

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

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

**YEAR ENDED JUNE 30, 2011**

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Corwith-Wesley Community School District  
Corwith, Iowa

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
Keith Hauswirth	President	2013
Jonathon Chambers	Vice President	2011
Susan Burrs	Board Member	2011
Tracy Studer	Board Member	2013
Kevin Wilhite	Board Member	(Resigned July 2010) 2011
Jodi Grein	Board Member	(Appointed August 2010) 2011
<b>School Officials</b>		
Michael Bumgarner	Superintendent	2011
Beth DeGroote	District Secretary/Treasurer and Business Manager	(Resigned) June 2011
Sue Parcel	District Secretary/Treasurer and Business Manager	(Hired) June 2011
Ahlers & Cooney, P.C.	Attorney	Indefinite

# Cornwell, Frideres, Maher & Associates, P.L.C.

## Certified Public Accountants

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**Jerilyn J. Maher, C.P.A.**  
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### 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, 2011, 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, 2011, 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 26, 2012 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 14 and 15 through 48 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 eight years ended June 30, 2010 (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 7 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

March 26, 2012

## 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, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### 2011 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$2,234,544 in fiscal 2010 to \$2,365,121 in fiscal 2011, while General Fund expenditures decreased from \$2,002,834 in fiscal 2010 to \$1,858,221 in fiscal 2011. The District's General Fund balance increased from 153,260 in fiscal 2010 to \$646,994 in fiscal 2011, a 322% increase.
- The fiscal year 2011 General Fund revenue increase was attributable to increases in property tax and federal grant revenue. The decrease in expenditures was due primarily to working at controlling expenditures in all functional areas.

### USING THIS ANNUAL REPORT

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

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

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

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

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

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

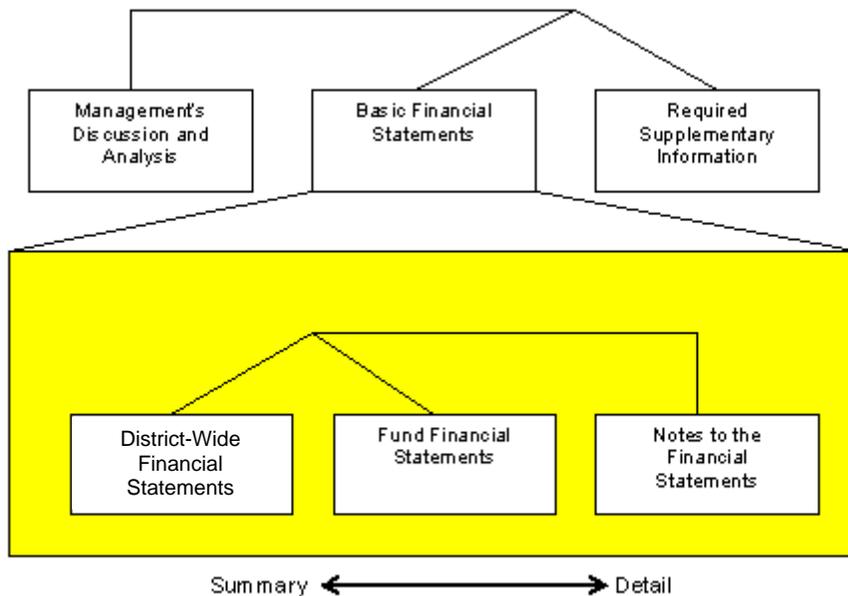


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

<b>Figure A-2 Major Features of the Government-Wide and Fund Financial Statements</b>				
	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"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of cash flows</li> <li>• Statement of revenues, expenses and changes in fund net assets</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial 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 Private-Purpose Trust and Agency Funds.

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.
- Agency 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, 2011 compared to June 30, 2010.

<b>Figure A-3</b>							
<b>Condensed Statement of Net Assets</b>							
<b>(Expressed in Thousands)</b>							
	<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>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2010-2011</u>
Current and other assets	\$ 2,864	2,397	9	11	2,873	2,408	19.3%
Capital assets	377	410	4	5	381	415	-8.2%
Total assets	<u>3,241</u>	<u>2,807</u>	<u>13</u>	<u>16</u>	<u>3,254</u>	<u>2,823</u>	<u>15.3%</u>
Long-term liabilities	6	7	---	---	6	7	-14.3%
Other liabilities	<u>1,616</u>	<u>1,760</u>	<u>7</u>	<u>7</u>	<u>1,623</u>	<u>1,767</u>	<u>-8.1%</u>
Total liabilities	<u>1,622</u>	<u>1,767</u>	<u>7</u>	<u>7</u>	<u>1,629</u>	<u>1,774</u>	<u>-8.2%</u>
Net assets:							
Invested in capital assets, net of related debt	377	410	4	5	381	415	-8.2%
Restricted	367	370	---	---	367	370	-0.8%
Unrestricted	<u>875</u>	<u>260</u>	<u>2</u>	<u>4</u>	<u>877</u>	<u>264</u>	<u>232.2%</u>
Total net assets	<u>\$ 1,619</u>	<u>1,040</u>	<u>6</u>	<u>9</u>	<u>1,625</u>	<u>1,049</u>	<u>54.9%</u>

The District's combined net assets increased 55% or approximately \$576,000, over the prior year. A portion of the District's net assets are 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 decreased approximately \$3,000 or 1% from the prior year. The decrease was primarily a result of a decrease 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 613,000 or 232%. 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, 2011 compared to the year ended June 30, 2010.

<b>Figure A-4</b>							
<b>Changes in Net Assets</b>							
<b>(Expressed in Thousands)</b>							
	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	2011	2010	2011	2010	2011	2010	2010-2011
Revenues:							
Program revenues:							
Charges for service	\$ 316	351	20	19	336	370	-9.2%
Operating grants, contributions and restricted interest	332	314	27	22	359	336	6.8%
Capital grants, contributions and restricted interest	57	30	---	2	57	32	78.1%
General revenues:							
Property tax	1,373	1,270	---	---	1,373	1,270	8.1%
Income surtax	153	164	---	---	153	164	-6.7%
Statewide sales, services and use tax	96	90	---	---	96	90	6.7%
Unrestricted state grants	272	264	---	---	272	264	3.0%
Unrestricted investment earnings	---	12	---	---	---	12	-100.0%
Other	<u>35</u>	<u>19</u>	<u>---</u>	<u>---</u>	<u>35</u>	<u>19</u>	<u>84.2%</u>
Total revenues	<u>2,634</u>	<u>2,514</u>	<u>47</u>	<u>43</u>	<u>2,681</u>	<u>2,557</u>	<u>4.8%</u>
Program expenses:							
Governmental activities:							
Instruction	1,348	1,440	---	---	1,348	1,440	-6.4%
Support services	573	651	---	---	573	651	-12.0%
Non-instructional programs	---	---	63	71	63	71	-11.3%
Other expenses	<u>121</u>	<u>127</u>	<u>---</u>	<u>---</u>	<u>121</u>	<u>127</u>	<u>-4.7%</u>
Total expenses	<u>2,042</u>	<u>2,218</u>	<u>63</u>	<u>71</u>	<u>2,105</u>	<u>2,289</u>	<u>-8.0%</u>
Excess (deficiency) of revenues over (under) expenses	592	296	(16)	(28)	576	268	114.9%
Transfers	<u>(13)</u>	<u>(20)</u>	<u>13</u>	<u>20</u>	<u>---</u>	<u>---</u>	<u>0.0%</u>
Increase (decrease) in net assets	579	276	(3)	(8)	576	268	114.9%
Net assets beginning of year, as restated	<u>1,040</u>	<u>764</u>	<u>9</u>	<u>17</u>	<u>1,049</u>	<u>781</u>	<u>34.3%</u>
Net assets end of year	\$ <u>1,619</u>	<u>1,040</u>	<u>6</u>	<u>9</u>	<u>1,625</u>	<u>1,049</u>	<u>54.9%</u>

In fiscal year 2011, property tax and unrestricted state grants accounted for 62% of governmental activities revenue while charges for service and operating grants, contributions and restricted interest accounted for 100% of business type activities revenue.

The District's total revenues were approximately \$2.7 million, of which approximately \$2.6 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 4.8% increase in revenues and an 8.0% decrease in expenses. The decrease in expenses is due to the District reducing expenses.

## Governmental Activities

Revenues for governmental activities were \$2,634,429 and expenses were \$2,042,282 for the year ended June 30, 2011.

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, 2011 compared to the year ended June 30, 2010.

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

	Total Cost of Services			Net Cost of Services		
	2011	2010	Change 2010-2011	2011	2010	Change 2010-2011
Instruction	\$ 1,348	1,440	-6.4 %	763	856	-10.9 %
Support services	573	651	-12.0 %	544	632	-13.9 %
Non-instructional programs	---	---	0.0 %	---	---	0.0 %
Other expenses	121	127	-4.7 %	30	36	-16.7 %
Total	\$ 2,042	2,218	-7.9 %	1,337	1,524	-12.3 %
	=====	=====	=====	=====	=====	=====

For the year ended June 30, 2011:

- The cost financed by users of the District's programs was \$316,097.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$388,952.
- The net cost of governmental activities was financed with \$1,622,025 in property and other taxes and \$272,209 in unrestricted state grants.

## Business Type Activities

Revenues for business type activities during the year ended June 30, 2011 were \$46,914 representing a 9.4% increase over the prior year, while expenses totaled \$62,543, 11.4% 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 \$13,166 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 \$1,102,036, above last year's ending fund balances of \$509,701.

### **Governmental Fund Highlights**

- The District's improving General Fund financial position is the result of many factors. Revenues increased from the prior year, and the District reduced spending in the General Fund which improved the financial condition of the General Fund.
- The General Fund balance increased from \$153,260 to \$646,994.
- The Capital Projects Fund balance increased from \$254,024 in fiscal 2010 to \$336,367 in fiscal 2011.

### **Proprietary Fund Highlights**

School Nutrition Fund net assets decreased from \$8,839 at June 30, 2010 to \$6,376 at June 30, 2011, representing a decrease of approximately 28%. The District transferred \$13,166 from the General Fund to cover expenses.

### **BUDGETARY HIGHLIGHTS**

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

The District's total revenues were \$104,222 more than total budgeted revenues, a variance of 4%.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. 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.

### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

#### **Capital Assets**

At June 30, 2011, the District had invested approximately \$381,000 net of accumulated depreciation/amortization, 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 decrease of 8.2% 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 \$66,234.

The original cost of the District's capital assets was approximately \$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,
	2011	2010	2011	2010	2011	2010	2010-2011
Land	\$ 1	1	---	---	1	1	0.0%
Buildings	127	122	---	---	127	122	4.1%
Improvements other than buildings	17	18	---	---	17	18	-5.6%
Furniture and equipment	<u>232</u>	<u>269</u>	<u>4</u>	<u>5</u>	<u>236</u>	<u>274</u>	<u>-13.9%</u>
Total	<u>\$ 377</u>	<u>410</u>	<u>4</u>	<u>5</u>	<u>381</u>	<u>415</u>	<u>-8.2%</u>

### Long-Term Debt

At June 30, 2011, the District had \$6,017 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,
	2011	2010	2010-2011
Compensated absences	\$ <u>6</u>	<u>7</u>	<u>-14.3%</u>

### 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 Sue Parcel, 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, 2011

Exhibit A

	<u>Governmental</u> <u>Activities</u>	<u>Business Type</u> <u>Activities</u>	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 1,171,427	3,943	1,175,370
Receivables:			
Property tax:			
Delinquent	30,210	-	30,210
Succeeding year	1,309,000	-	1,309,000
Accounts	5,949	-	5,949
Due from other governments	346,748	-	346,748
Inventories	-	5,085	5,085
Capital assets, net of accumulated depreciation	<u>377,338</u>	<u>4,077</u>	<u>381,415</u>
<b>Total assets</b>	<u><u>3,240,672</u></u>	<u><u>13,105</u></u>	<u><u>3,253,777</u></u>
<b>Liabilities</b>			
Accounts payable	125,779	316	126,095
Salaries and benefits payable	172,995	6,413	179,408
Deferred revenue:			
Succeeding year property tax	1,309,000	-	1,309,000
Other	7,816	-	7,816
Long-term liabilities:			
Portion due after one year:			
Compensated absences	<u>6,017</u>	<u>-</u>	<u>6,017</u>
<b>Total liabilities</b>	<u><u>1,621,607</u></u>	<u><u>6,729</u></u>	<u><u>1,628,336</u></u>
<b>Net assets</b>			
Invested in capital assets, net of related debt	377,338	4,077	381,415
Restricted for:			
Categorical funding	136,502	-	136,502
Management levy purposes	101,670	-	101,670
Physical plant and equipment	112,202	-	112,202
Student activities	17,005	-	17,005
Unrestricted	<u>874,348</u>	<u>2,299</u>	<u>876,647</u>
<b>Total net assets</b>	<u><u>\$ 1,619,065</u></u>	<u><u>6,376</u></u>	<u><u>1,625,441</u></u>

See notes to financial statements.

Corwith-Wesley Community School District  
 Corwith, Iowa  
 Statement of Activities  
 Year ended June 30, 2011

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Service</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
<b><u>Functions/Programs:</u></b>				
Governmental activities:				
Instruction:				
Regular instruction	\$ 811,599	192,936	189,130	15,629
Special instruction	238,877	65,949	15,041	7,543
Other instruction	297,806	56,489	42,192	-
	<u>1,348,282</u>	<u>315,374</u>	<u>246,363</u>	<u>23,172</u>
Support services:				
Student	25,348	-	-	-
Instructional staff	42,442	-	5,198	20,682
Administration	230,511	-	-	-
Operation and maintenance of plant	169,557	723	-	-
Transportation	105,176	-	2,200	-
	<u>573,034</u>	<u>723</u>	<u>7,398</u>	<u>20,682</u>
Other expenditures:				
Facilities acquisition	19,380	-	-	12,791
AEA flowthrough	78,546	-	78,546	-
Depreciation (unallocated)*	23,040	-	-	-
	<u>120,966</u>	<u>-</u>	<u>78,546</u>	<u>12,791</u>
Total governmental activities	2,042,282	316,097	332,307	56,645
Business type activities:				
Non-instructional programs:				
Food service operations	62,543	20,323	26,591	-
Total	<u>\$ 2,104,825</u>	<u>336,420</u>	<u>358,898</u>	<u>56,645</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  
 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
(413,904)	-	(413,904)
(150,344)	-	(150,344)
(199,125)	-	(199,125)
<u>(763,373)</u>	<u>-</u>	<u>(763,373)</u>
(25,348)	-	(25,348)
(16,562)	-	(16,562)
(230,511)	-	(230,511)
(168,834)	-	(168,834)
(102,976)	-	(102,976)
<u>(544,231)</u>	<u>-</u>	<u>(544,231)</u>
(6,589)	-	(6,589)
-	-	-
<u>(23,040)</u>	<u>-</u>	<u>(23,040)</u>
<u>(29,629)</u>	<u>-</u>	<u>(29,629)</u>
(1,337,233)	-	(1,337,233)
-	(15,629)	(15,629)
<u>(1,337,233)</u>	<u>(15,629)</u>	<u>(1,352,862)</u>
\$ 1,342,398	-	1,342,398
30,451	-	30,451
152,719	-	152,719
96,457	-	96,457
272,209	-	272,209
362	-	362
34,784	-	34,784
(13,166)	13,166	-
<u>1,916,214</u>	<u>13,166</u>	<u>1,929,380</u>
578,981	(2,463)	576,518
<u>1,040,084</u>	<u>8,839</u>	<u>1,048,923</u>
<u>\$ 1,619,065</u>	<u>6,376</u>	<u>1,625,441</u>

Corwith-Wesley Community School District  
Corwith, Iowa

Exhibit C

Balance Sheet  
Governmental Funds

June 30, 2011

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Special Revenue</u>	<u>Total</u>
<b>Assets</b>				
Cash and pooled investments	\$ 734,246	321,632	115,549	1,171,427
Receivables:				
Property tax:				
Delinquent	28,439	670	1,101	30,210
Succeeding year	1,224,000	33,000	52,000	1,309,000
Accounts	3,520	-	2,429	5,949
Due from other governments	<u>330,491</u>	<u>16,257</u>	<u>-</u>	<u>346,748</u>
<b>Total assets</b>	<b><u>\$ 2,320,696</u></b>	<b><u>371,559</u></b>	<b><u>171,079</u></b>	<b><u>2,863,334</u></b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 123,183	2,192	404	125,779
Salaries and benefits payable	172,995	-	-	172,995
Deferred revenue:				
Succeeding year property tax	1,224,000	33,000	52,000	1,309,000
Other	<u>153,524</u>	<u>-</u>	<u>-</u>	<u>153,524</u>
Total liabilities	<u>1,673,702</u>	<u>35,192</u>	<u>52,404</u>	<u>1,761,298</u>
Fund balances:				
Restricted for:				
Categorical funding	136,502	-	-	136,502
Management levy purposes	-	-	101,670	101,670
Student activities	-	-	17,005	17,005
School infrastructure	-	224,165	-	224,165
Physical plant and equipment	-	112,202	-	112,202
Unassigned	<u>510,492</u>	<u>-</u>	<u>-</u>	<u>510,492</u>
Total fund balances	<u>646,994</u>	<u>336,367</u>	<u>118,675</u>	<u>1,102,036</u>
<b>Total liabilities and fund balances</b>	<b><u>\$ 2,320,696</u></b>	<b><u>371,559</u></b>	<b><u>171,079</u></b>	<b><u>2,863,334</u></b>

See notes to financial statements.

Corwith-Wesley Community School District  
Corwith, Iowa

Exhibit D

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

June 30, 2011

**Total fund balances of governmental funds (page 18)** \$ 1,102,036

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 377,338

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds. 145,708

Long-term liabilities, including compensated absences are not due and payable in the current year and, therefore, are not reported in the governmental funds. (6,017)

**Net assets of governmental activities (page 15)** \$ 1,619,065

See notes to financial statements.

Corwith-Wesley Community School District  
Corwith, Iowa

Exhibit E

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
Year ended June 30, 2011

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Special Revenue</u>	<u>Total</u>
<b>Revenues:</b>				
Local sources:				
Local tax	\$ 1,427,191	126,907	50,025	1,604,123
Tuition	254,009	-	-	254,009
Other	38,048	716	60,933	99,697
State sources	490,920	13	21	490,954
Federal sources	154,953	12,791	-	167,744
Total revenues	<u>2,365,121</u>	<u>140,427</u>	<u>110,979</u>	<u>2,616,527</u>
 <b>Expenditures:</b>				
Current:				
Instruction:				
Regular	811,041	-	-	811,041
Special	244,583	-	-	244,583
Other	247,284	-	51,644	298,928
	<u>1,302,908</u>	<u>-</u>	<u>51,644</u>	<u>1,354,552</u>
Support services:				
Student	25,348	-	-	25,348
Instructional staff	42,442	-	-	42,442
Administration	207,358	9,355	11,764	228,477
Operation and maintenance of plant	136,128	5,815	26,183	168,126
Transportation	65,491	1,170	5,130	71,791
	<u>476,767</u>	<u>16,340</u>	<u>43,077</u>	<u>536,184</u>
Other expenditures:				
Facilities acquisition	-	41,744	-	41,744
AEA flowthrough	78,546	-	-	78,546
	<u>78,546</u>	<u>41,744</u>	<u>-</u>	<u>120,290</u>
Total expenditures	<u>1,858,221</u>	<u>58,084</u>	<u>94,721</u>	<u>2,011,026</u>
 Excess of revenues over expenditures	 506,900	 82,343	 16,258	 605,501
 Other financing sources (uses):				
Operating transfers out	(13,166)	-	-	(13,166)
Net change in fund balances	493,734	82,343	16,258	592,335
Fund balances beginning of year, as restated	153,260	254,024	102,417	509,701
Fund balances end of year	<u>\$ 646,994</u>	<u>336,367</u>	<u>118,675</u>	<u>1,102,036</u>

See notes to financial statements.

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, 2011

**Net change in fund balances - total governmental funds (page 20)** \$ 592,335

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

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

Expenditures for capital assets	\$ 32,830	
Depreciation expense	<u>(65,036)</u>	(32,206)

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.	17,902
--	--------

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

Compensated absences	<u>950</u>
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**Change in net assets of governmental activities (page 17)** \$ 578,981

See notes to financial statements.

Corwith-Wesley Community School District  
Corwith, Iowa

Exhibit G

Statement of Net Assets  
Proprietary Fund

June 30, 2011

	<u>School Nutrition</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 3,943
Inventories	5,085
Capital assets, net of accumulated depreciation	<u>4,077</u>
<b>Total assets</b>	<u>13,105</u>
<b>Liabilities</b>	
Accounts payable	316
Salaries and benefits payable	<u>6,413</u>
<b>Total liabilities</b>	<u>6,729</u>
<b>Net Assets</b>	
Invested in capital assets	4,077
Unrestricted	<u>2,299</u>
<b>Total net assets</b>	<u>\$ 6,376</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, 2011

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for service	\$ 20,323
Total operating revenues	<u>20,323</u>
Operating expenses:	
Support services:	
Operation and maintenance of plant	<u>824</u>
Non-instructional programs:	
Food service operations:	
Salaries	22,938
Benefits	15,763
Supplies	21,820
Depreciation	<u>1,198</u>
Total operating expenses	<u>61,719</u> <u>62,543</u>
Operating loss	<u>(42,220)</u>
Non-operating revenues:	
State sources	413
Federal sources	<u>26,178</u>
Total non-operating revenues	<u>26,591</u>
Loss before other revenue and transfers	(15,629)
Transfers:	
Transfers in	<u>13,166</u>
Decrease in net assets	(2,463)
Net assets beginning of year	8,839
Net assets end of year	<u>\$ 6,376</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, 2011

School  
Nutrition

Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 21,363
Cash paid to employees for services	(39,750)
Cash paid to suppliers for goods or services	<u>(18,996)</u>
Net cash used by operating activities	<u>(37,383)</u>
Cash flows from non-capital financing activities:	
State grants received	413
Federal grants received	20,557
Transfer from General Fund	<u>13,166</u>
Net cash provided by non-capital financing activities	<u>34,136</u>
Net decrease in cash and cash equivalents	(3,247)
Cash and cash equivalents beginning of year	<u>7,190</u>
Cash and cash equivalents end of year	<u>\$ 3,943</u>

(continued)

Corwith-Wesley Community School District  
Corwith, Iowa

Exhibit I

Statement of Cash Flows  
Proprietary Fund

Year ended June 30, 2011

School  
Nutrition

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

Operating loss	\$ (42,220)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	5,621
Depreciation	1,198
Decrease in accounts receivable	1,040
(Increase) in inventories	(2,217)
Increase in accounts payable	244
(Decrease) in salaries and benefits payable	<u>(1,049)</u>
Net cash used by operating activities	<u>\$ (37,383)</u>

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

During the year ended June 30, 2011, the District received \$5,621 of federal commodities.

See notes to financial statements.

Corwith-Wesley Community School District  
Corwith, Iowa

Exhibit J

Statement of Fiduciary Net Assets  
Fiduciary Funds

June 30, 2011

Agency

**Assets**

Cash and pooled investments \$ 510

**Total assets** 510

**Liabilities**

Other payables 510

**Total liabilities** 510

**Net assets** \$ -

See notes to financial statements.

Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds

Year ended June 30, 2011

	Private Purpose Trust <u>Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	\$ 2,500
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	<u>2,500</u>
Change in net assets	<u>-</u>
Net assets beginning of year	-
Net assets end of year	<u><u>\$ -</u></u>

See notes to financial statements.

Corwith-Wesley Community School District  
Corwith, Iowa

Notes to Financial Statements

June 30, 2011

**(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, 2011

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, 2011

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. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

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

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

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

The Agency 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, 2011

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, 2011

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

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, 2011

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, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2010.

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, 2011

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, 2011

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. 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 year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. 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 and unspent grant proceeds.

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, 2011. 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, fund balance are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in other spendable classifications.

Corwith-Wesley Community School District  
Corwith, Iowa

Notes to Financial Statements

June 30, 2011

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.

E. Budgets and Budgetary Accounting

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

**(2) Cash and Pooled Investments**

The District's deposits in banks at June 30, 2011 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, 2011 and deposited its excess cash in certificates of deposit and savings.

Corwith-Wesley Community School District  
Corwith, Iowa

Notes to Financial Statements

June 30, 2011

**(3) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Proprietary:		
School Nutrition	General	\$ <u>13,166</u>

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

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

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants. 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.

The District pledges its state foundation aid payments and General Fund receipts as security for the warrants issued. Repayments must be made when General Fund receipts are received. The District must make minimum warrant repayments on the 25<sup>th</sup> 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 2010-11A warrants is 1.20% plus the one-month LIBOR rate, adjusted daily. The interest rate on the Series 2010-11B warrants is a variable rate, calculated daily upon the LIBOR rate plus 120 basis points. The District had no ISCAP advance activity for the year ended June 30, 2011.

Corwith-Wesley Community School District  
Corwith, Iowa

Notes to Financial Statements

June 30, 2011

**(5) Capital Assets**

Capital assets activity for the year ended June 30, 2011 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 1,315	---	---	1,315
Capital assets being depreciated:				
Buildings	604,365	12,840	---	617,205
Improvements other than buildings	121,051	---	---	121,051
Furniture and equipment	1,250,204	19,990	---	1,270,194
Total capital assets being depreciated	1,975,620	32,830	---	2,008,450
Less accumulated depreciation for:				
Buildings	482,576	7,547	---	490,123
Improvements other than buildings	102,650	1,315	---	103,965
Furniture and equipment	982,165	56,174	---	1,038,339
Total accumulated depreciation	1,567,391	65,036	---	1,632,427
Total capital assets being depreciated, net	408,229	(32,206)	---	376,023
Governmental activities capital assets, net	\$ 409,544	(32,206)	---	377,338
=====				
<b>Business type activities:</b>				
Furniture and equipment	\$ 17,148	---	---	17,148
Less accumulated depreciation	11,873	1,198	---	13,071
Business type activities capital assets, net	\$ 5,275	(1,198)	---	4,077
=====				

Corwith-Wesley Community School District  
Corwith, Iowa

Notes to Financial Statements

June 30, 2011

Depreciation expense was charged to the following functions:

Governmental activities:	
Instruction:	
Regular	\$ 2,992
Special	1,837
Other	317
Support services:	
Administration	2,034
Operation and maintenance of plant	1,431
Transportation	<u>33,385</u>
	41,996
Unallocated	<u>23,040</u>
	\$ <u>65,036</u>
Business type activities:	
Food service operations	\$ <u>1,198</u>

**(6) Long-Term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2011 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Compensated absences	\$ 6,967	---	950	6,017	----

**(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.

Corwith-Wesley Community School District  
Corwith, Iowa

Notes to Financial Statements

June 30, 2011

Plan members are required to contribute 4.50% of their annual covered salary and the District is required to contribute 6.95% of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2011, 2010, and 2009 were \$67,943, \$68,630, and \$74,292 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.

The District has no net OPEB obligation for the year ended June 30, 2011 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, 2011.

For the year ended June 30, 2011, the District contributed \$0 to the medical plan. Plan members eligible contributed \$0, or 0% of the premium costs.

Corwith-Wesley Community School District  
Corwith, Iowa

Notes to Financial Statements

June 30, 2011

Funded Status and Funding Progress – As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, 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 \$929,000 and the ratio of the UAAL to covered payroll was 0%. As of June 30, 2011, 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.

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.

Corwith-Wesley Community School District  
Corwith, Iowa

Notes to Financial Statements

June 30, 2011

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 \$78,546 for the year ended June 30, 2011 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 November 23, 2009 for a period of five years. The amount paid for the fiscal year ended June 30, 2011 was \$9,355. Future rentals are scheduled as follows:

<u>Year Ending June 30,</u>	
2012	\$ 9,613
2013	9,613
2014	9,613
2015	<u>4,006</u>
Total	\$ 32,845
	=====

Corwith-Wesley Community School District  
Corwith, Iowa

Notes to Financial Statements

June 30, 2011

**(12) Categorical Funding**

The District's reserved fund balance for categorical funding at June 30, 2011 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Beginning teacher mentoring	\$ 1,084
Teacher salary supplement	11,104
Market factor	3,272
Professional development – core curriculum	11,297
Professional development	30,467
Dropout prevention	58,988
Gifted and Talented	<u>20,290</u>
Total	\$ 136,502 =====

**(13) Accounting Change/Restatement**

Governmental Accounting Standards Board Statement No.54 Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	Capital Projects	Special Revenue, Physical Plant and Equipment Levy
Balances June 30, 2010, as previously reported	\$ 139,923	114,101
Change in fund type classification per implementation of GASB Statement No. 54	<u>114,101</u>	<u>(114,101)</u>
Balances July 1, 2010, as restated	\$ 254,024 =====	--- =====

Corwith-Wesley Community School District  
Corwith, Iowa

Notes to Financial Statements

June 30, 2011

**(14) Subsequent Events**

Subsequent events have been evaluated through March 26, 2012, which is the date the financial statements were available to be issued.

On December 13, 2011, the Board approved the 1:1 computer initiative for the teachers.

**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, 2011

	Governmental Funds <u>Actual</u>	Proprietary Fund <u>Actual</u>
Revenues:		
Local sources	\$ 1,957,829	20,323
State sources	490,954	413
Federal sources	<u>167,744</u>	<u>26,178</u>
Total revenues	<u>2,616,527</u>	<u>46,914</u>
Expenditures/Expenses:		
Instruction	1,354,552	-
Support services	536,184	824
Non-instructional programs	-	61,719
Other expenditures	<u>120,290</u>	<u>-</u>
Total expenditures/expenses	<u>2,011,026</u>	<u>62,543</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	605,501	(15,629)
Other financing sources, net	<u>(13,166)</u>	<u>13,166</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	592,335	(2,463)
Balances beginning of year	<u>509,701</u>	<u>8,839</u>
Balances end of year	<u>\$ 1,102,036</u>	<u>6,376</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>	
1,978,152	1,846,886	1,846,886	131,266
491,367	577,833	577,833	(86,466)
<u>193,922</u>	<u>134,500</u>	<u>134,500</u>	<u>59,422</u>
<u>2,663,441</u>	<u>2,559,219</u>	<u>2,559,219</u>	<u>104,222</u>
1,354,552	1,493,505	1,493,505	138,953
537,008	801,830	801,830	264,822
61,719	112,200	112,200	50,481
<u>120,290</u>	<u>131,595</u>	<u>131,595</u>	<u>11,305</u>
<u>2,073,569</u>	<u>2,539,130</u>	<u>2,539,130</u>	<u>465,561</u>
589,872	20,089	20,089	569,783
<u>-</u>	<u>45,000</u>	<u>45,000</u>	<u>(45,000)</u>
589,872	65,089	65,089	524,783
<u>518,540</u>	<u>502,847</u>	<u>502,847</u>	<u>15,693</u>
<u>1,108,412</u>	<u>567,936</u>	<u>567,936</u>	<u>540,476</u>

Corwith-Wesley Community School District  
Corwith, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2011

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 Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on 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, 2011, expenditures did not exceed the amounts budgeted in any of the four functional areas.

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%
2011	July 1, 2009	-	-	-	0.0%	929,000	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.

See accompanying independent auditor's report.

## **Other Supplementary Information**

Corwith-Wesley Community School District  
Corwith, Iowa

Schedule 1

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2011

	Special Revenue		
	Manage- ment <u>Levy</u>	Student Activity <u>Activity</u>	<u>Total</u>
<b>Assets</b>			
Cash and pooled investments	\$ 100,569	14,980	115,549
Receivables:			
Property tax:			
Delinquent	1,101	-	1,101
Succeeding year	52,000	-	52,000
Accounts	-	2,429	2,429
<b>Total assets</b>	<b>\$ 153,670</b>	<b>17,409</b>	<b>171,079</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ -	404	404
Deferred revenue:			
Succeeding year property tax	52,000	-	52,000
Total liabilities	52,000	404	52,404
Fund Balances:			
Restricted for:			
Management levy purposes	101,670	-	101,670
Student activities	-	17,005	17,005
Total fund balances	101,670	17,005	118,675
<b>Total liabilities and fund balances</b>	<b>\$ 153,670</b>	<b>17,409</b>	<b>171,079</b>

See accompanying independent auditor's report.

Corwith-Wesley Community School District  
Corwith, Iowa

Schedule 2

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

Year ended June 30, 2011

	Special Revenue		
	Manage- ment <u>Levy</u>	Student Activity	<u>Total</u>
Revenues:			
Local sources:			
Local tax	\$ 50,025	-	50,025
Other	5,959	54,974	60,933
State sources	21	-	21
Total revenues	56,005	54,974	110,979
Expenditures:			
Current:			
Instruction:			
Other instruction	-	51,644	51,644
Support services:			
Administration	11,764	-	11,764
Operation and maintenance of plant	26,183	-	26,183
Transportation	5,130	-	5,130
Total expenditures	43,077	51,644	94,721
Excess of revenues over expenditures	12,928	3,330	16,258
Fund balances beginning of year, as restated	88,742	13,675	102,417
Fund balances end of year	\$ 101,670	17,005	118,675

See accompanying independent auditor's report.

Corwith-Wesley Community School District  
Corwith, Iowa

Schedule 3

Combining Balance Sheet  
Capital Project Accounts

June 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	<u>Total</u>
<b>Assets</b>			
Cash and pooled investments	\$ 210,100	111,532	321,632
Receivables:			
Property tax:			
Delinquent	-	670	670
Succeeding year	-	33,000	33,000
Due from other governments	<u>16,257</u>	<u>-</u>	<u>16,257</u>
<b>Total assets</b>	<u><u>\$ 226,357</u></u>	<u><u>145,202</u></u>	<u><u>371,559</u></u>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 2,192	-	2,192
Deferred revenue:			
Succeeding year property tax	<u>-</u>	<u>33,000</u>	<u>33,000</u>
Total liabilities	<u>2,192</u>	<u>33,000</u>	<u>35,192</u>
Fund Balances:			
Restricted for:			
School infrastructure	224,165	-	224,165
Physical plant and equipment	<u>-</u>	<u>112,202</u>	<u>112,202</u>
Total fund balances	<u>224,165</u>	<u>112,202</u>	<u>336,367</u>
<b>Total liabilities and fund balances</b>	<u><u>\$ 226,357</u></u>	<u><u>145,202</u></u>	<u><u>371,559</u></u>

See accompanying independent auditor's report.

Corwith-Wesley Community School District  
Corwith, Iowa

Schedule 4

Combining Schedule of Revenues, Expenditures  
and Changes in Fund Balances  
Capital Project Accounts

Year ended June 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 96,457	30,450	126,907
Other	654	62	716
State sources	-	13	13
Federal sources	-	12,791	12,791
Total revenues	97,111	43,316	140,427
Expenditures:			
Current:			
Support services:			
Administration	-	9,355	9,355
Operation and maintenance of plant	-	5,815	5,815
Transportation	1,170	-	1,170
Other expenditures:			
Facilities acquisition	11,699	30,045	41,744
Total expenditures	12,869	45,215	58,084
Excess (deficiency) of revenues over (under) expenditures	84,242	(1,899)	82,343
Fund balances beginning of year, as restated	139,923	114,101	254,024
Fund balances end of year	\$ 224,165	112,202	336,367

See accompanying independent auditor's report.

Corwith-Wesley Community School District  
Corwith, Iowa

Schedule 5

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2011

<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	\$ (3,492)	5,413	4,441	-	(2,520)
Athletics - HS	(1,197)	900	906	-	(1,203)
Athletics - JH	(964)	-	50	-	(1,014)
Baseball	(4,346)	1,501	2,443	-	(5,288)
Book Club	100	-	-	-	100
Boys Basketball	5,375	3,091	1,740	-	6,726
Boys Track	(184)	1,309	958	-	167
Business Class	750	251	286	-	715
Cheerleaders	207	1,406	1,254	-	359
Class of 2010	906	-	431	-	475
Class of 2011	3,154	3,177	5,745	-	586
Class of 2012	2,521	2,818	2,382	-	2,957
Class of 2013	462	2,215	-	-	2,677
Class of 2014	130	110	100	-	140
Class of 2015	65	220	-	-	285
Clubs and Organizations	(68)	-	-	-	(68)
Cross Country	(2,017)	1,527	1,517	-	(2,007)
Danz Squad	(979)	1,587	318	-	290
Drama	2,330	1,581	1,637	-	2,274
FFA	3,516	3,280	3,629	-	3,167
Football	5,703	9,417	8,092	-	7,028
Girls Basketball	6,974	3,306	1,650	-	8,630
Girls Track	667	2,177	2,201	-	643
Golf	(2,667)	81	513	-	(3,099)
Instrumental - High School and Elementary	1,130	-	663	-	467

(continued)

Corwith-Wesley Community School District  
Corwith, Iowa

Schedule 5

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2011

<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	766	4	-	-	770
National Honor Society	125	490	947	-	(332)
Softball	(4,374)	2,628	2,907	-	(4,653)
Speech	(1,583)	-	56	-	(1,639)
Student Council - HS	243	2,550	2,531	-	262
Student Council -JH	-	25	-	-	25
Student Trip Account	(242)	455	385	-	(172)
Vocal -HS	862	985	1,221	-	626
Vocal - JH	-	-	91	-	(91)
Volleyball	113	2,470	2,550	-	33
Weightlifting	(311)	-	-	-	(311)
Total	<u>\$ 13,675</u>	<u>54,974</u>	<u>51,644</u>	<u>-</u>	<u>17,005</u>

See accompanying independent auditor's report.

Schedule of Changes in Fiduciary Assets and Liabilities -  
 Agency Fund

Year ended June 30, 2011

	Balance Beginning of Year	<u>Additions</u>	<u>Deductions</u>	Balance End of Year
<b>Assets</b>				
Cash	\$ 10	<u>537</u>	<u>37</u>	<u>510</u>
<b>Total assets</b>	<u>\$ 10</u>	<u>537</u>	<u>37</u>	<u>510</u>
<b>Liabilities</b>				
Other payables	\$ 10	<u>537</u>	<u>37</u>	<u>510</u>
<b>Total liabilities</b>	<u>\$ 10</u>	<u>537</u>	<u>37</u>	<u>510</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 Nine Years

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>Modified</u> <u>2008</u>
Revenues:				
Local sources:				
Local tax	\$ 1,604,123	1,505,292	1,488,935	1,303,520
Tuition	254,009	275,176	103,548	152,893
Other	99,697	103,510	150,377	135,865
State sources	490,954	480,065	750,791	772,242
Federal sources	167,744	149,408	78,202	81,695
Total	<u>\$ 2,616,527</u>	<u>2,513,451</u>	<u>2,571,853</u>	<u>2,446,215</u>
Expenditures:				
Instruction:				
Regular	\$ 811,041	846,507	842,921	838,525
Special	244,583	232,757	257,846	297,728
Other	298,928	358,013	370,151	373,910
Support services:				
Student	25,348	36,156	36,293	36,904
Instructional staff	42,442	41,012	40,935	41,062
Administration	228,477	267,139	348,868	297,898
Operation and maintenance of plant	168,126	199,275	247,055	242,840
Transportation	71,791	141,281	91,346	207,498
Non-instructional programs	-	-	857	-
Other expenditures:				
Facilities acquisition	41,744	70,396	25,836	54,390
Long-term debt:				
Principal	-	14,951	14,351	15,576
Interest and other charges	-	625	1,225	-
AEA flowthrough	78,546	79,065	73,841	73,339
Total	<u>\$ 2,011,026</u>	<u>2,287,177</u>	<u>2,351,525</u>	<u>2,479,670</u>

See accompanying independent auditor's report.

Accrual Basis				
<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
1,281,748	1,161,181	1,164,783	1,112,721	1,027,811
159,428	123,214	111,521	94,033	79,961
130,605	122,487	150,130	126,496	111,652
847,067	946,873	957,461	954,149	919,570
<u>93,737</u>	<u>73,371</u>	<u>93,310</u>	<u>89,589</u>	<u>161,545</u>
<u>2,512,585</u>	<u>2,427,126</u>	<u>2,477,205</u>	<u>2,376,988</u>	<u>2,300,539</u>
894,887	856,555	869,497	856,161	789,158
386,422	347,821	456,817	423,783	414,019
341,596	362,730	309,196	310,160	296,146
34,374	32,194	31,260	37,428	40,349
29,699	36,666	21,350	38,226	77,749
284,300	268,795	295,396	246,143	240,006
236,317	322,388	233,177	218,423	227,795
166,385	116,616	94,254	85,848	76,659
-	-	-	197	731
64,348	-	93,629	18,162	71,746
-	-	-	17,573	-
-	-	-	896	-
<u>74,531</u>	<u>73,379</u>	<u>74,979</u>	<u>76,732</u>	<u>76,541</u>
<u>2,512,859</u>	<u>2,417,144</u>	<u>2,479,555</u>	<u>2,329,732</u>	<u>2,310,899</u>

# Cornwell, Frideres, Maher & Associates, P.L.C.

## Certified Public Accountants

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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, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 26, 2012. 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 an 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 another deficiency we consider to be a significant deficiency.

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-11 and I-B-11 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-11 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, 2011 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.*  
Cornwell, Frideres, Maher & Associates, P.L.C.  
Certified Public Accountants

March 26, 2012

Corwith-Wesley Community School District  
Corwith, Iowa

Schedule of Findings

Year ended June 30, 2011

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

**INTERNAL CONTROL DEFICIENCIES:**

I-A-11 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-11 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, 2011

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-11 Disbursements – For one transaction there was no evidence of Board approval. For one disbursement there was insufficient documentation to determine when the Superintendent approved the routine expenditure for advance payment in accordance with the District’s policy. For five transactions there were no invoices to support the expenditures. Also, three checks were signed by the Board President only and not by the Board Secretary.

Recommendation – The District should ensure all expenditures are properly approved, supported by an invoice and checks are properly signed. For payments made in advance of Board meetings, the District should maintain documentation of the Superintendent’s approval of claims for payment, such as the Superintendent’s initials and date of approval. The District should review the list of bills presented to the Board at regular meetings to ensure all claims are included. The District should also ensure the Board President and Board Secretary sign all checks.

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

Conclusion – Response accepted.

Corwith-Wesley Community School District  
Corwith, Iowa

Schedule of Findings

Year ended June 30, 2011

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

Corwith-Wesley Community School District  
Corwith, Iowa

Schedule of Findings

Year ended June 30, 2011

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

- II-A-11 Certified Budget – Expenditures for the year ended June 30, 2011 did not exceed the certified budget amounts in any of the functional areas.
- II-B-11 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979, were noted.
- II-C-11 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-11 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Merl Sohl, teacher, Owner of J&M Construction	Construction supplies and labor	\$ 3,208

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-11 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-11 Board Minutes – As previously noted, one disbursement requiring Board approval had not been approved by the Board as required by Chapter 279.29 of the Code of Iowa and an additional disbursement had insufficient documentation it had been approved for payment by the Superintendent in advance of the Board meeting as allowed by Chapter 279.30 of the Code of Iowa.

Also, the minutes did not document if closed sessions were closed by a roll call vote as required by Chapter 21.5 of the Code of Iowa.

Corwith-Wesley Community School District  
Corwith, Iowa

Schedule of Findings

Year ended June 30, 2011

Recommendation – All disbursements should be approved by the Board and sufficient documentation should be maintained to evidence proper Superintendent approval of disbursements paid in advance of Board approval. A roll call vote should be noted for all closed sessions.

Response – All disbursements will be approved by the Board and procedures have been revised to ensure the Superintendent’s approval of disbursements prior to Board meetings is adequately documented. We will do a roll call vote and note it for all closed sessions.

Conclusion – Response accepted.

II-G-11 Certified Enrollment – No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

II-H-11 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

II-I-11 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. The District exceeded the maximum deposit amount stated in its depository resolution in violation of Chapter 12C, however.

Recommendation – The District should review for sufficiency the maximum depository amount stated in its resolution and increase the amount if needed.

Response – The maximum depository amount will be reviewed and increased if needed.

Conclusion – Response accepted.

Corwith-Wesley Community School District  
Corwith, Iowa

Schedule of Findings

Year ended June 30, 2011

- II-J-11 Certified Annual Report – The Certified Annual Report was certified timely to the Iowa Department of Education.
- II-K-11 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- II-L-11 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. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District’s reported the following information regarding the statewide sales, services and use tax revenue in the District’s CAR:

Beginning balance		\$ 139,923
Revenues:		
Sales tax revenues	\$ 96,457	
Other local revenues	<u>654</u>	<u>97,111</u>
		237,034
Expenditures:		
School infrastructure construction	10,690	
Equipment	<u>2,179</u>	<u>12,869</u>
Ending balance		\$ <u>224,165</u>

For the year ended June 30, 2011, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

Corwith-Wesley Community School District  
Corwith, Iowa

Schedule of Findings

Year ended June 30, 2011

II-M-11 Deficit Balances – Thirteen student activity accounts had deficit balances at June 30, 2011.

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 student activity accounts at the end of the fiscal year.

Conclusion – Response accepted.

II-N-11 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.