

**WEST BEND-MALLARD COMMUNITY SCHOOL DISTRICT
WEST BEND, IOWA**

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

YEAR ENDED JUNE 30, 2008

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**West Bend-Mallard Community School District
West Bend, Iowa**

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2007 Election)		
Pat Madsen	President	2008
Eugene Ruppert	Vice President	2007
Doug Schwartzopf	Board Member	2009
Peter Nessen	Board Member	2007
Vera Banwart	Board Member	2009
Charles Wirtz	Board Member	2008
Nancy Umsted	Board Member	2007

**Board of Education
(After September 2007 Election)**

Pat Madsen	President	2011
Vera Banwart	Vice President	2009
Doug Schwartzopf	Board Member	2009
Sheila Griffin	Board Member	2011
Pat Vonnahme	Board Member	2009
Charles Wirtz	Board Member	2011
Nancy Umsted	Board Member	2011

School Officials

Dr. John Phillips	Superintendent	2008
Carla Montag	District Secretary/Treasurer and Business Manager	2008
Rick Engel	Attorney	2008

Independent Auditor's Report

To the Board of Education of
West Bend-Mallard Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of West Bend-Mallard Community School District, West Bend, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

The financial statements of West Bend-Mallard Achievement Foundation have not been audited, and we were not engaged to audit the Foundation's financial statements as part of our audit of the West Bend-Mallard Community School District's basic financial statements. West Bend-Mallard Achievement Foundation's financial activities are included in the District's basic financial statements as a discretely presented component unit and represent one hundred percent of the assets, net assets, revenues and expenses, of the District's aggregate discretely presented component units.

Because West Bend-Mallard Achievement Foundation's financial statements have not been audited, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statements of the discretely presented component unit of the West Bend-Mallard Community School District, as of and for the year ended June 30, 2008.

In addition, 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 West Bend-Mallard Community School District at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated December 9, 2008 on our consideration of West Bend-Mallard Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 14 and 44 through 46 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise West Bend-Mallard Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2007 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

December 9, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

West Bend-Mallard 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, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2008 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$3,594,854 in fiscal 2007 to \$3,807,078 in fiscal 2008, not including a donation from the West Bend- Mallard Achievement Foundation in the amount of \$852,954. General Fund expenditures increased from \$3,731,881 in fiscal 2007 to \$3,864,210 in fiscal 2008. The District's General Fund balance increased from a deficit of \$170,791 in fiscal 2007 to a surplus of \$625,257 in fiscal 2008, a 266% increase.

- The increase in General Fund revenues was attributable to an increase in property tax, tuition and state source revenues in fiscal 2008. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits and restricted grant expenditures. The General Fund balance increase is because of the Foundation's donation.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of West Bend-Mallard 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 West Bend-Mallard Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which West Bend-Mallard 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.

Other Supplementary Information provides detailed information about the nonmajor Special Revenue Funds.

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

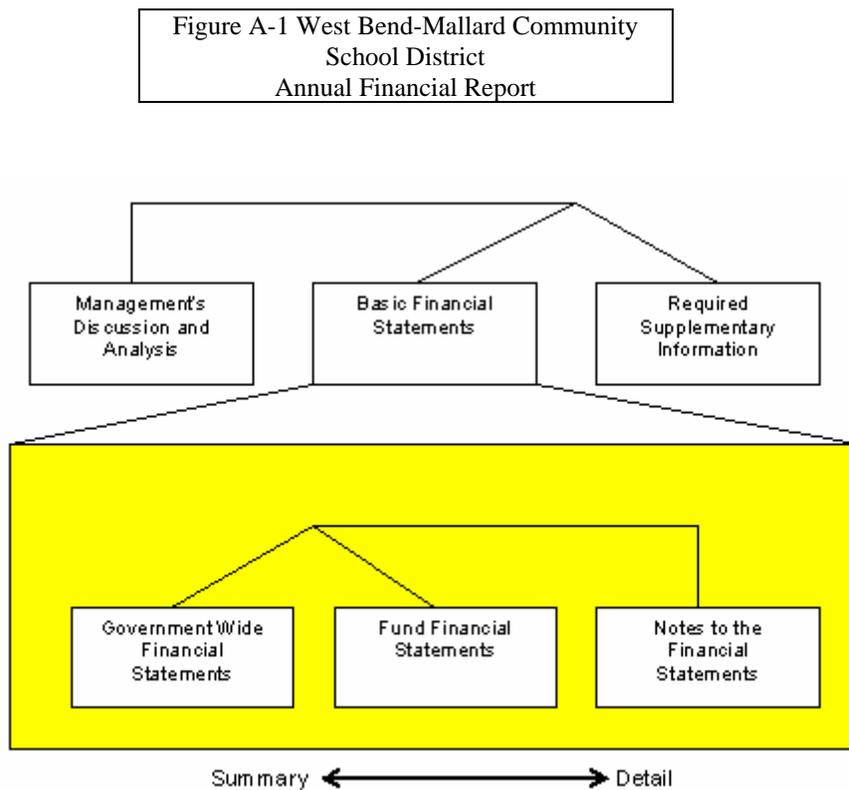


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

The District's governmental funds include the General Fund, the Special Revenue Funds, 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 Funds, one type of proprietary fund, are the same as its business type activities but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2008 compared to June 30, 2007.

Figure A-3							
Condensed Statement of Net Assets							
(Expressed in Thousands)							
	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-2008
Current and other assets	\$ 4,636	3,900	\$ 14	24	\$ 4,650	3,924	18.5%
Capital assets	<u>1,793</u>	<u>1,504</u>	<u>7</u>	<u>9</u>	<u>1,800</u>	<u>1,513</u>	<u>19.0%</u>
Total assets	<u>6,429</u>	<u>5,404</u>	<u>21</u>	<u>33</u>	<u>6,450</u>	<u>5,437</u>	<u>18.6%</u>
Long-term liabilities	171	93	---	---	171	93	83.9%
Other liabilities	<u>3,598</u>	<u>3,439</u>	<u>13</u>	<u>14</u>	<u>3,611</u>	<u>3,453</u>	<u>4.6%</u>
Total liabilities	<u>3,769</u>	<u>3,532</u>	<u>13</u>	<u>14</u>	<u>3,782</u>	<u>3,546</u>	<u>6.7%</u>
Net assets:							
Invested in capital assets, Net of related debt	1,793	1,504	7	9	1,800	1,513	19.0%
Restricted	262	278	---	---	262	278	-5.8%
Unrestricted	<u>605</u>	<u>90</u>	<u>1</u>	<u>10</u>	<u>606</u>	<u>100</u>	<u>506.0%</u>
Total net assets	<u>\$ 2,660</u>	<u>1,872</u>	<u>\$ 8</u>	<u>19</u>	<u>\$ 2,668</u>	<u>1,891</u>	<u>41.1%</u>

The District's combined net assets increased 41.1% or approximately \$777,000. The largest portion of the District's net assets is the invested in capital assets (e.g., land, buildings and equipment).

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased approximately \$16,000 or 6% from the prior year. The decrease was primarily a result of decreased revenues in the Management Levy Fund.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately \$506,000 or 506%. This increase in unrestricted net assets was a result of the District receiving donations from the Foundation in the amount of \$852,954.

Figure A-4 shows the changes in net assets for the year ended June 30, 2008 compared to the year ended June 30, 2007.

Figure A-4							
Changes in Net Asset							
(Expressed in Thousands)							
	Governmental		Business type		Total School		Total
	Activities		Activities		District		Change
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2007-2008</u>
Revenues:							
Program revenues:							
Charges for service	\$ 419	399	101	91	520	490	6.1%
Operating grants, contributions and restricted interest	499	465	72	67	571	532	7.3%
Capital grants, contributions and restricted interest	39	18	---	---	39	18	116.7%
General revenues:							
Property tax	2,001	2,008	---	---	2,001	2,008	-0.3%
Local option sales and service tax	186	216	---	---	186	216	-13.9%
Income surtax	157	139	---	---	157	139	12.9%
Unrestricted state grants	1,048	958	---	---	1,048	958	9.4%
Unrestricted investment earnings	52	55	---	---	52	55	-5.5%
Other	<u>31</u>	<u>28</u>	<u>---</u>	<u>---</u>	<u>31</u>	<u>28</u>	<u>10.7%</u>
Total revenues	<u>4,432</u>	<u>4,286</u>	<u>173</u>	<u>158</u>	<u>4,605</u>	<u>4,444</u>	<u>3.6%</u>
Program expenses:							
Governmental activities:							
Instruction	2,787	2,629	---	---	2,787	2,629	6.0%
Support services	1,391	1,275	---	---	1,391	1,275	9.1%
Non-instructional programs	5	3	185	170	190	173	9.8%
Other expenses	<u>314</u>	<u>388</u>	<u>---</u>	<u>---</u>	<u>314</u>	<u>388</u>	<u>-19.1%</u>
Total expenses	<u>4,497</u>	<u>4,295</u>	<u>185</u>	<u>170</u>	<u>4,682</u>	<u>4,465</u>	<u>4.9%</u>
Deficiency of revenues under expenditures before extraordinary items	(65)	(9)	(12)	(12)	(77)	(21)	-266.7%
Extraordinary items	<u>853</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>853</u>	<u>---</u>	<u>---</u>
Increase (decrease) in net assets	\$ 788	(9)	(12)	(12)	776	(21)	3,795%
	=====	=====	=====	=====	=====	=====	=====

Property tax and unrestricted state grants account for 69% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 93% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$4,432,171 and expenses were \$4,497,299.

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, 2008 compared to the year ended June 30, 2007.

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

	Total Cost of Services			Net Cost of Services		
	2008	2007	Change 2007-2008	2008	2007	Change 2007-2008
Instruction	\$ 2,787	2,629	6.0 %	2,036	1,898	6.8%
Support services	1,391	1,274	9.2%	1,345	1,258	6.9%
Non-instructional program	5	3	66.7%	5	3	66.7%
Other expenses	<u>314</u>	<u>388</u>	<u>-19.1 %</u>	<u>154</u>	<u>252</u>	<u>-38.9%</u>
Total	\$ 4,497	4,294	4.7%	3,540	3,411	3.8%
	=====	=====	=====	=====	=====	=====

For the year ended June 30, 2008:

- The cost financed by users of the District’s programs was \$419,144.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$499,402.
- The net cost of governmental activities was financed with \$2,344,743 in property and other taxes and \$1,047,818 in unrestricted state grants.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2008 were \$173,293, representing a 9.8% increase over the prior year, while expenses totaled \$184,933, a 9.1% increase over 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, West Bend-Mallard 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 \$888,988, well above last year’s ending fund balances of \$334,844. However, the primary reason for the increase in combined fund balances is related to the donation from the Foundation.

Governmental Fund Highlights

- The General Fund balance increased from a deficit of \$170,791 to a surplus of \$625,257, due in part to Foundation donations of \$852,954.
- The Physical Plant and Equipment Levy (PPEL) Fund balance increased from \$39,928 in fiscal 2007 to \$115,938 in fiscal 2008. Revenues increased \$61,279 largely due to an insurance claim reimbursement on a damaged bus. Expenditures also decreased \$24,848.
- The Capital Projects Fund balance decreased \$225,855 due to a decrease in the local option sales and services tax revenues and an increase in expenditures for renovation projects at the school.

Proprietary Fund Highlights

School Nutrition Fund net assets decreased from \$19,458 at June 30, 2007 to \$7,818 at June 30, 2008, representing a decrease of approximately 60%.

BUDGETARY HIGHLIGHTS

The District's total revenues were \$308,955 more than total budgeted revenues, a variance of 7%.

Total expenditures were more than budgeted by \$644,142 due primarily to the District's budget for the General and Capital Projects Funds.

The certified budget was exceeded in the instruction, support services, non-instructional programs and other expenditures functional areas.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2008, the District had invested \$1.8 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$172,131.

The original cost of the District's capital assets was \$7.0 million.

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

	Governmental		Business type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-2008
Land	\$ 75	75	---	---	75	75	0.0%
Construction in progress	253	---	---	---	253	---	---
Buildings	1,100	1,069	---	---	1,100	1069	2.9%
Improvements other than Buildings	38	41	---	---	38	41	-7.3%
Furniture and equipment	<u>327</u>	<u>319</u>	<u>7</u>	<u>9</u>	<u>334</u>	<u>328</u>	<u>1.8%</u>
Totals	\$ 1,793	1,504	7	9	1,800	1,513	19.0%
	=====	=====	==	==	=====	=====	=====

Long-Term Debt

At June 30, 2008, the District had \$170,704 long-term debt outstanding. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

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

	Total		Total
	District		Change
	June 30,		2007-2008
	2008	2007	
Early retirement	\$ 171	94	81.9%
	=====	====	=====

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

1. It is not reasonable to expect the West Bend and Mallard communities will donate the funds realized in fiscal year 2008. It is reasonable to expect the District to develop a budget reflecting revenues and expenditures that reflect a fiscal plan.
2. Unstable local, state and national economies will have a positive and negative impact on the revenues and expenditures of the District.
3. Enrollment has been stable the past several fiscal years. Historical data would indicate a negative change. The District needs to develop a financial plan to appropriately address change in enrollment.
4. It is reasonable to predict a significant change in the District's student demographics. The District should develop a plan to address potential changes in programs.
5. The District will need to develop a technology plan to address changes happening at the national and world levels. This will require the allocation of personal and economic resources.
6. Negotiated settlements will continue to impact the financial resources of the District.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

The 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 Carla Montag, District Secretary/Treasurer and Business Manager, West Bend-Mallard Community School District, 300 3rd Ave SW, P.O. Box 247, West Bend, Iowa 50597-0247.

Basic Financial Statements

West Bend-Mallard Community School District
West Bend, Iowa

Exhibit A

Statement of Net Assets

June 30, 2008

	Primary Government			Component Unit
	Governmental Activities	Business Type Activities	Total	WBM Achievement Foundation
Assets				
Cash and cash equivalents:				
ISCAP	\$ 853,874	-	853,874	24,148
Other	1,379,741	5,780	1,385,521	-
Receivables:				
Property tax:				
Delinquent	53,616	-	53,616	-
Succeeding year	2,101,000	-	2,101,000	-
Accrued interest:				
ISCAP	5,277	-	5,277	-
Due from other governments	242,335	-	242,335	-
Interfund balances	312	(312)	-	-
Inventories	-	8,377	8,377	-
Capital assets, net of accumulated depreciation	1,793,014	6,970	1,799,984	-
Total assets	6,429,169	20,815	6,449,984	24,148
Liabilities				
Accounts payable	288,457	-	288,457	-
Salaries and benefits payable	343,643	12,997	356,640	-
Deferred revenue - succeeding year property tax	2,101,000	-	2,101,000	-
ISCAP warrants payable	848,000	-	848,000	-
ISCAP accrued interest payable	3,666	-	3,666	-
ISCAP unamortized premium	12,066	-	12,066	-
Early retirement payable	1,904	-	1,904	-
Long-term liabilities:				
Portion due within one year:				
Early retirement payable	65,862	-	65,862	-
Portion due after one year:				
Early retirement payable	104,842	-	104,842	-
Total liabilities	3,769,440	12,997	3,782,437	-

(continued)

West Bend-Mallard Community School District
West Bend, Iowa

Exhibit A

Statement of Net Assets

June 30, 2008

	Primary Government			Component
	Governmental	Business Type	Total	Unit
	<u>Activities</u>	<u>Activities</u>		<u>WBM Achievement Foundation</u>
Net assets				
Invested in capital assets, net of related debt	1,793,014	6,970	1,799,984	-
Restricted for:				
Management levy	80,816	-	80,816	-
Physical plant and equipment levy	115,938	-	115,938	-
Other special revenue purposes	65,176	-	65,176	-
Foundation purposes	-	-	-	24,148
Unrestricted	604,785	848	605,633	-
Total net assets	<u>\$ 2,659,729</u>	<u>7,818</u>	<u>2,667,547</u>	<u>24,148</u>

See notes to financial statements.

West Bend-Mallard Community School District
West Bend, Iowa
Statement of Activities
Year ended June 30, 2008

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Service</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
Functions/Programs:				
Primary Government:				
Governmental activities:				
Instruction:				
Regular instruction	\$ 1,684,450	237,434	252,867	-
Special instruction	498,462	19,860	17,415	-
Other instruction	603,603	161,850	61,127	-
	<u>2,786,515</u>	<u>419,144</u>	<u>331,409</u>	<u>-</u>
Support services:				
Student	110,453	-	38,777	-
Instructional staff	52,549	-	2,790	-
Administration	599,540	-	-	-
Operation and maintenance of plant	380,714	-	-	-
Transportation	248,249	-	5,099	-
	<u>1,391,505</u>	<u>-</u>	<u>46,666</u>	<u>-</u>
Non-instructional programs	5,143	-	-	-
Other expenditures:				
Facilities acquisition	22,908	-	-	38,957
AEA flowthrough	121,327	-	121,327	-
Depreciation (unallocated)*	169,901	-	-	-
	<u>314,136</u>	<u>-</u>	<u>121,327</u>	<u>38,957</u>
Total governmental activities	4,497,299	419,144	499,402	38,957
Business type activities:				
Non-instructional programs:				
Food service operations	184,933	100,882	72,316	-
Total primary government	<u>\$ 4,682,232</u>	<u>520,026</u>	<u>571,718</u>	<u>38,957</u>
Component Unit:				
WBM Achievement Foundation	<u>\$ 852,954</u>	<u>-</u>	<u>877,002</u>	<u>-</u>
General Revenues:				
Property tax levied for:				
General purposes				
Capital outlay				
Local option sales and services tax				
Income surtax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Sale of asset				
Extraordinary item				
Total general revenues				
Change in net assets				
Net assets beginning of year				
Net assets end of year				

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

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business Type Activities	Total	WBM Achievement Foundation
(1,194,149)	-	(1,194,149)	-
(461,187)	-	(461,187)	-
(380,626)	-	(380,626)	-
<u>(2,035,962)</u>	<u>-</u>	<u>(2,035,962)</u>	<u>-</u>
(71,676)	-	(71,676)	-
(49,759)	-	(49,759)	-
(599,540)	-	(599,540)	-
(380,714)	-	(380,714)	-
(243,150)	-	(243,150)	-
<u>(1,344,839)</u>	<u>-</u>	<u>(1,344,839)</u>	<u>-</u>
(5,143)	-	(5,143)	-
16,049	-	16,049	-
-	-	-	-
<u>(169,901)</u>	<u>-</u>	<u>(169,901)</u>	<u>-</u>
<u>(153,852)</u>	<u>-</u>	<u>(153,852)</u>	<u>-</u>
(3,539,796)	-	(3,539,796)	-
-	(11,735)	(11,735)	-
<u>(3,539,796)</u>	<u>(11,735)</u>	<u>(3,551,531)</u>	<u>-</u>
-	-	-	24,048
1,923,483	-	1,923,483	-
77,842	-	77,842	-
186,354	-	186,354	-
157,064	-	157,064	-
1,047,818	-	1,047,818	-
51,505	95	51,600	100
20,960	-	20,960	-
9,642	-	9,642	-
852,954	-	852,954	-
<u>4,327,622</u>	<u>95</u>	<u>4,327,717</u>	<u>100</u>
787,826	(11,640)	776,186	24,148
1,871,903	19,458	1,891,361	-
<u>\$ 2,659,729</u>	<u>7,818</u>	<u>2,667,547</u>	<u>24,148</u>

West Bend-Mallard Community School District
West Bend, Iowa

Exhibit C

Balance Sheet
Governmental Funds

June 30, 2008

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Special Revenue</u>	<u>Total</u>
Assets				
Cash and pooled investments:				
ISCAP	\$ 853,874	-	-	853,874
Other	888,173	225,194	266,374	1,379,741
Receivables:				
Property tax:				
Delinquent	50,237	-	3,379	53,616
Succeeding year	1,807,000	-	294,000	2,101,000
Accrued interest:				
ISCAP	5,277	-	-	5,277
Due from other funds	-	603	-	603
Due from other governments	145,485	32,850	64,000	242,335
Total assets	<u>\$ 3,750,046</u>	<u>258,647</u>	<u>627,753</u>	<u>4,636,446</u>
 Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 25,983	256,846	5,628	288,457
Salaries and benefits payable	343,643	-	-	343,643
Due to other funds	-	-	291	291
ISCAP warrants payable	848,000	-	-	848,000
ISCAP accrued interest payable	3,666	-	-	3,666
ISCAP unamortized premium	12,066	-	-	12,066
Deferred revenue:				
Succeeding year property tax	1,807,000	-	294,000	2,101,000
Other	84,431	-	64,000	148,431
Early retirement payable	-	-	1,904	1,904
Total liabilities	<u>3,124,789</u>	<u>256,846</u>	<u>365,823</u>	<u>3,747,458</u>
Fund balances:				
Reserved for teacher mentoring	2,063	-	-	2,063
Reserved for professional development	13,993	-	-	13,993
Reserved for teacher salary improvement	5,577	-	-	5,577
Reserved for market factor	2,920	-	-	2,920
Unreserved	600,704	1,801	261,930	864,435
Total fund balances	<u>625,257</u>	<u>1,801</u>	<u>261,930</u>	<u>888,988</u>
Total liabilities and fund balances	<u>\$ 3,750,046</u>	<u>258,647</u>	<u>627,753</u>	<u>4,636,446</u>

See notes to financial statements.

West Bend-Mallard Community School District
West Bend, Iowa

Exhibit D

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

June 30, 2008

Total fund balances of governmental funds (page 19)	\$ 888,988
 <i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	1,793,014
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	148,431
Long-term liabilities, including early retirement payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(170,704)</u>
Net assets of governmental activities (page 16)	<u>\$ 2,659,729</u>

See notes to financial statements.

West Bend-Mallard Community School District
 West Bend, Iowa
 Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 Year ended June 30, 2008

Exhibit E

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Special Revenue</u>	<u>Total</u>
Revenues:				
Local sources:				
Local tax	\$ 1,950,988	186,354	192,401	2,329,743
Tuition	257,180	-	-	257,180
Other	59,186	1,086	213,114	273,386
Intermediate sources	1,366	-	-	1,366
State sources	1,431,818	-	65	1,431,883
Federal sources	106,540	-	-	106,540
Total revenues	<u>3,807,078</u>	<u>187,440</u>	<u>405,580</u>	<u>4,400,098</u>
Expenditures:				
Current:				
Instruction:				
Regular	1,525,162	-	81,308	1,606,470
Special	497,018	-	1,444	498,462
Other	433,884	-	169,719	603,603
	<u>2,456,064</u>	<u>-</u>	<u>252,471</u>	<u>2,708,535</u>
Support services:				
Student	110,120	-	333	110,453
Instructional staff	52,438	-	111	52,549
Administration	570,259	2,678	26,603	599,540
Operation and maintenance of plant	337,966	-	42,748	380,714
Transportation	211,359	-	40,890	252,249
	<u>1,282,142</u>	<u>2,678</u>	<u>110,685</u>	<u>1,395,505</u>
Non-instructional programs	4,677	-	466	5,143
Other expenditures:				
Facilities acquisition	-	410,617	97,757	508,374
AEA flowthrough	121,327	-	-	121,327
	<u>121,327</u>	<u>410,617</u>	<u>97,757</u>	<u>629,701</u>
Total expenditures	<u>3,864,210</u>	<u>413,295</u>	<u>461,379</u>	<u>4,738,884</u>
Deficiency of revenues under expenditures	<u>(57,132)</u>	<u>(225,855)</u>	<u>(55,799)</u>	<u>(338,786)</u>
Other financing sources:				
Sale of assets	226	-	-	226
Proceeds from insurance claim	-	-	39,750	39,750
Total other financing sources	<u>226</u>	<u>-</u>	<u>39,750</u>	<u>39,976</u>
Extraordinary item:				
Donation from WBM Achievement Foundation	852,954	-	-	852,954
Net change in fund balances	796,048	(225,855)	(16,049)	554,144
Fund balances beginning of year	<u>(170,791)</u>	<u>227,656</u>	<u>277,979</u>	<u>334,844</u>
Fund balances end of year	<u>\$ 625,257</u>	<u>1,801</u>	<u>261,930</u>	<u>888,988</u>

See notes to financial statements.

West Bend-Mallard Community School District
West Bend, 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, 2008

Net change in fund balances - total governmental funds (page 21) \$ 554,144

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

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

Expenditures for capital assets	\$ 489,466	
Depreciation expense	(169,901)	
Gain/(Loss) of sale of assets	<u>(30,334)</u>	289,231

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. 22,431

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:

Early retirement		<u>(77,980)</u>
------------------	--	-----------------

Change in net assets of governmental activities (page 18) \$ 787,826

See notes to financial statements.

West Bend-Mallard Community School District
West Bend, Iowa

Exhibit G

Statement of Net Assets
Proprietary Fund

June 30, 2008

	<u>School Nutrition</u>
Assets	
Cash and cash equivalents	\$ 5,780
Inventories	8,377
Capital assets, net of accumulated depreciation	<u>6,970</u>
Total assets	<u>21,127</u>
Liabilities	
Due to other funds	312
Salaries and benefits payable	<u>12,997</u>
Total liabilities	<u>13,309</u>
Net Assets	
Invested in capital assets	6,970
Unrestricted	<u>848</u>
Total net assets	<u>\$ 7,818</u>

See notes to financial statements

West Bend-Mallard Community School District
West Bend, Iowa

Exhibit H

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

Year ended June 30, 2008

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for service	\$ 100,288
Miscellaneous	<u>595</u>
Total operating revenue	<u>100,883</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries and benefits	104,076
Purchased services	1,318
Supplies	77,309
Depreciation	<u>2,230</u>
Total operating expenses	<u>184,933</u>
Operating loss	<u>(84,050)</u>
Non-operating revenues:	
State sources	2,207
Federal sources	70,108
Interest income	<u>95</u>
Total non-operating revenues	<u>72,410</u>
Net loss	(11,640)
Net assets beginning of year	<u>19,458</u>
Net assets end of year	<u>\$ 7,818</u>

See notes to financial statements.

West Bend-Mallard Community School District
West Bend, Iowa

Exhibit I

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2008

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 100,288
Cash received from miscellaneous operating activities	595
Cash paid to employees for services	(104,443)
Cash paid to suppliers for goods or services	<u>(61,176)</u>
Net cash used by operating activities	<u>(64,736)</u>
Cash flows from non-capital financing activities:	
State grants received	2,207
Federal grants received	<u>53,113</u>
Net cash provided by non-capital financing activities	<u>55,320</u>
Cash flows from investing activities:	
Interest on investments	<u>95</u>
Net decrease in cash and cash equivalents	(9,321)
Cash and cash equivalents beginning of year	<u>15,101</u>
Cash and cash equivalents end of year	<u><u>\$ 5,780</u></u>

West Bend-Mallard Community School District
West Bend, Iowa

Exhibit I

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2008

School
Nutrition

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

Operating loss	\$ (84,050)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	16,995
Depreciation	2,230
Decrease in inventories	456
(Decrease) in salaries and benefits payable	<u>(367)</u>
Net cash used by operating activities	<u>\$ (64,736)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2008, the District received \$16,995 of federal commodities.

See notes to financial statements.

West Bend-Mallard Community School District
West Bend, Iowa

Exhibit J

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2008

Agency

Assets

Cash \$ 16,294

Total assets 16,294

Liabilities

Other payables 16,294

Total liabilities 16,294

Net assets \$ -

See notes to financial statements.

West Bend-Mallard Community School District
West Bend, Iowa

Notes to Financial Statements

June 30, 2008

(1) Summary of Significant Accounting Policies

West Bend-Mallard Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the cities of West Bend and Mallard, Iowa, and the predominate agricultural territory in Palo Alto, Kossuth, Pocahontas and Humboldt 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, West Bend-Mallard 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 financial statements present the West Bend-Mallard Community School District and its component unit, the West Bend-Mallard Achievement Foundation. The component unit, discussed below, is included in the District's reporting entity because of the nature and significance of its operational or financial relationship with the District.

Discretely Presented Component Unit – The West Bend-Mallard Achievement Foundation is a separate nonprofit organization whose purpose is to maintain, develop, increase and extend the facilities and services of the West Bend-Mallard Community School District and to provide broader educational service opportunities to its students, graduates, staff, faculty, and the residents of the geographical area of which it serves.

West Bend-Mallard Community School District
West Bend, Iowa

Notes to Financial Statements

June 30, 2008

The records are maintained on the basis of cash receipts and disbursements. The West Bend-Mallard Achievement Foundation meets the definition of a component unit which should be discretely presented. The Foundation's financial statements have not been audited and we do not express an opinion on them.

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 Palo Alto and Kossuth County Assessor's Conference boards.

B. Basis of Presentation

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

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

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

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

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

West Bend-Mallard Community School District
West Bend, Iowa

Notes to Financial Statements

June 30, 2008

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.

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

The District reports the following major governmental funds:

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

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

The District reports the following major proprietary fund:

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

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

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

West Bend-Mallard Community School District
West Bend, Iowa

Notes to Financial Statements

June 30, 2008

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.

West Bend-Mallard Community School District
West Bend, Iowa

Notes to Financial Statements

June 30, 2008

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

West Bend-Mallard Community School District
West Bend, Iowa

Notes to Financial Statements

June 30, 2008

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.

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 1 ½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2007.

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.

West Bend-Mallard Community School District
West Bend, Iowa

Notes to Financial Statements

June 30, 2008

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

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

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 1,000
Buildings	1,000
Improvements other than buildings	1,000
Furniture and equipment:	
School Nutrition Fund equipment	300
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	40-50 years
Improvements other than buildings	15-20 years
Furniture and equipment	5-10 years

West Bend-Mallard Community School District
West Bend, Iowa

Notes to Financial Statements

June 30, 2008

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.

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

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

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation and sick leave benefits payable to employees. Vacation must be used by June 30th of each year and sick leave does not vest, therefore, no liability has been recorded for these amounts.

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

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

West Bend-Mallard Community School District
West Bend, Iowa

Notes to Financial Statements

June 30, 2008

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

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008 expenditures in the instruction, support services, non-instructional programs and other expenditures functional areas exceeded the amounts budgeted.

(2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2008 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 has no investments at or during the year ended June 30, 2008 and invested its excess cash in money market checking and savings accounts and certificates of deposit.

West Bend-Mallard Community School District
West Bend, Iowa

Notes to Financial Statements

June 30, 2008

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2008 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Special Revenue:		
Physical Plant and Equipment Levy	Enterprise: Nutrition Fund	\$ 312
Capital Projects	Special Revenue: Physical Plant and Equipment Levy	603

(4) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2008 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2007-08A	6/27/07	6/27/08	\$ -	2,497	-	-
2007-08B	1/23/08	1/23/09	210,674	2,536	210,000	3,421
2008-09A	6/26/08	6/25/09	<u>643,200</u>	<u>244</u>	<u>638,000</u>	<u>245</u>
Total			\$ 853,874	5,277	848,000	3,666
			=====	=====	=====	=====

West Bend-Mallard Community School District
West Bend, Iowa

Notes to Financial Statements

June 30, 2008

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2008 is as follows:

<u>Series</u>	<u>Balance Beginning of Year</u>	<u>Advances Received</u>	<u>Advances Repaid</u>	<u>Balance End of Year</u>
2007-08A	\$ ---	200,000	200,000	---
2007-08B	---	<u>200,000</u>	<u>200,000</u>	---
Total	\$ ---	400,000	400,000	---
	=====	=====	=====	=====

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

<u>Series</u>	<u>Interest Rates on Warrants</u>	<u>Interest Rates on Investments</u>
2007-08A	4.50%	5.455%
2007-08B	3.75%	3.451%
2008-09A	3.50%	3.469%

West Bend-Mallard Community School District
West Bend, Iowa

Notes to Financial Statements

June 30, 2008

(5) Capital Assets

Capital assets activity for the year ended June 30, 2008 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 74,705	---	---	74,705
Construction in progress	<u>---</u>	<u>253,277</u>	<u>---</u>	<u>253,277</u>
Total capital assets not being depreciated	<u>74,705</u>	<u>253,277</u>	<u>---</u>	<u>327,982</u>
Capital assets being depreciated:				
Buildings	2,993,415	88,238	---	3,081,653
Improvements other than buildings	108,358	---	---	108,358
Furniture and equipment	<u>3,511,943</u>	<u>147,951</u>	<u>(151,000)</u>	<u>3,508,894</u>
Total capital assets being depreciated	<u>6,613,716</u>	<u>236,189</u>	<u>(151,000)</u>	<u>6,698,905</u>
Less accumulated depreciation for:				
Buildings	1,924,422	57,056	---	1,981,478
Improvements other than buildings	67,609	2,505	---	70,114
Furniture and equipment	<u>3,192,607</u>	<u>110,340</u>	<u>(120,666)</u>	<u>3,182,281</u>
Total accumulated depreciation	<u>5,184,638</u>	<u>169,901</u>	<u>(120,666)</u>	<u>5,233,873</u>
Total capital assets being depreciated, net	<u>1,429,078</u>	<u>66,288</u>	<u>(30,334)</u>	<u>1,465,032</u>
Governmental activities capital assets, net	<u>\$ 1,503,783</u>	<u>319,565</u>	<u>(30,334)</u>	<u>1,793,014</u>
	=====	=====	=====	=====
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Furniture and equipment	\$ 39,299	---	---	39,299
Less accumulated depreciation	<u>30,099</u>	<u>2,230</u>	<u>---</u>	<u>32,329</u>
Business type activities capital assets, net	<u>\$ 9,200</u>	<u>(2,230)</u>	<u>---</u>	<u>6,970</u>
	=====	=====	=====	=====

West Bend-Mallard Community School District
West Bend, Iowa

Notes to Financial Statements

June 30, 2008

Depreciation expense was charged to the following functions:

Governmental activities:		
Unallocated		169,901
Total depreciation expense – governmental activities		\$ 169,901
		=====
Business type activities:		
Food service operations		\$ 2,230
		=====

(6) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2008 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Early retirement	\$ 92,724	109,626	31,646	170,704	65,862
	=====	=====	=====	=====	=====

Termination Benefits

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must have completed ten years of continuous service to the District and must have reached the age of fifty-five on or before June 30 in the calendar year in which the early retirement commences. Employees must complete an application which is subject to approval by the Board of Education.

The retirement benefits are equal to 50% of the employee’s regular contractual salary in effect during the employee’s last year of employment. In addition, the District will pay on behalf of the employee a monthly amount toward continued participation in the District’s then existing health insurance plan until the employee is eligible for Medicare.

At June 30, 2008, the District has obligations to four participants with a total liability of \$170,704. Actual early retirement expenditures for the year ended June 30, 2008 totaled \$49,220.

West Bend-Mallard Community School District
West Bend, Iowa

Notes to Financial Statements

June 30, 2008

(7) Pension and Retirement Benefits

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

Plan members are required to contribute 3.90% of their annual covered salary and the District is required to contribute 6.05% of annual covered payroll for the years ended June 30, 2008, 2007 and 2006. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2008, 2007 and 2006 were \$140,315, \$129,424 and \$127,047, respectively, equal to the required contributions for each year.

(8) Risk Management

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

(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 \$121,327 for the year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

West Bend-Mallard Community School District
West Bend, Iowa

Notes to Financial Statements

June 30, 2008

(10) Operating Leases

The West Bend-Mallard Community School District and the City of West Bend entered into an operating lease whereby the District agreed to lease to the City a portion of school grounds containing the swimming pool for a term of five years commencing August 1, 2003.

The City shall pay one dollar per year for five years payable on or before each anniversary date, the first payment due August 1, 2003. The District and the City have agreed to continue this lease for an additional five years commencing August 1, 2008.

The District entered into an operating lease with Bro Business Center for the rental of a copier on July 18, 2006 for a period of 60 months. The amount paid for the fiscal year ended June 30, 2008 was \$13,236. There are no fixed future rentals as payments are based on the number of copies made.

The District entered into an operating lease with BB Community Leasing Services, Inc. for the rental of two 2007 International school buses on August 17, 2006 for a period of 36 months. The amount paid for the fiscal year ended June 30, 2008 was \$17,698. Future rentals are scheduled as follows:

Year Ending <u>June 30,</u> 2009	\$ 17,698 =====
---	--------------------

The District entered into an operating lease with Kansas State Bank of Manhattan for the rental of a 2008 Thomas school bus on November 1, 2007 for a period of 36 months. The amount paid for the fiscal year ended June 30, 2008 was \$10,068. Future rentals are scheduled as follows:

Year Ending <u>June 30,</u> 2009	\$ 10,068
2010	10,068
Total	\$ 20,136 =====

West Bend-Mallard Community School District
West Bend, Iowa

Notes to Financial Statements

June 30, 2008

(11) Construction Commitment

The District has entered into contracts totaling \$417,900 for masonry restoration and classroom remodeling projects. As of June 30, 2008, costs of \$223,777 had been incurred against the contracts. The balance of \$194,123 remaining at June 30, 2008 will be paid as work on the project progresses.

(12) Subsequent Events

On August 6, 2008, the District authorized the issuance of School Infrastructure Sales, Services and Use Tax Revenue Bonds in the amount of \$268,000. The bond issuance proceeds will be used to help finance the projects listed in footnote eleven above.

(13) Restatement of Beginning Balances

Beginning net assets for student activities and PPEL funds has been restated to more appropriately record playground equipment purchases financed through a fundraiser in the PPEL fund.

	<u>Student Activities</u>	<u>PPEL</u>
Net assets, June 30, 2007		
as previously reported	\$73,485	\$ 37,384
Playground funds	<u>(2,544)</u>	<u>2,544</u>
Net assets, July 1, 2007 as restated	70,941	39,928
	=====	=====

(14) Extraordinary Item

APB Opinion No. 30 defines extraordinary items as “events and transactions that are distinguished by their unusual nature and by the infrequency of their occurrence”. On June 30, 2008 the West Bend-Mallard Achievement Foundation gave a donation of \$852,954 to the West Bend-Mallard Community School District. The Foundation raised funds from the community to help the District eliminate its deficit general fund balance and to help return the unspent authorized budget to a positive balance.

Required Supplementary Information

West Bend-Mallard Community School District
West Bend, 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, 2008

	Governmental Funds <u>Actual</u>	Proprietary Fund <u>Actual</u>
Revenues:		
Local sources	\$ 2,860,309	100,978
Intermediate sources	1,366	-
State sources	1,431,883	2,207
Federal sources	<u>106,540</u>	<u>70,108</u>
Total revenues	<u>4,400,098</u>	<u>173,293</u>
Expenditures/Expenses:		
Instruction	2,708,535	-
Support services	1,395,505	-
Non-instructional programs	5,143	184,933
Other expenditures	<u>629,701</u>	<u>-</u>
Total expenditures/expenses	<u>4,738,884</u>	<u>184,933</u>
Deficiency of revenues under expenditures/expenses	(338,786)	(11,640)
Other financing sources, net	39,976	-
Extraordinary item	<u>852,954</u>	<u>-</u>
Excess (deficiency) of revenues, other financing sources, and extraordinary item over (under) expenditures/expenses	554,144	(11,640)
Balances beginning of year	<u>334,844</u>	<u>19,458</u>
Balances end of year	<u>\$ 888,988</u>	<u>7,818</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>	
2,961,287	2,850,309	2,850,309	110,978
1,366	-	-	1,366
1,434,090	1,364,127	1,364,127	69,963
176,648	50,000	50,000	126,648
<u>4,573,391</u>	<u>4,264,436</u>	<u>4,264,436</u>	<u>308,955</u>
2,708,535	2,448,378	2,448,378	(260,157)
1,395,505	1,256,580	1,256,580	(138,925)
190,076	123,875	123,875	(66,201)
629,701	450,842	450,842	(178,859)
<u>4,923,817</u>	<u>4,279,675</u>	<u>4,279,675</u>	<u>(644,142)</u>
(350,426)	(15,239)	(15,239)	(335,187)
39,976	-	-	39,976
<u>852,954</u>	<u>-</u>	<u>-</u>	<u>852,954</u>
542,504	(15,239)	(15,239)	557,743
<u>354,302</u>	<u>549,353</u>	<u>549,353</u>	<u>(195,051)</u>
<u>896,806</u>	<u>534,114</u>	<u>534,114</u>	<u>362,692</u>

West Bend-Mallard Community School District
West Bend, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2008

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional 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, 2008, expenditures in the instruction, support services, non-instructional programs and other expenditures functions exceeded the amounts budgeted.

Other Supplementary Information

West Bend-Mallard Community School District
West Bend, Iowa

Schedule 1

Combining Balance Sheet
Nonmajor Special Revenue Funds

June 30, 2008

Assets	<u>Manage- ment Levy</u>	<u>Student Activity</u>	<u>Physical Plant and Equipment Levy</u>	<u>Total</u>
Cash and pooled investments	\$ 82,672	65,176	118,526	266,374
Receivables:				
Property tax:				
Delinquent	1,340	-	2,039	3,379
Succeeding year	215,000	-	79,000	294,000
Due from other governments	<u>-</u>	<u>-</u>	<u>64,000</u>	<u>64,000</u>
Total assets	<u>\$ 299,012</u>	<u>65,176</u>	<u>263,565</u>	<u>627,753</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 1,292	-	4,336	5,628
Due to other funds	-	-	291	291
Deferred revenue:				
Succeeding year property tax	215,000	-	79,000	294,000
Other	-	-	64,000	64,000
Early retirement payable	<u>1,904</u>	<u>-</u>	<u>-</u>	<u>1,904</u>
Total liabilities	218,196	-	147,627	365,823
Unreserved fund balances	<u>80,816</u>	<u>65,176</u>	<u>115,938</u>	<u>261,930</u>
Total liabilities and fund balances	<u>\$ 299,012</u>	<u>65,176</u>	<u>263,565</u>	<u>627,753</u>

See accompanying independent auditor's report.

West Bend-Mallard Community School District
West Bend, Iowa

Schedule 2

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

Year ended June 30, 2008

	Manage- ment <u>Levy</u>	Student Activity <u>Activity</u>	Physical Plant and Equipment <u>Levy</u>	<u>Total</u>
Revenues:				
Local sources:				
Local tax	\$ 49,984	-	142,417	192,401
Other	10,495	162,576	40,043	213,114
State sources	<u>25</u>	<u>-</u>	<u>40</u>	<u>65</u>
Total revenues	<u>60,504</u>	<u>162,576</u>	<u>182,500</u>	<u>405,580</u>
Expenditures:				
Current:				
Instruction:				
Regular	81,308	-	-	81,308
Special	1,444	-	-	1,444
Other	1,378	168,341	-	169,719
Support services:				
Student	333	-	-	333
Instructional staff	111	-	-	111
Administration	16,045	-	10,558	26,603
Operation and maintenance of plant	36,589	-	6,159	42,748
Transportation	9,124	-	31,766	40,890
Non-instructional programs	466	-	-	466
Other expenditures:				
Facilities acquisition	<u>-</u>	<u>-</u>	<u>97,757</u>	<u>97,757</u>
Total expenditures	<u>146,798</u>	<u>168,341</u>	<u>146,240</u>	<u>461,379</u>
Excess (deficiency) of revenues over (under) expenditures	(86,294)	(5,765)	36,260	(55,799)
Other financing sources:				
Proceeds from insurance claims	<u>-</u>	<u>-</u>	<u>39,750</u>	<u>39,750</u>
Total other financing sources	<u>-</u>	<u>-</u>	<u>39,750</u>	<u>39,750</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures	(86,294)	(5,765)	76,010	(16,049)
Fund balances beginning of year, as restated	<u>167,110</u>	<u>70,941</u>	<u>39,928</u>	<u>277,979</u>
Fund balances end of year	<u>\$ 80,816</u>	<u>65,176</u>	<u>115,938</u>	<u>261,930</u>

See accompanying independent auditor's report.

West Bend-Mallard Community School District
West Bend, Iowa

Schedule 3

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2008

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Intra- Fund Transfers</u>	<u>Balance End of Year</u>
Athletics - West Bend	\$ 2,277	46,885	47,022	-	2,140
Weightlifting	3,958	9,288	8,893	-	4,353
Padlock-Athletics-West Bend	982	-	-	-	982
Towel Fees-Athletics-West Bend	1,552	701	1,317	-	936
Dramatics	464	8,631	6,645	-	2,450
Annual	10,015	6,226	5,134	-	11,107
Class of:					
2006	218	-	218	-	-
2007	338	-	338	-	-
2008	1,712	-	1,331	-	381
2009	-	9,299	8,321	-	978
2011	25	-	-	-	25
Vocal Music	904	-	-	-	904
Band	666	200	168	-	698
Swing Choir	2	-	-	-	2
Flagline	653	-	-	-	653
Cheerleading - West Bend	2,149	2,298	1,962	-	2,485
Drill Team	3,341	15,342	16,454	-	2,229
FFA	4,901	18,946	21,051	-	2,796
Concession Stand	1,116	-	-	-	1,116
Student Council - West Bend	4,412	11,004	12,689	(750)	1,977
WBM-TV	817	-	-	-	817
Home Economics	209	-	-	-	209
NOW Account Interest	5,341	650	530	-	5,461
HS Quiz Bowl	-	3,845	4,590	750	5
Elementary Classes	4,596	1,809	1,709	-	4,696
Industrial Ed	295	-	-	-	295
Life Skills	438	410	462	-	386
Cheerleading - Mallard	233	-	-	-	233

West Bend-Mallard Community School District
West Bend, Iowa

Schedule 3

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2008

<u>Account</u>	Balance Beginning of Year	<u>Revenues</u>	<u>Expenditures</u>	Intra- Fund Transfers	Balance End of Year
Four x Four Shop - Wood	3,039	5,727	4,172	-	4,594
Four x Four Shop - Motor	2,075	730	-	-	2,805
Spanish Club	1,243	6,308	7,540	-	11
Design Plus	2,466	2,067	2,559	-	1,974
Drama - Speech	126	360	556	75	5
Music	1,014	955	1,310	-	659
M.S. Programs	4,188	7,545	7,947	(75)	3,711
Student Council - Mallard	<u>5,176</u>	<u>3,350</u>	<u>5,423</u>	-	<u>3,103</u>
 Total	 <u>\$ 70,941</u>	 <u>162,576</u>	 <u>168,341</u>	 <u>-</u>	 <u>65,176</u>

See accompanying independent auditor's report.

West Bend-Mallard Community School District
West Bend, Iowa

Schedule 4

Schedule of Changes in Fiduciary Assets and Liabilities -
Agency Fund

Year ended June 30, 2008

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
Assets				
Cash	\$ 5,221	19,856	8,783	16,294
Total assets	<u>\$ 5,221</u>	<u>19,856</u>	<u>8,783</u>	<u>16,294</u>
Liabilities				
Other payables	\$ 5,221	19,856	8,783	16,294
Total liabilities	<u>\$ 5,221</u>	<u>19,856</u>	<u>8,783</u>	<u>16,294</u>

See accompanying independent auditor's report.

West Bend-Mallard Community School District
West Bend, Iowa

Schedule 5

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

For the Last Four Years

	Modified Accrual Basis			
	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Revenues:				
Local sources:				
Local tax	\$ 2,329,743	2,350,050	2,121,619	2,137,957
Tuition	257,180	222,499	212,765	203,804
Other	273,386	259,385	265,862	276,662
Intermediate sources	1,366	18,811	-	-
State sources	1,431,883	1,278,799	1,359,995	1,360,229
Federal sources	106,540	143,135	274,407	190,334
Total	<u>\$ 4,400,098</u>	<u>4,272,679</u>	<u>4,234,648</u>	<u>4,168,986</u>
Expenditures:				
Instruction:				
Regular	\$ 1,606,470	1,550,115	1,397,220	1,309,868
Special	498,462	452,149	448,412	392,443
Other	603,603	696,849	742,600	798,900
Support services:				
Student	110,453	75,326	78,421	64,401
Instructional staff	52,549	61,647	123,896	132,145
Administration	599,540	538,976	568,338	542,428
Operation and maintenance of plant	380,714	375,856	376,979	324,611
Transportation	252,249	236,740	225,673	180,186
Central support	-	-	-	-
Non-instructional programs	5,143	3,286	18,774	30,559
Other expenditures:				
Facilities acquisition	508,374	333,210	247,033	339,802
Long-term debt:				
Principal	-	-	-	110,000
Interest and other charges	-	-	-	4,815
AEA flowthrough	121,327	117,836	115,152	115,716
Total	<u>\$ 4,738,884</u>	<u>4,441,990</u>	<u>4,342,498</u>	<u>4,345,874</u>

See accompanying independent auditor's report.

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
West Bend-Mallard Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of West Bend-Mallard Community School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated December 9, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, including deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects West Bend-Mallard Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of West Bend-Mallard Community School District's financial statements that is more than inconsequential will not be prevented or detected by West Bend-Mallard Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by West-Bend Mallard Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items I-A-08 and I-B-08 are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether West Bend-Mallard 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, 2008 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.

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

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

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

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

December 9, 2008

West Bend-Mallard Community School District
West Bend, Iowa

Schedule of Findings

Year ended June 30, 2008

Part I: Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

I-A-08 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

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

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

Conclusion – Response acknowledged. The District could 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-08 Financial Reporting – During the audit, we identified material amounts of receivables, payables and capital assets additions not recorded in the District's financial statements. Adjustments were subsequently made by the District to properly include these amounts in the financial statements. Financial statement preparation is the responsibility of the District. District personnel do not have the skills necessary to be able to write the District's financial statements and the related note disclosures. This is not an unusual situation for small governmental entities.

West Bend-Mallard Community School District
West Bend, Iowa

Schedule of Findings

Year ended June 30, 2008

Recommendation – The District should implement procedures to ensure all receivables, payables and capital assets additions are identified and included in the District’s financial statements. District personnel should attend any governmental accounting and reporting training sessions that may be offered by the Iowa Department of Education, State Auditor’s Office or Iowa Association of School Business Officials. The school business office should also have governmental accounting and reporting reference materials.

Response – We will try to identify these in the future. As a school we certainly understand the need for continuing education classes for all of our staff. However, we have a limited budget and must continually prioritize needs. At this point in time it is not cost effective to train our staff to the level necessary that would enable them to write the financial statements, nor is it feasible to hire additional employees that already possess the skills.

Conclusion – Response accepted.

I-C-08 Disbursement Approval – For one transaction tested, there was no evidence of Board approval. For three transactions tested, there was insufficient documentation to determine the date the Superintendent approved routine expenditures for advance payment in accordance with the District’s policy. Also, one expenditure was not fully supported by an invoice.

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

Response – We will ensure all expenditures are properly approved and maintain documentation of the approval of disbursements made in advance of Board of approval by having the Superintendent initial and date the claims and we will have invoices to support payments.

Conclusion – Response accepted.

West Bend-Mallard Community School District
West Bend, Iowa

Schedule of Findings

Year ended June 30, 2008

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

Part II: Other Findings Related to Required Statutory Reporting:

II-A-08 Certified Budget - Expenditures for the year ended June 30, 2008, exceeded the certified budget amounts in the instruction, support services, non-instructional programs and other expenditures functions.

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

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

Conclusion - Response accepted.

II-B-08 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-08 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.

West Bend-Mallard Community School District
West Bend, Iowa

Schedule of Findings

Year ended June 30, 2008

II-D-08 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>
Doug Schwartzkopf, Board Member Co-owner West Bend Journal	Publications	\$3,077

The transaction with the Board Member, Schwartzkopf, appears to represent a conflict of interest since the transaction was more than \$2,500 and not competitively bid as provided by Chapter 279.7A of the Code of Iowa.

Recommendation – The District should consult legal counsel to determine disposition of this matter.

Response – This is the only local paper housed in the District.

Conclusion – Response accepted.

II-E-08 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage is reviewed annually to insure the coverage is adequate for current operations.

II-F-08 Board Minutes – As previously noted, one transaction requiring Board approval had not been approved by the Board as required by Chapter 279.29 of the Code of Iowa and an additional three transactions had insufficient documentation they had been approved for payment by the Superintendent in advance of the Board meeting as allowed in Chapter 279.30 of the Code of Iowa.

Recommendation – All expenditures should be approved by the Board and sufficient documentation should be maintained to evidence proper Superintendent approval of expenditures paid in advance of Board approval.

Response – We will ensure all expenditures are properly approved.

Conclusion – Response accepted.

West Bend-Mallard Community School District
West Bend, Iowa

Schedule of Findings

Year ended June 30, 2008

- II-G-08 Certified Enrollment - No variances in the basic enrollment data certified to the Department of Education were noted.
- II-H-08 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-I-08 Certified Annual Report - The Certified Annual Report was certified timely to the Iowa Department of Education.
- II-J-08 Authorized Check Signatures - It was noted that check signatures although authorized by bank signature cards, were not always in accordance with Chapter 291.1 of the Code.

Recommendation - Per Chapter 291.1 the president or the president's designee shall sign, using an original or facsimile signature, all school districts warrants. The board of directors, by resolution, may designate an individual, who shall not be the secretary, to sign warrants on his behalf.

Response - We will properly sign warrants in accordance with the Code in the future.

Conclusion - Response accepted.