

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

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

YEAR ENDED JUNE 30, 2013

Table of Contents

		<u>Page</u>
Officials		1
Independent Auditor’s Report		2-4
Management’s Discussion and Analysis		5-15
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Position	A	16
Statement of Activities	B	17-18
Governmental Fund Financial Statements:		
Balance Sheet	C	19
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	D	20
Statement of Revenues, Expenditures and Changes in Fund Balances	E	21
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	F	22
Proprietary Fund Financial Statements:		
Statement of Net Position	G	23
Statement of Revenues, Expenses and Changes in Fund Net Position	H	24
Statement of Cash Flows	I	25-26
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Position	J	27
Statement of Changes in Fiduciary Net Position	K	28
Notes to Financial Statements		29-44
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances – Budget and Actual – All Governmental Funds and Proprietary Fund		45-46
Notes to Required Supplementary Information – Budgetary Reporting		47
Schedule of Funding Progress for the Retiree Health Plan		48

Table of Contents (continued)

	<u>Schedule</u>	<u>Page</u>
Supplementary Information:		
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	49
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	50
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3	51-52
Capital Project Accounts:		
Combining Balance Sheet	4	53
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	5	54
Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund	6	55
Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	7	56-57
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		58-60
Schedule of Findings		61-65

Corwith-Wesley Community School District
Corwith, Iowa

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
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	2013
Sue Parcel	District Secretary/Treasurer and Business Manager	2013
Ahlers & Cooney, P.C.	Attorney	Indefinite

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

Certified Public Accountants

714 14th Avenue North
Fort Dodge, IA 50501-7098
Phone 515.955.4805 • Fax 515.955.4673

Lowell W. Cornwell, C.P.A.
lwcornwell@frontiernet.net

Christine R. Frideres, C.P.A.
crfrideres@frontiernet.net

Jerilyn J. Maher, C.P.A.
jjmaher@frontiernet.net

Independent Auditor's Report

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

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

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 5 through 15 and 45 through 48 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 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 information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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 third paragraph of this report, the financial statements for the nine years ended June 30, 2012 (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.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the 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 basic financial statements or to the basic 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 17, 2014 on our consideration of Corwith-Wesley Community School District's internal control over financial reporting and on 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 in considering Corwith-Wesley Community School District's internal control over financial reporting and compliance.

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

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

March 17, 2014

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, 2013. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2013 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$2,109,027 in fiscal 2012 to \$1,538,875 in fiscal 2013, while General Fund expenditures increased from \$1,825,872 in fiscal 2012 to \$1,887,307 in fiscal 2013. The District's General Fund balance decreased from \$930,149 in fiscal 2012 to \$581,717 in fiscal 2013, a 37% decrease.
- The fiscal year 2013 General Fund revenue decrease was attributable to decreases in property tax, tuition and state revenue. The increase in expenditures was due primarily to an increase in negotiated salaries and benefits.

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 Position 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

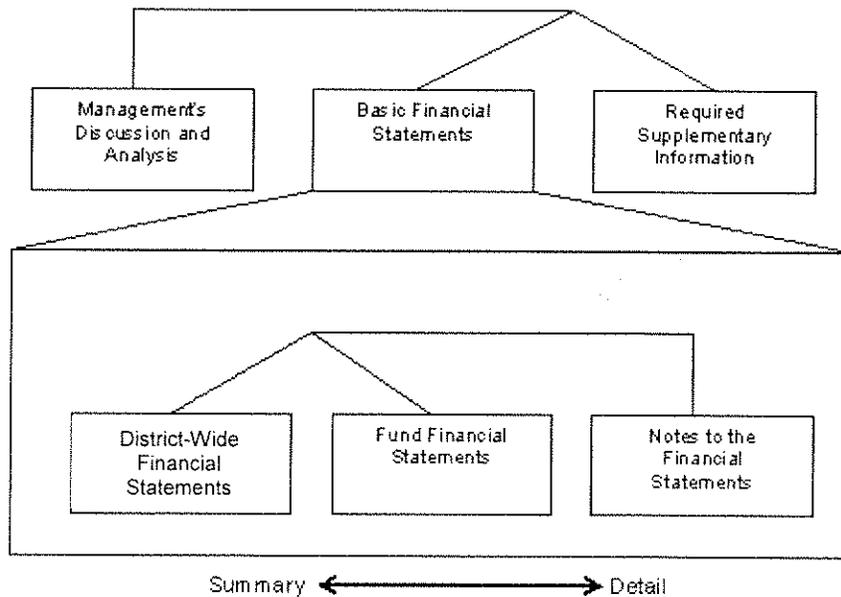


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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 position • 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 position • Statement of cash flows • Statement of revenues, expenses and changes in fund net position 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
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 Position 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 position and how it has changed. Net position – the difference between the District's assets and liabilities – is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position is 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 Position, a Statement of Revenues, Expenses and Changes in Fund Net Position 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 Position and a Statement of Changes in Fiduciary Net Position.

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 position at June 30, 2013 compared to June 30, 2012.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-2013
Current and other assets	\$ 2,456	2,763	3	3	2,459	2,766	-11.1%
Capital assets	355	415	3	3	358	418	-14.4%
Total assets	2,811	3,178	6	6	2,817	3,184	-11.5%
Long-term liabilities	78	---	---	---	78	---	100.0%
Other liabilities	1,201	1,197	26	12	1,227	1,209	1.5%
Total liabilities	1,279	1,197	26	12	1,305	1,209	7.9%
Net position:							
Net investment in capital assets	355	415	3	3	358	418	-14.4%
Restricted	713	648	---	---	713	648	10.0%
Unrestricted	464	918	(23)	(9)	441	909	-51.5%
Total net position	\$ 1,532	1,981	(20)	(6)	1,512	1,975	-23.4%

The District's total net position decreased 23% or approximately \$463,000, from the prior year. A portion of the District's net position is invested in capital assets (e.g., land, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased approximately \$65,000 or 10% from the prior year. The increase was primarily a result of an increase in the amount restricted for Capital Projects, Statewide Sales, Services and Use Tax Fund.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately 468,000 or 52%. This decrease in unrestricted net position was a result of the District's expenditures exceeding revenues during the year.

Figure A-4 shows the changes in net position for the year ended June 30, 2013 compared to the year ended June 30, 2012.

Figure A-4							
Changes in Net Position							
(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>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2012-2013</u>
Revenues:							
Program revenues:							
Charges for service	\$ 247	259	23	21	270	280	-3.6%
Operating grants, contributions and restricted interest	260	271	25	27	285	298	-4.4%
Capital grants, contributions and restricted interest	---	37	---	---	---	37	-100.0%
General revenues:							
Property tax	893	1,319	---	---	893	1,319	-32.3%
Income surtax	148	131	---	---	148	131	13.0%
Statewide sales, services and use tax	97	99	---	---	97	99	-2.0%
Unrestricted state grants	128	235	---	---	128	235	-45.5%
Unrestricted investment earnings	---	1	---	---	---	1	-100.0%
Other	<u>10</u>	<u>14</u>	<u>---</u>	<u>---</u>	<u>10</u>	<u>14</u>	<u>-28.6%</u>
Total revenues	<u>1,783</u>	<u>2,366</u>	<u>48</u>	<u>48</u>	<u>1,831</u>	<u>2,414</u>	<u>-24.2%</u>
Program expenses:							
Instruction	1,488	1,319	---	---	1,488	1,319	12.8%
Support services	599	574	---	---	599	574	4.4%
Non-instructional programs	---	---	62	60	62	60	3.3%
Other expenses	<u>145</u>	<u>111</u>	<u>---</u>	<u>---</u>	<u>145</u>	<u>111</u>	<u>30.6%</u>
Total expenses	<u>2,232</u>	<u>2,004</u>	<u>62</u>	<u>60</u>	<u>2,294</u>	<u>2,064</u>	<u>11.1%</u>
Increase (decrease) in net position	(449)	362	(14)	(12)	(463)	350	-232.3%
Net position beginning 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>
Net position end of year	\$ <u>1,532</u>	<u>1,981</u>	<u>(20)</u>	<u>(6)</u>	<u>1,512</u>	<u>1,975</u>	<u>-23.4%</u>

In fiscal year 2013, property tax and unrestricted state grants accounted for 57.3% 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 \$1.8 million, of which approximately \$1.8 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 24.2% decrease in revenues and an 11.1% increase in expenses. The increase in expenses is related to increase in negotiated salaries and benefits.

Governmental Activities

Revenues for governmental activities were \$1,783,373 and expenses were \$2,232,496 for the year ended June 30, 2013.

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, 2013 compared to the year ended June 30, 2012.

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

	Total Cost of Services			Net Cost of Services		
	2013	2012	Change 2012-2013	2013	2012	Change 2012-2013
Instruction	\$ 1,488	1,319	12.8 %	1,057	872	21.2 %
Support services	599	574	4.4 %	589	546	7.9 %
Non-instructional programs	---	---	0.0 %	---	---	0.0 %
Other expenses	145	111	30.6 %	79	18	339.9 %
Total	\$ 2,232	2,004	11.4 %	1,725	1,436	20.1 %

For the year ended June 30, 2013:

- The cost financed by users of the District's programs was \$247,152.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$260,499.
- The net cost of governmental activities was financed with \$1,137,847 in property and other taxes and \$128,056 in unrestricted state grants.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2013 were \$47,692 representing a 0.3% decrease from the prior year, while expenses totaled \$61,855, a 3.2% increase 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 \$1,121,014, below last year's ending fund balances of \$1,431,251.

Governmental Fund Highlights

- The District's deteriorating General Fund financial position is the result of many factors. Revenues decreased from the prior year, and expenditures increased. This resulted in the District using carryover fund balance to meet financial obligations during the year.
- The General Fund balance decreased from \$930,149 to \$581,717.
- The Capital Projects Fund balance increased from \$358,235 in fiscal 2012 to \$391,048 in fiscal 2013.

Proprietary Fund Highlights

School Nutrition Fund net position decreased from a deficit of \$5,751 at June 30, 2012 to a deficit of \$19,914 at June 30, 2013, representing a decrease of approximately 246%.

BUDGETARY HIGHLIGHTS

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

The District's total revenues were \$305,567 less than total budgeted revenues, a variance of 14.3%.

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.

In spite of the District's budgetary practice, the certified budget was exceeded in the other expenditures functional area due to timing of expenditures at year-end without sufficient time to amend the certified budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, the District had invested approximately \$358,000 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 decrease of 14.4% 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 \$89,004.

The original cost of the District's capital assets was approximately \$2.2 million. Governmental funds account for the majority of this \$2.2 million.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-2013
Land	\$ 1	1	---	---	1	1	0.0%
Buildings	112	120	---	---	112	120	-6.7%
Improvements other than buildings	14	16	---	---	14	16	-12.5%
Furniture and equipment	228	278	3	3	231	281	-17.8%
Total	\$ 355	415	3	3	358	418	-14.4%

Long-Term Debt

At June 30, 2013, the District had \$3,335 in total 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.

	Total District		Total Change
	June 30,	June 30,	June 30,
	2013	2012	2012-2013
Compensated absences	\$ 3	---	100.0%

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.

Due to declining enrollment, the Corwith-Wesley Community School District has explored whole grade sharing options with neighboring school districts as well as held community meetings. School board decided in 2013 to pursue whole grade sharing options for all 7-12 students beginning with 2015-2016 with a neighboring district while continuing to whole grade share PK-6 with LuVerne thus not educating any students in house. The decision was made to whole grade share 7-12 with Algona. Since that time, our district has appeared before SBRC who has determined this option does not make Corwith-Wesley a viable district. School Board has now formed a dissolution committee for school district dissolution effective July 1, 2015. We are looking to dissolve the district on July 1, 2015.

The District has made a number of changes in the 2014-2015 school year in order to cut back on expenditures. The District moved the contract for teachers that were teaching in the LuVerne Elementary to the LuVerne CSD. We have also eliminated some positions and beginning in the 2015-2016 school year will be sharing most athletics with the Algona CSD.

We continue to share administration and look to share other positions with neighboring school districts.

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 Position
 June 30, 2013

Exhibit A

	<u>Governmental</u> <u>Activities</u>	<u>Business Type</u> <u>Activities</u>	<u>Total</u>
Assets			
Cash, cash equivalents and pooled investments	\$ 1,296,835	-	1,296,835
Receivables:			
Property tax:			
Delinquent	28,912	-	28,912
Succeeding year	843,951	-	843,951
Accounts	1,914	1,973	3,887
Due from other governments	284,161	-	284,161
Inventories	-	1,868	1,868
Capital assets, net of accumulated depreciation	<u>355,278</u>	<u>2,562</u>	<u>357,840</u>
Total assets	<u>2,811,051</u>	<u>6,403</u>	<u>2,817,454</u>
Liabilities			
Excess of warrants issued over bank balance	-	20,406	20,406
Accounts payable	173,562	-	173,562
Salaries and benefits payable	182,702	5,245	187,947
Deferred revenue:			
Succeeding year property tax	843,951	-	843,951
Other	-	666	666
Security deposits	205	-	205
Long-term liabilities:			
Portion due after one year:			
Compensated absences	3,335	-	3,335
Net OPEB liability	75,000	-	75,000
Total liabilities	<u>1,278,755</u>	<u>26,317</u>	<u>1,305,072</u>
Net Position			
Net investment in capital assets	355,278	2,562	357,840
Restricted for:			
Categorical funding	173,604	-	173,604
Management levy purposes	126,214	-	126,214
School infrastructure	382,962	-	382,962
Physical plant and equipment	8,086	-	8,086
Student activities	22,035	-	22,035
Unrestricted	<u>464,117</u>	<u>(22,476)</u>	<u>441,641</u>
Total net position	<u>\$ 1,532,296</u>	<u>(19,914)</u>	<u>1,512,382</u>

See notes to financial statements.

Corwith-Wesley Community School District
 Corwith, Iowa
 Statement of Activities
 Year ended June 30, 2013

	<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>
<u>Functions/Programs:</u>				
Governmental activities:				
Instruction:				
Regular instruction	\$ 836,504	109,969	135,180	-
Special instruction	326,500	73,422	10,166	-
Other instruction	325,245	59,334	43,187	-
	<u>1,488,249</u>	<u>242,725</u>	<u>188,533</u>	<u>-</u>
Support services:				
Student	25,463	-	-	-
Instructional staff	33,654	-	5,693	-
Administration	254,009	-	-	-
Operation and maintenance of plant	195,594	3,530	-	-
Transportation	90,416	897	200	-
	<u>599,136</u>	<u>4,427</u>	<u>5,893</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	53,940	-	-	-
AEA flowthrough	66,073	-	66,073	-
Depreciation (unallocated)*	25,098	-	-	-
	<u>145,111</u>	<u>-</u>	<u>66,073</u>	<u>-</u>
Total governmental activities	2,232,496	247,152	260,499	-
Business type activities:				
Non-instructional programs:				
Food service operations	61,855	23,143	24,549	-
Total	<u>\$ 2,294,351</u>	<u>270,295</u>	<u>285,048</u>	<u>-</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 position
 Net position beginning of year
 Net position 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 Position

	<u>Governmental</u> <u>Activities</u>	<u>Business Type</u> <u>Activities</u>	<u>Total</u>
	(591,355)	-	(591,355)
	(242,912)	-	(242,912)
	(222,724)	-	(222,724)
	<u>(1,056,991)</u>	<u>-</u>	<u>(1,056,991)</u>
	(25,463)	-	(25,463)
	(27,961)	-	(27,961)
	(254,009)	-	(254,009)
	(192,064)	-	(192,064)
	(89,319)	-	(89,319)
	<u>(588,816)</u>	<u>-</u>	<u>(588,816)</u>
	(53,940)	-	(53,940)
	-	-	-
	<u>(25,098)</u>	<u>-</u>	<u>(25,098)</u>
	<u>(79,038)</u>	<u>-</u>	<u>(79,038)</u>
	(1,724,845)	-	(1,724,845)
	<u>-</u>	<u>(14,163)</u>	<u>(14,163)</u>
	<u>(1,724,845)</u>	<u>(14,163)</u>	<u>(1,739,008)</u>
\$	858,718	-	858,718
	34,047	-	34,047
	147,720	-	147,720
	97,362	-	97,362
	128,056	-	128,056
	330	-	330
	9,489	-	9,489
	<u>1,275,722</u>	<u>-</u>	<u>1,275,722</u>
	(449,123)	(14,163)	(463,286)
	<u>1,981,419</u>	<u>(5,751)</u>	<u>1,975,668</u>
\$	<u>1,532,296</u>	<u>(19,914)</u>	<u>1,512,382</u>

Corwith-Wesley Community School District
Corwith, Iowa

Exhibit C

Balance Sheet
Governmental Funds

June 30, 2013

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Special Revenue</u>	<u>Total</u>
Assets				
Cash, cash equivalents and pooled investments	\$ 777,361	372,553	146,921	1,296,835
Receivables:				
Property tax:				
Delinquent	26,122	1,103	1,687	28,912
Succeeding year	732,285	36,666	75,000	843,951
Accounts	1,591	-	323	1,914
Due from other funds	616	-	-	616
Due from other governments	265,334	18,827	-	284,161
	<u>265,334</u>	<u>18,827</u>	<u>-</u>	<u>284,161</u>
Total assets	<u>\$ 1,803,309</u>	<u>429,149</u>	<u>223,931</u>	<u>2,456,389</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 172,061	1,435	66	173,562
Salaries and benefits payable	182,702	-	-	182,702
Due to other funds	-	-	616	616
Deferred revenue:				
Succeeding year property tax	732,285	36,666	75,000	843,951
Income surtax	134,339	-	-	134,339
Security deposit	205	-	-	205
Total liabilities	<u>1,221,592</u>	<u>38,101</u>	<u>75,682</u>	<u>1,335,375</u>
Fund balances:				
Restricted for:				
Categorical funding	173,604	-	-	173,604
Management levy purposes	-	-	126,214	126,214
Student activities	-	-	22,035	22,035
School infrastructure	-	382,962	-	382,962
Physical plant and equipment	-	8,086	-	8,086
Unassigned	408,113	-	-	408,113
Total fund balances	<u>581,717</u>	<u>391,048</u>	<u>148,249</u>	<u>1,121,014</u>
Total liabilities and fund balances	<u>\$ 1,803,309</u>	<u>429,149</u>	<u>223,931</u>	<u>2,456,389</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 Position

June 30, 2013

Total fund balances of governmental funds (page 19) \$ 1,121,014

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

Capital assets used in governmental activities are not financial resources and,
therefore, are not reported as assets in the governmental funds. 355,278

Other long-term assets are not available to pay current period expenditures and,
therefore, are deferred in the governmental funds. 134,339

Long-term liabilities, including compensated absences and other postemployment
benefits payable, are not due and payable in the current year and, therefore, are not
reported in the governmental funds. (78,335)

Net position of governmental activities (page 16) \$ 1,532,296

See notes to financial statements.

Corwith-Wesley Community School District
 Corwith, Iowa
 Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 Year ended June 30, 2013

Exhibit E

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Special Revenue</u>	<u>Total</u>
Revenues:				
Local sources:				
Local tax	\$ 954,806	131,409	52,103	1,138,318
Tuition	151,707	-	-	151,707
Other	43,842	596	60,825	105,263
State sources	324,586	14	22	324,622
Federal sources	63,934	-	-	63,934
Total revenues	<u>1,538,875</u>	<u>132,019</u>	<u>112,950</u>	<u>1,783,844</u>
Expenditures:				
Current:				
Instruction:				
Regular	781,509	-	-	781,509
Special	311,900	-	-	311,900
Other	254,391	-	62,012	316,403
	<u>1,347,800</u>	<u>-</u>	<u>62,012</u>	<u>1,409,812</u>
Support services:				
Student	23,657	-	-	23,657
Instructional staff	30,837	-	-	30,837
Administration	215,468	10,486	14,596	240,550
Operation and maintenance of plant	152,915	10,816	25,612	189,343
Transportation	50,557	-	5,348	55,905
	<u>473,434</u>	<u>21,302</u>	<u>45,556</u>	<u>540,292</u>
Other expenditures:				
Facilities acquisition	-	77,904	-	77,904
AEA flowthrough	66,073	-	-	66,073
	<u>66,073</u>	<u>77,904</u>	<u>-</u>	<u>143,977</u>
Total expenditures	<u>1,887,307</u>	<u>99,206</u>	<u>107,568</u>	<u>2,094,081</u>
Change in fund balances	(348,432)	32,813	5,382	(310,237)
Fund balances beginning of year	<u>930,149</u>	<u>358,235</u>	<u>142,867</u>	<u>1,431,251</u>
Fund balances end of year	<u>\$ 581,717</u>	<u>391,048</u>	<u>148,249</u>	<u>1,121,014</u>

See notes to financial statements.

Corwith-Wesley Community School District
Corwith, Iowa

Exhibit F

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

Year ended June 30, 2013

Change in fund balances - total governmental funds (page 21) \$ (310,237)

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

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

Expenditures for capital assets	\$ 28,581	
Depreciation expense	<u>(88,661)</u>	(60,080)

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. (471)

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	(3,335)	
Other postemployment benefits	<u>(75,000)</u>	<u>(78,335)</u>

Change in net position of governmental activities (page 18) \$ (449,123)

See notes to financial statements.

Corwith-Wesley Community School District
Corwith, Iowa

Exhibit G

Statement of Net Position
Proprietary Fund

June 30, 2013

	<u>School Nutrition</u>
Assets	
Current assets:	
Accounts receivable	\$ 1,973
Inventories	<u>1,868</u>
Total current assets	<u>3,841</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	<u>2,562</u>
Total noncurrent assets	<u>2,562</u>
Total assets	<u>6,403</u>
Liabilities	
Current liabilities:	
Excess of warrants issued over bank balance	20,406
Salaries and benefits payable	5,245
Deferred revenue	<u>666</u>
Total current liabilities	<u>26,317</u>
Total liabilities	<u>26,317</u>
Net Position	
Investment in capital assets	2,562
Unrestricted	<u>(22,476)</u>
Total net position	<u>\$ (19,914)</u>

See notes to financial statements.

Corwith-Wesley Community School District
Corwith, Iowa

Exhibit H

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

Year ended June 30, 2013

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for service	\$ 23,026
Miscellaneous	117
Total operating revenues	<u>23,143</u>
Operating expenses:	
Support services:	
Operation and maintenance of plant	<u>740</u>
Non-instructional programs:	
Food service operations:	
Salaries	18,770
Benefits	11,684
Supplies	30,318
Depreciation	343
	<u>61,115</u>
Total operating expenses	<u>61,855</u>
Operating loss	<u>(38,712)</u>
Non-operating revenues:	
State sources	414
Federal sources	24,135
Total non-operating revenues	<u>24,549</u>
Decrease in net position	(14,163)
Net position beginning of year	<u>(5,751)</u>
Net position end of year	<u>\$ (19,914)</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, 2013

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 21,719
Cash received from miscellaneous operating activities	117
Cash paid to employees for services	(32,058)
Cash paid to suppliers for goods or services	<u>(27,162)</u>
Net cash used by operating activities	<u>(37,384)</u>
Cash flows from non-capital financing activities:	
State grants received	414
Federal grants received	21,380
Excess of warrants issued over bank balance	<u>15,590</u>
Net cash provided by non-capital financing activities	<u>37,384</u>
Net increase in cash and cash equivalents	-
Cash and cash equivalents beginning of year	<u>-</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, 2013

School
Nutrition

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

Operating loss	\$ (38,712)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	2,755
Depreciation	343
(Increase) in accounts receivable	(1,973)
Decrease in inventories	1,141
(Decrease) in salaries and benefits payable	(1,604)
Increase in deferred revenue	<u>666</u>
Net cash used by operating activities	<u>\$ (37,384)</u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2013, the District received \$2,755 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, 2013

	<u>Agency</u>
Assets	
Cash, cash equivalents and pooled investments	\$ 888
Total assets	<u>888</u>
Liabilities	
Other payables	<u>888</u>
Total liabilities	<u>888</u>
Net position	<u><u>\$ -</u></u>

See notes to financial statements.

Corwith-Wesley Community School District
Corwith, Iowa

Exhibit K

Statement of Changes in Fiduciary Net Position
Fiduciary Funds

Year ended June 30, 2013

	<u>Private Purpose Trust Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	\$ 2,085
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	<u>2,600</u>
Change in net position	(515)
Net position beginning of year	<u>515</u>
Net position end of year	<u><u>\$ -</u></u>

See notes to financial statements.

Corwith-Wesley Community School District
Corwith, Iowa

Notes to Financial Statements

June 30, 2013

(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, 2013

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position (previously referred to as 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 Position presents the District's nonfiduciary assets and liabilities, with the difference reported as net position. Net position is reported in the following categories:

Net investment in capital assets 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 position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

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

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

Corwith-Wesley Community School District
Corwith, Iowa

Notes to Financial Statements

June 30, 2013

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 position and changes in net position. 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, 2013

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 position 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, 2013

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.

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, Cash Equivalents and Pooled Investments – 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.

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

Corwith-Wesley Community School District
Corwith, Iowa

Notes to Financial Statements

June 30, 2013

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, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2012.

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, 2013

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 Position. 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, 2013

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 Position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences – District employees do not accumulate earned but unused vacation. District employees accumulate a limited amount of earned but unused sick leave benefits. A liability for earned but unused sick leave is recorded when incurred in the government-wide financial statements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2013. 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 Position.

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, 2013

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2013, expenditures exceeded the amounts budgeted in the other expenditures function and the District exceeded its General Fund unspent authorized budget.

(2) **Cash, Cash Equivalents and Pooled Investments**

The District's deposits in banks at June 30, 2013 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, 2013 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, 2013 is as follows:

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

Corwith-Wesley Community School District
Corwith, Iowa

Notes to Financial Statements

June 30, 2013

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

(4) Capital Assets

Capital assets activity for the year ended June 30, 2013 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	1,395,458	28,581	---	1,424,039
Total capital assets being depreciated	2,133,714	28,581	---	2,162,295
Less accumulated depreciation for:				
Buildings	497,670	7,561	---	505,231
Improvements other than buildings	105,279	1,312	---	106,591
Furniture and equipment	1,116,722	79,788	---	1,196,510
Total accumulated depreciation	1,719,671	88,661	---	1,808,332
Total capital assets being depreciated, net	414,043	(60,080)	---	353,963
Governmental activities capital assets, net	\$ 415,358	(60,080)	---	355,278
Business type activities:				
Furniture and equipment	\$ 17,148	---	---	17,148
Less accumulated depreciation	14,243	343	---	14,586
Business type activities capital assets, net	\$ 2,905	(343)	---	2,562

Corwith-Wesley Community School District
Corwith, Iowa

Notes to Financial Statements

June 30, 2013

Depreciation expense was charged to the following functions:

Governmental activities:		
Instruction:		
Regular	\$ 19,535	
Special	4,437	
Other	1,431	
Support services:		
Instructional staff	2,462	
Administration	414	
Operation and maintenance of plant	3,994	
Transportation	<u>31,290</u>	
	63,563	
Unallocated	<u>25,098</u>	
Total depreciation expense – governmental activities	<u>\$ 88,661</u>	
Business type activities:		
Food service operations	\$ <u>343</u>	

(5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2013 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Compensated absences	\$ ---	3,335	---	3,335	----

(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, 2013

Plan members are required to contribute 5.78% of their annual covered salary and the District is required to contribute 8.67% of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2013, 2012, and 2011 were \$84,899, \$78,614, and \$67,943 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 20 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 following table shows the components of the District's annual OPEB cost for the year ended June 30, 2013, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Corwith-Wesley Community School District
Corwith, Iowa

Notes to Financial Statements

June 30, 2013

Annual required contribution	\$ 86,000
Interest on net OPEB obligation	---
Adjustment to annual required contribution	---
Annual OPEB cost	86,000
Contributions made	(11,000)
Increase in net OPEB obligation	75,000
Net OPEB obligation beginning of year	---
Net OPEB obligation end of year	\$ 75,000

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, 2013.

For the year ended June 30, 2013, the District contributed \$11,000 to the medical plan. Plan members eligible for benefits contributed \$0, or 0% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2013	\$86,000	12.8%	\$75,000

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$250,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$250,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$934,000 and the ratio of the UAAL to covered payroll was 26.8%. As of June 30, 2013, 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

Corwith-Wesley Community School District
Corwith, Iowa

Notes to Financial Statements

June 30, 2013

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, 2012 actuarial valuation date, the alternative measurement method was used. The actuarial assumptions include a 4.50% discount rate based on the District's funding policy. The projected annual medical rate is 10%. 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 applying termination factors from the U.S. Office of Personnel Management.

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

(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.

Corwith-Wesley Community School District
Corwith, Iowa

Notes to Financial Statements

June 30, 2013

(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 \$66,073 for the year ended June 30, 2013 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, 2013 was \$9,269. Future rentals are scheduled as follows:

<u>Year Ending June 30,</u>	
2014	\$ 10,824
2015	<u>3,936</u>
Total	<u>\$ 14,760</u>

(11) Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2013 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Beginning teacher mentoring	\$ 892
Market factor	3,272
Professional development – core curriculum	16,588
Professional development	43,663
Early intervention	1,067
Dropout prevention	99,266
Gifted and Talented	<u>8,856</u>
Total	<u>\$ 173,604</u>

Corwith-Wesley Community School District
Corwith, Iowa

Notes to Financial Statements

June 30, 2013

(12) Deficit Fund Balance

The Enterprise, School Nutrition Fund had a deficit fund balance of \$19,914 at June 30, 2013. 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 17, 2014, which is the date the financial statements were available to be issued.

On February 19, 2014, the Board approved moving forward with the dissolution of the District at June 30, 2015. A public vote to approve the dissolution is planned for September 9, 2014.

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, 2013

	Governmental Funds <u>Actual</u>	Proprietary Fund <u>Actual</u>
Revenues:		
Local sources	\$ 1,395,288	23,143
State sources	324,622	414
Federal sources	<u>63,934</u>	<u>24,135</u>
Total revenues	<u>1,783,844</u>	<u>47,692</u>
Expenditures/Expenses:		
Instruction	1,409,812	-
Support services	540,292	740
Non-instructional programs	-	61,115
Other expenditures	<u>143,977</u>	<u>-</u>
Total expenditures/expenses	<u>2,094,081</u>	<u>61,855</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	(310,237)	(14,163)
Balances beginning of year	<u>1,431,251</u>	<u>(5,751)</u>
Balances end of year	<u>\$ 1,121,014</u>	<u>(19,914)</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>	
1,418,431	1,658,413	1,658,413	(239,982)
325,036	330,690	330,690	(5,654)
88,069	148,000	148,000	(59,931)
<u>1,831,536</u>	<u>2,137,103</u>	<u>2,137,103</u>	<u>(305,567)</u>
1,409,812	1,427,000	1,427,000	17,188
541,032	652,970	652,970	111,938
61,115	63,000	63,000	1,885
143,977	71,387	71,387	(72,590)
<u>2,155,936</u>	<u>2,214,357</u>	<u>2,214,357</u>	<u>58,421</u>
(324,400)	(77,254)	(77,254)	(247,146)
<u>1,425,500</u>	<u>1,402,592</u>	<u>1,420,592</u>	<u>4,908</u>
<u>1,101,100</u>	<u>1,325,338</u>	<u>1,343,338</u>	<u>(242,238)</u>

Corwith-Wesley Community School District
Corwith, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2013

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, 2013, expenditures in the other expenditures function exceed the amounts budgeted and 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%
2013	July 1, 2012	-	250,000	250,000	0.0%	934,000	26.8%

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, 2013

Assets	Special Revenue		
	Manage- ment <u>Levy</u>	Student <u>Activity</u>	<u>Total</u>
	Cash, cash equivalents and pooled investments	\$ 124,527	22,394
Receivables:			
Property tax:			
Delinquent	1,687	-	1,687
Succeeding year	75,000	-	75,000
Accounts	-	323	323
Total assets	\$ 201,214	22,717	223,931
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ -	66	66
Due to other funds	-	616	616
Deferred revenue:			
Succeeding year property tax	75,000	-	75,000
Total liabilities	75,000	682	75,682
Fund balances:			
Restricted for:			
Management levy purposes	126,214	-	126,214
Student activities	-	22,035	22,035
Total fund balances	126,214	22,035	148,249
Total liabilities and fund balances	\$ 201,214	22,717	223,931

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, 2013

	Special Revenue		
	Manage- ment <u>Levy</u>	Student Activity	<u>Total</u>
Revenues:			
Local sources:			
Local tax	\$ 52,103	-	52,103
Other	2,241	58,584	60,825
State sources	<u>22</u>	<u>-</u>	<u>22</u>
Total revenues	<u>54,366</u>	<u>58,584</u>	<u>112,950</u>
Expenditures:			
Current:			
Instruction:			
Other instruction	-	62,012	62,012
Support services:			
Administration	14,596	-	14,596
Operation and maintenance of plant	25,612	-	25,612
Transportation	<u>5,348</u>	<u>-</u>	<u>5,348</u>
Total expenditures	<u>45,556</u>	<u>62,012</u>	<u>107,568</u>
Excess (deficiency) of revenues over (under) expenditures	8,810	(3,428)	5,382
Fund balances beginning of year	<u>117,404</u>	<u>25,463</u>	<u>142,867</u>
Fund balances end of year	<u>\$ 126,214</u>	<u>22,035</u>	<u>148,249</u>

See accompanying independent auditor's report.

Corwith-Wesley Community School District
Corwith, Iowa

Schedule 3

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2013

<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>
Annual	\$ -	4,596	3,433	-	1,163
Athletics - HS	-	13,639	5,485	(7,133)	1,021
Activity Tickets	1,270	2,720	699	(2,021)	1,270
Baseball	(1,321)	205	1,486	2,602	-
Book Club	100	-	-	-	100
Boys Basketball	750	1,867	4,278	1,661	-
Boys Track	620	15	680	45	-
Business Class	203	-	-	-	203
Cheerleaders	781	954	744	174	1,165
Class of 2012	2,985	-	2,248	-	737
Class of 2013	4,673	6,096	10,699	-	70
Class of 2014	1,787	1,069	1,528	-	1,328
Class of 2015	516	867	38	-	1,345
Class of 2016	130	754	108	-	776
Class of 2017	893	-	-	-	893
Class of 2018	122	-	-	-	122
Clubs and Organizations	266	636	-	-	902
Cross Country	-	650	960	310	-
Danz Squad	1,117	1,544	1,354	-	1,307
Drama	2,138	1,934	1,832	-	2,240
FFA	2,959	4,714	4,859	-	2,814
Football	750	6,973	8,274	551	-
Football fund raising	-	-	782	-	(782)
Fundraiser	87	2,492	-	-	2,579
Girls Basketball	780	-	2,069	1,289	-

(continued)

Corwith-Wesley Community School District
Corwith, Iowa

Schedule 3

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2013

<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>
Girls Track	114	-	439	325	-
Golf	-	560	871	311	-
Instrumental - High School	1,250	89	89	-	1,250
National Honor Society	-	682	629	-	53
Softball	(5)	129	1,378	1,254	-
Student Council - HS	413	776	1,226	780	743
Student Council -JH	780	-	-	(780)	-
Student Trip Account	-	2,535	1,799	-	736
Vocal -HS	433	322	755	-	-
Vocal - JH	-	-	423	423	-
Volleyball	872	1,766	2,847	209	-
Weightlifting	-	-	-	-	-
Total	<u>\$ 25,463</u>	<u>58,584</u>	<u>62,012</u>	<u>-</u>	<u>22,035</u>

See accompanying independent auditor's report.

Corwith-Wesley Community School District
Corwith, Iowa

Schedule 4

Combining Balance Sheet
Capital Project Accounts

June 30, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash, cash equivalents and pooled investments	\$ 364,220	8,333	372,553
Receivables:			
Property tax:			
Delinquent	-	1,103	1,103
Succeeding year	-	36,666	36,666
Due from other governments	18,827	-	18,827
Total assets	\$ 383,047	46,102	429,149
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 85	1,350	1,435
Deferred revenue:			
Succeeding year property tax	-	36,666	36,666
Total liabilities	85	38,016	38,101
Fund balances:			
Restricted for:			
School infrastructure	382,962	-	382,962
Physical plant and equipment	-	8,086	8,086
Total fund balances	382,962	8,086	391,048
Total liabilities and fund balances	\$ 383,047	46,102	429,149

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 Project Accounts

Year ended June 30, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 97,362	34,047	131,409
Other	137	459	596
State sources	-	14	14
Total revenues	97,499	34,520	132,019
Expenditures:			
Support services:			
Administration	-	10,486	10,486
Operation and maintenance of plant	-	10,816	10,816
Other expenditures:			
Facilities acquisition	23,347	54,557	77,904
Total expenditures	23,347	75,859	99,206
Excess (deficiency) of revenues over (under) expenditures	74,152	(41,339)	32,813
Fund balances beginning of year	308,810	49,425	358,235
Fund balances end of year	\$ 382,962	8,086	391,048

See accompanying independent auditor's report.

Corwith-Wesley Community School District
Corwith, Iowa

Schedule 6

Schedule of Changes in Fiduciary Assets and Liabilities -
Agency Fund

Year ended June 30, 2013

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
Assets				
Cash	<u>\$ 479</u>	<u>770</u>	<u>361</u>	<u>888</u>
Total assets	<u>\$ 479</u>	<u>770</u>	<u>361</u>	<u>888</u>
Liabilities				
Other payables	<u>\$ 479</u>	<u>770</u>	<u>361</u>	<u>888</u>
Total liabilities	<u>\$ 479</u>	<u>770</u>	<u>361</u>	<u>888</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>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Revenues:				
Local sources:				
Local tax	\$ 1,138,318	1,558,936	1,604,123	1,505,292
Tuition	151,707	46,131	254,009	275,176
Other	105,263	244,081	99,697	103,510
State sources	324,622	438,901	490,954	480,065
Federal sources	63,934	89,026	167,744	149,408
Total	<u>\$ 1,783,844</u>	<u>2,377,075</u>	<u>2,616,527</u>	<u>2,513,451</u>
Expenditures:				
Instruction:				
Regular	\$ 781,509	816,274	811,041	846,507
Special	311,900	202,838	244,583	232,757
Other	316,403	300,130	298,928	358,013
Support services:				
Student	23,657	26,325	25,348	36,156
Instructional staff	30,837	62,222	42,442	41,012
Administration	240,550	230,860	228,477	267,139
Operation and maintenance of plant	189,343	170,247	168,126	199,275
Transportation	55,905	54,308	71,791	141,281
Non-instructional programs	-	-	-	-
Other expenditures:				
Facilities acquisition	77,904	115,939	41,744	70,396
Long-term debt:				
Principal	-	-	-	14,951
Interest and other charges	-	-	-	625
AEA flowthrough	66,073	68,717	78,546	79,065
Total	<u>\$ 2,094,081</u>	<u>2,047,860</u>	<u>2,011,026</u>	<u>2,287,177</u>

See accompanying independent auditor's report.

Schedule 7

Modified Accrual Basis					
<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
1,488,935	1,303,520	1,281,748	1,161,181	1,164,783	1,112,721
103,548	152,893	159,428	123,214	111,521	94,033
150,377	135,865	130,605	122,487	150,130	126,496
750,791	772,242	847,067	946,873	957,461	954,149
78,202	81,695	93,737	73,371	93,310	89,589
<u>2,571,853</u>	<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>
842,921	838,525	894,887	856,555	869,497	856,161
257,846	297,728	386,422	347,821	456,817	423,783
370,151	373,910	341,596	362,730	309,196	310,160
36,293	36,904	34,374	32,194	31,260	37,428
40,935	41,062	29,699	36,666	21,350	38,226
348,868	297,898	284,300	268,795	295,396	246,143
247,055	242,840	236,317	322,388	233,177	218,423
91,346	207,498	166,385	116,616	94,254	85,848
857	-	-	-	-	197
25,836	54,390	64,348	-	93,629	18,162
14,351	15,576	-	-	-	17,573
1,225	-	-	-	-	896
<u>73,841</u>	<u>73,339</u>	<u>74,531</u>	<u>73,379</u>	<u>74,979</u>	<u>76,732</u>
<u>2,351,525</u>	<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>

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

Certified Public Accountants

714 14th Avenue North
Fort Dodge, IA 50501-7098
Phone 515.955.4805 • Fax 515.955.4673

Lowell W. Cornwell, C.P.A.
lwcornwell@frontiernet.net

Christine R. Frideres, C.P.A.
crfrideres@frontiernet.net

Jerilyn J. Maher, C.P.A.
jjmaher@frontiernet.net

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 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, the 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, 2013, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 17, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Corwith-Wesley Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of Corwith-Wesley Community School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a

material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings as items I-A-13 and I-B-13 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-C-13 to be a significant deficiency.

Compliance and Other Matters

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

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

Corwith-Wesley Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. Corwith-Wesley Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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 17, 2014

Corwith-Wesley Community School District
Corwith, Iowa

Schedule of Findings

Year ended June 30, 2013

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

I-A-13 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-13 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, 2013

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

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

Conclusion – Response accepted.

- I-C-13 Disbursement Approval –For four transactions, there was insufficient documentation to determine the date the Superintendent approved the expenditure for advance payment in accordance with the District’s policy.

Recommendation – For payments made in advance of Board meetings, the District should maintain documentation of the Superintendent’s approval of claims for payment, such as the Superintendent’s initials and date of approval.

Response – We will maintain documentation of approval of expenditures made in advance of Board meetings by having the Superintendent initial and date the claims.

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, 2013

Part II: Other Findings Related to Required Statutory Reporting:

II-A-13 Certified Budget – Expenditures for the year ended June 30, 2013 exceeded the certified budget amounts in the other expenditures function. The District also exceeded its General Fund unspent authorized budget for the year ended June 30, 2013.

Recommendation – The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget. The District should contact the Iowa Department of Education and the School Budget Review Committee to resolve the General Fund unspent authorized budget over expenditures.

Response – Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded. We have contacted the Iowa Department of Education and the School Budget Review Committee and have a corrective action plan.

Conclusion – Response accepted.

II-B-13 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-13 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-13 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	\$ 576
Bill Funnemark, teacher, Owner of H2O BUF Enterprises	Computer work	\$ 150

Corwith-Wesley Community School District
Corwith, Iowa

Schedule of Findings

Year ended June 30, 2013

In accordance with an Attorney General's opinion dated July 2, 1990, the above transactions do not appear to represent conflicts of interest.

II-E-13 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-13 Board Minutes – As previously noted, four transactions had insufficient documentation they had been approved for payment by the Superintendent in advance of Board approval as allowed by Chapter 279.30 of the Code of Iowa.

Recommendation – Sufficient documentation should be maintained to evidence proper Superintendent approval of expenditures paid in advance of Board approval.

Response – We will maintain sufficient documentation of the Superintendent's approval of expenditures prior to Board approval.

Conclusion – Response accepted.

II-G-13 Certified Enrollment – No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

II-H-13 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

II-I-13 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

II-J-13 Certified Annual Report – The Certified Annual Report was certified timely to the Iowa Department of Education.

II-K-13 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, 2013

- II-L-13 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, 2013, the District's reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 308,810
Revenues:		
Sales tax revenues	\$ 97,362	
Other local revenues	<u>137</u>	<u>97,499</u>
		406,309
Expenditures:		
School infrastructure construction		<u>23,347</u>
Ending balance		\$ <u>382,962</u>

For the year ended June 30, 2013, 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-13 Deficit Balances – The Nutrition Fund and one student activity account had deficit balances at June 30, 2013.

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.