

**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, 2009

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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 2008 Election) | | |
| Pat Madsen | President | 2008 |
| Vera Banwart | Vice President | 2009 |
| Doug Schwartzkopf | Board Member | 2009 |
| Pat Vonnahme | Board Member | 2010 |
| Sheila Griffin | Board Member | 2010 |
| Nancy Umsted | Board Member | 2010 |
| Charles Wirtz | Board Member | 2008 |

**Board of Education
(After September 2008 Election)**

| | | |
|-------------------|----------------|--------|
| Doug Schwartzkopf | President | 2009 |
| Sheila Griffin | Vice President | 2011 * |
| Vera Banwart | Board Member | 2009 |
| Pat Vonnahme | Board Member | 2009 * |
| Dawn Schmidt | Board Member | 2011 |
| Lannie Miller | Board Member | 2011 |
| Nancy Umsted | Board Member | 2011 * |

School Officials

| | | |
|---------------|--|------|
| Nancy Schmitz | Superintendent | 2009 |
| Carla Montag | District Secretary/Treasurer and Business Manager | 2009 |
| Steve Avery | Attorney | 2009 |

* Board term extended/reduced per the District's transition plan for changing Board terms from 3 to 4 years in accordance with Chapter 39.24 of the Code of Iowa.

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, 2009, 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, 2009.

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, 2009, 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 February 16, 2010 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 46 through 48 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise 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 six years ended June 30, 2008 (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

February 16, 2010

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, 2009. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2009 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$3,807,078 in fiscal 2008 to \$3,879,059 in fiscal 2009, while General Fund expenditures decreased from \$3,864,210 in fiscal 2008 to \$3,373,588 in fiscal 2009. The District's General Fund balance increased from \$625,257 at the end of fiscal 2008 to \$1,121,803 at the end of fiscal 2009, a 79% increase.

- The increase in General Fund revenues was attributable to an increase in other local sources revenue and state and federal grant revenue in fiscal 2009. The decrease in expenditures was due primarily to a freeze in the negotiated salary and benefits, cutting some positions and limiting other purchases.

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.

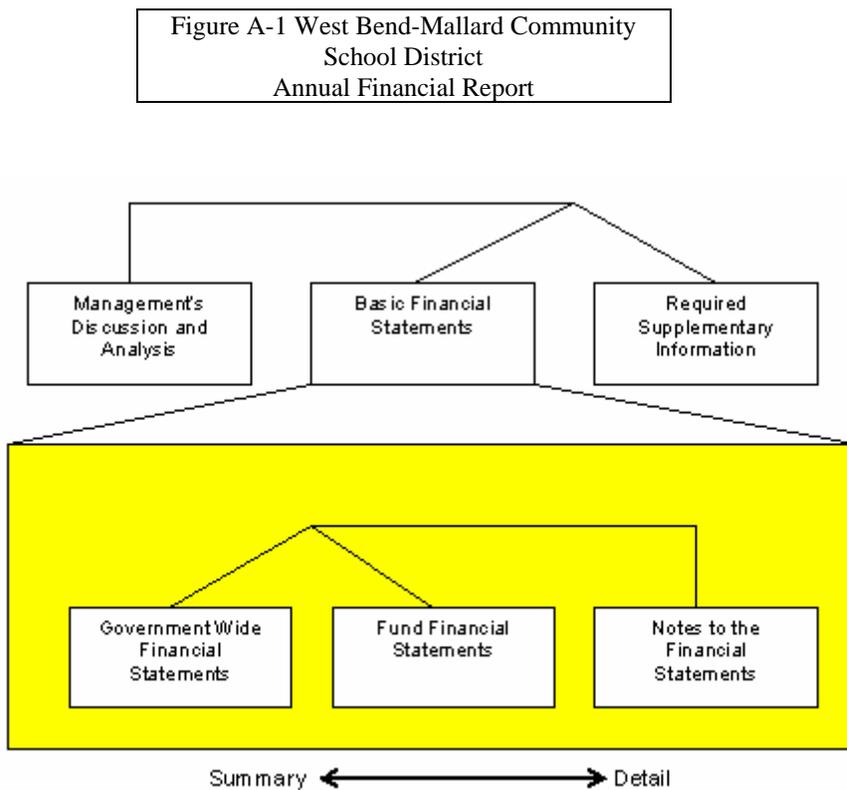


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

| 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, the Debt Service Fund and the Capital Projects Fund.

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

- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise 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, 2009 compared to June 30, 2008.

| 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, |
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 | 2008-2009 |
| Current and other assets | \$ 5,592 | 4,636 | \$ 23 | 14 | \$ 5,615 | 4,650 | 20.8% |
| Capital assets | <u>1,881</u> | <u>1,793</u> | <u>5</u> | <u>7</u> | <u>1,886</u> | <u>1,800</u> | <u>4.8%</u> |
| Total assets | <u>7,473</u> | <u>6,429</u> | <u>28</u> | <u>21</u> | <u>7,501</u> | <u>6,450</u> | <u>16.3%</u> |
| Long-term liabilities | 373 | 171 | --- | --- | 373 | 171 | 118.1% |
| Other liabilities | <u>3,542</u> | <u>3,598</u> | <u>13</u> | <u>13</u> | <u>3,555</u> | <u>3,611</u> | <u>-1.6%</u> |
| Total liabilities | <u>3,915</u> | <u>3,769</u> | <u>13</u> | <u>13</u> | <u>3,928</u> | <u>3,782</u> | <u>3.9%</u> |
| Net assets: | | | | | | | |
| Invested in capital assets, net of related debt | 1,613 | 1,793 | 5 | 7 | 1,618 | 1,800 | -10.1% |
| Restricted | 644 | 262 | --- | --- | 644 | 262 | 145.8% |
| Unrestricted | <u>1,301</u> | <u>605</u> | <u>10</u> | <u>1</u> | <u>1,311</u> | <u>606</u> | <u>116.3%</u> |
| Total net assets | <u>\$ 3,558</u> | <u>2,660</u> | <u>\$ 15</u> | <u>8</u> | <u>\$ 3,573</u> | <u>2,668</u> | <u>33.9%</u> |

The District's combined net assets increased 33.9% or approximately \$905,000, from the prior year. 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 increased approximately \$382,000 or 146% from the prior year. The increase was primarily a result of increased revenues in the Management Levy Fund and an increase in net assets restricted for the required bond reserve.

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 \$705,000 or 116%. This increase in unrestricted net assets was a result of the District taking steps to reduce General Fund expenditures.

Figure A-4 shows the changes in net assets for the year ended June 30, 2009 compared to the year ended June 30, 2008.

| Figure A-4 | | | | | | | |
|--|--------------|--------------|---------------|-------------|--------------|--------------|------------------|
| Changes in Net Asset | | | | | | | |
| (Expressed in Thousands) | | | | | | | |
| | Governmental | | Business Type | | Total School | | Total |
| | Activities | | Activities | | District | | |
| | <u>2009</u> | <u>2008</u> | <u>2009</u> | <u>2008</u> | <u>2009</u> | <u>2008</u> | <u>2008-2009</u> |
| Revenues: | | | | | | | |
| Program revenues: | | | | | | | |
| Charges for service | \$ 415 | 419 | 96 | 101 | 511 | 520 | -1.7% |
| Operating grants, contributions and restricted interest | 607 | 499 | 81 | 72 | 688 | 571 | 20.5% |
| Capital grants, contributions and restricted interest | 22 | 39 | --- | --- | 22 | 39 | -43.6% |
| General revenues: | | | | | | | |
| Property tax | 2,098 | 2,001 | --- | --- | 2,098 | 2,001 | 4.8% |
| Statewide sales and services tax | 222 | 186 | --- | --- | 222 | 186 | 19.4% |
| Income surtax | 166 | 157 | --- | --- | 166 | 157 | 5.7% |
| Unrestricted state grants | 1,108 | 1,048 | --- | --- | 1,108 | 1,048 | 5.7% |
| Unrestricted investment earnings | 43 | 52 | --- | --- | 43 | 52 | -17.3% |
| Other | <u>21</u> | <u>31</u> | <u>---</u> | <u>---</u> | <u>21</u> | <u>31</u> | <u>-32.3%</u> |
| Total revenues | <u>4,702</u> | <u>4,432</u> | <u>177</u> | <u>173</u> | <u>4,879</u> | <u>4,605</u> | <u>6.0%</u> |
| Program expenses: | | | | | | | |
| Governmental activities: | | | | | | | |
| Instruction | 2,361 | 2,787 | --- | --- | 2,361 | 2,787 | -15.3% |
| Support services | 1,116 | 1,391 | --- | --- | 1,116 | 1,391 | -19.8% |
| Non-instructional programs | 5 | 5 | 180 | 185 | 185 | 190 | -2.6% |
| Other expenses | <u>312</u> | <u>314</u> | <u>---</u> | <u>---</u> | <u>312</u> | <u>314</u> | <u>-0.6%</u> |
| Total expenses | <u>3,794</u> | <u>4,497</u> | <u>180</u> | <u>185</u> | <u>3,974</u> | <u>4,682</u> | <u>-15.1%</u> |
| Excess (deficiency) of revenues over (under) expenses before extraordinary items and transfers | 908 | (65) | (3) | (12) | 905 | (77) | 1,275.3% |
| Extraordinary items | --- | 853 | --- | --- | --- | 853 | -100.0% |
| Transfers | <u>(10)</u> | <u>---</u> | <u>10</u> | <u>---</u> | <u>---</u> | <u>---</u> | <u>0.0%</u> |
| Increase (decrease) in net assets | \$ 898 | 788 | 7 | (12) | 905 | 776 | 16.6% |
| | ===== | ===== | ===== | ===== | ===== | ===== | ===== |

In fiscal 2009, property tax and unrestricted state grants account for 68.2% of the revenue from governmental activities while charges for service and operating grants and contributions account for 100% of the revenue from business type activities.

The District's total revenues were approximately \$4.9 million, of which \$4.7 million was for governmental activities and less than \$1 million was for business type activities.

and a 15.1% decrease in expenses. The decrease in expenses was related to a freeze in the negotiated salaries and benefits, cutting some positions and limiting other purchases.

Governmental Activities

Revenues for governmental activities were \$4,702,189 and expenses were \$3,793,958. In a difficult budget year, the District was able to reduce expenses by freezing salaries and cutting other spending where available.

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, 2009 compared to the year ended June 30, 2008.

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

| | Total Cost of Services | | | Net Cost of Services | | |
|---------------------------|------------------------|-------|---------------------|----------------------|-------|---------------------|
| | 2009 | 2008 | Change 2008-2009 | 2009 | 2008 | Change 2008-2009 |
| Instruction | \$ 2,361 | 2,787 | -15.3% | 1,474 | 2,036 | -27.6% |
| Support services | 1,116 | 1,391 | -19.8% | 1,108 | 1,345 | -17.6% |
| Non-instructional program | 5 | 5 | 0.0% | 5 | 5 | 0.0% |
| Other expenses | 312 | 314 | -0.6% | 163 | 154 | 5.8% |
| Total | \$ 3,794 | 4,497 | -15.6% | 2,750 | 3,540 | -22.3% |
| | ===== | ===== | ===== | ===== | ===== | ===== |

For the year ended June 30, 2009:

- The cost financed by users of the District's programs was \$414,857.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$607,332.
- The net cost of governmental activities was financed with \$2,486,745 in property and other taxes and \$1,107,537 in unrestricted state grants.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2009 were \$177,345, representing a 2.3% increase over the prior year, while expenses totaled \$180,283, a 2.7% decrease from the prior year. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, investment income and a transfer from the General Fund.

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 \$1,859,195, well above last year's ending fund balances of \$888,988. The primary reason for the increase in combined fund balances is related to the increase in local tax revenue, proceeds of a \$268,000 revenue bond and reduction of General Fund expenditures.

Governmental Fund Highlights

- The General Fund balance increased from \$625,257 to \$1,121,803, due the reduction of expenditures.
- The Special Revenue, Physical Plant and Equipment Levy (PPEL) Fund balance increased from \$115,938 in fiscal 2008 to \$124,490 in fiscal 2009.
- The Capital Projects Fund balance increased \$205,061 due to an increase in the statewide sales and services tax revenue, proceeds from a revenue bond, and a decrease in expenditures due to the fact that the majority of renovation projects were paid in fiscal 2008.

Proprietary Fund Highlights

School Nutrition Fund net assets increased from \$7,818 at June 30, 2008 to \$14,880 at June 30, 2009, representing an increase of approximately 90% because the District transferred \$10,000 from the General Fund to the Nutrition Fund to cover expenses.

BUDGETARY HIGHLIGHTS

The District's total revenues were \$264,361 more than total budgeted revenues, a variance of 6%.

Total expenditures were less than budgeted by \$249,987 due primarily to the District's budget for the General Fund.

In spite of the District's budgetary practice, the certified budget was exceeded in the instruction, non-instructional programs and other expenditures functional areas.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2009, the District had invested \$1.9 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 6 to the financial statements. Depreciation expense for the year was \$160,645.

The original cost of the District's capital assets was \$7.3 million.

| | Governmental Activities | | Business Type Activities | | Total District | | Total Change |
|--------------------------------------|----------------------------|------------|-----------------------------|----------|-------------------|------------|-----------------|
| | June 30, | | June 30, | | June 30, | | June 30, |
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 | 2008-2009 |
| Land | \$ 75 | 75 | --- | --- | 75 | 75 | 0.0% |
| Construction in progress | 446 | 253 | --- | --- | 446 | 253 | 76.3% |
| Buildings | 1,073 | 1,100 | --- | --- | 1,073 | 1,100 | -2.5% |
| Improvements other than Buildings | 36 | 38 | --- | --- | 36 | 38 | -5.3% |
| Furniture and equipment | <u>251</u> | <u>327</u> | <u>5</u> | <u>7</u> | <u>256</u> | <u>334</u> | <u>-23.4%</u> |
| Totals | \$ 1,881 | 1,793 | 5 | 7 | 1,886 | 1,800 | 4.8% |
| | ===== | ===== | == | == | ===== | ===== | ===== |

Long-Term Debt

At June 30, 2009, the District had \$373,644 long-term debt outstanding. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 7 to the financial statements.

In July 2008, the Board approved the issuance of \$268,000 in school infrastructure sales, service and use tax revenue bonds to pay for the renovation of class rooms.

| | Total District | | Total Change |
|------------------|-------------------|------------|-----------------|
| | June 30, | | 2008-2009 |
| | 2009 | 2008 | |
| Revenue bonds | \$ 268 | --- | 100.0% |
| Early retirement | <u>106</u> | <u>171</u> | <u>-38.0%</u> |
| Totals | 374 | 171 | 118.7% |
| | ===== | ==== | ===== |

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

Listed below are several existing circumstances that could significantly affect the West Bend-Mallard Community School District's financial health in the future:

- Unstable local, state and national economies will have an impact on the revenues and expenditures of the District. With the current 10% across the board cuts the West Bend-Mallard Community School District was cut \$165,000 in state funding.
- We are in the second year of a two year negotiated settlement. It appears it will be a higher increase than most across the state.
- Unsure of what health insurance will do nationwide, West Bend-Mallard Community School District is estimating a 14.2% increase for the coming year. We are gathering price quotes from various companies and possibly looking at a partial self funded insurance package.
- WBM did have a decline in enrollment for 2009-10 of 14 students and we expect it to decline further in the future. We need to develop a good working relationship with neighboring districts to take advantage of possible sharing incentives.

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 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, 2009

| | Primary Government | | | Component |
|---|--------------------|-------------------|-----------|---------------------------------------|
| | Governmental | Business Type | Total | Unit |
| | <u>Activities</u> | <u>Activities</u> | | <u>WBM Achievement Foundation</u> |
| Assets | | | | |
| Cash and cash equivalents: | | | | |
| ISCAP | \$ 892,822 | - | 892,822 | - |
| Other | 2,244,466 | 12,846 | 2,257,312 | 11,771 |
| Receivables: | | | | |
| Property tax: | | | | |
| Delinquent | 50,965 | - | 50,965 | - |
| Succeeding year | 2,120,000 | - | 2,120,000 | - |
| Accounts | 5,790 | 386 | 6,176 | |
| Accrued interest: | | | | |
| ISCAP | 8,555 | - | 8,555 | - |
| Due from other governments | 269,225 | - | 269,225 | - |
| Interfund balances | 312 | (312) | - | - |
| Inventories | - | 11,216 | 11,216 | - |
| Capital assets, net of accumulated depreciation | 1,881,131 | 4,741 | 1,885,872 | - |
| Total assets | 7,473,266 | 28,877 | 7,502,143 | 11,771 |
| Liabilities | | | | |
| Accounts payable | 182,118 | 1,569 | 183,687 | - |
| Salaries and benefits payable | 332,084 | 12,428 | 344,512 | - |
| Accrued interest payable | 5,360 | - | 5,360 | - |
| Deferred revenue - succeeding year property tax | 2,120,000 | - | 2,120,000 | - |
| ISCAP warrants payable | 880,000 | - | 880,000 | - |
| ISCAP accrued interest payable | 5,028 | - | 5,028 | - |
| ISCAP unamortized premium | 13,918 | - | 13,918 | - |
| Early retirement payable | 3,154 | - | 3,154 | - |
| Long-term liabilities: | | | | |
| Portion due within one year: | | | | |
| Revenue bonds | 134,000 | - | 134,000 | - |
| Early retirement payable | 20,357 | - | 20,357 | - |
| Portion due after one year: | | | | |
| Revenue bonds | 134,000 | - | 134,000 | - |
| Early retirement payable | 85,287 | - | 85,287 | - |
| Total liabilities | 3,915,306 | 13,997 | 3,929,303 | - |

(continued)

West Bend-Mallard Community School District
West Bend, Iowa

Exhibit A

Statement of Net Assets

June 30, 2009

| | Primary Government | | | Component Unit |
|---|----------------------------|-----------------------------|------------------|-------------------------------|
| | Governmental Activities | Business Type Activities | Total | WBM Achievement Foundation |
| Net assets | | | | |
| Invested in capital assets, net of related debt | 1,613,131 | 4,741 | 1,617,872 | - |
| Restricted for: | | | | |
| Categorical funding | 113,226 | - | 113,226 | - |
| Management levy | 167,693 | - | 167,693 | - |
| Physical plant and equipment levy | 124,590 | - | 124,590 | - |
| Other special revenue purposes | 85,483 | - | 85,483 | - |
| Debt service | 152,764 | - | 152,764 | - |
| Foundation purposes | - | - | - | 11,771 |
| Unrestricted | 1,301,073 | 10,139 | 1,311,212 | - |
| Total net assets | \$ 3,557,960 | 14,880 | 3,572,840 | 11,771 |

See notes to financial statements.

West Bend-Mallard Community School District
West Bend, Iowa
Statement of Activities
Year ended June 30, 2009

| | <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 | \$ 1,372,709 | 226,341 | 353,008 | - |
| Special instruction | 549,038 | 42,778 | 56,632 | - |
| Other instruction | 439,425 | 143,628 | 65,036 | - |
| | <u>2,361,172</u> | <u>412,747</u> | <u>474,676</u> | <u>-</u> |
| Support services: | | | | |
| Student | 90,298 | - | 1,212 | - |
| Instructional staff | 38,157 | - | 2,282 | - |
| Administration | 387,146 | - | - | - |
| Operation and maintenance of plant | 379,532 | 498 | - | - |
| Transportation | 220,765 | 1,612 | 1,791 | - |
| | <u>1,115,898</u> | <u>2,110</u> | <u>5,285</u> | <u>-</u> |
| Non-instructional programs | <u>5,162</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Other expenditures: | | | | |
| Facilities acquisition | 16,261 | - | - | 21,740 |
| Long-term debt interest | 9,678 | - | - | - |
| AEA flowthrough | 127,371 | - | 127,371 | - |
| Depreciation (unallocated)* | 158,416 | - | - | - |
| | <u>311,726</u> | <u>-</u> | <u>127,371</u> | <u>21,740</u> |
| Total governmental activities | 3,793,958 | 414,857 | 607,332 | 21,740 |
| Business type activities: | | | | |
| Non-instructional programs: | | | | |
| Food service operations | 180,283 | 96,357 | 80,922 | - |
| Total primary government | <u>\$ 3,974,241</u> | <u>511,214</u> | <u>688,254</u> | <u>21,740</u> |
| Component Unit: | | | | |
| WBM Achievement Foundation | <u>\$ 36,057</u> | <u>-</u> | <u>23,525</u> | <u>-</u> |
| General Revenues: | | | | |
| Property tax levied for: | | | | |
| General purposes | | | | |
| Capital outlay | | | | |
| Statewide sales and services tax | | | | |
| Income surtax | | | | |
| Unrestricted state grants | | | | |
| Unrestricted investment earnings | | | | |
| Other | | | | |
| Sale of fixed assets | | | | |
| Transfer | | | | |
| Total general revenues | | | | |
| Change in net assets | | | | |
| Net assets beginning of year | | | | |
| Net assets end of year | | | | |

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

| Net (Expense) Revenue and Changes in Net Assets | | | |
|--|-----------------------------|--------------------|-------------------------------|
| Primary Government | | | Component Unit |
| Governmental Activities | Business Type Activities | Total | WBM Achievement Foundation |
| (793,360) | - | (793,360) | - |
| (449,628) | - | (449,628) | - |
| (230,761) | - | (230,761) | - |
| <u>(1,473,749)</u> | <u>-</u> | <u>(1,473,749)</u> | <u>-</u> |
| (89,086) | - | (89,086) | - |
| (35,875) | - | (35,875) | - |
| (387,146) | - | (387,146) | - |
| (379,034) | - | (379,034) | - |
| (217,362) | - | (217,362) | - |
| <u>(1,108,503)</u> | <u>-</u> | <u>(1,108,503)</u> | <u>-</u> |
| (5,162) | - | (5,162) | - |
| 5,479 | - | 5,479 | - |
| (9,678) | - | (9,678) | - |
| - | - | - | - |
| <u>(158,416)</u> | <u>-</u> | <u>(158,416)</u> | <u>-</u> |
| <u>(162,615)</u> | <u>-</u> | <u>(162,615)</u> | <u>-</u> |
| (2,750,029) | - | (2,750,029) | - |
| - | (3,004) | (3,004) | - |
| <u>(2,750,029)</u> | <u>(3,004)</u> | <u>(2,753,033)</u> | <u>-</u> |
| - | - | - | (12,532) |
| 2,019,116 | - | 2,019,116 | - |
| 79,287 | - | 79,287 | - |
| 222,099 | - | 222,099 | - |
| 166,243 | - | 166,243 | - |
| 1,107,537 | - | 1,107,537 | - |
| 42,725 | 66 | 42,791 | 155 |
| 17,098 | - | 17,098 | - |
| 4,155 | - | 4,155 | - |
| (10,000) | 10,000 | - | - |
| <u>3,648,260</u> | <u>10,066</u> | <u>3,658,326</u> | <u>155</u> |
| 898,231 | 7,062 | 905,293 | (12,377) |
| <u>2,659,729</u> | <u>7,818</u> | <u>2,667,547</u> | <u>24,148</u> |
| <u>\$ 3,557,960</u> | <u>14,880</u> | <u>3,572,840</u> | <u>11,771</u> |

West Bend-Mallard Community School District
West Bend, Iowa

Exhibit C

Balance Sheet
Governmental Funds

June 30, 2009

| | <u>General</u> | <u>Debt Service</u> | <u>Capital Projects</u> | <u>Nonmajor Special Revenue</u> | <u>Total</u> |
|--|---------------------|-------------------------|-----------------------------|---|------------------|
| Assets | | | | | |
| Cash and pooled investments: | | | | | |
| ISCAP | \$ 892,822 | - | - | - | 892,822 |
| Other | 1,455,154 | 152,764 | 211,288 | 425,260 | 2,244,466 |
| Receivables: | | | | | |
| Property tax: | | | | | |
| Delinquent | 43,886 | - | - | 7,079 | 50,965 |
| Succeeding year | 1,719,000 | - | - | 401,000 | 2,120,000 |
| Accounts | 5,790 | - | - | - | 5,790 |
| Accrued interest: | | | | | |
| ISCAP | 8,555 | - | - | - | 8,555 |
| Due from other funds | - | - | 603 | - | 603 |
| Due from other governments | 166,395 | - | 38,435 | 64,395 | 269,225 |
| Total assets | <u>\$ 4,291,602</u> | <u>152,764</u> | <u>250,326</u> | <u>897,734</u> | <u>5,592,426</u> |
| Liabilities and Fund Balances | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ 87,526 | - | 43,464 | 51,128 | 182,118 |
| Salaries and benefits payable | 332,084 | - | - | - | 332,084 |
| Due to other funds | - | - | - | 291 | 291 |
| ISCAP warrants payable | 880,000 | - | - | - | 880,000 |
| ISCAP accrued interest payable | 5,028 | - | - | - | 5,028 |
| ISCAP unamortized premium | 13,918 | - | - | - | 13,918 |
| Deferred revenue: | | | | | |
| Succeeding year property tax | 1,719,000 | - | - | 401,000 | 2,120,000 |
| Other | 132,243 | - | - | 64,395 | 196,638 |
| Early retirement payable | - | - | - | 3,154 | 3,154 |
| Total liabilities | <u>3,169,799</u> | <u>-</u> | <u>43,464</u> | <u>519,968</u> | <u>3,733,231</u> |
| Fund balances: | | | | | |
| Reserved for: | | | | | |
| Categorical funding | 113,226 | - | - | - | 113,226 |
| Debt service | - | 152,764 | - | - | 152,764 |
| Unreserved | 1,008,577 | - | 206,862 | 377,766 | 1,593,205 |
| Total fund balances | <u>1,121,803</u> | <u>152,764</u> | <u>206,862</u> | <u>377,766</u> | <u>1,859,195</u> |
| Total liabilities and fund balances | <u>\$ 4,291,602</u> | <u>152,764</u> | <u>250,326</u> | <u>897,734</u> | <u>5,592,426</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, 2009

| | |
|--|-----------------------------------|
| Total fund balances of governmental funds (page 19) | \$ 1,859,195 |
| <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. | 1,881,131 |
| Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds. | 196,638 |
| Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds. | (5,360) |
| Long-term liabilities, including bonds payable and early retirement payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds. | <u>(373,644)</u> |
| Net assets of governmental activities (page 16) | <u><u>\$ 3,557,960</u></u> |

See notes to financial statements.

West Bend-Mallard Community School District

Exhibit E

West Bend, Iowa

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

Year ended June 30, 2009

| | <u>General</u> | <u>Debt Service</u> | <u>Capital Projects</u> | <u>Nonmajor Special Revenue</u> | <u>Total</u> |
|---|---------------------|-------------------------|-----------------------------|---|------------------|
| Revenues: | | | | | |
| Local sources: | | | | | |
| Local tax | \$ 1,895,079 | - | 222,099 | 368,896 | 2,486,074 |
| Tuition | 255,954 | - | - | - | 255,954 |
| Other | 79,521 | - | 1,798 | 177,830 | 259,149 |
| State sources | 1,527,696 | - | - | 145 | 1,527,841 |
| Federal sources | 120,809 | - | - | - | 120,809 |
| Total revenues | <u>3,879,059</u> | <u>-</u> | <u>223,897</u> | <u>546,871</u> | <u>4,649,827</u> |
| Expenditures: | | | | | |
| Current: | | | | | |
| Instruction: | | | | | |
| Regular | 1,352,669 | - | - | 85,100 | 1,437,769 |
| Special | 547,892 | - | - | 1,146 | 549,038 |
| Other | 320,128 | - | - | 124,048 | 444,176 |
| | <u>2,220,689</u> | <u>-</u> | <u>-</u> | <u>210,294</u> | <u>2,430,983</u> |
| Support services: | | | | | |
| Student | 90,265 | - | - | 33 | 90,298 |
| Instructional staff | 38,090 | - | - | 67 | 38,157 |
| Administration | 367,483 | - | - | 19,663 | 387,146 |
| Operation and maintenance of plant | 340,232 | - | - | 47,194 | 387,426 |
| Transportation | 184,564 | - | - | 53,724 | 238,288 |
| | <u>1,020,634</u> | <u>-</u> | <u>-</u> | <u>120,681</u> | <u>1,141,315</u> |
| Non-instructional programs | 4,894 | - | - | 268 | 5,162 |
| Other expenditures: | | | | | |
| Facilities acquisition | - | - | 129,754 | 102,872 | 232,626 |
| Long-term debt: | | | | | |
| Interest and fiscal charges | - | 4,318 | - | - | 4,318 |
| AEA flowthrough | 127,371 | - | - | - | 127,371 |
| | <u>127,371</u> | <u>4,318</u> | <u>129,754</u> | <u>102,872</u> | <u>364,315</u> |
| Total expenditures | <u>3,373,588</u> | <u>4,318</u> | <u>129,754</u> | <u>434,115</u> | <u>3,941,775</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>505,471</u> | <u>(4,318)</u> | <u>94,143</u> | <u>112,756</u> | <u>708,052</u> |
| Other financing sources (uses): | | | | | |
| Revenue bonds issued | - | - | 268,000 | - | 268,000 |
| Transfer in | - | 157,082 | - | - | 157,082 |
| Transfer out | (10,000) | - | (157,082) | - | (167,082) |
| Sale of fixed assets | 1,075 | - | - | - | 1,075 |
| Proceeds from insurance claim | - | - | - | 3,080 | 3,080 |
| Total other financing sources (uses) | <u>(8,925)</u> | <u>157,082</u> | <u>110,918</u> | <u>3,080</u> | <u>262,155</u> |
| Net change in fund balances | 496,546 | 152,764 | 205,061 | 115,836 | 970,207 |
| Fund balances beginning of year | <u>625,257</u> | <u>-</u> | <u>1,801</u> | <u>261,930</u> | <u>888,988</u> |
| Fund balances end of year | <u>\$ 1,121,803</u> | <u>152,764</u> | <u>206,862</u> | <u>377,766</u> | <u>1,859,195</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, 2009

Net change in fund balances - total governmental funds (page 21) \$ 970,207

*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 | \$ 246,533 | |
| Depreciation expense | <u>(158,416)</u> | 88,117 |

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. 48,207

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets.

| | |
|--------|-----------|
| Issued | (268,000) |
|--------|-----------|

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. (5,360)

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, 2009

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

65,060

Change in net assets of governmental activities (page 18)

\$ 898,231

See notes to financial statements.

West Bend-Mallard Community School District
West Bend, Iowa

Exhibit G

Statement of Net Assets
Proprietary Fund

June 30, 2009

| | <u>School Nutrition</u> |
|---|-----------------------------|
| Assets | |
| Cash and cash equivalents | \$ 12,846 |
| Accounts receivable | 386 |
| Inventories | 11,216 |
| Capital assets, net of accumulated depreciation | <u>4,741</u> |
| Total assets | <u>29,189</u> |
| Liabilities | |
| Accounts payable | 1,569 |
| Due to other funds | 312 |
| Salaries and benefits payable | <u>12,428</u> |
| Total liabilities | <u>14,309</u> |
| Net Assets | |
| Invested in capital assets | 4,741 |
| Unrestricted | <u>10,139</u> |
| Total net assets | <u>\$ 14,880</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, 2009

| | <u>School Nutrition</u> |
|---------------------------------------|-----------------------------|
| Operating revenues: | |
| Local sources: | |
| Charges for service | \$ 96,101 |
| Miscellaneous | 257 |
| Total operating revenue | <u>96,358</u> |
| Operating expenses: | |
| Non-instructional programs: | |
| Food service operations: | |
| Salaries | 76,322 |
| Benefits | 20,737 |
| Purchased services | 969 |
| Supplies | 80,026 |
| Depreciation | <u>2,229</u> |
| Total operating expenses | <u>180,283</u> |
| Operating loss | <u>(83,925)</u> |
| Non-operating revenues: | |
| State sources | 2,029 |
| Federal sources | 78,893 |
| Interest income | <u>65</u> |
| Total non-operating revenues | <u>80,987</u> |
| Deficiency of revenues under expenses | (2,938) |
| Other financing sources: | |
| Transfer in | <u>10,000</u> |
| Net income | 7,062 |
| Net assets beginning of year | <u>7,818</u> |
| Net assets end of year | <u>\$ 14,880</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, 2009

| | <u>School Nutrition</u> |
|---|-----------------------------|
| Cash flows from operating activities: | |
| Cash received from sale of lunches and breakfasts | \$ 97,284 |
| Cash received from miscellaneous operating activities | 257 |
| Cash paid to employees for services | (97,628) |
| Cash paid to suppliers for goods or services | <u>(62,659)</u> |
| Net cash used by operating activities | <u>(62,746)</u> |
| Cash flows from non-capital financing activities: | |
| State grants received | 2,029 |
| Federal grants received | 57,718 |
| Transfer from General Fund | <u>10,000</u> |
| Net cash provided by non-capital financing activities | <u>69,747</u> |
| Cash flows from investing activities: | |
| Interest on investments | <u>65</u> |
| Net increase in cash and cash equivalents | 7,066 |
| Cash and cash equivalents beginning of year | <u>5,780</u> |
| Cash and cash equivalents end of year | <u>\$ 12,846</u> |

West Bend-Mallard Community School District
West Bend, Iowa

Exhibit I

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2009

School
Nutrition

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

| | |
|--|--------------------|
| Operating loss | \$ (83,925) |
| Adjustments to reconcile operating loss to net cash used by operating activities: | |
| Commodities used | 21,175 |
| Depreciation | 2,229 |
| (Increase) in accounts receivable | (386) |
| (Increase) in inventories | (2,839) |
| Increase in accounts payable | 1,569 |
| (Decrease) in salaries and benefits payable | <u>(569)</u> |
| Net cash used by operating activities | <u>\$ (62,746)</u> |

Non-cash investing, capital and financing activities:

During the year ended June 30, 2009, the District received \$21,175 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, 2009

Agency

Assets

Cash \$ 15,774

Total assets 15,774

Liabilities

Other payables 15,774

Total liabilities 15,774

Net assets \$ -

See notes to financial statements.

West Bend-Mallard Community School District
West Bend, Iowa

Notes to Financial Statements

June 30, 2009

(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, 2009

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 jointly governed organizations that provide services to the District but do 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.

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June 30, 2009

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

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.

West Bend-Mallard Community School District
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June 30, 2009

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.

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
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June 30, 2009

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. 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.

West Bend-Mallard Community School District
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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, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2008.

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.

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June 30, 2009

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 |

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.

West Bend-Mallard Community School District
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June 30, 2009

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.

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

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Notes to Financial Statements

June 30, 2009

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, expenditures in the instruction, 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, 2009 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, 2009, the District had investments in the Iowa School Joint Investment Trust as follows:

| | |
|-----------------------|-----------------------|
| | <u>Amortized Cost</u> |
| Diversified Portfolio | \$ <u>656,465</u> |

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

Credit risk – The investment in the Iowa Schools Joint Investment Trust are rated Aaa by Moody's Investors Service.

West Bend-Mallard Community School District
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Notes to Financial Statements

June 30, 2009

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2009 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 |

The Enterprise, Nutrition Fund is repaying the Special Revenue, Physical Plant and Equipment Levy Fund and the Special Revenue, Physical Plant and Equipment Levy Fund is repaying the Capital Projects fund for expenses incorrectly paid from those funds in a prior year.

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2009 is as follows:

| <u>Transfer to</u> | <u>Transfer from</u> | <u>Amount</u> |
|----------------------------------|----------------------|-------------------|
| Debt Service | Capital Projects | \$ 157,082 |
| Proprietary: School Nutrition | General | <u>10,000</u> |
| Total | | <u>\$ 167,082</u> |

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

West Bend-Mallard Community School District
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Notes to Financial Statements

June 30, 2009

(5) 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, 2009 is as follows:

| Series | Warrant Date | Final Warrant Maturity | Investments | Accrued Interest Receivable | Warrants Payable | Accrued Interest Payable |
|----------|--------------|------------------------|-------------------|-----------------------------|------------------|--------------------------|
| 2008-09A | 6/26/08 | 6/25/09 | \$ - | 5,034 | - | - |
| 2008-09B | 1/21/09 | 1/21/10 | 373,731 | 3,457 | 369,000 | 4,853 |
| 2009-10A | 6/25/09 | 6/23/10 | <u>519,091</u> | <u>64</u> | <u>511,000</u> | <u>175</u> |
| Total | | | <u>\$ 892,822</u> | <u>8,555</u> | <u>880,000</u> | <u>5,028</u> |

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. There was no ISCAP advance activity during the year ended June 30, 2009.

West Bend-Mallard Community School District
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Notes to Financial Statements

June 30, 2009

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

| Series | Interest Rates on Warrants | Interest Rates on Investments |
|----------|----------------------------|-------------------------------|
| 2008-09A | 3.50% | 3.469% |
| 2008-09B | 3.00% | 2.110% |
| 2009-10A | 2.50% | 0.902% |

(6) Capital Assets

Capital assets activity for the year ended June 30, 2009 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>253,277</u> | <u>193,308</u> | --- | <u>446,585</u> |
| Total capital assets not being depreciated | <u>327,982</u> | <u>193,308</u> | --- | <u>521,290</u> |
| Capital assets being depreciated: | | | | |
| Buildings | 3,081,653 | 31,875 | --- | 3,113,528 |
| Improvements other than buildings | 108,358 | --- | --- | 108,358 |
| Furniture and equipment | <u>3,508,894</u> | <u>22,856</u> | <u>(9,563)</u> | <u>3,522,187</u> |
| Total capital assets being depreciated | <u>6,698,905</u> | <u>54,731</u> | <u>(9,563)</u> | <u>6,744,073</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 1,981,478 | 58,931 | --- | 2,040,409 |
| Improvements other than buildings | 70,114 | 2,505 | --- | 72,619 |
| Furniture and equipment | <u>3,182,281</u> | <u>96,980</u> | <u>(8,057)</u> | <u>3,271,204</u> |
| Total accumulated depreciation | <u>5,233,873</u> | <u>158,416</u> | <u>(8,057)</u> | <u>5,384,232</u> |
| Total capital assets being depreciated, net | <u>1,465,032</u> | <u>(103,685)</u> | <u>(1,506)</u> | <u>1,359,841</u> |
| Governmental activities capital assets, net | \$ 1,793,014 | 89,623 | (1,506) | 1,881,131 |
| | ===== | ===== | ===== | ===== |

West Bend-Mallard Community School District
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Notes to Financial Statements

June 30, 2009

| | Balance Beginning of Year | Increases | Decreases | Balance End of Year |
|--|---------------------------------|--------------|-----------|---------------------------|
| Business type activities: | | | | |
| Furniture and equipment | \$ 39,299 | --- | --- | 39,299 |
| Less accumulated depreciation | <u>32,329</u> | <u>2,229</u> | --- | <u>34,558</u> |
| Business type activities capital assets, net | \$ 6,970 | (2,229) | --- | 4,741 |
| | ===== | ===== | ===== | ===== |

Depreciation expense was charged to the following functions:

Governmental activities:

| | |
|--|-------------------|
| Unallocated | 158,416 |
| Total depreciation expense – governmental activities | <u>\$ 158,416</u> |
| | ===== |

Business type activities:

| | |
|-------------------------|----------|
| Food service operations | \$ 2,229 |
| | ===== |

(7) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2009 are summarized as follows:

| | Balance Beginning of Year | Additions | Reductions | Balance End of Year | Due Within One Year |
|--------------------------|---------------------------------|-----------|---------------|---------------------------|---------------------------|
| Governmental activities: | | | | | |
| Revenue bonds | \$ --- | 268,000 | --- | 268,000 | 134,000 |
| Early retirement | <u>170,704</u> | --- | <u>65,060</u> | <u>105,644</u> | <u>20,357</u> |
| Total | 170,704 | 268,000 | 65,060 | 373,644 | 154,357 |
| | ===== | ===== | ===== | ===== | ===== |

Revenue Bonds

Details of the District's June 30, 2009 local option sales and services tax revenue bonded indebtedness are as follows:

| | Bond Issue of August 6, 2008 | | | |
|----------------------------|------------------------------|----------------|--------------|----------------|
| Year Ending June 30, | Interest Rate | Principal | Interest | Total |
| 2010 | 4.00% | \$ 134,000 | 8,040 | 142,040 |
| 2011 | 4.00 | <u>134,000</u> | <u>2,680</u> | <u>136,680</u> |
| Total | | 268,000 | 10,720 | 278,720 |
| | | ===== | ===== | ===== |

West Bend-Mallard Community School District
West Bend, Iowa

Notes to Financial Statements

June 30, 2009

The District has pledged future local option (statewide) sales and services tax revenues to repay the \$268,000 of bonds issued in August 2008. The bonds were issued for the purpose of financing a portion of the costs of school renovations. The bonds are payable solely from the proceeds of the local option (statewide) sales and services tax revenues received by the District and are payable through 2011. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 63 percent of the local option (statewide) sales and services tax revenues. The total principal and interest remaining to be paid on the note is \$278,720. For the current year, only interest was paid on the bonds in the amount of \$4,318 and total statewide sales and services tax revenues were \$222,099.

The resolution providing for the issuance of the local option sales and services tax revenue bonds includes the following provisions:

- a) All proceeds from the local option (statewide) sales and services tax shall be placed in a revenue account.
- b) Monies in the revenue account shall be disbursed monthly to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- c) Any monies remaining in the revenue account after the required transfer to the sinking account may be used to pay or redeem any of the bonds or may be transferred to the project account to be used for any lawful purpose.

The District complied with all of the revenue bond provisions during the year ended June 30, 2009.

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.

West Bend-Mallard Community School District
West Bend, Iowa

Notes to Financial Statements

June 30, 2009

Early retirement benefits equal 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, 2009, the District has obligations to three participants with a total liability of \$105,644. Actual early retirement expenditures for the year ended June 30, 2009 totaled \$63,412.

(8) 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 4.10% of their annual covered salary and the District is required to contribute 6.35% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$129,285, \$140,315 and \$129,424, respectively, equal to the required contributions for each year.

(9) 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.

Notes to Financial Statements

June 30, 2009

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$127,371 for the year ended June 30, 2009 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) 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, 2008. The City shall pay five dollars per year for five years payable on or before each anniversary date, the first payment due 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 \$13,325. 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, 2009 was \$17,698. There are no future rentals.

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, 2009 was \$10,068. Future rentals are scheduled as follows:

| | |
|-----------------|-----------|
| Year | |
| Ending | |
| <u>June 30,</u> | |
| 2010 | \$ 10,068 |
| | ===== |

West Bend-Mallard Community School District
West Bend, Iowa

Notes to Financial Statements

June 30, 2009

(12) Construction Commitment

The District has entered into contracts totaling \$486,454 for masonry restoration, classroom remodeling and fuel station projects. As of June 30, 2009, costs of \$371,950 had been incurred against the contracts. The balance of \$114,504 remaining at June 30, 2009 will be paid as work on the project progresses.

(13) Subsequent Events

Subsequent events have been evaluated through February 16, 2009 which is the date the financial statements were available to be issued.

On July 28, 2009 the Board approved the purchase of two 2007 International school buses for \$80,444 from BB Community Leasing Services, Inc.

On October 8, 2009, Governor Chet Culver announced a 10 percent across-the-board cut to state general fund appropriations effective immediately. The cut is a reduction of approximately \$238.5 million to Iowa schools and approximately \$800,000 to the Iowa Department of Education. What this will mean to Iowa school districts is still unfolding.

On November 24, 2009 the Board approved the sale of approximately 10 acres of real estate for \$32,250.

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, 2009

| | Governmental Funds <u>Actual</u> | Proprietary Fund <u>Actual</u> |
|--|--|--------------------------------------|
| Revenues: | | |
| Local sources | \$ 3,001,177 | 96,423 |
| Intermediate sources | - | - |
| State sources | 1,527,841 | 2,029 |
| Federal sources | <u>120,809</u> | <u>78,893</u> |
| Total revenues | <u>4,649,827</u> | <u>177,345</u> |
| Expenditures/Expenses: | | |
| Instruction | 2,430,983 | - |
| Support services | 1,141,315 | - |
| Non-instructional programs | 5,162 | 180,283 |
| Other expenditures | <u>364,315</u> | <u>-</u> |
| Total expenditures/expenses | <u>3,941,775</u> | <u>180,283</u> |
| Excess (deficiency) of revenues over (under) expenditures/expenses | 708,052 | (2,938) |
| Other financing sources, net | <u>262,155</u> | <u>10,000</u> |
| Excess of revenues and other financing sources over expenditures/expenses | 970,207 | 7,062 |
| Balances beginning of year | <u>888,988</u> | <u>7,818</u> |
| Balances end of year | <u>\$ 1,859,195</u> | <u>14,880</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> | |
| 3,097,600 | 2,953,412 | 2,953,412 | 144,188 |
| - | 18,811 | 18,811 | (18,811) |
| 1,529,870 | 1,431,656 | 1,431,656 | 98,214 |
| 199,702 | 158,932 | 158,932 | 40,770 |
| <u>4,827,172</u> | <u>4,562,811</u> | <u>4,562,811</u> | <u>264,361</u> |
| 2,430,983 | 2,381,409 | 2,381,409 | (49,574) |
| 1,141,315 | 1,608,290 | 1,608,290 | 466,975 |
| 185,445 | 177,825 | 177,825 | (7,620) |
| 364,315 | 204,521 | 204,521 | (159,794) |
| <u>4,122,058</u> | <u>4,372,045</u> | <u>4,372,045</u> | <u>249,987</u> |
| 705,114 | 190,766 | 190,766 | 514,348 |
| <u>272,155</u> | <u>-</u> | <u>-</u> | <u>272,155</u> |
| 977,269 | 190,766 | 190,766 | 786,503 |
| <u>896,806</u> | <u>469,325</u> | <u>469,325</u> | <u>427,481</u> |
| <u>1,874,075</u> | <u>660,091</u> | <u>660,091</u> | <u>1,213,984</u> |

West Bend-Mallard Community School District
West Bend, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2009

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, 2009, expenditures in the instruction, 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, 2009

| | Manage- ment <u>Levy</u> | Student <u>Activity</u> | Physical Plant and Equipment <u>Levy</u> | <u>Total</u> |
|--|--------------------------------|----------------------------|---|-----------------------|
| Assets | | | | |
| Cash and pooled investments | \$ 165,765 | 85,483 | 174,012 | 425,260 |
| Receivables: | | | | |
| Property tax: | | | | |
| Delinquent | 5,233 | - | 1,846 | 7,079 |
| Succeeding year | 250,000 | - | 151,000 | 401,000 |
| Due from other governments | <u>-</u> | <u>-</u> | <u>64,395</u> | <u>64,395</u> |
| Total assets | <u>\$ 420,998</u> | <u>85,483</u> | <u>391,253</u> | <u>897,734</u> |
| Liabilities and Fund Balances | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 151 | - | 50,977 | 51,128 |
| Due to other funds | - | - | 291 | 291 |
| Deferred revenue: | | | | |
| Succeeding year property tax | 250,000 | - | 151,000 | 401,000 |
| Other | - | - | 64,395 | 64,395 |
| Early retirement payable | <u>3,154</u> | <u>-</u> | <u>-</u> | <u>3,154</u> |
| Total liabilities | 253,305 | - | 266,663 | 519,968 |
| Unreserved fund balances | <u>167,693</u> | <u>85,483</u> | <u>124,590</u> | <u>377,766</u> |
| Total liabilities and fund balances | <u>\$ 420,998</u> | <u>85,483</u> | <u>391,253</u> | <u>897,734</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, 2009

| | 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 | \$ 215,101 | - | 153,795 | 368,896 |
| Other | 10,778 | 144,193 | 22,859 | 177,830 |
| State sources | <u>106</u> | <u>-</u> | <u>39</u> | <u>145</u> |
| Total revenues | <u>225,985</u> | <u>144,193</u> | <u>176,693</u> | <u>546,871</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 85,100 | - | - | 85,100 |
| Special | 1,146 | - | - | 1,146 |
| Other | 162 | 123,886 | - | 124,048 |
| Support services: | | | | |
| Student | 33 | - | - | 33 |
| Instructional staff | 67 | - | - | 67 |
| Administration | 6,338 | - | 13,325 | 19,663 |
| Operation and maintenance of plant | 37,558 | - | 9,636 | 47,194 |
| Transportation | 8,436 | - | 45,288 | 53,724 |
| Non-instructional programs | 268 | - | - | 268 |
| Other expenditures: | | | | |
| Facilities acquisition | <u>-</u> | <u>-</u> | <u>102,872</u> | <u>102,872</u> |
| Total expenditures | <u>139,108</u> | <u>123,886</u> | <u>171,121</u> | <u>434,115</u> |
| Excess of revenues over expenditures | 86,877 | 20,307 | 5,572 | 112,756 |
| Other financing sources: | | | | |
| Proceeds from insurance claims | <u>-</u> | <u>-</u> | <u>3,080</u> | <u>3,080</u> |
| Total other financing sources | <u>-</u> | <u>-</u> | <u>3,080</u> | <u>3,080</u> |
| Excess of revenues and other financing sources over expenditures | 86,877 | 20,307 | 8,652 | 115,836 |
| Fund balances beginning of year | <u>80,816</u> | <u>65,176</u> | <u>115,938</u> | <u>261,930</u> |
| Fund balances end of year | <u>\$ 167,693</u> | <u>85,483</u> | <u>124,590</u> | <u>377,766</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, 2009

| <u>Account</u> | <u>Balance Beginning of Year</u> | <u>Revenues and Intrafund Transfers</u> | <u>Expenditures</u> | <u>Intra- Fund Transfers</u> | <u>Balance End of Year</u> |
|-------------------------|--|---|---------------------|--------------------------------------|------------------------------------|
| HS Athletics | \$ 2,140 | 61,828 | 51,967 | - | 12,001 |
| Weightlifting | 4,353 | - | 3,813 | - | 540 |
| HS Padlock-Athletics | 982 | - | - | - | 982 |
| HS Towel Fees-Athletics | 936 | 625 | - | - | 1,561 |
| Dramatics | 2,450 | 827 | 1,589 | - | 1,688 |
| Annual | 11,107 | 6,395 | 5,408 | - | 12,094 |
| Class of: | | | | | |
| 2008 | 381 | - | 55 | - | 326 |
| 2009 | 978 | 3,843 | 4,825 | - | (4) |
| 2010 | - | 9,882 | 9,420 | - | 462 |
| 2011 | 25 | - | - | - | 25 |
| Vocal Music | 904 | - | - | - | 904 |
| Band | 698 | 840 | 769 | - | 769 |
| Swing Choir | 2 | - | - | - | 2 |
| Flagline | 653 | - | - | - | 653 |
| HS Cheerleading | 2,485 | 996 | 1,228 | - | 2,253 |
| Drill Team | 2,229 | 10,726 | 6,246 | - | 6,709 |
| FFA | 2,796 | 10,383 | 8,050 | - | 5,129 |
| Concession Stand | 1,116 | - | - | - | 1,116 |
| HS Student Council | 1,977 | 11,983 | 8,021 | - | 5,939 |
| WBM-TV | 817 | - | - | - | 817 |
| Home Economics | 209 | - | 71 | - | 138 |
| NOW Account Interest | 5,461 | 522 | 299 | - | 5,684 |
| HS Quiz Bowl | 5 | 160 | - | - | 165 |
| Elementary Classes | 4,696 | 9,172 | 3,629 | - | 10,239 |
| MS Industrial Ed | 295 | - | - | - | 295 |
| MS Quiz Bowl | 386 | 360 | 494 | - | 252 |
| MS Cheerleading | 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, 2009

| <u>Account</u> | <u>Balance Beginning of Year</u> | <u>Revenues and Intrafund Transfers</u> | <u>Expenditures</u> | <u>Intra- Fund Transfers</u> | <u>Balance End of Year</u> |
|--------------------------|--|---|---------------------|--------------------------------------|------------------------------------|
| Four x Four Shop - Wood | 4,594 | 4,729 | 4,724 | - | 4,599 |
| Four x Four Shop - Motor | 2,805 | 570 | 739 | - | 2,636 |
| Spanish Club | 11 | - | - | - | 11 |
| Design Plus | 1,974 | 1,811 | 1,688 | - | 2,097 |
| MS Drama | 5 | - | - | - | 5 |
| MS Music | 659 | 320 | - | - | 979 |
| MS Programs | 3,711 | 7,488 | 9,063 | - | 2,136 |
| MS Student Council | <u>3,103</u> | <u>733</u> | <u>1,788</u> | - | <u>2,048</u> |
| Total | <u>\$ 65,176</u> | <u>144,193</u> | <u>123,886</u> | <u>-</u> | <u>85,483</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, 2009

| | <u>Balance Beginning of Year</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance End of Year</u> |
|--------------------------|--|------------------|-------------------|------------------------------------|
| Assets | | | | |
| Cash | \$ 16,294 | 1,638 | 2,158 | 15,774 |
| Total assets | <u>\$ 16,294</u> | <u>1,638</u> | <u>2,158</u> | <u>15,774</u> |
| Liabilities | | | | |
| Other payables | \$ 16,294 | 1,638 | 2,158 | 15,774 |
| Total liabilities | <u>\$ 16,294</u> | <u>1,638</u> | <u>2,158</u> | <u>15,774</u> |

See accompanying independent auditor's report.

West Bend-Mallard Community School District
West Bend, Iowa

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

For the Last Seven years

| | Modified Accrual | | | |
|------------------------------------|---------------------|------------------|------------------|------------------|
| | <u>2009</u> | <u>2008</u> | <u>2007</u> | <u>2006</u> |
| Revenues: | | | | |
| Local sources: | | | | |
| Local tax | \$ 2,486,074 | 2,329,743 | 2,350,050 | 2,121,619 |
| Tuition | 255,954 | 257,180 | 222,499 | 212,765 |
| Other | 259,149 | 273,386 | 259,385 | 265,862 |
| Intermediate sources | - | 1,366 | 18,811 | - |
| State sources | 1,527,841 | 1,431,883 | 1,278,799 | 1,359,995 |
| Federal sources | 120,809 | 106,540 | 143,135 | 274,407 |
| Total | <u>\$ 4,649,827</u> | <u>4,400,098</u> | <u>4,272,679</u> | <u>4,234,648</u> |
| Expenditures: | | | | |
| Instruction: | | | | |
| Regular | \$ 1,437,769 | 1,606,470 | 1,550,115 | 1,397,220 |
| Special | 549,038 | 498,462 | 452,149 | 448,412 |
| Other | 444,176 | 603,603 | 696,849 | 742,600 |
| Support services: | | | | |
| Student | 90,298 | 110,453 | 75,326 | 78,421 |
| Instructional staff | 38,157 | 52,549 | 61,647 | 123,896 |
| Administration | 387,146 | 599,540 | 538,976 | 568,338 |
| Operation and maintenance of plant | 387,426 | 380,714 | 375,856 | 376,979 |
| Transportation | 238,288 | 252,249 | 236,740 | 225,673 |
| Central support | - | - | - | - |
| Non-instructional programs | 5,162 | 5,143 | 3,286 | 18,774 |
| Other expenditures: | | | | |
| Facilities acquisition | 232,626 | 508,374 | 333,210 | 247,033 |
| Long-term debt: | | | | |
| Principal | - | - | - | - |
| Interest and other charges | 4,318 | - | - | - |
| AEA flowthrough | 127,371 | 121,327 | 117,836 | 115,152 |
| Total | <u>\$ 3,941,775</u> | <u>4,738,884</u> | <u>4,441,990</u> | <u>4,342,498</u> |

See accompanying independent auditor's report.

Schedule 5

Basis

| <u>2005</u> | <u>2004</u> | <u>2003</u> |
|------------------|------------------|------------------|
| 2,137,957 | 2,081,984 | 2,085,579 |
| 203,804 | 246,565 | 223,348 |
| 276,662 | 240,563 | 266,260 |
| - | - | - |
| 1,360,229 | 1,238,204 | 1,308,225 |
| 190,334 | 144,957 | 284,366 |
| <u>4,168,986</u> | <u>3,952,273</u> | <u>4,167,778</u> |
| 1,309,868 | 1,249,954 | 1,209,420 |
| 392,443 | 494,345 | 441,863 |
| 798,900 | 612,317 | 675,520 |
| 64,401 | 71,936 | 69,406 |
| 132,145 | 144,404 | 124,455 |
| 542,428 | 507,787 | 462,999 |
| 324,611 | 298,720 | 305,716 |
| 180,186 | 158,513 | 211,613 |
| - | 10,668 | 38,963 |
| 30,559 | 19,578 | 35,755 |
| 339,802 | 200,019 | 189,709 |
| 110,000 | 105,000 | 114,167 |
| 4,815 | 9,120 | 13,873 |
| 115,716 | 117,538 | 127,947 |
| <u>4,345,874</u> | <u>3,999,899</u> | <u>4,021,406</u> |

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, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 16, 2010. 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-09 and I-B-09 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, 2009 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

February 16, 2010

West Bend-Mallard Community School District
West Bend, Iowa

Schedule of Findings

Year ended June 30, 2009

Part I: Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

I-A-09 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-09 Preparation of Financial Statements – The District does not have an internal control system designed to provide for the preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America. Therefore, as auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. This circumstance is not unusual for an entity similar in size to West Bend-Mallard Community School District. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

West Bend-Mallard Community School District
West Bend, Iowa

Schedule of Findings

Year ended June 30, 2009

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

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

Conclusion – Response accepted.

I-C-09 Disbursement Approval – For one transaction tested, there was no evidence of Board approval. For four 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. One expenditure was not fully supported by an invoice and four invoices were not cancelled. Also, a transfer from the General Fund to the Nutrition Fund was not approved.

Recommendation – The District should ensure all expenditures and transfers 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 and the invoice should be cancelled to prevent duplicate payments.

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

Conclusion – Response accepted.

West Bend-Mallard Community School District
West Bend, Iowa

Schedule of Findings

Year ended June 30, 2009

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

Part II: Other Findings Related to Required Statutory Reporting:

II-A-09 Certified Budget - Expenditures for the year ended June 30, 2009, exceeded the certified budget amounts in the instruction, 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-09 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-09 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, 2009

II-D-09 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 | \$2,241 |
| Tom Griffin, employee Owns Griff's Maintenance & Trenching | Boiler removal | 2,800 |

The transaction with the Board Member, Schwartzkopf, does not appear to represent a conflict of interest since the transaction was less than \$2,500.

The transaction with Griffin does not appear to represent a conflict of interest since the transaction was competitively bid as provided by Chapter 279.7A of the Code of Iowa.

II-E-09 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-09 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 four 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 including transfers 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 and transfers are properly approved.

Conclusion – Response accepted.

West Bend-Mallard Community School District
West Bend, Iowa

Schedule of Findings

Year ended June 30, 2009

- II-G-09 Certified Enrollment - No variances in the basic enrollment data certified to the Department of Education were noted.

- II-H-09 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-09 Certified Annual Report - The Certified Annual Report was certified timely to the Iowa Department of Education.

- II-J-09 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.

- II-K-09 Statewide Sales and Services Tax – No instances of non-compliance with the use of the statewide sales and services tax revenue provision of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2009, the District's financial activity and other required information for the statewide sales and services tax are as follows:

| | | |
|--|----|--------------------------------|
| Beginning balance | \$ | --- |
| Statewide sales and services tax revenue | | 222,099 |
| Expenditures/transfers out: | | |
| School infrastructure: | | |
| Other improvements | | (10,919) |
| Debt service for school infrastructure: | | |
| Revenue debt | | <u>(4,318)</u> <u>(15,237)</u> |
| Ending balance | | \$ <u>206,862</u> |

- II-L-09 Revenue Bonds – The provisions of the District's revenue bond resolution were complied with.