independent auditor's report.

Schedule of Changes in Fiduciary Assets and Liabilities -
 Agency Fund

Year ended June 30, 2010

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

See accompanying independent auditor's report.

Corwith-Wesley Community School District
Corwith, Iowa

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

For the Last Eight Years

	Modified Accrual Basis			
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Revenues:				
Local sources:				
Local tax	\$ 1,505,292	1,488,935	1,303,520	1,281,748
Tuition	275,176	103,548	152,893	159,428
Other	103,510	150,377	135,865	130,605
State sources	480,065	750,791	772,242	847,067
Federal sources	149,408	78,202	81,695	93,737
Total	<u>\$ 2,513,451</u>	<u>2,571,853</u>	<u>2,446,215</u>	<u>2,512,585</u>
Expenditures:				
Instruction:				
Regular	\$ 846,507	842,921	838,525	894,887
Special	232,757	257,846	297,728	386,422
Other	358,013	370,151	373,910	341,596
Support services:				
Student	36,156	36,293	36,904	34,374
Instructional staff	41,012	40,935	41,062	29,699
Administration	267,139	348,868	297,898	284,300
Operation and maintenance of plant	199,275	247,055	242,840	236,317
Transportation	141,281	91,346	207,498	166,385
Non-instructional programs	-	857	-	-
Other expenditures:				
Facilities acquisition	70,396	25,836	54,390	64,348
Long-term debt:				
Principal	14,951	14,351	15,576	-
Interest and other charges	625	1,225	-	-
AEA flowthrough	79,065	73,841	73,339	74,531
Total	<u>\$ 2,287,177</u>	<u>2,351,525</u>	<u>2,479,670</u>	<u>2,512,859</u>

See accompanying independent auditor's report.

<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
1,161,181	1,164,783	1,112,721	1,027,811
123,214	111,521	94,033	79,961
122,487	150,130	126,496	111,652
946,873	957,461	954,149	919,570
73,371	93,310	89,589	161,545
<u>2,427,126</u>	<u>2,477,205</u>	<u>2,376,988</u>	<u>2,300,539</u>
856,555	869,497	856,161	789,158
347,821	456,817	423,783	414,019
362,730	309,196	310,160	296,146
32,194	31,260	37,428	40,349
36,666	21,350	38,226	77,749
268,795	295,396	246,143	240,006
322,388	233,177	218,423	227,795
116,616	94,254	85,848	76,659
-	-	197	731
-	93,629	18,162	71,746
-	-	17,573	-
-	-	896	-
73,379	74,979	76,732	76,541
<u>2,417,144</u>	<u>2,479,555</u>	<u>2,329,732</u>	<u>2,310,899</u>

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

To the Board of Education of
Corwith-Wesley Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Corwith-Wesley Community School District as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 14, 2011. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Corwith-Wesley Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Corwith-Wesley Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Corwith-Wesley Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to

prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings as items I-A-10 and I-B-10 to be material weaknesses.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item II-C-10 to be a significant deficiency.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Corwith-Wesley Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Corwith-Wesley Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Corwith-Wesley Community School District and other parties to whom Corwith-Wesley Community School District may report, including federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Corwith-Wesley Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

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

March 14, 2011

Corwith-Wesley Community School District
Corwith, Iowa

Schedule of Findings

Year ended June 30, 2010

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

I-A-10 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

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

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

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

I-B-10 Preparation of Financial Statements – The District does not have an internal control system designed to provide for the preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America. Therefore, as auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. This circumstance is not unusual for an entity similar in size to Corwith-Wesley Community School District. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Corwith-Wesley Community School District
Corwith, Iowa

Schedule of Findings

Year ended June 30, 2010

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

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

Conclusion – Response accepted.

I-C-10 Disbursements – For one transaction there was no invoice to support the expenditure. Also, three checks were signed by the Board President only and not by the Board Secretary.

Recommendation – The District should ensure all expenditures are supported by an invoice and checks are properly signed. The District should ensure the Board President and Board Secretary sign all checks.

Response – We will ensure all expenditures are supported by an invoice. We will also have the Board President and the Board Secretary sign all checks.

Conclusion – Responses accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Corwith-Wesley Community School District
Corwith, Iowa

Schedule of Findings

Year ended June 30, 2010

Part II: Other Findings Related to Required Statutory Reporting:

II-A-10 Certified Budget – Expenditures for the year ended June 30, 2010 exceeded the certified budget amounts in the instruction function.

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

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

Conclusion – Response accepted.

II-B-10 Questionable Expenditures – No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979, except as discussed in finding I-C-10.

II-C-10 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

Corwith-Wesley Community School District
Corwith, Iowa

Schedule of Findings

Year ended June 30, 2010

II-D-10 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Merl Sohl, teacher, Owner of J&M Construction	Construction supplies and labor	\$ 442

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

II-E-10 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage is reviewed annually to ensure the coverage is adequate for current operations.

II-F-10 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.

II-G-10 Certified Enrollment – No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

II-H-10 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

II-I-10 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B of the Code of Iowa and the District's investment policy were noted. However, the District did not specify the maximum amount that may be kept on deposit in each depository as required by Chapter 12C.2 of the Code of Iowa.

Recommendation – The District should approve the maximum amount that can be deposited at its approved depositories.

Response – In the future we will approve the maximum amount that can be deposited.

Conclusion – Response accepted.

Corwith-Wesley Community School District
Corwith, Iowa

Schedule of Findings

Year ended June 30, 2010

- II-J-10 Certified Annual Report – The Certified Annual Report was certified timely to the Iowa Department of Education.
- II-K-10 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- II-L-10 Statewide Sales, Services and Use Tax – No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. For the year ended June 30, 2010, the District’s financial activity and other required information for the statewide sales, services and use tax revenue are as follows:

Beginning balance	\$ 103,770
Statewide sales, services and use tax revenue	90,086
Expenditures:	
School infrastructure	
Equipment	<u>(53,933)</u>
Ending balance	\$ <u>139,923</u>

- II-M-10 Deficit Balances – Thirteen student activity accounts had deficit balances at June 30, 2010.

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

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

Conclusion – Response accepted.

Corwith-Wesley Community School District
Corwith, Iowa

Schedule of Findings

Year ended June 30, 2010

II-N-10 Check Signers – As previously noted, three checks were signed by the Board President only. Chapter 291.8 of the Code of Iowa states, in part, that the secretary shall sign, using an original or facsimile signature, all school district warrants.

Recommendation – The District should ensure all warrants are signed by the Board President and the Board Secretary.

Response – This was an oversight this year. The Secretary will sign all warrants in the future.

Conclusion – Response accepted.

II-O-10 Salary Publication – The annual salary listing was not published as required by Chapter 279.35 of the Code of Iowa.

Recommendation – The District should annually publish salaries paid to employees of the District.

Response – The annual salary listing was faxed to the paper but was never published. In the future we will ensure the salary listing, once sent to the paper, gets published in a timely manner.

Conclusion – Response accepted.