

WEST BRANCH COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2008

WEST BRANCH COMMUNITY SCHOOL DISTRICT
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WEST BRANCH COMMUNITY SCHOOL DISTRICT
 Officials
 June 30, 2008

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2007 Election)		
Steve Nash	Board President	2007
Jacinta Hart	Board Member	2007
Kathy Knoop	Board Member	2008
Richard Paulus	Board Member	2008
Mike Owen	Board Member	2009
(After September 2007 Election)		
Kathy Knoop	Board President	2008
Richard Paulus	Board Member	2008
Mike Owen	Board Member	2009
Jacinta Hart	Board Member	2010
Chad Fiderlein	Board Member	2010
School Officials		
Craig Artist	Superintendent	2008
Angie Walter	District Secretary/Treasurer	2008
C. Joseph Holland	Attorney	2008

KAY L. CHAPMAN, CPA PC

210 Cedar Street
Muscatine, Iowa 52761
563-264-1385

Independent Auditor's Report

To the Board of Education
West Branch Community School District

I have audited the accompanying financial statements of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of West Branch Community School District, West Branch, 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. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my 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 I 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. I believe my audit provides a reasonable basis for my opinions.

In my 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 Branch Community School District as of 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, I have also issued my report dated March 12, 2009 on my consideration of West Branch Community School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of my 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 my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 37 through 38 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise West Branch Community School District's basic financial statements. Other supplementary information included in Schedules 1 through 4, 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 my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. I 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. In my opinion, the information set forth in the supplementary information for each of the four years in the period ended June 30, 2008, appearing in Schedule 5, is fairly stated, in all material respects in relation to the basic financial statements from which it has been derived.

Kay L. Chapman, CPA PC

Kay L. Chapman, CPA PC
March 12, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

West Branch 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 \$6,461,371 in fiscal 2007 to \$6,814,944 in fiscal 2008, and General Fund expenditures increased from \$6,296,541 in fiscal 2007 to \$6,654,907 in fiscal 2008. The District's General Fund balance increased from \$1,089,753 in fiscal 2007 to \$1,261,177 in fiscal 2008, a 15% increase.
- The increase in General Fund Revenues was attributable to an increase in teacher compensation money and allowable growth from the state and Medicaid reimbursement and Special Ed Part B funding from federal dollars. The increase in General Expenditures was primarily due to increases in salary and benefits, increased special education costs and increased fuel costs.

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 Branch 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 Branch 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 Branch Community School District acts solely as an agent or custodian for the benefit of those outside of District government.

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 governmental funds and changes in fiduciary net assets.

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

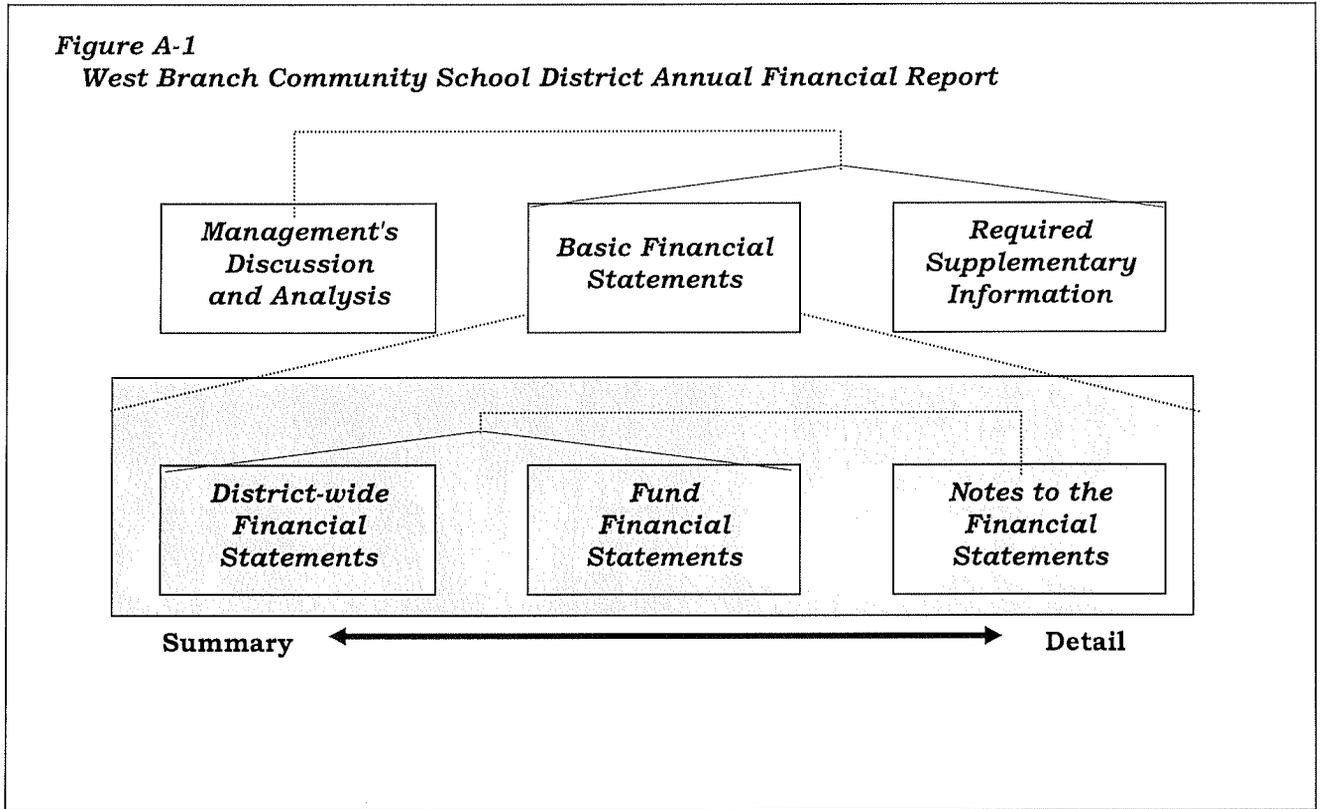


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

Some funds are required by state law. 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, Capital Projects, Debt Service and Special Revenue Funds.

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

- 2) *Proprietary fund:* Services for which the District charges a fee are generally reported in a proprietary fund. The proprietary fund is reported in the same way as the government-wide financial statements. The District's enterprise fund, one type of proprietary fund, are the same as its business type activity, 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 the proprietary fund 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 fund*: The District is the trustee, or fiduciary, for assets that belong to others. This fund consists of an Agency Fund.

- Agency Fund – This is a fund through which the District administers and accounts for a student assistance program.

The District is responsible for ensuring the assets reported in the fiduciary fund 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 fund include a statement of fiduciary net assets. A statement of changes in fiduciary net assets is included as supplementary information.

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						
	Governmental		Business-type		Total		Total
	Activities		Activities		School District		Change
	2008	2007	2008	2007	2008	2007	2007-2008
Current and other assets	\$ 6,098,628	\$ 5,377,766	\$14,278	\$ 7,120	\$ 6,112,906	\$ 5,384,886	13.52%
Capital assets	<u>3,243,422</u>	<u>2,926,820</u>	<u>23,628</u>	<u>28,739</u>	<u>3,267,050</u>	<u>2,955,559</u>	10.54%
Total assets	<u>9,342,050</u>	<u>8,304,586</u>	<u>37,906</u>	<u>35,859</u>	<u>9,379,956</u>	<u>8,340,445</u>	12.46%
Long-term liabilities	28,274	17,706	-	-	28,274	17,706	59.69%
Other liabilities	<u>3,370,280</u>	<u>2,990,219</u>	<u>32,112</u>	<u>-</u>	<u>3,402,392</u>	<u>2,990,219</u>	13.78%
Total liabilities	<u>3,398,554</u>	<u>3,007,925</u>	<u>32,112</u>	<u>-</u>	<u>3,430,666</u>	<u>3,007,925</u>	14.05%
Net assets							
Invested in capital assets,							
net of related debt	3,243,422	2,926,820	23,628	28,739	3,267,050	2,955,559	10.54%
Restricted	1,132,171	1,234,914	-	-	1,132,171	1,234,914	-8.32%
Unrestricted	<u>1,567,903</u>	<u>1,134,927</u>	<u>(17,834)</u>	<u>7,120</u>	<u>1,550,069</u>	<u>1,142,047</u>	35.73%
Total net assets	<u>\$ 5,943,496</u>	<u>\$ 5,296,661</u>	<u>\$ 5,794</u>	<u>\$ 35,859</u>	<u>\$ 5,949,290</u>	<u>\$ 5,332,520</u>	11.57%

The District's combined net assets increased by approximately 12%, or \$616,770, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. There was no debt related to the investment in capital assets; however, if there was, it would be liquidated with resources other than capital assets.

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 \$102,743, or approximately 8% from the prior year. The decrease was primarily a result of a decrease in the Management Fund, Physical Plant and Equipment and Capital Projects Fund. The General fund also increased due to the increased revenue in comparison to the expenditures.

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 \$408,022, or approximately 36%.

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

Change in Net Assets

	Governmental Activities		Business Type Activities		Total District		Total Change
	2008	2007	2008	2007	2008	2007	2007-2008
Revenues							
Program revenues							
Charges for service	\$ 683,730	\$ 628,207	\$ 216,428	\$ 216,013	\$ 900,158	\$ 844,220	6.63%
Operating grants	899,270	701,714	87,783	82,570	987,053	784,284	25.85%
General revenues							
Property tax	3,297,023	3,492,791	-	-	3,297,023	3,492,791	-5.60%
Local option sales and services tax	528,190	350,841	-	-	528,190	350,841	50.55%
Unrestricted state grants	2,778,161	2,768,742	-	-	2,778,161	2,768,742	0.34%
Contributions and donations	160	7,224	-	-	160	7,224	-97.79%
Unrestricted investment earnings	86,051	94,065	1,724	1,350	87,775	95,415	-8.01%
Other	11,401	8,095	-	-	11,401	8,095	40.84%
Sale of equipment and materials	<u>11,387</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,387</u>	<u>-</u>	100.00%
Total revenues	<u>8,295,373</u>	<u>8,051,679</u>	<u>305,935</u>	<u>299,933</u>	<u>8,601,308</u>	<u>8,351,612</u>	2.99%
Program expenses							
Governmental activities							
Instruction	4,803,165	4,484,882	-	-	4,803,165	4,484,882	7.10%
Support services	2,151,921	2,025,663	-	-	2,151,921	2,025,663	6.23%
Non-instructional programs	9,281	8,155	336,000	309,286	345,281	317,441	8.77%
Other expenses	<u>684,171</u>	<u>667,865</u>	<u>-</u>	<u>-</u>	<u>684,171</u>	<u>667,865</u>	2.44%
Total expenses	<u>7,648,538</u>	<u>7,186,565</u>	<u>336,000</u>	<u>309,286</u>	<u>7,984,538</u>	<u>7,495,851</u>	6.52%
Change in net assets	<u>\$ 646,835</u>	<u>\$ 865,114</u>	<u>\$ (30,065)</u>	<u>\$ (9,353)</u>	<u>\$ 616,770</u>	<u>\$ 855,761</u>	-27.93%

In fiscal 2008, property tax and unrestricted state grants account for 73% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99% of the revenue from business type activities.

The District's total revenues were \$8,601,308 of which \$8,295,373 was for governmental activities and \$305,935 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 3% increase in revenues and a 7% increase in expenses. Unrestricted state grants increased \$9,419 to fund increases in expenditures. The increases in expenses related to increases in the negotiated salary and benefits as well as increases due to inflation.

Governmental Activities

Revenues for governmental activities were \$8,295,373 and expenses were \$7,648,538 for the year ended June 30, 2008. In a difficult budget year, the District was able to balance the budget by keeping the increase in expenditures less than the increase in revenue.

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					
	Total Cost of Services			Net Cost of Services		
	<u>2008</u>	<u>2007</u>	<u>Change</u> <u>2007-2008</u>	<u>2008</u>	<u>2007</u>	<u>Change</u> <u>2007-2008</u>
Instruction	\$ 4,803,165	\$ 4,484,882	7.1%	\$ 3,490,061	\$ 3,427,252	1.8%
Support services	2,151,921	2,025,663	6.2%	2,135,962	1,998,096	6.9%
Non-instructional programs	9,281	8,155	13.8%	9,281	8,155	-13.8%
Other expenses	<u>684,171</u>	<u>667,865</u>	<u>2.4%</u>	<u>430,234</u>	<u>423,141</u>	<u>1.7%</u>
Total expenses	<u>\$ 7,648,538</u>	<u>\$ 7,186,565</u>	<u>6.4%</u>	<u>\$ 6,065,538</u>	<u>\$ 5,856,644</u>	<u>3.6%</u>

For the year ended June 30, 2008:

- The cost financed by users of the District's programs was \$683,730.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$899,270.
- The net cost of governmental activities was financed with \$3,825,213, in property and other taxes and \$2,778,161 in unrestricted state grants.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2008 were \$305,935 representing a 2% increase over the prior year while expenses totaled \$336,000, an 8% increase from the prior year. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

Despite an increase in both meal prices and free and reduced percentage, the nutrition fund balance decreased. This was due to increases in salary and benefits as well as an increase in supply costs.

INDIVIDUAL FUND ANALYSIS

As previously noted, West Branch 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 a combined fund balance of \$2,393,348 more than last year's ending fund balances of \$2,074,069. The primary reason for the increase in combined fund balances in fiscal 2008 is due to an increase in the Capital Projects and Management Fund balances, as well as the increase in the General Fund balance.

Governmental Fund Highlights

- The General Fund balance increased from \$1,089,753 to \$1,261,177. The district was able to keep the increase in expenditures less than the increase in revenue, thus resulting in the balance increase.

Proprietary Fund Highlights

Enterprise fund net assets decreased from \$35,859 at June 30, 2007 to \$5,794 at June 30, 2008, representing a decrease of approximately 83%. The District continues to update equipment and labor costs rose significantly in 2007-08. Meal prices were increased for 2007-08 to help offset the increase in expenditures.

BUDGETARY HIGHLIGHTS

The District's revenues were \$792,718 more than budgeted revenues, a variance of approximately 10%. The most significant variance resulted from the District receiving more in state and federal grants than originally anticipated.

Total expenditures were \$691,541 less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

The District did not amend its budget during the year ended June 30, 2008. In spite of the District's budgetary practice, the certified budget was exceeded in the non-instructional programs function due to high increases in the supply costs at the end of the year as well as additionally salary costs. These increases came too late to allow sufficient time to amend the budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2008, the District had invested \$3,267,050, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of less than 11% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$213,094.

The original cost of the District's capital assets was \$7,802,624. Governmental funds account for \$7,735,103, with the remainder of \$67,521 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the improvements other than buildings category. The District's improvements other than buildings totaled \$463,073 at June 30, 2008 compared to \$108,518 at June 30, 2007. This increase resulted from improvements to the playground, parking lot and truck during the year ended June 30, 2008.

Figure A-6

	Capital Assets, Net of Depreciation						
	Governmental		Business Type		Total		Total
	Activities		Activities		School District		
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2007-2008</u>
Land	\$ 116,055	\$ 116,055	\$ -	\$ -	\$ 116,055	\$ 116,055	0.00%
Buildings and improvements	2,330,499	2,431,613	-	-	2,330,499	2,431,613	-4.16%
Improvements, other than buildings	463,073	108,518	-	-	463,073	108,518	326.72%
Furniture and equipment	<u>333,795</u>	<u>270,634</u>	<u>23,628</u>	<u>28,739</u>	<u>357,423</u>	<u>299,373</u>	19.39%
Totals	<u>\$3,243,422</u>	<u>\$2,926,820</u>	<u>\$23,628</u>	<u>\$28,739</u>	<u>\$3,267,050</u>	<u>\$2,955,559</u>	10.54%

Long-Term Debt

At June 30, 2008, the District had \$28,274 in compensated absences outstanding. This represents an increase of approximately 60% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

The District had no other long term debt outstanding at June 30, 2008.

Figure A-7

	Outstanding Long-term Obligations		
	Total		Total
	School District		
	<u>2008</u>	<u>2007</u>	<u>2007-2008</u>
Compensated absences	\$28,274	\$17,706	59.69%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Enrollment declined in the fall of 2008. This will result in the District receiving less new money for the 2009-10 school year.
- The District signed a 4 year contract with the WBEA in 2006-07. This will help keep the increases in salary and benefits predictable and under control for the next few years.
- In February of 2008 Johnson County passed the Local Option tax for schools in Johnson county. The District will receive approximately \$1,425,000 over the next ten years for infrastructure and equipment needs.
- The District passed a \$3,350,000 bond issue in April of 2008. The majority of this money is to install a geothermal system in the elementary. This will dramatically decrease utility costs for the elementary school which should free up some general fund dollars for instructional uses and to help fund salary increases in the future.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Angie Walter, Business Manager/Board Secretary/Treasurer, West Branch Community School District, 148 North Oliphant Street, West Branch, IA 52358.

Basic Financial Statements

WEST BRANCH COMMUNITY SCHOOL DISTRICT
Statement of Net Assets
June 30, 2008

Exhibit A

Assets	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Cash and cash equivalents	\$ 2,275,919	\$ 4,863	\$2,280,782
Receivables			
Property tax			
Delinquent	201,439	-	201,439
Succeeding year	3,168,654	-	3,168,654
Accounts receivable	6,310	8,753	15,063
Income surtax	335,000	-	335,000
Due from other governments	79,194	-	79,194
Due from other fund	32,112	-	32,112
Inventories	-	662	662
Non-depreciable capital assets	116,055	-	116,055
Capital assets, net of accumulated depreciation	<u>3,127,367</u>	<u>23,628</u>	<u>3,150,995</u>
Total assets	<u>9,342,050</u>	<u>37,906</u>	<u>9,379,956</u>
Liabilities			
Accounts payable	160,604	-	160,604
Salaries and benefits payable	7,522	-	7,522
Deposits payable	33,500	-	33,500
Due to other fund	-	32,112	32,112
Deferred revenue			
Succeeding year property tax	3,168,654	-	3,168,654
Long-term liabilities			
Portion due after one year			
Compensated absences	<u>28,274</u>	<u>-</u>	<u>28,274</u>
Total liabilities	<u>3,398,554</u>	<u>32,112</u>	<u>3,430,666</u>
Net Assets			
Invested in capital assets	3,243,422	23,628	3,267,050
Restricted for			
Management levy	236,805	-	236,805
Physical plant and equipment levy	319,062	-	319,062
Other special revenue purposes	123,802	-	123,802
Capital projects	452,502	-	452,502
Unrestricted	<u>1,567,903</u>	<u>(17,834)</u>	<u>1,550,069</u>
Total net assets	<u>\$ 5,943,496</u>	<u>\$ 5,794</u>	<u>\$5,949,290</u>

See notes to financial statements.

WEST BRANCH COMMUNITY SCHOOL DISTRICT

Statement of Activities

For the Year Ended June 30, 2008

Exhibit B

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Primary Government
Functions/Programs					
Primary Government					
Governmental activities					
Instruction					
Regular instruction	\$ 3,315,541	\$ 673,367	\$ 494,457	\$ -	\$ (2,147,717)
Special instruction	792,696	-	133,712	-	(658,984)
Other instruction	694,928	-	11,568	-	(683,360)
	<u>4,803,165</u>	<u>673,367</u>	<u>639,737</u>	<u>-</u>	<u>(3,490,061)</u>
Support services					
Student	163,386	-	-	-	(163,386)
Instructional staff	191,379	-	-	-	(191,379)
Administration	845,164	-	-	-	(845,164)
Operation and maintenance of plant	632,284	10,363	5,596	-	(616,325)
Transportation	319,708	-	-	-	(319,708)
	<u>2,151,921</u>	<u>10,363</u>	<u>5,596</u>	<u>-</u>	<u>(2,135,962)</u>
	<u>9,281</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(9,281)</u>
Non-instructional programs					
Other expenses					
Facilities acquisition	303,927	-	-	-	(303,927)
AEA flowthrough	253,937	-	253,937	-	-
Depreciation (unallocated) *	126,307	-	-	-	(126,307)
	<u>684,171</u>	<u>-</u>	<u>253,937</u>	<u>-</u>	<u>(430,234)</u>
Total governmental activities	<u>7,648,538</u>	<u>683,730</u>	<u>899,270</u>	<u>-</u>	<u>(6,065,538)</u>

See notes to financial statements.

WEST BRANCH COMMUNITY SCHOOL DISTRICT

Statement of Activities

For the Year Ended June 30, 2008

Exhibit B

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest		Primary Government	Total
Functions/Programs (continued)					
Primary Government (continued)					
Business type activities					
Non-instructional programs					
Food service operations	Charges for Services				
Total primary government	\$ 336,000	\$ 216,428	\$ 87,783	\$ (31,789)	\$ (31,789)
	\$ 7,984,538	\$ 900,158	\$ 987,053	(31,789)	(6,097,327)
General Revenues					
Property tax levied for					
General purposes					
Capital outlay					
Local option sales and services tax					
Unrestricted state grants					
Contributions and donations					
Unrestricted investment earnings					
Other					
Total general revenues	2,872,692				2,872,692
Change in net assets	424,331				424,331
Net assets, beginning of year	528,190				528,190
Net assets, end of year	2,778,161				2,778,161
	160				160
	86,051		1,724		87,775
	22,788				22,788
	6,712,373		1,724		6,714,097
	646,835		(30,065)		616,770
	5,296,661		35,859		5,332,520
	\$ 5,943,496		\$ 5,794		\$ 5,949,290

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

See notes to financial statements.

WEST BRANCH COMMUNITY SCHOOL DISTRICT

Exhibit C

Balance Sheet
Governmental Funds
June 30, 2008

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Assets				
Cash and pooled investments				
Other	\$1,291,936	\$ -	\$ 983,983	\$2,275,919
Receivables				
Property tax				
Delinquent	41,660	-	159,779	201,439
Succeeding year	2,412,268	432,500	323,886	3,168,654
Accounts receivable	6,014	-	296	6,310
Income surtax	167,500	-	167,500	335,000
Due from other governments	56,612	-	22,582	79,194
Due from other funds	32,112	-	-	32,112
Total assets and other debits	<u>\$4,008,102</u>	<u>\$432,500</u>	<u>\$ 1,658,026</u>	<u>\$6,098,628</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 159,635	\$ -	\$ 969	\$ 160,604
Deposits payable	-	-	33,500	33,500
Salaries and benefits payable	7,522	-	-	7,522
Deferred revenue				
Succeeding year property tax	2,412,268	432,500	323,886	3,168,654
Income surtax	167,500	-	167,500	335,000
Total liabilities	<u>2,746,925</u>	<u>432,500</u>	<u>525,855</u>	<u>3,705,280</u>
Fund balances				
Reserved for				
Talented and Gifted	44,011	-	-	44,011
Science grants	3,317	-	-	3,317
Mentoring program	1,223	-	-	1,223
Teacher Compensation program	1,915	-	-	1,915
Market Factor program	9,166	-	-	9,166
Early Intervention program	23,693	-	-	23,693
Non-public Textbook Aid	2,122	-	-	2,122
Child Development program	6,625	-	-	6,625
Professional Development	1,238	-	-	1,238
Unreserved, governmental funds	1,167,867	-	452,502	1,620,369
Unreserved, special revenue funds	-	-	679,669	679,669
Total fund balances	<u>1,261,177</u>	<u>-</u>	<u>1,132,171</u>	<u>2,393,348</u>
Total liabilities and fund balances	<u>\$4,008,102</u>	<u>\$432,500</u>	<u>\$ 1,658,026</u>	<u>\$6,098,628</u>

See notes to financial statements.

WEST BRANCH COMMUNITY SCHOOL DISTRICT
Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets
June 30, 2008

Exhibit D

Total fund balances of governmental funds	\$2,393,348
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	3,243,422
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	335,000
Long-term liabilities, including compensated absences payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(28,274)</u>
Net assets of governmental activities	<u><u>\$5,943,496</u></u>

See notes to financial statements.

WEST BRANCH COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2008

Exhibit E

	<u>General</u>	Nonmajor Governmental <u>Funds</u>	<u>Total</u>
Revenues			
Local sources			
Local tax	\$2,730,073	\$ 1,072,485	\$ 3,802,558
Tuition	296,713	-	296,713
Other	138,900	374,904	513,804
State sources	3,487,819	131	3,487,950
Federal sources	161,439	-	161,439
Total revenues	<u>6,814,944</u>	<u>1,447,520</u>	<u>8,262,464</u>
 Expenditures			
Current			
Instruction			
Regular	3,215,886	98,769	3,314,655
Special	792,696	-	792,696
Other	380,983	313,504	694,487
	<u>4,389,565</u>	<u>412,273</u>	<u>4,801,838</u>
Support services			
Student	162,540	-	162,540
Instructional staff	186,690	-	186,690
Administration	834,217	-	834,217
Operation and maintenance of plant	548,861	59,462	608,323
Transportation	279,097	109,667	388,764
	<u>2,011,405</u>	<u>169,129</u>	<u>2,180,534</u>
Other expenditures			
Facilities acquisition	-	718,263	718,263
AEA flowthrough	253,937	-	253,937
	<u>253,937</u>	<u>718,263</u>	<u>972,200</u>
Total expenditures	<u>6,654,907</u>	<u>1,299,665</u>	<u>7,954,572</u>
 Excess of revenues over expenditures	160,037	147,855	307,892
Other financing sources			
Sale of equipment and materials	11,387	-	11,387
Net change in fund balances	171,424	147,855	319,279
Fund balance, beginning of year	1,089,753	984,316	2,074,069
Fund balance, end of year	<u>\$1,261,177</u>	<u>\$ 1,132,171</u>	<u>\$ 2,393,348</u>

See notes to financial statements.

WEST BRANCH COMMUNITY SCHOOL DISTRICT
 Reconciliation of the Statement of Revenues, Expenditures and
 Changes in Fund Balances - Governmental Funds
 to the Statement of Activities
 For the Year Ended June 30, 2008

Exhibit F

Net change in fund balances - total governmental funds \$319,279

**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 and depreciation expense are as follows:

Expenditures for capital assets	\$524,585	
Depreciation expense	<u>(207,983)</u>	316,602

Certain revenues not collected for several months after year-end are not considered available revenue and are deferred in the governmental funds. 21,522

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 governmental funds, as follows:

Compensated absences	<u>(10,568)</u>
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Change in net assets of governmental activities \$646,835

WEST BRANCH COMMUNITY SCHOOL DISTRICT
Statement of Net Assets
Proprietary Fund
June 30, 2008

Exhibit G

	Nonmajor <u>Enterprise</u> School <u>Nutrition</u>
Assets	
Cash and pooled investments	\$ 4,863
Accounts receivable	8,753
Inventories	662
Capital assets, net of accumulated depreciation	<u>23,628</u>
Total assets	<u>37,906</u>
 Liabilities	
Due to other funds	<u>32,112</u>
 Net Assets	
Invested in capital assets	23,628
Unrestricted	<u>(17,834)</u>
Total net assets	<u>\$ 5,794</u>

See notes to financial statements.

WEST BRANCH COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Fund
For the Year Ended June 30, 2008

Exhibit H

	<u>Nonmajor Enterprise School Nutrition</u>
Operating revenue	
Local sources	
Charges for service	<u>\$216,428</u>
 Operating expenses	
Non-instructional programs	
Food service operations	
Salaries and benefits	97,367
Benefits	41,795
Purchased services	40
Supplies	191,687
Depreciation	<u>5,111</u>
Total operating expenses	<u>336,000</u>
 Operating loss	 <u>(119,572)</u>
 Non-operating revenues	
Interest income	1,724
State sources	3,616
Federal sources	<u>84,167</u>
Total non-operating revenues	<u>89,507</u>
 Net loss	 (30,065)
Net assets, beginning of year	<u>35,859</u>
 Net assets, end of year	 <u>\$ 5,794</u>

See notes to financial statements.

WEST BRANCH COMMUNITY SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2008

Exhibit I

	Nonmajor Enterprise School Nutrition
Cash flows from operating activities	
Cash received from sale of services	\$ 210,909
Cash payments to employees for services	(107,050)
Cash payments to suppliers for goods and services	(179,162)
Net cash used in operating activities	(75,303)
Cash flows from non-capital financing activities	
State grants received	3,616
Federal grants received	72,852
Net cash provided by non-capital financing activities	76,468
Cash flows from capital and related financing activities	-
Cash flows from investing activities	
Interest on investments	1,724
Net decrease in cash and cash equivalents	2,889
Cash and cash equivalents, beginning of year	1,974
Cash and cash equivalents, end of year	\$ 4,863
Reconciliation of operating loss to net cash used in operating activities	
Operating loss	\$(119,572)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation	5,111
Commodities used	11,315
(Increase) in accounts receivable	(5,519)
Decrease in inventory	1,250
Increase in due to other funds	32,112
Net cash used in operating activities	\$ (75,303)

Non-cash investing, capital and financing activities

During the year ended June 30, 2008, the District received \$11,315 of federal commodities.

See notes to financial statements.

WEST BRANCH COMMUNITY SCHOOL DISTRICT
Statement of Fiduciary Net Assets
Fiduciary Fund
June 30, 2008

Exhibit J

	<u>Agency</u>
Assets	
Cash and pooled investments	\$3,207
Liabilities	
Due to others	<u>3,207</u>
Net assets	<u><u>\$ -</u></u>

See notes to financial statements.

WEST BRANCH COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2008

Note 1. Summary of Significant Accounting Policies

The West Branch Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. The geographic area served includes the City of West Branch, Iowa, and the agricultural territory in Cedar and Johnson 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 Branch 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 West Branch Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

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

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, consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets. The District does not have any debt related to capital 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.

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 other 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 that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

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

The District reports no major proprietary funds; however, it reports one non-major proprietary fund, the School Nutrition Fund, which is used to account for the food service operations of the District.

The District also reports a fiduciary fund which focuses on net assets and changes in net assets. The District's fiduciary fund consists of 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. The District's Agency Fund is used to account for activity of a student assistance program.

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, compensated absences and claims and judgments are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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 are 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. Investments are stated at fair value, except for the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, they 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 that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current year 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 property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 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.

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 repairs 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	\$2,500
Buildings	\$2,500
Improvements other than buildings	\$2,500
Furniture and equipment:	
School Nutrition Fund equipment	\$ 500
Other furniture and equipment	\$2,500

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

<u>Asset Class</u>	<u>Useful Life</u>
Buildings and improvements	20-50 years
Improvements other than buildings	20 years
Furniture and equipment	4-20 years

Salaries and Benefits Payable - Teacher contracts and payroll for hourly employees are paid at June 30, 2008; however, the benefits on these payments are not paid until July. Therefore, these benefits 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 property tax and income surtax receivables not collected within sixty days after year end.

Deferred revenue on 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 - Certain District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2008. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

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

Net Assets - Invested in capital assets, net of related debt consists of capital assets net of accumulated depreciation and reduced by the outstanding balance of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets consist of net assets with constraints placed on the use either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The government-wide statement of net assets reports \$555,867 of restricted net assets which is restricted by enabling legislation.

E. Budgeting and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, expenditures exceeded the amounts budgeted in the Non-instructional Programs function. However, the District did not exceed its General Fund unspent authorized budget.

Note 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.

At June 30, 2008, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Diversified Portfolio	<u>\$7,311</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

Note 3. Due From and Due To Other Funds

The details of interfund receivables and payables at June 30, 2008 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Non-major Enterprise	\$ 32,112

During the year ended June 30, 2008, the General Fund made a short-term loan to the Enterprise, School Nutrition Fund to cover expenses in excess of revenues received. The loan is expected to be repaid during the year ending June 30, 2009.

Note 4. Capital Assets

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

<u>Governmental activities</u>	Balance, Beginning of Year	<u>Additions</u>	<u>Deletions</u>	Balance, End of Year
Capital assets not being depreciated:				
Land	\$ 116,055	\$ -	\$ -	\$ 116,055
Capital assets being depreciated:				
Buildings and improvements	5,368,116	-	-	5,368,116
Improvements other than buildings	566,762	386,811	-	953,573
Furniture and equipment	<u>1,159,585</u>	<u>137,774</u>	-	<u>1,297,359</u>
Total capital assets being depreciated	<u>7,094,463</u>	<u>524,585</u>	-	<u>7,619,048</u>

Less accumulated depreciation for:				
Buildings and improvements	2,936,503	101,114	-	3,037,617
Improvements other than buildings	458,244	32,256	-	490,500
Furniture and equipment	888,951	74,613	-	963,564
Total accumulated depreciation	<u>4,283,698</u>	<u>207,983</u>	-	<u>4,491,681</u>
Total capital assets being depreciated, net	<u>2,810,765</u>	<u>316,602</u>	-	<u>3,127,367</u>
Governmental activities capital assets, net	<u>\$ 2,926,820</u>	<u>\$ 316,602</u>	<u>\$ -</u>	<u>\$ 3,243,422</u>

Business type activities

Furniture and equipment	\$ 67,521	\$ -	\$ -	\$ 67,521
Less accumulated depreciation	<u>38,782</u>	<u>5,111</u>	-	<u>43,893</u>
Business type activities capital assets, net	<u>\$ 28,739</u>	<u>\$ (5,111)</u>	<u>\$ -</u>	<u>\$ 23,628</u>

Depreciation expense was charged to the following functions:

Governmental activities

Instruction	
Regular	\$ 13,987
Other	441
Support services	
Instructional staff	4,689
Administration	4,054
Operation and maintenance of plant	21,782
Transportation	27,442
Non-instructional programs	9,281
Unallocated depreciation	<u>126,307</u>
Total governmental activities depreciation expense	<u>\$ 207,983</u>

Business type activities

Food services	<u>\$ 5,111</u>
---------------	-----------------

Note 5. 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
Compensated absences	\$ 17,706	\$ 21,978	\$(11,410)	\$ 28,274	\$ -

There were no interest costs incurred and charged to expense on long-term debt during the year ended June 30, 2008.

Compensated Absences

District employees accumulate vacation and compensatory hours for subsequent use or for payment upon termination, retirement, or death. These accumulations are not recognized as expenditures by the District until used or paid. The District's approximate maximum liability for unrecognized accrued employee benefits at June 30, 2008 was \$28,274.

Note 6. Pension and Retirement Benefits

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

Plan members were required to contribute 3.90% of their annual covered salary and the District was required to contribute 6.05% of annual covered payroll for the year ended June 30, 2008. Plan members were required to contribute 3.70% of their annual covered salary and the District was required to contribute 5.75% of annual covered payroll for the years ended June 30, 2007 and 2006. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2008, 2007 and 2006 were \$249,276, \$221,063 and \$208,398 respectively, equal to the required contributions for each year.

Note 7. Risk Management

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

Note 8. 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 \$253,937 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.

Note 9. Contingencies

Grant Funding - The District participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants were subjected to local audit but still remain open to audit by the appropriate grantor government. If expenditures are disallowed by the grantor government due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. As of June 30, 2008, significant amounts of grant expenditures have not been audited by granting authorities but the District believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

Note 10. Unspent Authorized Budget

The District's unspent authorized budget, as calculated by the Iowa Department of Management was \$1,325,072 at June 30, 2008.

Note 11. Solvency Ratio

The District's solvency ratio at June 30, 2008 is calculated as follows:

$$\frac{\text{Unreserved General Fund Balance}}{\text{General Fund Revenues}} = \frac{\$1,167,867}{\$6,826,331} = 17\%$$

Note 12. Subsequent Events

In July, 2008 the District sold \$3,350,000 of general obligation bonds. The bond proceeds will be used for a geothermal and air conditioning project, which is expected to be completed during the year ending June 30, 2010.

Required Supplementary Information

WEST BRANCH COMMUNITY SCHOOL DISTRICT
 Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual
 All Governmental Funds and Proprietary Fund
 Required Supplementary Information
 For the Year Ended June 30, 2008

	Governmental Funds		Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Actual	Funds Actual	Funds Actual		Original	Final	
Revenues							
Local sources	\$4,613,075	\$218,152	\$4,831,227	\$4,301,954	\$4,301,954	\$ 529,273	
State sources	3,487,950	3,616	3,491,566	3,358,727	3,358,727	132,839	
Federal sources	161,439	84,167	245,606	115,000	115,000	130,606	
Total revenues	<u>8,262,464</u>	<u>305,935</u>	<u>8,568,399</u>	<u>7,775,681</u>	<u>7,775,681</u>	<u>792,718</u>	
Expenditures/Expenses							
Instruction	4,801,838	-	4,801,838	4,887,000	4,887,000	85,162	
Support services	2,180,534	-	2,180,534	2,670,000	2,670,000	489,466	
Non-instructional programs	-	336,000	336,000	310,000	310,000	(26,000)	
Other expenditures	972,200	-	972,200	1,115,113	1,115,113	142,913	
Total expenditures/expenses	<u>7,954,572</u>	<u>336,000</u>	<u>8,290,572</u>	<u>8,982,113</u>	<u>8,982,113</u>	<u>691,541</u>	
Excess (deficiency) of revenues over (under) expenditures/expenses	307,892	(30,065)	277,827	(1,206,432)	(1,206,432)	1,484,259	
Net other financing sources	<u>11,387</u>	-	<u>11,387</u>	-	-	<u>11,387</u>	
Net change in fund balance	319,279	(30,065)	289,214	(1,206,432)	(1,206,432)	1,495,646	
Balance, beginning of year	<u>2,074,069</u>	<u>35,859</u>	<u>2,109,928</u>	<u>1,217,177</u>	<u>1,217,177</u>	<u>892,751</u>	
Balance, end of year	<u>\$2,393,348</u>	<u>\$ 5,794</u>	<u>\$2,399,142</u>	<u>\$ 10,745</u>	<u>\$ 10,745</u>	<u>\$2,388,397</u>	

See accompanying Independent Auditor's Report.

WEST BRANCH COMMUNITY SCHOOL DISTRICT
Notes to Required Supplementary Information – Budgetary Reporting
For the 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 Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

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

During the year ended June 30, 2008, District expenditures exceeded the amount budgeted in the Non-instructional Programs function; however, General Fund expenditures did not exceed the District's unspent authorized budget.

Other Supplementary Information

WEST BRANCH COMMUNITY SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2008

Schedule 1

	Special Revenue				
	Management	Student	Physical Plant and Equipment	Capital	Total
	<u>Levy</u>	<u>Activity</u>	<u>Levy</u>	<u>Projects</u>	<u>Total</u>
Assets					
Cash and pooled investments	\$234,655	\$123,897	\$316,339	\$309,092	\$ 983,983
Receivables					
Property tax					
Delinquent	2,150	-	3,301	154,328	159,779
Succeeding year	150,000	-	173,886	-	323,886
Accounts receivable	-	296	-	-	296
Income surtax	-	-	167,500	-	167,500
Due from other governments	-	-	-	22,582	22,582
Total assets	<u>\$386,805</u>	<u>\$124,193</u>	<u>\$661,026</u>	<u>\$486,002</u>	<u>\$1,658,026</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ -	\$ 391	\$ 578	\$ -	\$ 969
Deposits payable	-	-	-	33,500	33,500
Deferred revenue					
Succeeding year property tax	150,000	-	173,886	-	323,886
Income surtax	-	-	167,500	-	167,500
Total liabilities	150,000	391	341,964	33,500	525,855
Fund balances					
Unreserved fund balances	<u>236,805</u>	<u>123,802</u>	<u>319,062</u>	<u>452,502</u>	<u>1,132,171</u>
Total liabilities and fund balances	<u>\$386,805</u>	<u>\$124,193</u>	<u>\$661,026</u>	<u>\$486,002</u>	<u>\$1,658,026</u>

See accompanying Independent Auditor's Report.

WEST BRANCH COMMUNITY SCHOOL DISTRICT
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2008

Schedule 2

Revenues	Special Revenue				<u>Total</u>
	<u>Management Levy</u>	<u>Student Activity</u>	<u>Physical Plant and Equipment Levy</u>	<u>Capital Projects</u>	
Local sources					
Local taxes	\$130,804	\$ -	\$413,491	\$528,190	\$1,072,485
Other	18,178	326,226	15,250	15,250	374,904
State sources	52	-	79	-	131
Total revenues	149,034	326,226	428,820	543,440	1,447,520
Expenditures					
Current					
Instruction					
Regular	43,827	-	33,460	21,482	98,769
Other	-	313,504	-	-	313,504
Total instruction	43,827	313,504	33,460	21,482	412,273
Support services					
Operation and maintenance of plant	59,462	-	-	-	59,462
Transportation	12,520	-	97,147	-	109,667
Total support services	71,982	-	97,147	-	169,129
Other expenditures					
Facilities acquisition	-	-	256,359	461,904	718,263
Total expenditures	115,809	313,504	386,966	483,386	1,299,665
Excess of revenues over expenditures	33,225	12,722	41,854	60,054	147,855
Fund balances, beginning of year	203,580	111,080	277,208	392,448	984,316
Fund balances, end of year	\$236,805	\$123,802	\$319,062	\$452,502	\$1,132,171

See accompanying Independent Auditor's Report.

WEST BRANCH COMMUNITY SCHOOL DISTRICT
Schedule of Changes in Special Revenue Fund, Student Activity Accounts
For the Year Ended June 30, 2008

Schedule 3

Account	Balance, Beginning of Year	Revenues	Expenditures	Intrafund Transfers	Balance, End of Year
Drama	\$ 1,853	\$ 3,726	\$ 5,112	\$ -	\$ 467
Drama club	-	8	-	-	8
Arts Angels	100	-	-	-	100
HS art	823	900	1,815	92	-
Speech/debate	784	-	535	-	249
HS vocal music	891	1,698	4,594	2,005	-
HS instrumental music	3,314	2,846	5,786	-	374
Show choir	-	17,881	16,286	(1,595)	-
Music travel	-	2,050	-	-	2,050
MS instrumental music	587	3,145	3,092	-	640
Musical	3,765	5,115	11,001	2,121	-
Swing show	3,470	1,512	-	(412)	4,570
Athletics	9,415	74,724	60,292	(9,638)	14,209
Athletic towels	-	-	396	500	104
Booster club donation	-	27,000	-	(27,000)	-
Golf fundraiser	5,021	1,520	4,686	2,535	4,390
Scoreboard Fund	5,400	2,000	12,401	6,600	1,599
Drill team	35	-	-	-	35
Boys basketball	-	-	384	384	-
Boys basketball camp	4,705	7,481	4,618	(35)	7,533
Football	-	-	11,508	11,508	-
Football fundraiser	654	31,678	16,363	(5,102)	10,867
MS football	312	-	112	-	200
Baseball	-	-	2,873	2,873	-
Baseball fundraiser	482	5,184	3,634	(50)	1,982
Boys track	-	-	3,167	3,167	-
Boys track fundraiser	270	3,689	3,881	-	78
Boys golf	-	-	425	425	-
Wrestling	-	-	5,951	5,951	-
Wrestling fundraiser	968	7,853	8,164	(50)	607
Girls basketball	-	-	2,112	2,112	-
Girls basketball camp	2,679	6,328	6,125	(50)	2,832
Volleyball	-	-	1,045	1,045	-
Volleyball fundraiser	2,972	5,312	4,604	(50)	3,630
Softball	-	-	3,395	3,395	-
Softball captains	374	111	245	-	240

See accompanying Independent Auditor's Report.

WEST BRANCH COMMUNITY SCHOOL DISTRICT
Schedule of Changes in Special Revenue Fund, Student Activity Accounts
For the Year Ended June 30, 2008

Schedule 3

Account	Balance, Beginning of Year	Revenues	Expenditures	Intrafund Transfers	Balance, End of Year
Girls track	\$ -	\$ -	\$ 2,396	\$ 2,396	\$ -
Girls track fundraiser	185	7,602	11,175	3,388	-
Girls golf	-	-	125	125	-
Cheerleaders	4,622	16,817	16,337	685	5,787
HS manufacturing	238	888	348	(79)	699
Industrial tech club	160	1,437	1,676	79	-
Calendar	1,992	1,213	873	-	2,332
Spanish club	287	-	134	-	153
High school fund	9,627	10,841	5,738	(3,651)	11,079
Ecology club	261	-	64	-	197
Elementary school fund	8,872	9,237	7,929	-	10,180
HS yearbook	5,092	5,636	5,662	-	5,066
HS student government	311	1,782	1,986	1,256	1,363
Journalism - The Bear	3,863	2,803	3,674	287	3,279
Middle school fund	5,900	16,555	14,442	-	8,013
Hoover IMC	375	119	138	-	356
MS IMC	217	3	14	-	206
HS media	378	77	15	-	440
MS pop fund	357	400	58	-	699
Journalism - travel	570	-	284	(286)	-
Family and consumer science	588	189	634	-	143
FFA	13,905	18,516	19,594	-	12,827
MS yearbook	672	1,822	1,825	-	669
National Honor Society	243	1,265	1,034	-	474
Central office	810	3,858	4,162	-	506
Economics club	384	-	-	-	384
Ski club	1,565	-	-	-	1,565
Class of					
2008	-	5	-	-	5
2009	-	8,213	8,395	182	-
Hart Donation	500	-	-	-	500
Interest	-	5,113	-	(5,113)	-
Concessions	232	74	190	-	116
Totals	<u>\$ 111,080</u>	<u>\$ 326,226</u>	<u>\$ 313,504</u>	<u>\$ -</u>	<u>\$ 123,802</u>

See accompanying Independent Auditor's Report.

WEST BRANCH COMMUNITY SCHOOL DISTRICT
 Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund
 For the Year Ended June 30, 2008

Schedule 4

	Balance, Beginning of Year	Additions	Deductions	Balance, End of Year
Assets				
Cash	<u>\$ 2,006</u>	<u>\$1,654</u>	<u>\$453</u>	<u>\$3,207</u>
 Liabilities				
Due to others	<u>\$ 2,006</u>	<u>\$1,654</u>	<u>\$453</u>	<u>\$3,207</u>

See accompanying Independent Auditor's Report.

WEST BRANCH COMMUNITY SCHOOL DISTRICT
Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds
For the Last Four Years

Schedule 5

	Modified Accrual Basis			
	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Revenues				
Local sources				
Local Tax	\$3,802,558	\$3,530,153	\$3,207,158	\$3,046,484
Tuition	296,713	256,336	257,077	233,158
Other	513,804	480,679	452,359	375,715
Intermediate sources	-	-	-	4,944
State sources	3,487,950	3,366,620	3,138,714	3,079,953
Federal sources	161,439	103,837	101,670	110,254
Total revenues	<u>\$8,262,464</u>	<u>\$7,737,625</u>	<u>\$7,156,978</u>	<u>\$6,850,508</u>
Expenditures				
Current				
Instruction				
Regular	\$3,314,655	\$3,207,172	\$2,986,032	\$2,715,358
Special	792,696	638,373	695,927	607,288
Other	694,487	634,199	611,646	769,602
Support services				
Student	162,540	150,008	176,789	114,682
Instructional staff	186,690	169,815	168,855	225,587
Administration	834,217	788,900	700,320	637,241
Operation and maintenance of plant	608,323	607,274	631,269	608,420
Transportation	388,764	285,488	335,477	293,685
Other expenditures				
Facilities acquisition	718,263	476,773	490,044	196,359
Long-term debt				
Interest and other charges	-	-	-	9,150
AEA flowthrough	253,937	244,724	222,290	219,163
Total expenditures	<u>\$7,954,572</u>	<u>\$7,202,726</u>	<u>\$7,018,649</u>	<u>\$6,396,535</u>

See accompanying Independent Auditor's Report.

KAY L. CHAPMAN, CPA PC

210 Cedar Street
Muscatine, Iowa 52761
563-264-1385

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
West Branch Community School District

I 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 Branch 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 my report thereon dated March 12, 2009. I conducted my 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 my audit, I considered West Branch Community School District's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing my opinion on the effectiveness of West Branch Community School District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of West Branch Community School District's internal control over financial reporting.

My 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, I identified certain deficiencies in internal control over financial reporting that I consider to be significant deficiencies, including deficiencies I 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 Branch 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 Branch Community School District's

financial statements that is more than inconsequential will not be prevented or detected by West Branch Community School District's internal control. I 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 Branch Community School District's internal control.

My 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, I believe items A and B are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether West Branch Community School District's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I 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 my audit of the financial statements of the District. Since my 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 Branch Community School District's responses to findings identified in my audit are described in the accompanying Schedule of Findings. While I have expressed my conclusions on the District's responses, I did not audit West Branch Community School District's responses and, accordingly, I 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 Branch Community School District and other parties to whom West Branch 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.

I would like to acknowledge the many courtesies and assistance extended to me by the personnel of the West Branch Community School District during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

Kay L. Chapman, CPA PC

Kay L. Chapman, CPA PC
March 12, 2009

WEST BRANCH COMMUNITY SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2008

Part I. Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE

No matters were noted.

SIGNIFICANT DEFICIENCIES

- A. Segregation of Duties - The limited number of accounting personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities. I noted that the following duties were performed by the same individual: recording and processing cash receipts, preparing checks and bank reconciliations, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although I noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

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

Response - We will review our procedures and implement changes to improve internal control, as we deem necessary.

Conclusion - Response accepted.

- B. Financial Statement Preparation - Financial statement preparation is the responsibility of the District. At the present time, District personnel do not have the comprehensive GAAP knowledge necessary to prepare the District's financial statements and related note disclosures in compliance with generally accepted accounting principles (GAAP). This is not an unusual situation for small governmental entities.

Recommendation - The business manager should consider obtaining additional GAAP training through reading relevant accounting literature and/or attending professional education courses. Since GAAP reporting and disclosures change constantly, the business manager should consider taking training annually to stay up-to-date on GAAP reporting and disclosure requirements. The District should also obtain current governmental accounting, reporting and disclosure reference materials and update them as new pronouncements become effective.

WEST BRANCH COMMUNITY SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2008

Response - We believe that the business manager has sufficient knowledge to perform her daily duties and take responsibility for the annual financial statements and footnote disclosure in compliance with GAAP, as prepared by the auditor. We certainly understand the need for continuing education classes for all of our staff, including the business manager. The business manager regularly attends training and conferences to keep up to date on all aspects of the position. However, because of the wide realm of duties and responsibilities the Business Manager has and the ever changing laws that she already must keep up with, we do not believe it would be an efficient use of District funds or her time to get and maintain the necessary training to comply with this recommendation. Nor do we consider hiring additional staff possessing these skills to be a feasible option.

Conclusion - Response accepted.

Part II. Other Findings Related to Statutory Reporting:

1. Certified Budget - Expenditures for the year ended June 30, 2008 exceeded the amount budgeted in the Non-instructional Programs function.

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

Response - Expenditures exceeded the budgeted amounts in these functions due to changes in the commodities consumed amount in the School Nutrition Fund. This change was made available too late in the year to amend the budget. We will be more attentive of this in the future.

Conclusion - Response accepted.

2. Questionable Expenditures - I noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
3. 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.
4. Business Transactions - No business transactions between the District and District officials or employees were noted.
5. Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

WEST BRANCH COMMUNITY SCHOOL DISTRICT
Schedule of Findings
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6. Board Minutes - I noted no transactions requiring Board approval which had not been approved by the Board.
7. Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
8. Deposits and Investments - I noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
9. Certified Annual Reports - The Certified Annual Report was filed with the Department of Education timely and I noted no significant deficiencies in the amounts reported.

WEST BRANCH COMMUNITY SCHOOL DISTRICT
Audit Staff
June 30, 2008

This audit was performed by

Kay Chapman, CPA
Tammy Calvert, staff accountant