

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

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

YEAR ENDED JUNE 30, 2012

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Corwith-Wesley Community School District
Corwith, Iowa

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2011 Election)		
Keith Hauswirth	President	2013
Jonathon Chambers	Vice President	2011
Susan Burrs	Board Member	2011
Tracy Studer	Board Member	2013
Jodi Grein	Board Member	2011
(After September 2011 Election)		
Keith Hauswirth	President	2013
Jonathon Chambers	Vice President	2015
Susan Burrs	Board Member	2015
Tracy Studer	Board Member	2013
Jodi Grein	Board Member	2015
School Officials		
Tom Fey	Superintendent	2012
Sue Parcel	District Secretary/Treasurer and Business Manager	2012
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, 2012, 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, 2012, 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 19, 2013 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.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 14 and 43 through 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 nine years ended June 30, 2011 (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. The 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information 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 19, 2013

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, 2012. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2012 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$2,365,121 in fiscal 2011 to \$2,109,027 in fiscal 2012, while General Fund expenditures decreased from \$1,858,221 in fiscal 2011 to \$1,825,872 in fiscal 2012. The District's General Fund balance increased from \$646,994 in fiscal 2011 to \$930,149 in fiscal 2012, a 44% increase.
- The fiscal year 2012 General Fund revenue decrease was attributable to decreases in property tax, tuition, state revenue and federal grant revenue. The decrease in expenditures was due primarily to working at controlling expenditures in the instruction functional area.

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 financial 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.

Supplementary Information provides detailed information about the nonmajor governmental funds.

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

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

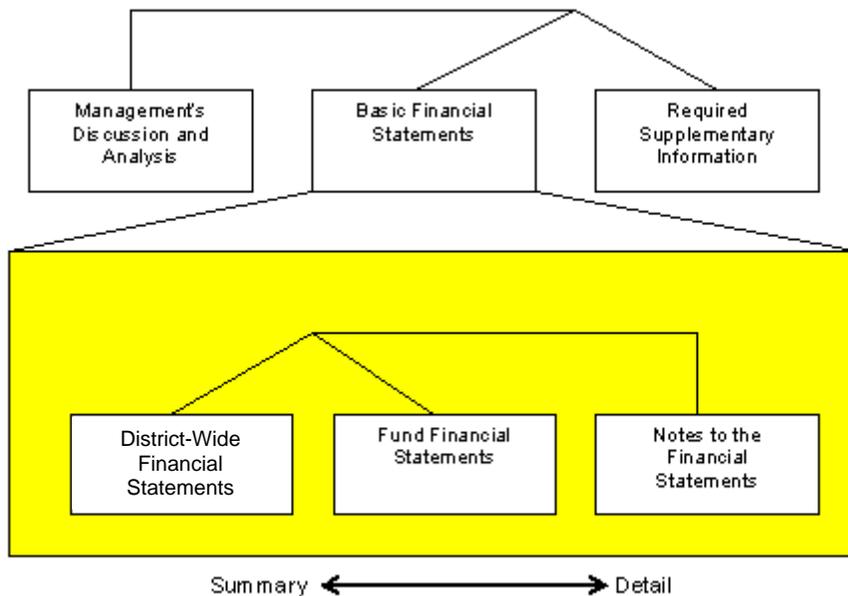


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

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

The required financial statements for proprietary funds include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Fund Net Assets and a Statement of Cash Flows.

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

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, 2012 compared to June 30, 2011.

Figure A-3							
Condensed Statement of Net Assets							
(Expressed in Thousands)							
	<u>Governmental</u>		<u>Business Type</u>		<u>Total</u>		<u>Total</u>
	<u>Activities</u>		<u>Activities</u>		<u>District</u>		<u>Change</u>
	<u>June 30,</u>		<u>June 30,</u>		<u>June 30,</u>		<u>June 30,</u>
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2011-2012</u>
Current and other assets	\$ 2,763	2,864	3	9	2,766	2,873	-3.7%
Capital assets	415	377	3	4	418	381	9.7%
Total assets	<u>3,178</u>	<u>3,241</u>	<u>6</u>	<u>13</u>	<u>3,184</u>	<u>3,254</u>	<u>-2.1%</u>
Long-term liabilities	---	6	---	---	---	6	-100.0%
Other liabilities	<u>1,197</u>	<u>1,616</u>	<u>12</u>	<u>7</u>	<u>1,209</u>	<u>1,623</u>	<u>-25.5%</u>
Total liabilities	<u>1,197</u>	<u>1,622</u>	<u>12</u>	<u>7</u>	<u>1,209</u>	<u>1,629</u>	<u>-25.8%</u>
Net assets:							
Invested in capital assets, net of related debt	415	377	3	4	418	381	9.7%
Restricted	339	367	---	---	339	367	-7.6%
Unrestricted	<u>1,227</u>	<u>875</u>	<u>(9)</u>	<u>2</u>	<u>1,218</u>	<u>877</u>	<u>38.9%</u>
Total net assets	<u>\$ 1,981</u>	<u>1,619</u>	<u>(6)</u>	<u>6</u>	<u>1,975</u>	<u>1,625</u>	<u>21.5%</u>

The District's combined net assets increased 22% or approximately \$350,000, 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 \$28,000 or 8% from the prior year. The decrease was primarily a result of a decrease in the amount reserved for Capital Projects, Physical Plant and Equipment Levy Fund.

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 341,000 or 39%. This increase in unrestricted net assets was a result of the District's revenues exceeding expenditures during the year.

Figure A-4 shows the changes in net assets for the year ended June 30, 2012 compared to the year ended June 30, 2011.

Figure A-4							
Changes in Net Assets							
(Expressed in Thousands)							
	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	2012	2011	2012	2011	2012	2011	2011-2012
Revenues:							
Program revenues:							
Charges for service	\$ 259	316	21	20	280	336	-16.7%
Operating grants, contributions and restricted interest	271	332	27	27	298	359	-17.0%
Capital grants, contributions and restricted interest	37	57	---	---	37	57	-35.1%
General revenues:							
Property tax	1,319	1,373	---	---	1,319	1,373	-3.9%
Income surtax	131	153	---	---	131	153	-14.4%
Statewide sales, services and use tax	99	96	---	---	99	96	3.1%
Unrestricted state grants	235	272	---	---	235	272	-13.6%
Unrestricted investment earnings	1	---	---	---	1	---	100.0%
Other	<u>14</u>	<u>35</u>	<u>---</u>	<u>---</u>	<u>14</u>	<u>35</u>	<u>-60.0%</u>
Total revenues	<u>2,366</u>	<u>2,634</u>	<u>48</u>	<u>47</u>	<u>2,414</u>	<u>2,681</u>	<u>-10.0%</u>
Program expenses:							
Instruction	1,319	1,348	---	---	1,319	1,348	-2.2%
Support services	574	573	---	---	574	573	0.2%
Non-instructional programs	---	---	60	63	60	63	-4.8%
Other expenses	<u>111</u>	<u>121</u>	<u>---</u>	<u>---</u>	<u>111</u>	<u>121</u>	<u>-8.3%</u>
Total expenses	<u>2,004</u>	<u>2,042</u>	<u>60</u>	<u>63</u>	<u>2,064</u>	<u>2,105</u>	<u>-1.9%</u>
Excess (deficiency) of revenues over (under) expenses before transfers	362	592	(12)	(16)	350	576	-39.2%
Transfers	<u>---</u>	<u>(13)</u>	<u>---</u>	<u>13</u>	<u>---</u>	<u>---</u>	<u>0.0%</u>
Increase (decrease) in net assets	362	579	(12)	(3)	350	576	-39.2%
Net assets beginning of year, as restated	<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>
Net assets end of year	<u>\$ 1,981</u>	<u>1,619</u>	<u>(6)</u>	<u>6</u>	<u>1,975</u>	<u>1,625</u>	<u>21.5%</u>

In fiscal year 2012, property tax and unrestricted state grants accounted for 66% 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 \$2.4 million, of which approximately \$2.4 million was for governmental activities and less than \$0.1 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 10.0% decrease in revenues and an 1.9% decrease in expenses. The decrease in expenses is due to the District reducing expenses.

Governmental Activities

Revenues for governmental activities were \$2,366,177 and expenses were \$2,003,823 for the year ended June 30, 2012.

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, 2012 compared to the year ended June 30, 2011.

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

	Total Cost of Services			Net Cost of Services		
	2012	2011	Change 2011-2012	2012	2011	Change 2011-2012
Instruction	\$ 1,319	1,348	-2.2 %	872	763	14.3 %
Support services	574	573	0.2 %	546	544	0.4 %
Non-instructional programs	---	---	0.0 %	---	---	0.0 %
Other expenses	111	121	-8.3 %	18	30	-40.0 %
Total	\$ 2,004	2,042	-1.9 %	1,436	1,337	7.4 %
	=====	=====	=====	=====	=====	=====

For the year ended June 30, 2012:

- The cost financed by users of the District's programs was \$259,111.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$271,575.
- The net cost of governmental activities was financed with \$1,548,039 in property and other taxes and \$235,266 in unrestricted state grants.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2012 were \$47,829 representing a 2.0% increase over the prior year, while expenses totaled \$59,956, 4.1% 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.

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 \$1,431,251, above last year's ending fund balances of \$1,102,036.

Governmental Fund Highlights

- The District's improving General Fund financial position is the result of many factors. Revenues decreased from the prior year, but still exceeded expenditures. The District reduced spending in the General Fund which improved the financial condition of the General Fund.
- The General Fund balance increased from \$646,994 to \$930,149.
- The Capital Projects Fund balance increased from \$336,367 in fiscal 2011 to \$358,235 in fiscal 2012.

Proprietary Fund Highlights

School Nutrition Fund net assets decreased from \$6,376 at June 30, 2011 to a deficit of \$5,751 at June 30, 2012, representing a decrease of approximately 190%.

BUDGETARY HIGHLIGHTS

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

The District's total revenues were \$37,279 less than total budgeted revenues, a variance of 1.5%.

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, 2012, the District had invested approximately \$418,000 net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 9.7% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$88,416.

The original cost of the District's capital assets was approximately \$2.1 million. Governmental funds account for the majority of this \$2.1 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,
	2012	2011	2012	2011	2012	2011	2011-2012
Land	\$ 1	1	---	---	1	1	0.0%
Buildings	120	127	---	---	120	127	-5.5%
Improvements other than buildings	16	17	---	---	16	17	-5.9%
Furniture and equipment	<u>278</u>	<u>232</u>	<u>3</u>	<u>4</u>	<u>281</u>	<u>236</u>	<u>19.1%</u>
Total	<u>\$ 415</u>	<u>377</u>	<u>3</u>	<u>4</u>	<u>418</u>	<u>381</u>	<u>9.7%</u>

Long-Term Debt

At June 30, 2012, the District had no long-term debt outstanding. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

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

	Total District		Total Change
	June 30,	June 30,	June 30,
	2012	2011	2011-2012
Compensated absences	\$ <u>---</u>	<u>6</u>	<u>-100.0%</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. Beginning in July 2011, the Superintendent position has gone to part time with 20 percent of the salary being paid by Corwith-Wesley. 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. The District will continue to monitor the nutrition program and resolve the deficit balance.
- 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, 2012

Exhibit A

	<u>Governmental</u> <u>Activities</u>	<u>Business Type</u> <u>Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 1,496,642	-	1,496,642
Receivables:			
Property tax:			
Delinquent	32,508	-	32,508
Succeeding year	891,003	-	891,003
Accounts	17,739	-	17,739
Due from other governments	325,343	-	325,343
Inventories	-	3,009	3,009
Capital assets, net of accumulated depreciation	415,358	2,905	418,263
Total assets	3,178,593	5,914	3,184,507
Liabilities			
Excess of warrants issued over bank balance	-	4,816	4,816
Accounts payable	117,084	-	117,084
Salaries and benefits payable	185,560	6,849	192,409
Deferred revenue:			
Succeeding year property tax	891,003	-	891,003
Other	3,527	-	3,527
Total liabilities	1,197,174	11,665	1,208,839
Net assets			
Invested in capital assets, net of related debt	415,358	2,905	418,263
Restricted for:			
Categorical funding	146,990	-	146,990
Management levy purposes	117,404	-	117,404
Physical plant and equipment	49,425	-	49,425
Student activities	25,463	-	25,463
Unrestricted	1,226,779	(8,656)	1,218,123
Total net assets	\$ 1,981,419	(5,751)	1,975,668

See notes to financial statements.

Corwith-Wesley Community School District
 Corwith, Iowa
 Statement of Activities
 Year ended June 30, 2012

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Service</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
Functions/Programs:				
Governmental activities:				
Instruction:				
Regular instruction	\$ 824,683	87,027	141,468	-
Special instruction	194,275	69,380	10,563	-
Other instruction	300,447	98,403	40,642	-
	<u>1,319,405</u>	<u>254,810</u>	<u>192,673</u>	<u>-</u>
Support services:				
Student	26,325	-	-	-
Instructional staff	52,631	-	10,185	13,241
Administration	232,893	-	-	-
Operation and maintenance of plant	174,099	-	-	-
Transportation	87,693	4,301	-	-
	<u>573,641</u>	<u>4,301</u>	<u>10,185</u>	<u>13,241</u>
Other expenditures:				
Facilities acquisition	19,020	-	-	24,220
AEA flowthrough	68,717	-	68,717	-
Depreciation (unallocated)*	23,040	-	-	-
	<u>110,777</u>	<u>-</u>	<u>68,717</u>	<u>24,220</u>
Total governmental activities	2,003,823	259,111	271,575	37,461
Business type activities:				
Non-instructional programs:				
Food service operations	59,956	21,188	26,512	-
Total	<u>\$ 2,063,779</u>	<u>280,299</u>	<u>298,087</u>	<u>37,461</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
 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 <u>Activities</u>	Business Type <u>Activities</u>	<u>Total</u>
(596,188)	-	(596,188)
(114,332)	-	(114,332)
(161,402)	-	(161,402)
<u>(871,922)</u>	<u>-</u>	<u>(871,922)</u>
(26,325)	-	(26,325)
(29,205)	-	(29,205)
(232,893)	-	(232,893)
(174,099)	-	(174,099)
(83,392)	-	(83,392)
<u>(545,914)</u>	<u>-</u>	<u>(545,914)</u>
5,200	-	5,200
-	-	-
<u>(23,040)</u>	<u>-</u>	<u>(23,040)</u>
<u>(17,840)</u>	<u>-</u>	<u>(17,840)</u>
(1,435,676)	-	(1,435,676)
<u>-</u>	<u>(12,256)</u>	<u>(12,256)</u>
<u>(1,435,676)</u>	<u>(12,256)</u>	<u>(1,447,932)</u>
\$ 1,285,806	-	1,285,806
32,931	-	32,931
130,517	-	130,517
98,785	-	98,785
235,266	-	235,266
693	-	693
14,032	129	14,161
<u>1,798,030</u>	<u>129</u>	<u>1,798,159</u>
362,354	(12,127)	350,227
<u>1,619,065</u>	<u>6,376</u>	<u>1,625,441</u>
<u>\$ 1,981,419</u>	<u>(5,751)</u>	<u>1,975,668</u>

Corwith-Wesley Community School District
Corwith, Iowa

Exhibit C

Balance Sheet
Governmental Funds

June 30, 2012

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Special Revenue</u>	<u>Total</u>
Assets				
Cash and pooled investments	\$ 1,012,703	340,527	143,412	1,496,642
Receivables:				
Property tax:				
Delinquent	30,413	812	1,283	32,508
Succeeding year	805,023	33,980	52,000	891,003
Accounts	17,003	-	736	17,739
Due from other funds	616	-	-	616
Due from other governments	<u>308,447</u>	<u>16,896</u>	<u>-</u>	<u>325,343</u>
Total assets	<u>\$ 2,174,205</u>	<u>392,215</u>	<u>197,431</u>	<u>2,763,851</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 115,136	-	1,948	117,084
Salaries and benefits payable	185,560	-	-	185,560
Due to other funds	-	-	616	616
Deferred revenue:				
Succeeding year property tax	805,023	33,980	52,000	891,003
Income surtax	134,810	-	-	134,810
Other	<u>3,527</u>	<u>-</u>	<u>-</u>	<u>3,527</u>
Total liabilities	<u>1,244,056</u>	<u>33,980</u>	<u>54,564</u>	<u>1,332,600</u>
Fund balances:				
Restricted for:				
Categorical funding	146,990	-	-	146,990
Management levy purposes	-	-	117,404	117,404
Student activities	-	-	25,463	25,463
School infrastructure	-	308,810	-	308,810
Physical plant and equipment	-	49,425	-	49,425
Unassigned	<u>783,159</u>	<u>-</u>	<u>-</u>	<u>783,159</u>
Total fund balances	<u>930,149</u>	<u>358,235</u>	<u>142,867</u>	<u>1,431,251</u>
Total liabilities and fund balances	<u>\$ 2,174,205</u>	<u>392,215</u>	<u>197,431</u>	<u>2,763,851</u>

See notes to financial statements.

Corwith-Wesley Community School District
Corwith, Iowa

Exhibit D

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

June 30, 2012

Total fund balances of governmental funds (page 18) \$ 1,431,251

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. 415,358

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds. 134,810

Net assets of governmental activities (page 15) \$ 1,981,419

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, 2012

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Special Revenue</u>	<u>Total</u>
Revenues:				
Local sources:				
Local tax	\$ 1,375,184	131,715	52,037	1,558,936
Tuition	46,131	-	-	46,131
Other	184,039	301	59,741	244,081
State sources	438,867	13	21	438,901
Federal sources	<u>64,806</u>	<u>24,220</u>	<u>-</u>	<u>89,026</u>
Total revenues	<u>2,109,027</u>	<u>156,249</u>	<u>111,799</u>	<u>2,377,075</u>
Expenditures:				
Current:				
Instruction:				
Regular	816,274	-	-	816,274
Special	202,838	-	-	202,838
Other	<u>252,359</u>	<u>-</u>	<u>47,771</u>	<u>300,130</u>
	<u>1,271,471</u>	<u>-</u>	<u>47,771</u>	<u>1,319,242</u>
Support services:				
Student	26,325	-	-	26,325
Instructional staff	62,222	-	-	62,222
Administration	209,251	9,492	12,117	230,860
Operation and maintenance of plant	138,641	8,725	22,881	170,247
Transportation	<u>49,245</u>	<u>225</u>	<u>4,838</u>	<u>54,308</u>
	<u>485,684</u>	<u>18,442</u>	<u>39,836</u>	<u>543,962</u>
Other expenditures:				
Facilities acquisition	-	115,939	-	115,939
AEA flowthrough	<u>68,717</u>	<u>-</u>	<u>-</u>	<u>68,717</u>
	<u>68,717</u>	<u>115,939</u>	<u>-</u>	<u>184,656</u>
Total expenditures	<u>1,825,872</u>	<u>134,381</u>	<u>87,607</u>	<u>2,047,860</u>
Net change in fund balances	283,155	21,868	24,192	329,215
Fund balances beginning of year	<u>646,994</u>	<u>336,367</u>	<u>118,675</u>	<u>1,102,036</u>
Fund balances end of year	<u>\$ 930,149</u>	<u>358,235</u>	<u>142,867</u>	<u>1,431,251</u>

See notes to financial statements.

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

Year ended June 30, 2012

Net change in fund balances - total governmental funds (page 20) \$ 329,215

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

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

Expenditures for capital assets	\$ 125,264	
Depreciation expense	<u>(87,244)</u>	38,020

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. (10,898)

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>6,017</u>
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Change in net assets of governmental activities (page 17) \$ 362,354

See notes to financial statements.

Corwith-Wesley Community School District
Corwith, Iowa

Exhibit G

Statement of Net Assets
Proprietary Fund

June 30, 2012

	<u>School Nutrition</u>
Assets	
Inventories	\$ 3,009
Capital assets, net of accumulated depreciation	<u>2,905</u>
Total assets	<u>5,914</u>
Liabilities	
Excess of warrants issued over bank balance	4,816
Salaries and benefits payable	<u>6,849</u>
Total liabilities	<u>11,665</u>
Net Assets	
Invested in capital assets	2,905
Unrestricted	<u>(8,656)</u>
Total net assets	<u>\$ (5,751)</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, 2012

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for service	\$ 21,131
Miscellaneous	187
Total operating revenues	<u>21,318</u>
Operating expenses:	
Support services:	
Operation and maintenance of plant	<u>679</u>
Non-instructional programs:	
Food service operations:	
Salaries	17,620
Benefits	15,947
Supplies	24,538
Depreciation	1,172
	<u>59,277</u>
Total operating expenses	<u>59,956</u>
Operating loss	<u>(38,638)</u>
Non-operating revenues:	
State sources	456
Federal sources	26,055
Total non-operating revenues	<u>26,511</u>
Decrease in net assets	(12,127)
Net assets beginning of year	6,376
Net assets end of year	<u>\$ (5,751)</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, 2012

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 21,131
Cash received from miscellaneous operating activities	187
Cash paid to employees for services	(33,131)
Cash paid to suppliers for goods or services	<u>(19,192)</u>
Net cash used by operating activities	<u>(31,005)</u>
Cash flows from non-capital financing activities:	
State grants received	456
Federal grants received	21,790
Excess of warrants issued over bank balance	4,816
Net cash provided by non-capital financing activities	<u>27,062</u>
Net decrease in cash and cash equivalents	(3,943)
Cash and cash equivalents beginning of year	<u>3,943</u>
Cash and cash equivalents end of year	<u><u>\$ -</u></u>

(continued)

Corwith-Wesley Community School District
Corwith, Iowa

Exhibit I

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2012

School
Nutrition

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

Operating loss	\$ (38,638)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	4,265
Depreciation	1,172
Decrease in inventories	2,076
(Decrease) in accounts payable	(316)
Increase in salaries and benefits payable	<u>436</u>
Net cash used by operating activities	<u>\$ (31,005)</u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2012, the District received \$4,265 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, 2012

	Private Purpose Trust <u>Scholarship</u>	<u>Agency</u>
Assets		
Cash and pooled investments	\$ 515	479
Total assets	<u>515</u>	<u>479</u>
Liabilities		
Other payables	<u>-</u>	<u>479</u>
Total liabilities	<u>-</u>	<u>479</u>
Net assets		
Reserved for scholarships	<u>\$ 515</u>	<u>-</u>

See notes to financial statements.

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2012

	Private Purpose Trust <u>Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	\$ 3,115
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	<u>2,600</u>
Change in net assets	515
Net assets beginning of year	<u>-</u>
Net assets end of year	<u>\$ 515</u>

See notes to financial statements.

Corwith-Wesley Community School District
Corwith, Iowa

Notes to Financial Statements

June 30, 2012

(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 prekindergarten through twelve. An academic sharing agreement exists with LuVerne Community School District whereby grades prekindergarten 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, 2012

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, 2012

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, 2012

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, 2012

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, 2012

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, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2011.

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, 2012

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, 2012

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, 2012. 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 balances 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, 2012

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012, the District exceeded its General Fund unspent authorized budget.

(2) Cash and Pooled Investments

The District's deposits in banks at June 30, 2012 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, 2012 and deposited its excess cash in certificates of deposit and savings.

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2012 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Special Revenue: Student Activity	\$ <u>616</u>

The Special Revenue, Student Activity Fund is repaying the General Fund for expenses paid from the General Fund checking account.

Corwith-Wesley Community School District
Corwith, Iowa

Notes to Financial Statements

June 30, 2012

(4) Capital Assets

Capital assets activity for the year ended June 30, 2012 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,315	---	---	1,315
Capital assets being depreciated:				
Buildings	617,205	---	---	617,205
Improvements other than buildings	121,051	---	---	121,051
Furniture and equipment	1,270,194	125,264	---	1,395,458
Total capital assets being depreciated	<u>2,008,450</u>	<u>125,264</u>	---	<u>2,133,714</u>
Less accumulated depreciation for:				
Buildings	490,123	7,547	---	497,670
Improvements other than buildings	103,965	1,314	---	105,279
Furniture and equipment	1,038,339	78,383	---	1,116,722
Total accumulated depreciation	<u>1,632,427</u>	<u>87,244</u>	---	<u>1,719,671</u>
Total capital assets being depreciated, net	<u>376,023</u>	<u>38,020</u>	---	<u>414,043</u>
Governmental activities capital assets, net	<u>\$ 377,338</u>	<u>38,020</u>	---	<u>415,358</u>
Business type activities:				
Furniture and equipment	\$ 17,148	---	---	17,148
Less accumulated depreciation	13,071	1,172	---	14,243
Business type activities capital assets, net	<u>\$ 4,077</u>	<u>(1,172)</u>	---	<u>2,905</u>

Corwith-Wesley Community School District
Corwith, Iowa

Notes to Financial Statements

June 30, 2012

Depreciation expense was charged to the following functions:

Governmental activities:	
Instruction:	
Regular	\$ 17,716
Special	4,437
Other	317
Support services:	
Instructional staff	2,464
Administration	2,033
Operation and maintenance of plant	3,852
Transportation	<u>33,385</u>
	64,204
Unallocated	<u>23,040</u>
Total depreciation expense – governmental activities	<u>\$ 87,244</u>
Business type activities:	
Food service operations	<u>\$ 1,172</u>

(5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2012 are summarized as follows:

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

(6) Pension and Retirement Benefits

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

Corwith-Wesley Community School District
Corwith, Iowa

Notes to Financial Statements

June 30, 2012

Plan members are required to contribute 5.38% of their annual covered salary and the District is required to contribute 8.07% of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2012, 2011, and 2010 were \$78,614, \$67,943, and \$68,630 respectively, equal to the required contributions for each year.

(7) 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, 2012 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, 2012.

For the year ended June 30, 2012, 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, 2012

Funded Status and Funding Progress – As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, 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 \$902,000 and the ratio of the UAAL to covered payroll was 0%. As of June 30, 2012, 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 for the Retiree Health Plan, 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 on 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, 2012

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.

(8) 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.

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$68,717 for the year ended June 30, 2012 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Operating Lease

The District entered into an operating lease with Advanced Systems, Inc. for the rental of three Cannon copiers on November 23, 2009 for a period of five years. The amount paid for the fiscal year ended June 30, 2012 was \$9,218. Future rentals are scheduled as follows:

<u>Year Ending June 30,</u>	
2013	\$ 9,366
2014	9,366
2015	<u>4,191</u>
Total	\$ 22,923
	=====

Corwith-Wesley Community School District
Corwith, Iowa

Notes to Financial Statements

June 30, 2012

(11) Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2012 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>	
Beginning teacher mentoring	\$ 1,084	
Teacher salary supplement	5,833	
Market factor	3,272	
Professional development – core curriculum	12,663	
Professional development	36,599	
Dropout prevention		72,358
Gifted and Talented	<u>15,181</u>	
Total	\$ 146,990	
	=====	

(12) Deficit Fund Balance

The Enterprise, School Nutrition Fund had a deficit fund balance of \$5,751 at June 30, 2012. The deficit will be eliminated by an increase in meal prices and not allowing second meals for accounts that are negative. The deficit in the Enterprise, School Nutrition Fund was due to expenditures being incurred before the receipts were available to pay for them.

(13) Subsequent Events

Subsequent events have been evaluated through March 19, 2013, which is the date the financial statements were available to be issued.

Required Supplementary Information

Corwith-Wesley Community School District
Corwith, Iowa

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

Required Supplementary Information

Year ended June 30, 2012

	Governmental Funds <u>Actual</u>	Proprietary Fund <u>Actual</u>
Revenues:		
Local sources	\$ 1,849,148	21,318
State sources	438,901	456
Federal sources	<u>89,026</u>	<u>26,055</u>
Total revenues	<u>2,377,075</u>	<u>47,829</u>
Expenditures/Expenses:		
Instruction	1,319,242	-
Support services	543,962	679
Non-instructional programs	-	59,277
Other expenditures	<u>184,656</u>	<u>-</u>
Total expenditures/expenses	<u>2,047,860</u>	<u>59,956</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	329,215	(12,127)
Balances beginning of year	<u>1,102,036</u>	<u>6,376</u>
Balances end of year	<u>\$ 1,431,251</u>	<u>(5,751)</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>	
1,870,466	1,910,918	1,910,918	(40,452)
439,357	451,405	451,405	(12,048)
<u>115,081</u>	<u>99,860</u>	<u>99,860</u>	<u>15,221</u>
<u>2,424,904</u>	<u>2,462,183</u>	<u>2,462,183</u>	<u>(37,279)</u>
1,319,242	1,571,500	1,571,500	252,258
544,641	751,100	751,100	206,459
59,277	70,000	70,000	10,723
<u>184,656</u>	<u>334,345</u>	<u>334,345</u>	<u>149,689</u>
<u>2,107,816</u>	<u>2,726,945</u>	<u>2,726,945</u>	<u>619,129</u>
317,088	(264,762)	(264,762)	581,850
<u>1,108,412</u>	<u>784,792</u>	<u>784,792</u>	<u>323,620</u>
<u><u>1,425,500</u></u>	<u><u>520,030</u></u>	<u><u>520,030</u></u>	<u><u>905,470</u></u>

Corwith-Wesley Community School District
Corwith, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2012

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, 2012, expenditures did not exceed the amounts budgeted in any of the four functional areas, but the District exceeded its General Fund unspent authorized budget.

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%
2012	July 1, 2009	-	-	-	0.0%	902,000	0.0%

See Note 7 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.

Supplementary Information

Corwith-Wesley Community School District
Corwith, Iowa

Schedule 1

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2012

Assets	Special Revenue		
	Management Levy	Student Activity	Total
Cash and pooled investments	\$ 116,121	27,291	143,412
Receivables:			
Property tax:			
Delinquent	1,283	-	1,283
Succeeding year	52,000	-	52,000
Accounts	-	736	736
Total assets	\$ 169,404	28,027	197,431
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ -	1,948	1,948
Due to other funds	-	616	616
Deferred revenue:			
Succeeding year property tax	52,000	-	52,000
Total liabilities	52,000	2,564	54,564
Fund balances:			
Restricted for:			
Management levy purposes	117,404	-	117,404
Student activities	-	25,463	25,463
Total fund balances	117,404	25,463	142,867
Total liabilities and fund balances	\$ 169,404	28,027	197,431

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, 2012

	Special Revenue		
	Manage- ment <u>Levy</u>	Student Activity	<u>Total</u>
Revenues:			
Local sources:			
Local tax	\$ 52,037	-	52,037
Other	3,512	56,229	59,741
State sources	21	-	21
Total revenues	55,570	56,229	111,799
Expenditures:			
Current:			
Instruction:			
Other instruction	-	47,771	47,771
Support services:			
Administration	12,117	-	12,117
Operation and maintenance of plant	22,881	-	22,881
Transportation	4,838	-	4,838
Total expenditures	39,836	47,771	87,607
Excess of revenues over expenditures	15,734	8,458	24,192
Fund balances beginning of year	101,670	17,005	118,675
Fund balances end of year	\$ 117,404	25,463	142,867

See accompanying independent auditor's report.

Corwith-Wesley Community School District
Corwith, Iowa

Schedule 3

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2012

<u>Account</u>	<u>Balance</u> <u>Beginning</u> <u>of Year</u>	<u>Revenues</u> <u>and Interfund</u> <u>Transfers</u>	<u>Expenditures</u>	<u>Intrafund</u> <u>Transfers</u>	<u>Balance</u> <u>End of</u> <u>Year</u>
Annual	\$ (2,520)	5,114	3,740	1,146	-
Athletics - HS	(1,203)	-	202	1,405	-
Athletics - JH	(1,014)	-	25	1,039	-
Activity Tickets	-	2,420	-	(1,150)	1,270
Baseball	(5,288)	2,274	3,005	4,698	(1,321)
Book Club	100	-	-	-	100
Boys Basketball	6,726	5,490	3,723	(7,743)	750
Boys Track	167	1,512	1,059	-	620
Business Class	715	1,250	1,762	-	203
Cheerleaders	359	1,466	1,044	-	781
Class of 2010	475	-	-	(475)	-
Class of 2011	586	-	-	(586)	-
Class of 2012	2,957	4,220	4,192	-	2,985
Class of 2013	2,677	5,310	3,314	-	4,673
Class of 2014	140	1,704	57	-	1,787
Class of 2015	285	240	9	-	516
Class of 2016	-	130	-	-	130
Class of 2017	-	698	280	475	893
Class of 2018	-	-	377	499	122
Clubs and Organizations	(68)	-	-	334	266
Cross Country	(2,007)	-	399	2,406	-
Danz Squad	290	1,896	1,069	-	1,117
Drama	2,274	880	1,016	-	2,138
FFA	3,167	5,342	5,550	-	2,959
Football	7,028	5,328	6,965	(4,641)	750

(continued)

Corwith-Wesley Community School District
Corwith, Iowa

Schedule 3

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2012

<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>
Fundraiser	-	-	-	87	87
Girls Basketball	8,630	586	698	(7,738)	780
Girls Track	643	1,639	1,163	(1,005)	114
Golf	(3,099)	80	787	3,806	-
Instrumental - High School	467	1,250	1,451	984	1,250
Interest	770	1,722	-	(2,492)	-
National Honor Society	(332)	567	752	517	-
Softball	(4,653)	1,410	2,058	5,296	(5)
Speech	(1,639)	-	170	1,809	-
Student Council - HS	262	941	790	-	413
Student Council -JH	25	-	-	755	780
Student Trip Account	(172)	-	-	172	-
Vocal -HS	626	25	218	-	433
Vocal - JH	(91)	-	-	91	-
Volleyball	33	2,735	1,896	-	872
Weightlifting	(311)	-	-	311	-
Total	<u>\$ 17,005</u>	<u>56,229</u>	<u>47,771</u>	<u>-</u>	<u>25,463</u>

See accompanying independent auditor's report.

Corwith-Wesley Community School District
Corwith, Iowa

Schedule 4

Combining Balance Sheet
Capital Projects Accounts

June 30, 2012

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	<u>Total</u>
Assets			
Cash and pooled investments	\$ 291,914	48,613	340,527
Receivables:			
Property tax:			
Delinquent	-	812	812
Succeeding year	-	33,980	33,980
Due from other governments	<u>16,896</u>	<u>-</u>	<u>16,896</u>
Total assets	<u>\$ 308,810</u>	<u>83,405</u>	<u>392,215</u>
Liabilities and Fund Balances			
Liabilities:			
Deferred revenue:			
Succeeding year property tax	<u>\$ -</u>	<u>33,980</u>	<u>33,980</u>
Total liabilities	<u>-</u>	<u>33,980</u>	<u>33,980</u>
Fund balances:			
Restricted for:			
School infrastructure	308,810	-	308,810
Physical plant and equipment	<u>-</u>	<u>49,425</u>	<u>49,425</u>
Total fund balances	<u>308,810</u>	<u>49,425</u>	<u>358,235</u>
Total liabilities and fund balances	<u>\$ 308,810</u>	<u>83,405</u>	<u>392,215</u>

See accompanying independent auditor's report.

Corwith-Wesley Community School District
Corwith, Iowa

Schedule 5

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

Year ended June 30, 2012

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 98,784	32,931	131,715
Other	211	90	301
State sources	-	13	13
Federal sources	-	24,220	24,220
Total revenues	98,995	57,254	156,249
Expenditures:			
Support services:			
Administration	-	9,492	9,492
Operation and maintenance of plant	-	8,725	8,725
Transportation	225	-	225
Other expenditures:			
Facilities acquisition	14,125	101,814	115,939
Total expenditures	14,350	120,031	134,381
Excess (deficiency) of revenues over (under) expenditures	84,645	(62,777)	21,868
Fund balances beginning of year	224,165	112,202	336,367
Fund balances end of year	\$ 308,810	49,425	358,235

See accompanying independent auditor's report.

Schedule of Changes in Fiduciary Assets and Liabilities -
 Agency Fund

Year ended June 30, 2012

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
Assets				
Cash	\$ 510	<u>283</u>	<u>314</u>	<u>479</u>
Total assets	<u>\$ 510</u>	<u>283</u>	<u>314</u>	<u>479</u>
Liabilities				
Other payables	\$ 510	<u>283</u>	<u>314</u>	<u>479</u>
Total liabilities	<u>\$ 510</u>	<u>283</u>	<u>314</u>	<u>479</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 Ten Years

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Revenues:				
Local sources:				
Local tax	\$ 1,558,936	1,604,123	1,505,292	1,488,935
Tuition	46,131	254,009	275,176	103,548
Other	244,081	99,697	103,510	150,377
State sources	438,901	490,954	480,065	750,791
Federal sources	89,026	167,744	149,408	78,202
Total	<u>\$ 2,377,075</u>	<u>2,616,527</u>	<u>2,513,451</u>	<u>2,571,853</u>
Expenditures:				
Instruction:				
Regular	\$ 816,274	811,041	846,507	842,921
Special	202,838	244,583	232,757	257,846
Other	300,130	298,928	358,013	370,151
Support services:				
Student	26,325	25,348	36,156	36,293
Instructional staff	62,222	42,442	41,012	40,935
Administration	230,860	228,477	267,139	348,868
Operation and maintenance of plant	170,247	168,126	199,275	247,055
Transportation	54,308	71,791	141,281	91,346
Non-instructional programs	-	-	-	857
Other expenditures:				
Facilities acquisition	115,939	41,744	70,396	25,836
Long-term debt:				
Principal	-	-	14,951	14,351
Interest and other charges	-	-	625	1,225
AEA flowthrough	68,717	78,546	79,065	73,841
Total	<u>\$ 2,047,860</u>	<u>2,011,026</u>	<u>2,287,177</u>	<u>2,351,525</u>

See accompanying independent auditor's report.

Modified Accrual Basis					
<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
1,303,520	1,281,748	1,161,181	1,164,783	1,112,721	1,027,811
152,893	159,428	123,214	111,521	94,033	79,961
135,865	130,605	122,487	150,130	126,496	111,652
772,242	847,067	946,873	957,461	954,149	919,570
81,695	93,737	73,371	93,310	89,589	161,545
<u>2,446,215</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>
838,525	894,887	856,555	869,497	856,161	789,158
297,728	386,422	347,821	456,817	423,783	414,019
373,910	341,596	362,730	309,196	310,160	296,146
36,904	34,374	32,194	31,260	37,428	40,349
41,062	29,699	36,666	21,350	38,226	77,749
297,898	284,300	268,795	295,396	246,143	240,006
242,840	236,317	322,388	233,177	218,423	227,795
207,498	166,385	116,616	94,254	85,848	76,659
-	-	-	-	197	731
54,390	64,348	-	93,629	18,162	71,746
15,576	-	-	-	17,573	-
-	-	-	-	896	-
73,339	74,531	73,379	74,979	76,732	76,541
<u>2,479,670</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>

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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, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 19, 2013. 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

The management of Corwith-Wesley Community School District is responsible for establishing and maintaining effective 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.

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-12 and I-B-12 to be material weaknesses.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2012 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 19, 2013

Corwith-Wesley Community School District
Corwith, Iowa

Schedule of Findings

Year ended June 30, 2012

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

I-A-12 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. Some, but not all, 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. We have started having two people count most of the receipts.

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-12 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, 2012

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.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Corwith-Wesley Community School District
Corwith, Iowa

Schedule of Findings

Year ended June 30, 2012

Part II: Other Findings Related to Required Statutory Reporting:

II-A-12 Certified Budget – The District exceeded its General Fund unspent authorized budget for the year ended June 30, 2012.

Recommendation – The District should contact the Iowa Department of Education and the School Budget Review Committee to resolve the unspent authorized budget issue.

Response – We have contacted the Iowa Department of Education and the School Budget Review Committee and are in the process of resolving the issue regarding the unspent authorized budget with a corrective action plan. A final decision on the plan should be made March 25th, 2013 by the SBRC.

Conclusion – Response accepted.

II-B-12 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-12 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-12 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	\$ 3,922

In accordance with the Attorney General’s opinion dated July 2, 1990, the above transaction does not appear to represent a conflict of interest.

Corwith-Wesley Community School District
Corwith, Iowa

Schedule of Findings

Year ended June 30, 2012

- II-E-12 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-12 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- II-G-12 Certified Enrollment – No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- II-H-12 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-12 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 has been reviewed and increased.
- Conclusion – Response accepted.
- II-J-12 Certified Annual Report – The Certified Annual Report was certified timely to the Iowa Department of Education.
- II-K-12 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.

Corwith-Wesley Community School District
Corwith, Iowa

Schedule of Findings

Year ended June 30, 2012

- II-L-12 Statewide Sales, Services and Use Tax – No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in 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, 2012, the District's reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 224,165
Revenues:		
Sales tax revenues	\$ 98,784	
Other local revenues	<u>211</u>	<u>98,995</u>
		323,160
Expenditures:		
School infrastructure construction	14,026	
Equipment	<u>324</u>	<u>14,350</u>
Ending balance		\$ <u>308,810</u>

For the year ended June 30, 2012, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

- II-M-12 Deficit Balances – The Nutrition Fund and two student activity accounts had deficit balances at June 30, 2012.

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 Nutrition Fund and student activity accounts at the end of the fiscal year. Nutrition Fund meal prices have been increased and the District does not allow second meals for accounts that are negative anymore.

Conclusion – Response accepted.