

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

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

June 30, 2009

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Independent Auditor's Report

To the Board of Education of  
West Marshall 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 Marshall Community School District, State Center, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of West Marshall Community School District as of 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 reports dated April 7, 2010, on our consideration of West Marshall 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 12 and 33 through 34 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 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 Marshall 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 one year ended June 30, 2008, (which are not presented herein) and expressed unqualified opinions on those financial statements. The financial statements for the four years ended June 30, 2007, (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 7, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information 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.

BURTON E. TRACY & CO., P.C.  
Certified Public Accountants

April 7, 2010

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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West Marshall 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 \$7,129,616 in fiscal 2008 to \$7,730,178 in fiscal 2009, while General Fund expenditures increased from \$7,007,895 in fiscal 2008 to \$7,473,466 in fiscal 2009. The District's General Fund balance increased from \$2,381,434 in fiscal 2008 to \$2,746,363 in fiscal 2009, a 15% increase.
- The increase in General Fund revenues was attributable to an increase in property tax and state and federal grant revenue in fiscal year 2009. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits and restricted grant expenditures.

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

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

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

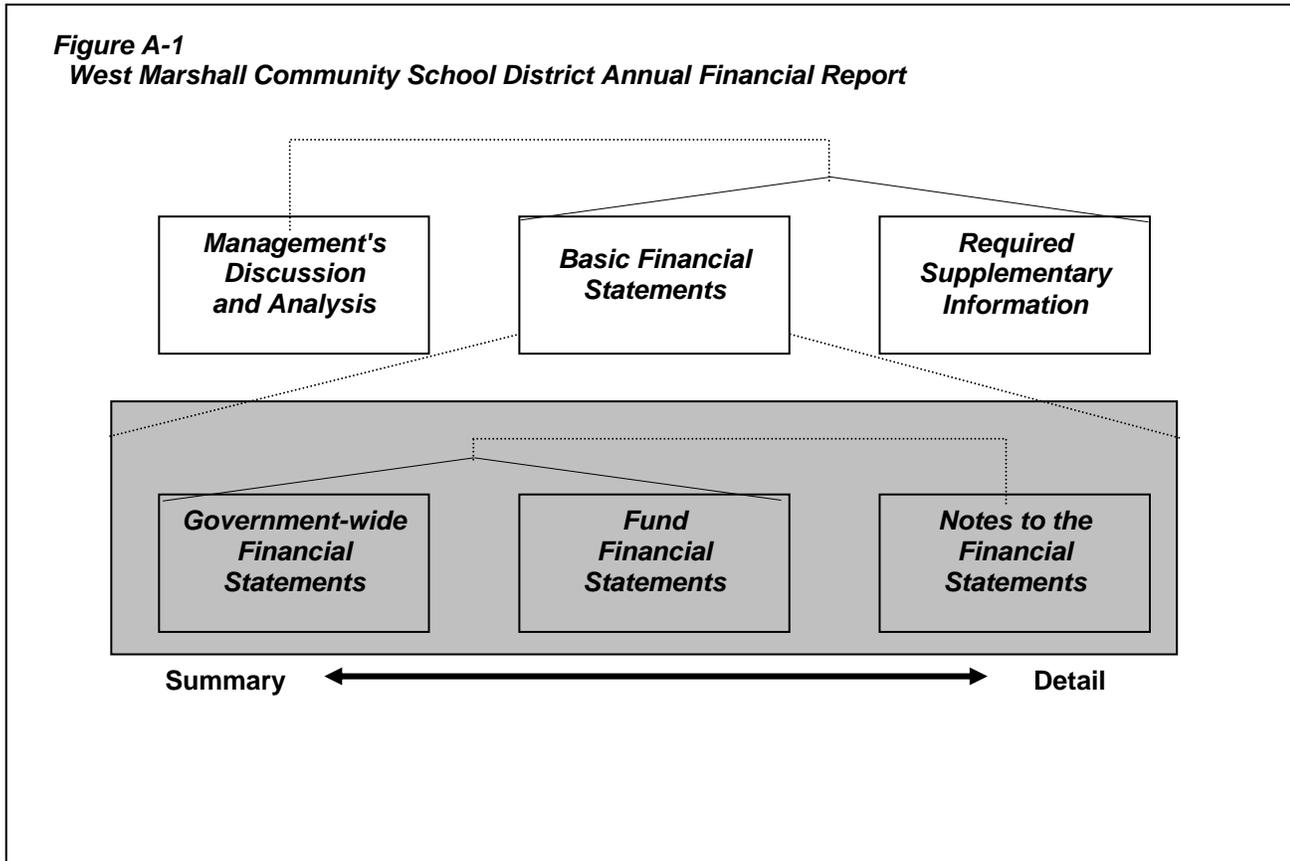


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

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

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

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

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

### *Fund Financial Statements*

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

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

The District has two 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, Special Revenue Funds, Debt Service Fund and 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 two Enterprise Funds, the School Nutrition Fund and the Preschool Fund. The District uses *internal service funds*, the other kind of proprietary fund, to report activities that provide supplies and services for its other programs and activities. The District currently has one internal service fund used to account for the District's self-insurance 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.

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						Percentage Change 2008-2009
	Governmental Activities		Business-type Activities		Total School District		
	2009	2008	2009	2008	2009	2008	
	\$	\$	\$	\$	\$	\$	
Current and other assets	7,220,617	6,573,632	180,061	116,048	7,400,678	6,689,680	11%
Capital assets	3,913,311	3,932,230	30,532	33,596	3,943,843	3,965,826	-1%
<b>Total assets</b>	<b>11,133,928</b>	<b>10,505,862</b>	<b>210,593</b>	<b>149,644</b>	<b>11,344,521</b>	<b>10,655,506</b>	<b>6%</b>
Long-term liabilities	1,415,250	1,771,129	-	-	1,415,250	1,771,129	-20%
Other liabilities	3,038,206	2,790,650	5,819	10,456	3,044,025	2,801,106	9%
<b>Total liabilities</b>	<b>4,453,456</b>	<b>4,561,779</b>	<b>5,819</b>	<b>10,456</b>	<b>4,459,275</b>	<b>4,572,235</b>	<b>-2%</b>
Net Assets:							
Invested in capital assets, net of related debt	2,733,311	2,507,230	30,532	33,596	2,763,843	2,540,826	9%
Restricted	1,098,006	983,926	-	-	1,098,006	983,926	12%
Unrestricted	2,849,155	2,452,927	174,242	105,592	3,023,397	2,558,519	18%
<b>TOTAL NET ASSETS</b>	<b>6,680,472</b>	<b>5,944,083</b>	<b>204,774</b>	<b>139,188</b>	<b>6,885,246</b>	<b>6,083,271</b>	<b>13%</b>

The District's combined total net assets increased by nearly 13%, or approximately \$801,975, over the prior year. The largest increase was in the General Fund. The District had increased revenues while controlling discretionary spending and limiting salary increases.

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 \$114,080 or 12% over the prior year. The increase was primarily a result of decreased expenditures in the Capital Projects Fund.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately \$464,878, or 18%. This increase in unrestricted net assets was a result of the District using carryover fund balance to meet its financial obligations during the year.

Figure A-4 shows the change in net assets for the years ended June 30, 2009 and 2008.

Figure A-4

	Change in Net Assets						Percentage Change 2008-2009
	Governmental Activities		Business-type Activities		Total School District		
	2009 \$	2008 \$	2009 \$	2008 \$	2009 \$	2008 \$	
Revenues							
Program Revenues:							
Charges for services	736,866	675,709	259,070	214,502	995,936	890,211	12%
Operating grants & contributions	1,110,914	939,385	170,188	159,018	1,281,102	1,098,403	17%
Capital grants & contributions	-	52,000	-	-	-	52,000	-100%
General Revenues:							
Property taxes	2,138,865	2,001,654	-	-	2,138,865	2,001,654	7%
Income Surtax	299,208	377,646	-	-	299,208	377,646	-21%
Local option sales tax	545,930	525,953	-	-	545,930	525,953	4%
Unrestricted state grants	3,714,321	3,497,106	-	-	3,714,321	3,497,106	6%
Unrestricted investment earnings	122,347	131,353	2,612	4,016	124,959	135,369	-8%
Other revenue	100,697	2,940	(1,119)	-	99,578	2,940	3,287%
<b>Total Revenues</b>	<b>8,769,148</b>	<b>8,203,746</b>	<b>430,751</b>	<b>377,536</b>	<b>9,199,899</b>	<b>8,581,282</b>	<b>7%</b>
Expenses:							
Instruction	5,071,518	4,752,272	-	-	5,071,518	4,752,272	7%
Support services	2,411,608	2,514,343	-	-	2,411,608	2,514,343	-4%
Non-instructional programs	-	-	357,645	396,312	357,645	396,312	-10%
Other expenditures	557,153	526,956	-	-	557,153	526,956	6%
<b>Total expenses</b>	<b>8,040,279</b>	<b>7,793,571</b>	<b>357,645</b>	<b>396,312</b>	<b>8,397,924</b>	<b>8,189,883</b>	<b>3%</b>
<b>Change in net assets before transfers</b>	<b>728,869</b>	<b>410,175</b>	<b>73,106</b>	<b>(18,776)</b>	<b>801,975</b>	<b>391,399</b>	<b>105%</b>
Transfers	7,520	(3,198)	(7,520)	3,198	-	-	0%
<b>CHANGE IN NET ASSETS</b>	<b>736,389</b>	<b>406,977</b>	<b>65,586</b>	<b>(15,578)</b>	<b>801,975</b>	<b>391,399</b>	<b>105%</b>
Net assets beginning of year, as restated	5,944,083	5,537,106	139,188	154,766	6,083,271	5,691,872	7%
Net assets end of year	<b>6,680,472</b>	<b>5,944,083</b>	<b>204,774</b>	<b>139,188</b>	<b>6,885,246</b>	<b>6,083,271</b>	<b>13%</b>

Property tax and unrestricted state grants account for 64% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 89% of the total expenses.

### Governmental Activities

Revenues for governmental activities were \$8,769,148 and expenses were \$8,040,279.

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.

Figure A-5

**Total and Net Cost of Governmental Activities**

	Total Cost of Services			Net Cost of Services		
	2009 \$	2008 \$	Change 2008-2009	2009 \$	2008 \$	Change 2008-2009
Instruction	5,071,518	4,752,272	7%	3,559,502	3,442,411	3%
Support Services	2,411,608	2,514,343	-4%	2,402,521	2,507,936	-4%
Non-instructional Programs	-	-	0%	-	-	0%
Other Expenses	557,153	526,956	6%	230,476	176,130	31%
<b>TOTAL</b>	<b>8,040,279</b>	<b>7,793,571</b>	<b>3%</b>	<b>6,192,499</b>	<b>6,126,477</b>	<b>1%</b>

- The cost financed by users of the District's programs was \$736,866. Most of these revenues are derived from tuition charged to other school districts and from student activities.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,110,914.
- The net cost of governmental activities was financed with \$2,984,003 in property and local other taxes and \$3,714,321 in unrestricted state grants.

**Business Type Activities**

Revenues for business type activities were \$430,751 and expenses were \$357,645. The District's business type activities include the School Nutrition and Preschool Funds. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2009, the District increased meal prices. The increase ranged from \$0.25 to \$0.50. The adult lunch meal price was again increased in October 2009 to match the cost of the meal.

**INDIVIDUAL FUND ANALYSIS**

As previously noted, West Marshall Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$3,915,083, well above last year's ending fund balances of \$3,516,661. The primary reason for the increase is due to increased state funding as well as controlled expenditures in the General Fund.

**Governmental Fund Highlights**

- The General Fund balance increased from \$2,381,434 to \$2,746,363, or 15.3%. This is due largely to controlling expenses.
- The Physical Plant and Equipment Levy (PPEL) Fund balance increased from \$52,463 in fiscal 2008 to \$62,729 in fiscal 2009. While revenues remained approximately the same, the District held down discretionary spending.

- The Capital Projects Fund balance increased from \$784,494 in 2008 to \$868,135 in 2009 due to limiting discretionary spending.

### Proprietary Fund Highlights

School Nutrition Fund net assets increased from \$138,892 at June 30, 2008 to \$181,331 at June 30, 2009, representing an increase of approximately 30%. The District increased the meal prices at the beginning of the school year in 2008-2009. There was another increase in the adult lunch meal price in October 2008. The price increases ranged from \$0.25 to \$0.50 per meal.

### BUDGETARY HIGHLIGHTS

Over the course of the year, West Marshall Community School District did not amend its annual budget.

The District's receipts were \$63,573 more than budgeted receipts, a variance of 1%. The most significant variance resulted from the District receiving more in local revenue than originally anticipated.

Total expenditures were less than budgeted, due to controlling discretionary expenditures.

### CAPITAL ASSETS AND DEBT ADMINISTRATION

#### Capital Assets

At June 30, 2008, the District had invested \$3.9 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) This represents a net decrease of 1% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$237,635.

Figure A-6

Capital Assets (net of depreciation)

	Governmental Activities		Business type Activities		Total School District		Percentage Change 2008-2009
	2009	2008	2009	2008	2009	2008	
	\$	\$	\$	\$	\$	\$	
Land	125,000	125,000	-	-	125,000	125,000	0%
Construction in progress	-	-	-	-	-	-	0%
Buildings	3,193,403	3,096,437	-	-	3,193,403	3,096,437	3%
Improvements	370,523	398,913	-	-	370,523	398,913	-7%
Equipment & Furniture	224,385	311,880	30,532	33,596	254,917	345,476	-26%
<b>TOTAL</b>	<b>3,913,311</b>	<b>3,932,230</b>	<b>30,532</b>	<b>33,596</b>	<b>3,943,843</b>	<b>3,965,826</b>	<b>-1%</b>

## Long-Term Debt

At June 30, 2009 the District had \$1,415,250 in general obligation, revenue and other long-term debt outstanding. This represents a decrease of approximately 20% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

There was one employee that took advantage of the District's Early Retirement Policy at the end of the 2008-09 school year compared to 6 the prior year. The outstanding long-term obligation is largely due to the ongoing insurance costs of the District's early retirees.

**Figure A-7**  
**Outstanding Long-Term Obligations**

	<b>Total School District</b>		<b>Percentage</b>
	2009	2008	<b>Change</b>
			2008-2009
	\$	\$	
General Obligation Bonds	1,180,000	1,425,000	-17%
Termination benefits	235,250	346,129	-32%
	<b>1,415,250</b>	<b>1,771,129</b>	<b>-20%</b>

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- School financing is highly dependent upon student enrollment. The District's October 2008 enrollment decreased. This drop in enrollment will decrease the District's funding for fiscal year 2010.
- Current allowable growth is inadequate to maintain the increasing cost of current programs.
- The District is looking at the possibility of constructing a new middle school building or remodeling and adding onto the existing building.

## 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 Ned Sellers, Superintendent, West Marshall Community School District, 3<sup>rd</sup> St. NW, PO Box 670, State Center, IA 50247.

## BASIC FINANCIAL STATEMENTS

## WEST MARSHALL COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2009

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
<b>Assets</b>			
Cash and cash equivalents	4,494,765	170,026	4,664,791
Receivables:			
Property tax:			
Delinquent	43,043	-	43,043
Succeeding year	2,207,130	-	2,207,130
Accounts	3,760	-	3,760
Accrued interest	4,291	519	4,810
Due from other governments	467,628	-	467,628
Inventories	-	9,516	9,516
Capital assets, net of accumulated depreciation	3,913,311	30,532	3,943,843
<b>Total assets</b>	<b>11,133,928</b>	<b>210,593</b>	<b>11,344,521</b>
<b>Liabilities</b>			
Accounts payable	80,578	-	80,578
Salaries and benefits payable	641,338	-	641,338
Accrued interest payable	3,325	-	3,325
Deferred revenue:			
Succeeding year property tax	2,207,130	-	2,207,130
Other	105,835	5,819	111,654
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	250,000	-	250,000
Termination benefits	58,450	-	58,450
Portion due after one year:			
General obligation bonds payable	930,000	-	930,000
Termination benefits	176,800	-	176,800
<b>Total liabilities</b>	<b>4,453,456</b>	<b>5,819</b>	<b>4,459,275</b>
<b>Net assets</b>			
Invested in capital assets, net of related debt	2,733,311	30,532	2,763,843
Restricted for:			
Categorical funding	31,431	-	31,431
Physical plant and equipment levy	62,729	-	62,729
Other special revenue purposes	118,446	-	118,446
Sales tax capital projects	868,135	-	868,135
Debt service	17,265	-	17,265
Unrestricted	2,849,155	174,242	3,023,397
<b>Total net assets</b>	<b>6,680,472</b>	<b>204,774</b>	<b>6,885,246</b>

See notes to financial statements.

West Marshall Community School District

Statement of Activities

Year ended June 30, 2009

<b>Functions/Programs</b>	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
			\$	\$
Governmental activities:				
Instruction:				
Regular	3,253,544	478,484	643,834	-
Special	1,082,617	115,684	46,021	-
Other	735,357	140,759	87,234	-
	<u>5,071,518</u>	<u>734,927</u>	<u>777,089</u>	<u>-</u>
Support services:				
Student	295,192	-	-	-
Instructional staff	109,868	-	200	-
Administration	760,549	-	-	-
Operation and maintenance of plant	802,635	-	-	-
Transportation	443,364	439	8,448	-
	<u>2,411,608</u>	<u>439</u>	<u>8,648</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	40,818	1,500	-	-
Long-term debt interest	47,033	-	-	-
AEA flowthrough	325,177	-	325,177	-
Depreciation (unallocated)*	144,125	-	-	-
	<u>557,153</u>	<u>1,500</u>	<u>325,177</u>	<u>-</u>
Total governmental activities	<u>8,040,279</u>	<u>736,866</u>	<u>1,110,914</u>	<u>-</u>
Business type activities:				
Non-instructional programs:				
Food service operations	343,097	233,660	157,903	-
Preschool	14,548	25,410	12,285	-
Total business-type activities	<u>357,645</u>	<u>259,070</u>	<u>170,188</u>	<u>-</u>
Total	<u>8,397,924</u>	<u>995,936</u>	<u>1,281,102</u>	<u>-</u>
<b>General Revenues:</b>				
Property taxes levied for:				
Debt service				
Capital outlay				
Income surtax				
Statewide sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets beginning of year, as restated				
Net assets end of year				

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

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$	\$	\$
(2,131,226)	-	(2,131,226)
(920,912)	-	(920,912)
(507,364)	-	(507,364)
<u>(3,559,502)</u>	<u>-</u>	<u>(3,559,502)</u>
(295,192)	-	(295,192)
(109,668)	-	(109,668)
(760,549)	-	(760,549)
(802,635)	-	(802,635)
(434,477)	-	(434,477)
<u>(2,402,521)</u>	<u>-</u>	<u>(2,402,521)</u>
(39,318)	-	(39,318)
(47,033)	-	(47,033)
-	-	-
<u>(144,125)</u>	<u>-</u>	<u>(144,125)</u>
<u>(230,476)</u>	<u>-</u>	<u>(230,476)</u>
<u>(6,192,499)</u>	<u>-</u>	<u>(6,192,499)</u>
-	48,466	48,466
-	23,147	23,147
<u>-</u>	<u>71,613</u>	<u>71,613</u>
<u>(6,192,499)</u>	<u>71,613</u>	<u>(6,120,886)</u>
2,072,659	-	2,072,659
66,206	-	66,206
299,208	-	299,208
545,930	-	545,930
3,714,321	-	3,714,321
122,347	2,612	124,959
100,697	(1,119)	99,578
<u>6,921,368</u>	<u>1,493</u>	<u>6,922,861</u>
7,520	(7,520)	-
<u>6,928,888</u>	<u>(6,027)</u>	<u>6,922,861</u>
736,389	65,586	801,975
<u>5,944,083</u>	<u>139,188</u>	<u>6,083,271</u>
<u>6,680,472</u>	<u>204,774</u>	<u>6,885,246</u>

## WEST MARSHALL COMMUNITY SCHOOL DISTRICT

Balance Sheet  
Governmental Funds

June 30, 2009

	General Fund	Capital Projects Fund	Nonmajor Funds	Total
	\$	\$	\$	\$
<b>Assets</b>				
Cash and pooled investments	3,413,690	784,276	296,031	4,493,997
Receivables:				
Property tax:				
Delinquent	38,489	-	4,554	43,043
Succeeding year	1,957,983	-	249,147	2,207,130
Accounts	3,760	-	-	3,760
Accrued interest	4,291	-	-	4,291
Due from other governments	383,769	83,859	-	467,628
<b>Total assets</b>	<b>5,801,982</b>	<b>868,135</b>	<b>549,732</b>	<b>7,219,849</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	80,578	-	-	80,578
Salaries and benefits payable	641,338	-	-	641,338
Deferred revenue:				
Succeeding year property tax	1,957,983	-	249,147	2,207,130
Income surtax	269,885	-	-	269,885
Other	105,835	-	-	105,835
Total liabilities	3,055,619	-	249,147	3,304,766
Fund balances:				
Reserved for:				
Categorical funding	31,431	-	-	31,431
Debt service	-	-	20,590	20,590
Unreserved reported in:				
General fund	2,714,932	-	-	2,714,932
Special revenue funds	-	-	279,995	279,995
Capital projects funds	-	868,135	-	868,135
Total fund balances	2,746,363	868,135	300,585	3,915,083
<b>Total liabilities and fund balances</b>	<b>5,801,982</b>	<b>868,135</b>	<b>549,732</b>	<b>7,219,849</b>

## WEST MARSHALL COMMUNITY SCHOOL DISTRICT

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

June 30, 2009

	\$
<b>Total fund balances of governmental funds (Exhibit C)</b>	3,915,083
<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.	3,913,311
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	269,885
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 fund.	(3,325)
An internal service fund is used by the District's management to charge the costs of the self-funded health insurance program (and/or employee flexible benefit program) to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.	768
Long-term liabilities, including bonds payable and termination benefits, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(1,415,250)</u>
<b>Net assets of governmental activities (Exhibit A)</b>	<u><u>6,680,472</u></u>

## WEST MARSHALL COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds

Year ended June 30, 2009

	General Fund	Capital Projects Fund	Nonmajor Funds	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	2,211,698	545,930	226,490	2,984,118
Tuition	528,621	-	-	528,621
Other	164,812	26,190	139,590	330,592
Intermediate sources	5,700	-	-	5,700
State sources	4,654,420	-	188	4,654,608
Federal sources	164,927	-	-	164,927
Total revenues	<u>7,730,178</u>	<u>572,120</u>	<u>366,268</u>	<u>8,668,566</u>
Expenditures:				
Current:				
Instruction:				
Regular	3,214,158	-	150,775	3,364,933
Special	1,082,617	-	-	1,082,617
Other	613,094	-	122,263	735,357
	<u>4,909,869</u>	<u>-</u>	<u>273,038</u>	<u>5,182,907</u>
Support services:				
Student	290,689	-	4,503	295,192
Instructional staff	109,868	-	-	109,868
Administration	760,549	-	-	760,549
Operation and maintenance of plant	717,231	-	80,966	798,197
Transportation	360,083	-	224	360,307
	<u>2,238,420</u>	<u>-</u>	<u>85,693</u>	<u>2,324,113</u>
Other expenditures:				
Facilities acquisition	-	195,834	57,685	253,519
Long-term debt:				
Principal	-	-	245,000	245,000
Interest and fiscal charges	-	-	47,645	47,645
AEA flowthrough	325,177	-	-	325,177
	<u>325,177</u>	<u>195,834</u>	<u>350,330</u>	<u>871,341</u>
Total expenditures	<u>7,473,466</u>	<u>195,834</u>	<u>709,061</u>	<u>8,378,361</u>
Excess (deficiency) of revenues over (under) expenditures	<u>256,712</u>	<u>376,286</u>	<u>(342,793)</u>	<u>290,205</u>
Other financing sources (uses):				
Sales of materials and equipment	100,697	-	-	100,697
Operating transfers in	7,520	-	292,645	300,165
Operating transfers out	-	(292,645)	-	(292,645)
Total other financing sources (uses)	<u>108,217</u>	<u>(292,645)</u>	<u>292,645</u>	<u>108,217</u>
Net change in fund balances	364,929	83,641	(50,148)	398,422
Fund balances beginning of year	<u>2,381,434</u>	<u>784,494</u>	<u>350,733</u>	<u>3,516,661</u>
Fund balances end of year	<u>2,746,363</u>	<u>868,135</u>	<u>300,585</u>	<u>3,915,083</u>

See notes to financial statements.

## WEST MARSHALL COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2009

	\$	\$
<b>Net change in fund balances - total governmental funds (Exhibit E)</b>		398,422
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense exceeded capital outlay expenditures in the year, as follows:		
Expenditures for capital assets	212,701	
Depreciation expense	<u>(231,620)</u>	(18,919)
Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities.		(115)
Repayment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		245,000
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 funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.		612
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:		
Termination benefits		110,879
An internal service fund is used by the District's management to charge the costs of the employee flexible benefit program to the individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities.		<u>510</u>
<b>Changes in net assets of governmental activities (Exhibit B)</b>		<u><u>736,389</u></u>

## WEST MARSHALL COMMUNITY SCHOOL DISTRICT

Statement of Net Assets  
Proprietary Funds

June 30, 2009

	Nonmajor Enterprise Funds <u>          </u> \$	Governmental Activities - Internal Service Fund <u>          </u> \$
<b>Assets</b>		
Cash and cash equivalents	170,026	768
Accrued interest receivable	519	-
Inventories	9,516	-
Capital assets, net of accumulated depreciation	<u>30,532</u>	<u>-</u>
<b>Total assets</b>	<u>210,593</u>	<u>768</u>
<b>Liabilities</b>		
Deferred revenue	<u>5,819</u>	<u>-</u>
<b>Net assets</b>		
Invested in capital assets, net of related debt	30,532	-
Restricted for employee benefits	-	768
Unrestricted	<u>174,242</u>	<u>-</u>
<b>Total net assets</b>	<u>204,774</u>	<u>768</u>

## WEST MARSHALL COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2009

	Nonmajor Enterprise Funds \$	Governmental Activities - Internal Service Fund \$
Operating revenue:		
Local sources:		
Charges for service	<u>259,070</u>	<u>77,500</u>
Operating expenses:		
Non-instructional programs:		
Salaries	118,539	-
Benefits	20,376	77,048
Purchased services	5,581	-
Supplies	207,134	-
Depreciation	6,015	-
Total operating expenses	<u>357,645</u>	<u>77,048</u>
Operating gain (loss)	<u>(98,575)</u>	<u>452</u>
Non-operating revenues:		
State sources	18,016	-
Federal sources	152,172	-
Interest income	2,612	58
Loss disposal of assets	(1,119)	-
Total non-operating revenues	<u>171,681</u>	<u>58</u>
Gain (loss) before contributions and transfers	73,106	510
Transfers out	<u>(7,520)</u>	<u>-</u>
Change in net assets	65,586	510
Net assets beginning of year	<u>139,188</u>	<u>258</u>
Net assets end of year	<u><u>204,774</u></u>	<u><u>768</u></u>

## WEST MARSHALL COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows  
Proprietary Funds

Year ended June 30, 2009

	Nonmajor Enterprise Funds	Governmental Activities - Internal Service Fund
	\$	\$
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	233,746	-
Cash received from preschool services	25,410	-
Cash received for services to other funds	-	77,500
Cash payments to employees for services	(143,638)	(77,048)
Cash payments to suppliers for goods or services	(194,783)	-
Net cash (used) provided by operating activities	<u>(79,265)</u>	<u>452</u>
Cash flows from non-capital financing activities:		
Transfers from (to) General Fund	(7,520)	-
State grants received	18,016	-
Federal grants received	132,304	-
Net cash provided by non-capital financing activities	<u>142,800</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(4,070)	-
Cash flows from investing activities:		
Interest on investments	2,880	58
Net increase (decrease) in cash and cash equivalents	62,345	510
Cash and cash equivalents at beginning of year	107,681	258
Cash and cash equivalents at end of year	<u>170,026</u>	<u>768</u>
<b>Reconciliation of operating gain (loss) to net cash used by operating activities:</b>		
Operating gain (loss)	(98,575)	452
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:		
Commodities used	19,868	-
Depreciation	6,015	-
Decrease (increase) in inventories	(1,936)	-
(Decrease) increase in salaries and benefits payable	(4,723)	-
(Decrease) increase in deferred revenue	86	-
Net cash (used) provided by operating activities	<u>(79,265)</u>	<u>452</u>

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2009, the District received \$19,868 of federal commodities.

# WEST MARSHALL COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2009

### 1. Summary of Significant Accounting Policies

West Marshall 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 State Center, Melbourne, Rhodes, Clemons, Saint Anthony and Lamoille, Iowa and the predominately agricultural territory in a portion of Story and Marshall 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 Marshall Community School District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The West Marshall Community School District has no component units that meet the Governmental Accounting Standards Board criteria.

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

#### B. Basis of Presentation

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

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

*Invested in capital assets, 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.

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

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

The District reports the following proprietary funds:

The District's proprietary Funds are the Enterprise, School Nutrition Fund and Preschool Funds. These funds are used to account for the food service and preschool education operations of the District.

The District's Internal Service Fund is also reported as a proprietary fund. The Internal Service Fund is used to account for the District's flexible spending employee benefit program.

#### C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants, and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgements, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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 balance sheet:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit, which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, 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 became 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.

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	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	10,000

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings & building improvements	20-50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 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.

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 represent 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 receivables and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of unspent grant proceeds, amounts received in advance for meal sales and 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 hours for subsequent use. Employees are not paid for unused vacation and sick leave benefits when employment with the District ends.

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 that are not available for appropriation or are 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 imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, expenditures in the non-instructional programs function exceeded the amount 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 Schools Joint Investment Trust, as follows:

	Amortized Cost
Diversified Portfolio	\$ 81,395

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 was rated Aaa by Moody's Investors Service.

### 3. Interfund Transfers

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

Transfer To	Transfer From	Amount
		\$
Nonmajor Debt Service Fund	Capital Projects Fund	292,645
General Fund	Nonmajor School Nutrition Fund	7,520

These transfers moved revenues from the funds statutorily required to collect the resources to the funds statutorily required to expend the resources.

### 4. Capital Assets

Capital assets activity for the year ended June 30, 2009 was as follows:

	Balance Beginning of Year, as Restated	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	125,000	-	-	125,000
Capital assets being depreciated:				
Buildings	6,381,955	212,701	-	6,594,656
Improvements other than buildings	638,167	-	-	638,167
Furniture and equipment	1,160,433	-	118,529	1,041,904
Total capital assets being deprec.	<u>8,180,555</u>	<u>212,701</u>	<u>118,529</u>	<u>8,274,727</u>
Less accumulated depreciation for:				
Buildings	3,285,518	115,735	-	3,401,253
Improvements other than buildings	239,254	28,390	-	267,644
Furniture and equipment	848,553	87,495	118,529	817,519
Total accumulated depreciation	<u>4,373,325</u>	<u>231,620</u>	<u>118,529</u>	<u>4,486,416</u>
Total capital assets being depreciated, net	<u>3,807,230</u>	<u>(18,919)</u>	-	<u>3,788,311</u>
Governmental activities capital assets, net	<u>3,932,230</u>	<u>(18,919)</u>	-	<u>3,913,311</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
<b>Business type activities:</b>				
Furniture and equipment	110,699	4,070	1,677	113,092
Less accumulated depreciation	<u>77,103</u>	<u>6,015</u>	<u>558</u>	<u>82,560</u>
Business type activities capital assets, net	<u>33,596</u>	<u>(1,945)</u>	<u>1,119</u>	<u>30,532</u>

Depreciation expense was charged to the following functions:

	<u>Amount</u>
	\$
Governmental activities:	
Support services:	
Operation and maintenance of plant services	4,438
Transportation	<u>83,057</u>
	87,495
Unallocated depreciation	<u>144,125</u>
Total depreciation expense – governmental activities	<u>231,620</u>
Business type activities:	
Food services	<u>6,015</u>

## 5. 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
	\$	\$	\$	\$	\$
General obligation bonds	1,425,000	-	245,000	1,180,000	250,000
Termination benefits	<u>346,129</u>	<u>35,750</u>	<u>146,629</u>	<u>235,250</u>	<u>58,450</u>
Total	<u>1,771,129</u>	<u>35,750</u>	<u>391,629</u>	<u>1,415,250</u>	<u>308,450</u>

### Termination Benefits

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

Early retirement benefits are equal to 35% of the employee's regular contractual salary in effect during the employee's last year of employment. The payment will be made in one lump sum to a deferred annuity account by the end of July following retirement. The District will also pay a maximum of \$350 per month for the cost of single health insurance.

At June 30, 2009, the District has obligations to thirteen participants with a total liability of \$235,250. The actual early retirement expenditures for the year ended June 30, 2009 totaled \$146,629.

### General Obligation Bonds Payable

Details of the District's June 30, 2009 general obligation bonded indebtedness are as follows:

Bond Issue of October, 2002				
Year Ending June 30,	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2010	3.20	250,000	39,895	289,895
2011	3.30	260,000	31,895	291,895
2012	3.40	270,000	23,315	293,315
2013	3.50	265,000	14,135	279,135
2014	3.60	135,000	4,860	139,860
Total		<u>1,180,000</u>	<u>114,100</u>	<u>1,294,100</u>

**6. Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits that 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 salary and the District is required to contribute 6.35% of annual covered payroll for the years ended June 30, 2009, 2008 and 2007. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2009, 2008, and 2007 were \$288,488, \$235,038, and \$228,846 respectively, equal to the required contributions for each year.

**7. Risk Management**

West Marshall 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.

**8. Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$325,177 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.

**9. Lease Commitment**

The District entered into operating leases for copy machines. The payments the District will make over the next two years are as follows:

Year Ended June 30	Lease Payment
	\$
2010	12,098
2011	10,652

REQUIRED SUPPLEMENTARY INFORMATION

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year ended June 30, 2009

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	3,843,331	260,563	4,103,894	3,913,828	3,913,828	190,066
Intermediate sources	5,700	-	5,700	-	-	5,700
State sources	4,654,608	18,016	4,672,624	4,842,874	4,842,874	(170,250)
Federal sources	164,927	152,172	317,099	279,042	279,042	38,057
Total revenues	<u>8,668,566</u>	<u>430,751</u>	<u>9,099,317</u>	<u>9,035,744</u>	<u>9,035,744</u>	<u>63,573</u>
Expenditures/Expenses:						
Instruction	5,182,907	-	5,182,907	5,432,200	5,432,200	249,293
Support services	2,324,113	-	2,324,113	2,447,376	2,447,376	123,263
Non-instructional programs	-	357,645	357,645	350,000	350,000	(7,645)
Other expenditures	871,341	-	871,341	883,953	883,953	12,612
Total expenditures/expenses	<u>8,378,361</u>	<u>357,645</u>	<u>8,736,006</u>	<u>9,113,529</u>	<u>9,113,529</u>	<u>377,523</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	290,205	73,106	363,311	(77,785)	(77,785)	441,096
Other financing sources (uses) net	<u>108,217</u>	<u>(7,520)</u>	<u>100,697</u>	<u>-</u>	<u>-</u>	<u>100,697</u>
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures/expenses	398,422	65,586	464,008	(77,785)	(77,785)	541,793
Balance beginning of year	<u>3,516,661</u>	<u>139,188</u>	<u>3,655,849</u>	<u>3,544,474</u>	<u>3,544,474</u>	<u>111,375</u>
Balance end of year	<u><u>3,915,083</u></u>	<u><u>204,774</u></u>	<u><u>4,119,857</u></u>	<u><u>3,466,689</u></u>	<u><u>3,466,689</u></u>	<u><u>653,168</u></u>

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

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 Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

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

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

During the year ended June 30, 2009 expenditures in the non-instructional programs function exceeded the amount budgeted.

OTHER SUPPLEMENTARY INFORMATION

## WEST MARSHALL COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2009

Assets	Special Revenue Funds				Total
	Management Levy	Student Activity Fund	Physical Plant and Equipment Levy	Debt Service	
	\$	\$	\$	\$	
Cash and pooled investments	95,595	118,446	61,400	20,590	296,031
Receivables:					
Property tax:					
Delinquent	3,225	-	1,329	-	4,554
Succeeding year	180,000	-	69,147	-	249,147
<b>Total assets</b>	<u>278,820</u>	<u>118,446</u>	<u>131,876</u>	<u>20,590</u>	<u>549,732</u>
<b>Liabilities &amp; Fund Balances</b>					
Liabilities:					
Deferred revenue:					
Succeeding year property tax	180,000	-	69,147	-	249,147
Fund balances:					
Reserved for debt service	-	-	-	20,590	20,590
Unreserved reported in:					
Special revenue funds	98,820	118,446	62,729	-	279,995
Total fund balances	<u>98,820</u>	<u>118,446</u>	<u>62,729</u>	<u>20,590</u>	<u>300,585</u>
<b>Total liabilities and fund balances</b>	<u>278,820</u>	<u>118,446</u>	<u>131,876</u>	<u>20,590</u>	<u>549,732</u>

## WEST MARSHALL COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2009

	Special Revenue Funds				Total
	Management	Student	Physical	Debt	
	Levy	Activity	Plant and	Service	
		Equipment			
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	160,284	-	66,206	-	226,490
Other	3,312	134,481	1,693	104	139,590
State sources	136	-	52	-	188
Total revenues	<u>163,732</u>	<u>134,481</u>	<u>67,951</u>	<u>104</u>	<u>366,268</u>
Expenditures:					
Current:					
Instruction:					
Regular instruction	150,775	-	-	-	150,775
Other instruction	-	122,263	-	-	122,263
Support services:					
Student services	-	4,503	-	-	4,503
Operation and maintenance of plant	80,966	-	-	-	80,966
Transportation services	224	-	-	-	224
Other expenditures:					
Facilities acquisition	-	-	57,685	-	57,685
Long-term debt:					
Principal	-	-	-	245,000	245,000
Interest and fiscal charges	-	-	-	47,645	47,645
Total expenditures	<u>231,965</u>	<u>126,766</u>	<u>57,685</u>	<u>292,645</u>	<u>709,061</u>
Excess (deficiency) of revenues over (under) expenditures	(68,233)	7,715	10,266	(292,541)	(342,793)
Other financing sources (uses):					
Operating transfers in	-	-	-	292,645	292,645
Net change in fund balances	(68,233)	7,715	10,266	104	(50,148)
Fund balances beginning of year	167,053	110,731	52,463	20,486	350,733
Fund balances end of year	<u>98,820</u>	<u>118,446</u>	<u>62,729</u>	<u>20,590</u>	<u>300,585</u>

## WEST MARSHALL COMMUNITY SCHOOL DISTRICT

Combining Schedule of Net Assets  
Nonmajor Enterprise Funds

June 30, 2009

	Enterprise Funds		
	School Nutrition	Preschool	Total
	\$	\$	\$
<b>Assets</b>			
Cash and cash equivalents	146,583	23,443	170,026
Accrued interest receivable	519	-	519
Inventories	9,516	-	9,516
Capital assets, net of accumulated depreciation	30,532	-	30,532
<b>Total assets</b>	<u>187,150</u>	<u>23,443</u>	<u>210,593</u>
<b>Liabilities</b>			
Deferred revenue	5,819	-	5,819
<b>Net assets</b>			
Invested in capital assets, net of related debt	30,532	-	30,532
Unrestricted	150,799	23,443	174,242
<b>Total net assets</b>	<u>181,331</u>	<u>23,443</u>	<u>204,774</u>

## WEST MARSHALL COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenses and Changes in Fund Net Assets  
Nonmajor Enterprise Funds

Year ended June 30, 2009

	Enterprise Funds		
	School Nutrition	Preschool	Total
	\$	\$	\$
Operating revenue:			
Local sources:			
Charges for service	<u>233,660</u>	<u>25,410</u>	<u>259,070</u>
Operating expenses:			
Non-instructional programs:			
Salaries	107,197	11,342	118,539
Benefits	18,789	1,587	20,376
Purchased services	5,581	-	5,581
Supplies	205,515	1,619	207,134
Depreciation	6,015	-	6,015
Total operating expenses	<u>343,097</u>	<u>14,548</u>	<u>357,645</u>
Operating gain (loss)	<u>(109,437)</u>	<u>10,862</u>	<u>(98,575)</u>
Non-operating revenues:			
State sources	5,731	12,285	18,016
Federal sources	152,172	-	152,172
Interest income	2,612	-	2,612
Loss disposal of assets	(1,119)	-	(1,119)
Total non-operating revenues	<u>159,396</u>	<u>12,285</u>	<u>171,681</u>
Gain (loss) before transfers	49,959	23,147	73,106
Transfers out	<u>(7,520)</u>	<u>-</u>	<u>(7,520)</u>
Change in net assets	42,439	23,147	65,586
Net assets beginning of year	<u>138,892</u>	<u>296</u>	<u>139,188</u>
Net assets end of year	<u><u>181,331</u></u>	<u><u>23,443</u></u>	<u><u>204,774</u></u>

## WEST MARSHALL COMMUNITY SCHOOL DISTRICT

Combining Schedule of Cash Flows  
Nonmajor Enterprise Funds

Year ended June 30, 2009

	Enterprise Funds		
	School Nutrition	Preschool	Total
	\$	\$	\$
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	233,746	-	233,746
Cash received from preschool services	-	25,410	25,410
Cash payments to employees for services	(130,709)	(12,929)	(143,638)
Cash payments to suppliers for goods or services	(193,164)	(1,619)	(194,783)
Net cash (used) provided by operating activities	<u>(90,127)</u>	<u>10,862</u>	<u>(79,265)</u>
Cash flows from non-capital financing activities:			
Transfer from (to) General Fund	(7,520)	-	(7,520)
State grants received	5,731	12,285	18,016
Federal grants received	132,304	-	132,304
Net cash provided by non-capital financing activities	<u>130,515</u>	<u>12,285</u>	<u>142,800</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	<u>(4,070)</u>	<u>-</u>	<u>(4,070)</u>
Cash flows from investing activities:			
Interest on investments	<u>2,880</u>	<u>-</u>	<u>2,880</u>
Net increase (decrease) in cash and cash equivalents	39,198	23,147	62,345
Cash and cash equivalents at beginning of year	<u>107,385</u>	<u>296</u>	<u>107,681</u>
Cash and cash equivalents at end of year	<u><u>146,583</u></u>	<u><u>23,443</u></u>	<u><u>170,026</u></u>
<b>Reconciliation of operating gain (loss) to net cash used by operating activities:</b>			
Operating gain (loss)	(109,437)	10,862	(98,575)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:			
Commodities used	19,868	-	19,868
Depreciation	6,015	-	6,015
Decrease (increase) in inventories	(1,936)	-	(1,936)
(Decrease) increase in salaries and benefits payable	(4,723)	-	(4,723)
(Decrease) increase in deferred revenue	86	-	86
Net cash (used) provided by operating activities	<u>(90,127)</u>	<u>10,862</u>	<u>(79,265)</u>

## WEST MARSHALL COMMUNITY SCHOOL DISTRICT

## 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</u>	<u>Expenditures</u>	<u>Balance End of Year</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
6th grade store	101	2,339	1,901	539
Drama	2,596	1,452	1,921	2,127
Speech	311	-	113	198
Trojan players	131	-	131	-
Color guard	204	1,780	726	1,258
Cross country	521	826	768	579
Elementary renaissance	1,279	1,215	1,349	1,145
Spanish club	244	-	-	244
Athletic memberships	267	885	887	265
Golf	2,282	1,952	2,043	2,191
Basketball	2,610	18,809	17,177	4,242
Volleyball	2,927	3,240	3,833	2,334
Football	11,938	24,951	22,722	14,167
Baseball	2,103	4,720	6,177	646
Track	3,990	2,002	3,610	2,382
Wrestling	3,746	2,737	3,929	2,554
Softball	2,823	5,489	6,518	1,794
High school activities	1,173	1,741	2,915	(1)
FFA	55,752	23,923	20,559	59,116
National honor society	489	183	117	555
Class of 2012	94	40	-	134
HS cheerleaders	4,040	4,548	4,433	4,155
Dance team	90	2,063	1,741	412
Class of 2009	423	300	816	(93)
Class of 2010	168	5,423	4,525	1,066
Class of 2011	-	103	-	103
MS student council	2,020	6,517	6,272	2,265
HS student council	631	660	575	716
Interest	2,157	510	1,452	1,215
Annual	3,860	7,754	3,530	8,084
FBLA	981	-	-	981
Ag day	325	500	-	825
MS renaissance	237	5,362	4,874	725
HS renaissance	218	2,457	1,152	1,523
	<u>110,731</u>	<u>134,481</u>	<u>126,766</u>	<u>118,446</u>
Total	<u>110,731</u>	<u>134,481</u>	<u>126,766</u>	<u>118,446</u>

## WEST MARSHALL COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function  
All Governmental Fund Types

For the Last Six Years

	Modified Accrual Basis					
	2009	2008	2007	2006	2005	2004
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources:						
Local tax	2,984,118	2,798,167	2,849,760	2,707,089	2,622,810	2,445,741
Tuition	528,621	451,647	339,047	332,004	230,457	183,515
Other	330,592	408,071	375,346	319,217	397,914	274,350
Intermediate sources	5,700	18,565	-	-	-	-
State sources	4,654,608	4,267,844	4,017,081	3,755,551	3,502,195	3,351,565
Federal sources	164,927	150,082	131,078	143,735	78,220	108,264
Total revenues	<u>8,668,566</u>	<u>8,094,376</u>	<u>7,712,312</u>	<u>7,257,596</u>	<u>6,831,596</u>	<u>6,363,435</u>
Expenditures:						
Instruction:						
Regular instruction	3,364,933	2,947,367	4,154,733	3,813,183	3,816,595	3,620,129
Special instruction	1,082,617	871,256	-	-	-	-
Other instruction	735,357	728,181	-	-	-	-
Support services:						
Student services	295,192	289,659	298,672	279,759	166,862	248,375
Instructional staff services	109,868	186,558	111,777	110,117	179,497	132,999
Administration services	760,549	725,556	666,566	580,055	550,338	566,388
Operation and maintenance of plant	798,197	817,383	615,841	703,672	853,764	674,474
Transportation services	360,307	408,757	520,035	414,913	443,775	402,116
Non-instructional programs	-	-	-	-	-	1,827
Other expenditures:						
Facilities acquisition	253,519	96,529	305,221	36,957	69,659	73,648
Long-term debt:						
Principal	245,000	230,000	225,000	220,000	215,000	160,000
Interest and other charges	47,645	54,545	60,732	65,833	71,324	132,680
AEA flowthrough	325,177	298,826	277,407	254,985	242,842	244,573
Total expenditures	<u>8,378,361</u>	<u>7,654,617</u>	<u>7,235,984</u>	<u>6,479,474</u>	<u>6,609,656</u>	<u>6,257,209</u>

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Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Board of Education of  
West Marshall 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 Marshall 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 April 7, 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 Marshall 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 Marshall Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of West Marshall 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 and other 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 Marshall 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 Marshall Community School District's financial statements that is more than inconsequential will not be prevented or detected by West Marshall Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings and Responses 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 Marshall 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 09-I-A and 09-I-B are material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether West Marshall 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 and Responses.

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 Marshall Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Responses. While we have expressed our conclusions on the District's responses, we did not audit West Marshall 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 Marshall Community School District and other parties to whom West Marshall Community School District may report. 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 Marshall 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.

BURTON E. TRACY & CO., P.C.  
Certified Public Accountants

April 7, 2010

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

June 30, 2009

Part I: Findings Related to the Financial Statements:

Significant Deficiencies:

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

Recommendation: We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its control procedures and investigate methods to increase monitoring activities to obtain the maximum internal control possible under the circumstances.

Response: We will continue to review our procedures and implement additional controls where possible.

Conclusion: Response accepted.

09-I-B Financial Statement Preparation: Financial statement preparation is the responsibility of the District. At the present time District personnel do not have the skills necessary to be able to write the District's financial statements and the related note disclosures. This is not an unusual situation for small governmental entities.

Recommendation: District personnel should attend any governmental accounting and reporting training sessions that may be offered by the Iowa Department of Education, State Auditor's Office or Iowa Association of School Business Officials. The school business office should also have governmental accounting and reporting reference materials.

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

Conclusion: Response accepted.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

June 30, 2009

Part II: Other Findings Related to Statutory Reporting:

09-II-A Certified Budget: Expenditures for the year ended June 30, 2009, exceeded the amount budgeted in the non-instructional programs function.

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

District Response: Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion: Response accepted.

09-II-B Questionable Expenditures: No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

09-II-C Travel Expenses: 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.

09-II-D Business Transactions: No business transactions between the District and District officials or employees were noted.

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

09-II-F Board Minutes: No transactions requiring board approval that had not been approved by the board were noted.

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

09-II-H Deposits and Investments: No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

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

09-II-J Categorical Funding: Except as noted, no instances were noted of categorical funding being used to supplant rather than supplement other funds. The District allocated all of its guidance counselor salary to the District's at risk and drop out prevention programs. The total cost allocation does not appear to be an allowable cost for this program in accordance with Chapter 256D.2 of the Code of Iowa and Iowa Department of Education administrative rules.

Recommendation: The District should contact the Iowa Department of Education regarding corrective action required.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

June 30, 2009

Part II: Other Findings Related to Statutory Reporting (continued):

Response: As recommended, we will contact the Iowa Department of Education to determine the corrective action required.

Conclusion: Response accepted.

09-II-K Statewide Sales and Services Tax: No instances of non-compliance with the use of the statewide sales and services tax revenue provisions 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		545,930
Expenditures/transfers out:		
School infrastructure:		
Buildings and building improvements	195,834	
Debt service for school infrastructure:		
General obligation debt	<u>292,645</u>	<u>488,479</u>
Ending balance		<u>57,451</u>

09-II-L Physical Plant and Equipment Levy Fund: We noted that the Physical Plant and Equipment Levy Fund was used to purchase equipment costing less than \$500.

Recommendation: The District should be aware of the limitation on types of expenditures allowed from this fund and consider reimbursing the Physical Plant and Equipment Fund for the purchases.

District Response: We will monitor the expenditures from this fund and have General Fund make the reimbursement.

Conclusion: Response accepted.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

June 30, 2009

Part II: Other Findings Related to Statutory Reporting (continued):

09-II-M Policy on Payment of Bills Prior to Board Approval: We noted that the board approved nutrition and activity bills after they are paid.

Recommendation: Chapter 179.29 of the Code of Iowa provides that "the Board shall audit all just claims against the corporation and no order shall be drawn upon the treasury until the claim therefore has been audited and allowed." Chapter 279.30 of the Code of Iowa allows payment of specific items, such as utilities, postage, printing, and salaries without prior Board approval. This Board may approve a resolution designating certain other disbursements that may be paid prior to a Board Meeting with the approval of the Superintendent or other appointee. The Board's written policy should comply with Chapter 279.30 of the Code of Iowa. Then, except as expressly permitted, no checks should be prepared for claims that have not been properly audited and allowed. All bills and salaries for which checks are issued prior to audit and allowance by the board must be passed upon by the board of directors at the next meeting and be entered in the regular minutes of the secretary.

District Response: We will revise our policy on payment of bills prior to board approval.

Conclusion: Response accepted