

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

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

June 30, 2010

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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, 2010, 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.

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, 2010, 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 8, 2011, 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, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 12 and 37 through 39 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 two years ended June 30, 2009, (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 8, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, 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 8, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2010. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2010 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$7,730,178 in fiscal 2009 to \$7,541,478 in fiscal 2010, while General Fund expenditures increased from \$7,473,466 in fiscal 2009 to \$7,788,476 in fiscal 2010. The District's General Fund balance decreased from \$2,746,363 in fiscal 2009 to \$2,493,783 in fiscal 2010, a 9% decrease.
- The decrease in General Fund revenues was primarily attributable to a mid-year 10% across-the-board cut in state funding. This cut came after we had made financial obligations for the fiscal year. 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.

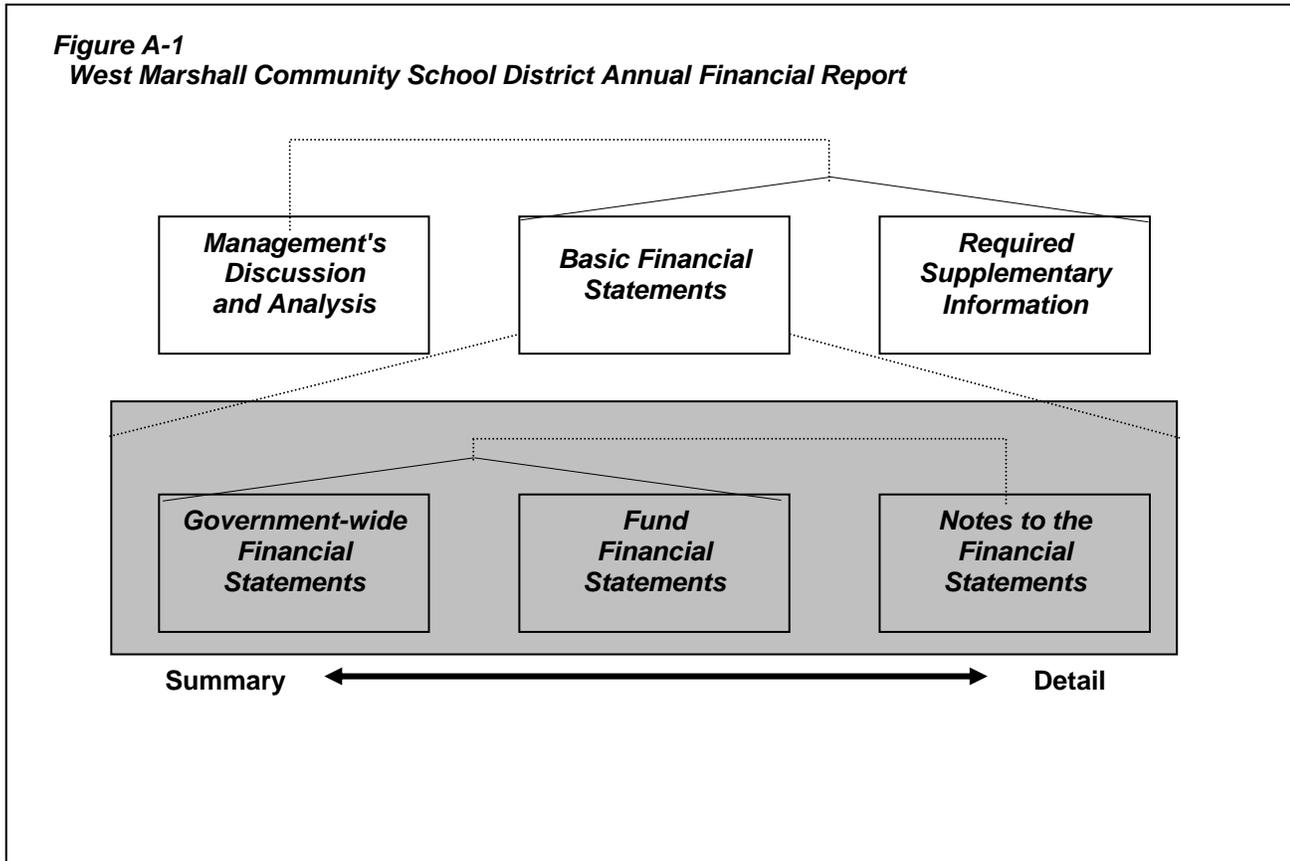


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

Some funds are required by state law 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 2009-2010
	Governmental Activities		Business-type Activities		Total School District		
	2009	2010	2009	2010	2009	2010	
	\$	\$	\$	\$	\$	\$	
Current and other assets	7,220,617	16,659,823	180,061	250,886	7,400,678	16,910,709	129%
Capital assets	3,913,311	5,465,686	30,532	49,792	3,943,843	5,515,478	40%
Total assets	11,133,928	22,125,509	210,593	300,678	11,344,521	22,426,187	98%
Long-term liabilities	1,415,250	11,015,442	-	-	1,415,250	11,015,442	678%
Other liabilities	3,038,206	4,275,883	5,819	5,890	3,044,025	4,281,773	41%
Total liabilities	4,453,456	15,291,325	5,819	5,890	4,459,275	15,297,215	243%
Net Assets:							
Invested in capital assets, net of related debt	2,733,311	3,430,701	30,532	49,792	2,763,843	3,480,493	26%
Restricted	1,098,006	786,024	-	-	1,098,006	786,024	-28%
Unrestricted	2,849,155	2,617,459	174,242	244,996	3,023,397	2,862,455	-5%
TOTAL NET ASSETS	6,680,472	6,834,184	204,774	294,788	6,885,246	7,128,972	4%

The District's combined total net assets increased by nearly 4%, or approximately \$243,726, over the prior year. The largest increase was in the Capital Projects Fund due to the sale of Revenue and Sales Tax bonds.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased approximately \$311,982 or 28% from the prior year. The District sold bonds for a construction project.

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 – decreased approximately \$160,942, or 5%. This is due again to the large amount of funding set aside in the Capital Projects fund for the middle school construction project.

Figure A-4 shows the change in net assets for the years ended June 30, 2009 and 2010.

Figure A-4

	Change in Net Assets						Percentage Change 2009-2010
	Governmental Activities		Business-type Activities		Total School District		
	2009 \$	2010 \$	2009 \$	2010 \$	2009 \$	2010 \$	
Revenues							
Program Revenues:							
Charges for services	736,866	674,744	259,070	245,898	995,936	920,642	-8%
Operating grants & contributions	1,110,914	1,675,064	170,188	193,425	1,281,102	1,868,489	46%
Capital grants & contributions	-	7,394	-	-	-	7,394	100%
General Revenues:							
Property taxes	2,138,865	2,158,982	-	-	2,138,865	2,158,982	1%
Income Surtax	299,208	335,117	-	-	299,208	335,117	12%
Statewide sales & services tax	545,930	560,257	-	-	545,930	560,257	3%
Unrestricted state grants	3,714,321	2,985,104	-	-	3,714,321	2,985,104	-20%
Unrestricted investment earnings	122,347	169,662	2,612	2,639	124,959	172,301	38%
Other revenue	100,697	4,776	(1,119)	-	99,578	4,776	-95%
Total Revenues	8,769,148	8,571,100	430,751	441,962	9,199,899	9,013,062	-2%
Expenses:							
Instruction	5,071,518	5,048,790	-	-	5,071,518	5,048,790	-1%
Support services	2,411,608	2,650,546	-	-	2,411,608	2,650,546	10%
Non-instructional programs	-	-	357,645	359,468	357,645	359,468	1%
Other expenditures	557,153	7,10,532	-	-	557,153	710,532	28%
Total expenses	8,040,279	8,409,868	357,645	359,468	8,397,924	8,769,336	4%
Change in net assets before Transfers	728,869	161,232	73,106	82,494	801,975	243,726	-70%
Transfers	7,520	(7,520)	(7,520)	7,520	-	-	0%
CHANGE IN NET ASSETS	736,389	153,712	65,586	90,014	801,975	243,726	-70%
Net assets beginning of year, as restated	5,944,083	6,680,472	139,188	204,774	6,083,271	6,885,246	13%
Net assets end of year	6,680,472	6,834,184	204,774	294,788	6,885,246	7,128,972	4%

Property tax and unrestricted state grants account for 57% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 88% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$8,571,100 and expenses were \$8,409,868.

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	2010	Change 2009-2010	2009	2010	Change 2009-2010
	\$	\$		\$	\$	
Instruction	5,071,518	5,048,790	-1%	3,559,502	3,077,931	-14%
Support Services	2,411,608	2,650,546	10%	2,402,521	2,643,802	10%
Non-instructional Programs	-	-	0%	-	-	0%
Other Expenses	557,153	710,532	28%	230,476	330,933	44%
TOTAL	8,040,279	8,409,868	5%	6,192,499	6,052,666	-2%

- The cost financed by users of the District's programs was \$674,744. 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 \$1,675,064.
- The net cost of governmental activities was financed with \$3,054,356 in property and local other taxes and \$2,985,104 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$441,962 and expenses were \$359,468. 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, 2010, the District did not change meal prices.

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 \$12,287,801, well above last year's ending fund balances of \$3,915,083. The primary reason for the increase is due to bonds sold for construction in the Capital Projects Fund.

Governmental Fund Highlights

- The General Fund balance decreased from \$2,746,363 to \$2,493,783, or 9%. This is due largely to the state's 10% across-the-board cut in funding during 2010.
- The Physical Plant and Equipment Levy (PPEL) Fund balance increased from \$62,729 in fiscal 2009 to \$69,290 in fiscal 2010. While revenues remained approximately the same, the District held down discretionary spending.

- The Capital Projects Fund balance increased from \$868,135 in 2009 to \$9,303,915 in 2010 due to the sale of bonds to fund the middle school construction project.

Proprietary Fund Highlights

School Nutrition Fund net assets increased from \$181,331 at June 30, 2009 to \$233,081 at June 30, 2010, representing an increase of approximately 29%. The District held meal prices steady during 2010. The increase is due to limiting discretionary spending in the nutrition fund.

BUDGETARY HIGHLIGHTS

Over the course of the year, West Marshall Community School District did amend its annual budget.

The District's receipts were \$260,899 less than budgeted receipts, a variance of 3%. The most significant variance resulted from the District receiving less in state funding than originally anticipated.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2010, the District had invested \$5.5 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 increase of 40% from last year. More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expense for the year was \$252,102.

Figure A-6

Capital Assets (net of depreciation)

	Governmental		Business type		Total		Percentage Change 2009-2010
	Activities		Activities		School District		
	2009	2010	2009	2010	2009	2010	
	\$	\$	\$	\$	\$	\$	
Land	125,000	125,000	-	-	125,000	125,000	0%
Construction in progress	-	1,313,131	-	-	-	1,313,131	100%
Buildings	3,193,403	3,535,924	-	-	3,193,403	3,535,924	11%
Improvements	370,523	349,495	-	-	370,523	349,495	-6%
Equipment & Furniture	224,385	142,136	30,532	49,792	254,917	191,928	-25%
TOTAL	3,913,311	5,465,686	30,532	49,792	3,943,843	5,515,478	40%

Long-Term Debt

At June 30, 2010 the District had \$11,015,442 in general obligation, revenue and other long-term debt outstanding. This represents an increase of approximately 678% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note4 to the financial statements.

There was one employee that took advantage of the District's Early Retirement Policy at the end of the 2009-10, the same as the prior year. The outstanding long-term obligation is largely due to the bonds sold in 2010 to fund the middle school construction project.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Percentage
	2009	2010	Change
			2009-2010
	\$	\$	
General Obligation Bonds	1,180,000	4,930,000	318%
Revenue bonds	-	5,900,000	100%
Termination benefits	235,250	178,650	-24%
Other postemployment benefits (OPEB)	-	6,792	100%
	1,415,250	11,015,442	678%

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:

- Current allowable growth is not inadequate to maintain the increasing cost of current programs.
- The District began construction on a new middle school building and remodeling of the existing middle school 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, 3rd St. NW, PO Box 670, State Center, IA 50247.

BASIC FINANCIAL STATEMENTS

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2010

	Governmental Activities	Business Type Activities	Total
	<u>\$</u>	<u>\$</u>	<u>\$</u>
Assets			
Cash and cash equivalents	13,559,464	235,753	13,795,217
Receivables:			
Property tax:			
Delinquent	35,613	-	35,613
Succeeding year	2,487,259	-	2,487,259
Accounts	687	-	687
Accrued interest	4,631	581	5,212
Bond issue costs	42,519	-	42,519
Due from other governments	529,650	886	530,536
Inventories	-	13,666	13,666
Capital assets, net of accumulated depreciation	5,465,686	49,792	5,515,478
Total assets	<u>22,125,509</u>	<u>300,678</u>	<u>22,426,187</u>
Liabilities			
Accounts payable	801,257	-	801,257
Salaries and benefits payable	680,459	-	680,459
Accrued interest payable	138,728	-	138,728
Deferred revenue:			
Succeeding year property tax	2,487,259	-	2,487,259
Other	60,826	5,890	66,716
Bond premium	107,354	-	107,354
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	320,000	-	320,000
Termination benefits	51,400	-	51,400
Portion due after one year:			
General obligation bonds payable	4,610,000	-	4,610,000
Revenue bonds payable	5,900,000	-	5,900,000
Termination benefits	127,250	-	127,250
Net OPEB liability	6,792	-	6,792
Total liabilities	<u>15,291,325</u>	<u>5,890</u>	<u>15,297,215</u>
Net assets			
Invested in capital assets, net of related debt	3,430,701	49,792	3,480,493
Restricted for:			
Categorical funding	80,043	-	80,043
Physical plant and equipment levy	65,290	-	65,290
Other special revenue purposes	125,793	-	125,793
Debt service	514,898	-	514,898
Unrestricted	2,617,459	244,996	2,862,455
Total net assets	<u>6,834,184</u>	<u>294,788</u>	<u>7,128,972</u>

See notes to financial statements.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2010

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
			\$	\$
Governmental activities:				
Instruction:				
Regular	3,141,166	464,188	1,058,981	-
Special	1,026,660	82,420	131,692	-
Other	880,964	126,992	106,586	-
	<u>5,048,790</u>	<u>673,600</u>	<u>1,297,259</u>	<u>-</u>
Support services:				
Student	343,685	-	-	-
Instructional staff	215,543	-	-	-
Administration	774,081	-	-	-
Operation and maintenance of plant	837,395	-	-	-
Transportation	479,842	1,144	5,600	-
	<u>2,650,546</u>	<u>1,144</u>	<u>5,600</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	5,995	-	-	7,394
Long-term debt interest	176,788	-	-	-
AEA flowthrough	372,205	-	372,205	-
Depreciation (unallocated)*	155,544	-	-	-
	<u>710,532</u>	<u>-</u>	<u>372,205</u>	<u>7,394</u>
Total governmental activities	<u>8,409,868</u>	<u>674,744</u>	<u>1,675,064</u>	<u>7,394</u>
Business type activities:				
Non-instructional programs:				
Food service operations	346,123	211,905	175,809	-
Preschool	13,345	33,993	17,616	-
Total business-type activities	<u>359,468</u>	<u>245,898</u>	<u>193,425</u>	<u>-</u>
Total	<u>8,769,336</u>	<u>920,642</u>	<u>1,868,489</u>	<u>7,394</u>
General Revenues:				
Property taxes levied for:				
General purposes				
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
\$	\$	\$
(1,617,997)	-	(1,617,997)
(812,548)	-	(812,548)
(647,386)	-	(647,386)
<u>(3,077,931)</u>	<u>-</u>	<u>(3,077,931)</u>
(343,685)	-	(343,685)
(215,543)	-	(215,543)
(774,081)	-	(774,081)
(837,395)	-	(837,395)
(473,098)	-	(473,098)
<u>(2,643,802)</u>	<u>-</u>	<u>(2,643,802)</u>
1,399	-	1,399
(176,788)	-	(176,788)
-	-	-
<u>(155,544)</u>	<u>-</u>	<u>(155,544)</u>
<u>(330,933)</u>	<u>-</u>	<u>(330,933)</u>
<u>(6,052,666)</u>	<u>-</u>	<u>(6,052,666)</u>
-	41,591	41,591
-	38,264	38,264
-	<u>79,855</u>	<u>79,855</u>
<u>(6,052,666)</u>	<u>79,855</u>	<u>(5,972,811)</u>
2,091,053	-	2,091,053
67,929	-	67,929
335,117	-	335,117
560,257	-	560,257
2,985,104	-	2,985,104
169,662	2,639	172,301
4,776	-	4,776
<u>6,213,898</u>	<u>2,639</u>	<u>6,216,537</u>
<u>(7,520)</u>	<u>7,520</u>	<u>-</u>
<u>6,206,378</u>	<u>10,159</u>	<u>6,216,537</u>
153,712	90,014	243,726
<u>6,680,472</u>	<u>204,774</u>	<u>6,885,246</u>
<u>6,834,184</u>	<u>294,788</u>	<u>7,128,972</u>

See notes to financial statements.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2010

	General Fund	Capital Projects Fund	Nonmajor Funds	Total
	\$	\$	\$	\$
Assets				
Cash and pooled investments	3,218,137	9,854,684	485,872	13,558,693
Receivables:				
Property tax:				
Delinquent	31,607	-	4,006	35,613
Succeeding year	1,984,658	-	502,601	2,487,259
Accounts	600	-	87	687
Accrued interest	4,493	-	138	4,631
Due from other governments	391,588	138,062	-	529,650
	<u>5,631,083</u>	<u>9,992,746</u>	<u>992,704</u>	<u>16,616,533</u>
Total assets				
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	112,426	688,831	-	801,257
Salaries and benefits payable	680,459	-	-	680,459
Deferred revenue:				
Succeeding year property tax	1,984,658	-	502,601	2,487,259
Income surtax	298,931	-	-	298,931
Other	60,826	-	-	60,826
Total liabilities	<u>3,137,300</u>	<u>688,831</u>	<u>502,601</u>	<u>4,328,732</u>
Fund balances:				
Reserved for:				
Categorical funding	80,043	-	-	80,043
Debt service	-	508,900	144,726	653,626
Unreserved reported in:				
General fund	2,413,740	-	-	2,413,740
Special revenue funds	-	-	345,377	345,377
Capital projects funds	-	8,795,015	-	8,795,015
Total fund balances	<u>2,493,783</u>	<u>9,303,915</u>	<u>490,103</u>	<u>12,287,801</u>
	<u>5,631,083</u>	<u>9,992,746</u>	<u>992,704</u>	<u>16,616,533</u>
Total liabilities and fund balances				

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

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

June 30, 2010

	\$
Total fund balances of governmental funds (Exhibit C)	12,287,801
<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.	5,465,686
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	298,931
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.	(138,728)
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.	771
Long-term liabilities, including bonds payable, termination benefits and other postemployment benefits payable, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(11,080,277)</u>
Net assets of governmental activities (Exhibit A)	<u><u>6,834,184</u></u>

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2010

	General Fund \$	Capital Projects Fund \$	Nonmajor Funds \$	Total \$
Revenues:				
Local sources:				
Local tax	2,220,523	560,257	244,530	3,025,310
Tuition	456,314	-	-	456,314
Other	204,473	63,205	127,891	395,569
Intermediate sources	6,780	-	-	6,780
State sources	3,914,188	-	-	3,914,188
Federal sources	739,200	-	-	739,200
Total revenues	<u>7,541,478</u>	<u>623,462</u>	<u>372,421</u>	<u>8,537,361</u>
Expenditures:				
Current:				
Instruction:				
Regular	3,135,837	-	58,643	3,194,480
Special	1,026,003	-	-	1,026,003
Other	769,182	-	111,015	880,197
	<u>4,931,022</u>	<u>-</u>	<u>169,658</u>	<u>5,100,680</u>
Support services:				
Student	348,493	-	-	348,493
Instructional staff	215,543	-	-	215,543
Administration	773,205	-	-	773,205
Operation and maintenance of plant	759,171	13,900	59,338	832,409
Transportation	388,837	-	7,728	396,565
	<u>2,485,249</u>	<u>13,900</u>	<u>67,066</u>	<u>2,566,215</u>
Other expenditures:				
Facilities acquisition	-	1,729,572	66,591	1,796,163
Long-term debt:				
Principal	-	-	250,000	250,000
Interest and fiscal charges	-	-	40,295	40,295
AEA flowthrough	372,205	-	-	372,205
	<u>372,205</u>	<u>1,729,572</u>	<u>356,886</u>	<u>2,458,663</u>
Total expenditures	<u>7,788,476</u>	<u>1,743,472</u>	<u>593,610</u>	<u>10,125,558</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(246,998)</u>	<u>(1,120,010)</u>	<u>(221,189)</u>	<u>(1,588,197)</u>
Other financing sources (uses):				
Bonds issued	-	9,900,000	-	9,900,000
Bond premium	-	110,106	-	110,106
Bond issue costs	-	(43,609)	-	(43,609)
Sales of materials and equipment	1,938	-	-	1,938
Operating transfers in	-	-	410,707	410,707
Operating transfers out	(7,520)	(410,707)	-	(418,227)
Total other financing sources (uses)	<u>(5,582)</u>	<u>9,555,790</u>	<u>410,707</u>	<u>9,960,915</u>
Net change in fund balances	(252,580)	8,435,780	189,518	8,372,718
Fund balances beginning of year	<u>2,746,363</u>	<u>868,135</u>	<u>300,585</u>	<u>3,915,083</u>
Fund balances end of year	<u>2,493,783</u>	<u>9,303,915</u>	<u>490,103</u>	<u>12,287,801</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, 2010

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		8,372,718

*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:

	1,796,163	
Expenditures for capital assets		
Depreciation expense	<u>(243,788)</u>	1,552,375

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.		29,046
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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.		250,000
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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.		(135,403)
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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:

	56,600	
Termination benefits		
Other postemployment benefits	<u>(6,792)</u>	49,808

Proceeds from issuing long-term liabilities are included in the governmental funds but increase long-term liabilities in the Statement of Net Assets.		(9,964,835)
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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>3</u>
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Changes in net assets of governmental activities (Exhibit B)		<u><u>153,712</u></u>
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WEST MARSHALL COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2010

	Nonmajor Enterprise Funds	Governmental Activities - Internal Service Fund
	\$	\$
Assets		
Cash and cash equivalents	235,753	771
Federal reimbursement receivable	886	-
Accrued interest receivable	581	-
Inventories	13,666	-
Capital assets, net of accumulated depreciation	49,792	-
	<u>300,678</u>	<u>771</u>
Total assets		
	300,678	771
Liabilities		
Deferred revenue	5,890	-
	<u>5,890</u>	<u>-</u>
Net assets		
Invested in capital assets, net of related debt	49,792	-
Restricted for employee benefits	-	771
Unrestricted	244,996	-
	<u>294,788</u>	<u>-</u>
Total net assets	<u>294,788</u>	<u>771</u>

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2010

	Nonmajor Enterprise Funds \$	Governmental Activities - Internal Service Fund \$
Operating revenue:		
Local sources:		
Charges for service	245,898	-
Operating expenses:		
Non-instructional programs:		
Salaries	129,012	-
Benefits	19,415	-
Purchased services	4,600	-
Supplies	198,127	-
Depreciation	8,314	-
Total operating expenses	359,468	-
Operating gain (loss)	(113,570)	-
Non-operating revenues:		
State sources	22,044	-
Federal sources	171,381	-
Interest income	2,639	3
Total non-operating revenues	196,064	3
Gain (loss) before contributions and transfers	82,494	3
Transfers in	7,520	-
Change in net assets	90,014	3
Net assets beginning of year	204,774	768
Net assets end of year	294,788	771

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2010

	Nonmajor Enterprise Funds	Governmental Activities - Internal Service Fund
	\$	\$
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	211,976	-
Cash received from preschool services	33,993	-
Cash payments to employees for services	(148,427)	-
Cash payments to suppliers for goods or services	(180,061)	-
Net cash used by operating activities	<u>(82,519)</u>	<u>-</u>
Cash flows from non-capital financing activities:		
Transfers from (to) General Fund	7,520	-
State grants received	22,044	-
Federal grants received	143,679	-
Net cash provided by non-capital financing activities	<u>173,243</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	<u>(27,574)</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	<u>2,577</u>	<u>3</u>
Net increase (decrease) in cash and cash equivalents	65,727	3
Cash and cash equivalents at beginning of year	<u>170,026</u>	<u>768</u>
Cash and cash equivalents at end of year	<u><u>235,753</u></u>	<u><u>771</u></u>
Reconciliation of operating gain (loss) to net cash used by operating activities:		
Operating gain (loss)	(113,570)	-
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:		
Commodities used	26,816	-
Depreciation	8,314	-
Decrease (increase) in inventories	(4,150)	-
(Decrease) increase in deferred revenue	71	-
Net cash used by operating activities	<u>(82,519)</u>	<u>-</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2010, the District received \$26,816 of federal commodities.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2010

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, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2009.

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, and intangibles, 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
Intangibles	25,000
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
Intangibles	3-20 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, 2010, expenditures in the other expenditures function exceeded the amended amount budgeted.

2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2010 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, 2010, the District had the following investments:

	<u>Amortized Cost</u>
Iowa Schools Joint Investment Trust	\$ 52,523
Iowa Schools Joint Investment Trust	633,005

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, 2010 is as follows:

Transfer To	Transfer From	Amount \$
Nonmajor Governmental Debt Service Fund	Capital Projects Fund	410,707
Nonmajor Enterprise School Nutrition Fund	General Fund	7,520

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

4. Capital Assets

Capital assets activity for the year ended June 30, 2010 was as follows:

	Balance Beginning of Year \$	Increases \$	Decreases \$	Balance End of Year \$
Governmental activities:				
Capital assets not being depreciated:				
Land	125,000	-	-	125,000
Construction in progress	-	1,313,131	-	1,313,131
	<u>125,000</u>	<u>1,313,131</u>	<u>-</u>	<u>1,438,131</u>
Capital assets being depreciated:				
Buildings	6,594,656	469,287	-	7,063,943
Improvements other than buildings	638,167	7,750	-	645,917
Furniture and equipment	1,041,904	5,995	-	1,047,899
Total capital assets being deprec.	<u>8,274,727</u>	<u>483,032</u>	<u>-</u>	<u>8,757,759</u>
Less accumulated depreciation for:				
Buildings	3,401,253	126,766	-	3,528,019
Improvements other than buildings	267,644	28,778	-	296,422
Furniture and equipment	817,519	88,244	-	905,763
Total accumulated depreciation	<u>4,486,416</u>	<u>243,788</u>	<u>-</u>	<u>4,730,204</u>
Total capital assets being depreciated, net	<u>3,788,311</u>	<u>239,244</u>	<u>-</u>	<u>4,027,555</u>
Governmental activities capital assets, net	<u>3,913,311</u>	<u>1,552,375</u>	<u>-</u>	<u>5,465,686</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	113,092	27,574	-	140,666
Less accumulated depreciation	<u>82,560</u>	<u>8,314</u>	-	<u>90,874</u>
 Business type activities capital assets, net	 <u>30,532</u>	 <u>19,260</u>	 -	 <u>49,792</u>

Depreciation expense was charged to the following functions:

	Amount \$
Governmental activities:	
Support services:	
Student support	749
Operation and maintenance of plant services	4,438
Transportation	<u>83,057</u>
	88,244
Unallocated depreciation	<u>155,544</u>
 Total depreciation expense – governmental activities	 <u>243,788</u>
 Business type activities:	
Food services	<u>8,314</u>

5. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2010, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
General obligation bonds	1,180,000	4,000,000	250,000	4,930,000	320,000
Revenue bonds	-	5,900,000	-	5,900,000	-
Termination benefits	235,250	10,250	66,850	178,650	51,400
Net OPEB liability	-	<u>6,792</u>	-	<u>6,792</u>	-
 Total	 <u>1,415,250</u>	 <u>9,917,042</u>	 <u>316,850</u>	 <u>11,015,442</u>	 <u>371,400</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 until age 65.

At June 30, 2010, the District has obligations to twelve participants with a total liability of \$178,650. The actual early retirement expenditures for the year ended June 30, 2010 totaled \$66,850.

General Obligation Bonds Payable

Details of the District's June 30, 2010 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of October, 2002			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
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		930,000	74,205	1,004,205

Year Ending June 30,	Bond Issue of June, 2010			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2011	2.00	60,000	146,600	206,600
2012	2.00	80,000	145,400	225,400
2013	2.00	100,000	143,800	243,800
2014	2.00	160,000	141,800	301,800
2015	2.50	170,000	138,600	308,600
2016-2020	3.00-4.00	935,000	611,100	1,546,100
2021-2025	4.00	1,130,000	415,825	1,545,825
2026-2030	4.00-4.125	1,365,000	171,669	1,536,669
Total		4,000,000	1,914,794	5,914,794

Revenue Bonds

Details of the District's June 30, 2010 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of January, 2010			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2011	3.50	-	247,705	247,705
2012	3.50	-	247,705	247,705
2013	3.50	-	247,705	247,705
2014	3.50	75,000	246,393	321,393
2015	3.50	250,000	240,705	490,705
2016-2020	3.50-3.75	1,400,000	1,061,405	2,461,405
2021-2025	4.00-4.40	1,705,000	759,925	2,464,925
2026-2030	4.50-4.75	2,470,000	336,100	2,806,100
Total		5,900,000	3,387,643	9,287,643

The District has pledged future statewide sales, services and use tax revenues to repay the \$5,900,000 bond issued in January 2010. The bonds were issued for the purpose of financing a portion of the costs of a new school. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. 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 60% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$9,287,643. For the current year, no principal or interest was paid on the bonds and total statewide sales, services and use tax revenues were \$560,257.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds include the following provisions:

- Bonds maturing after January 1, 2019, may be called for redemption by the issuer and paid before maturity on said date or any date thereafter.
- \$508,900 of the proceeds from the bonds issue have been placed in a reserve account with a trustee. The reserve account may be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The reserve account is part of the District's Capital Projects Fund.
- Proceeds from the statewide sales, services and use tax shall be placed in a revenue account. Monies in the revenue account shall be transferred from the revenue account to the sinking account. Money in the sinking account shall be used to pay the interest and principal on the bonds. Any surplus monies remaining in the revenue fund, after the required transfer to the sinking account, may be used for any lawful purpose. The sinking fund is part of the Debt Service Fund.

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 4.30% of their annual salary and the District is required to contribute 6.65% of annual covered payroll for the years ended June 30, 2010, 2009 and 2008. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2010, 2009, and 2008 were \$307,791, \$288,488, and \$235,038 respectively, equal to the required contributions for each year.

7. Other Postemployment Benefits (OPEB)

The District implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pensions during the year ended June 30, 2010.

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 62 active and retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2010, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

	\$
Annual required contribution	72,391
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	<u>72,391</u>
Contributions made	<u>65,599</u>
Increase in net OPEB obligation	6,792
Net OPEB obligation beginning of year	<u>-</u>
Net OPEB obligation end of year	<u>6,792</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

For the year ended June 30, 2010, the District contributed \$65,599 to the medical plan.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2010 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
	\$	%	\$
June 30, 2010	72,391	91%	6,792

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$709,914, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$709,914. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,800,000, and the ratio of the UAAL to covered payroll was 25.4%. As of June 30, 2010, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes

to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions includes a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%. The ultimate medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table, projected to 2000. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

The UAAL is being amortized over 30 years.

8. 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.

9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$372,205 for the year ended June 30, 2010 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

10. Lease Commitment

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

Year Ended June 30	Lease Payment
	\$
2011	12,029
2012	1,377
2013	1,377

11. Construction Commitment

The District has entered into contracts totaling \$9,348,767 for remodeling and additions. As of June 30, 2010 costs of \$1,373,957 had been incurred against the contracts. The balances remaining at June 30, 2010 will be paid as work on the project progresses.

12. Categorical Funding

The District's reserved fund balance for categorical funding at June 30, 2010 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
	\$
Gifted and Talented	28,526
Teacher salary supplement	29,446
Educator quality, professional development	<u>22,071</u>
	<u>80,043</u>

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, 2010

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final Amended	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	3,877,193	248,537	4,125,730	4,037,446	4,037,446	88,284
Intermediate sources	6,780	-	6,780	18,000	18,000	(11,220)
State sources	3,914,188	22,044	3,936,232	4,878,776	4,878,776	(942,544)
Federal sources	739,200	171,381	910,581	306,000	306,000	604,581
Total revenues	<u>8,537,361</u>	<u>441,962</u>	<u>8,979,323</u>	<u>9,240,222</u>	<u>9,240,222</u>	<u>(260,899)</u>
Expenditures/Expenses:						
Instruction	5,100,680	-	5,100,680	5,734,120	5,734,120	633,440
Support services	2,566,215	-	2,566,215	3,135,000	3,135,000	568,785
Non-instructional programs	-	359,468	359,468	400,000	400,000	40,532
Other expenditures	2,458,663	-	2,458,663	1,489,316	1,750,000	(708,663)
Total expenditures/expenses	<u>10,125,558</u>	<u>359,468</u>	<u>10,485,026</u>	<u>10,758,436</u>	<u>11,019,120</u>	<u>534,094</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	(1,588,197)	82,494	(1,505,703)	(1,518,214)	(1,778,898)	273,195
Other financing sources (uses) net	<u>9,960,915</u>	<u>7,520</u>	<u>9,968,435</u>	<u>-</u>	<u>-</u>	<u>9,968,435</u>
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures/expenses	8,372,718	90,014	8,462,732	(1,518,214)	(1,778,898)	10,241,630
Balance beginning of year	<u>3,915,083</u>	<u>204,774</u>	<u>4,119,857</u>	<u>4,253,141</u>	<u>4,253,141</u>	<u>(133,284)</u>
Balance end of year	<u><u>12,287,801</u></u>	<u><u>294,788</u></u>	<u><u>12,582,589</u></u>	<u><u>2,734,927</u></u>	<u><u>2,474,243</u></u>	<u><u>10,108,346</u></u>

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2010

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 amended their budget by \$260,684 in the other expenditures function to account for construction costs.

During the year ended June 30, 2010 expenditures in the other expenditures function exceeded the amended amount budgeted.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT
Schedule of Funding Progress for the Retiree Health Plan
Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a) \$	Actuarial Accrued Liability (AAL) (b) \$	Unfunded AAL (UAAL) (b-a) \$	Funded Ratio (a/b) %	Covered Payroll (c) \$	UAAL as a Percentage of Covered Payroll ((b-a)/c) %
2009	July 1, 2009	-	709,914	709,914	0.00%	2,800,000	25.4%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2010

Assets	Special Revenue Funds				Total
	Management	Student	Physical	Debt	
	Levy	Activity	Plant and	Service	
		Equipment			
	\$	\$	\$	\$	\$
Cash and pooled investments	151,291	125,655	64,200	144,726	485,872
Receivables:					
Property tax:					
Delinquent	2,916	-	1,090	-	4,006
Succeeding year	180,000	-	72,601	250,000	502,601
Accounts	87	-	-	-	87
Accrued interest	-	138	-	-	138
Total assets	334,294	125,793	137,891	394,726	992,704
Liabilities & Fund Balances					
Liabilities:					
Deferred revenue:					
Succeeding year property tax	180,000	-	72,601	250,000	502,601
Fund balances:					
Reserved for debt service	-	-	-	144,726	144,726
Unreserved reported in:					
Special revenue funds	154,294	125,793	65,290	-	345,377
Total fund balances	154,294	125,793	65,290	144,726	490,103
Total liabilities and fund balances	334,294	125,793	137,891	394,726	992,704

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2010

	Special Revenue Funds				Total
	Management	Student	Physical	Debt	
	Levy	Activity	Plant and	Service	
		Equipment			
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	176,601	-	67,929	-	244,530
Other	4,582	118,362	1,223	3,724	127,891
Total revenues	<u>181,183</u>	<u>118,362</u>	<u>69,152</u>	<u>3,724</u>	<u>372,421</u>
Expenditures:					
Current:					
Instruction:					
Regular instruction	58,643	-	-	-	58,643
Other instruction	-	111,015	-	-	111,015
Support services:					
Operation and maintenance of plant	59,338	-	-	-	59,338
Transportation services	7,728	-	-	-	7,728
Other expenditures:					
Facilities acquisition	-	-	66,591	-	66,591
Long-term debt:					
Principal	-	-	-	250,000	250,000
Interest and fiscal charges	-	-	-	40,295	40,295
Total expenditures	<u>125,709</u>	<u>111,015</u>	<u>66,591</u>	<u>290,295</u>	<u>593,610</u>
Excess (deficiency) of revenues over (under) expenditures	55,474	7,347	2,561	(286,571)	(221,189)
Other financing sources (uses):					
Operating transfers in	-	-	-	410,707	410,707
Net change in fund balances	55,474	7,347	2,561	124,136	189,518
Fund balances beginning of year	98,820	118,446	62,729	20,590	300,585
Fund balances end of year	<u>154,294</u>	<u>125,793</u>	<u>65,290</u>	<u>144,726</u>	<u>490,103</u>

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

Combining Schedule of Net Assets
Nonmajor Enterprise Funds

June 30, 2010

	Enterprise Funds		
	School Nutrition	Preschool	Total
	\$	\$	\$
Assets			
Cash and cash equivalents	174,046	61,707	235,753
Federal reimbursement receivable	886	-	886
Accrued interest receivable	581	-	581
Inventories	13,666	-	13,666
Capital assets, net of accumulated depreciation	49,792	-	49,792
Total assets	<u>238,971</u>	<u>61,707</u>	<u>300,678</u>
Liabilities			
Deferred revenue	5,890	-	5,890
Net assets			
Invested in capital assets, net of related debt	49,792	-	49,792
Unrestricted	183,289	61,707	244,996
Total net assets	<u>233,081</u>	<u>61,707</u>	<u>294,788</u>

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2010

	Enterprise Funds		
	School Nutrition	Preschool	Total
	\$	\$	\$
Operating revenue:			
Local sources:			
Charges for service	211,905	33,993	245,898
Operating expenses:			
Non-instructional programs:			
Salaries	118,912	10,100	129,012
Benefits	17,970	1,445	19,415
Purchased services	4,600	-	4,600
Supplies	196,327	1,800	198,127
Depreciation	8,314	-	8,314
Total operating expenses	346,123	13,345	359,468
Operating gain (loss)	(134,218)	20,648	(113,570)
Non-operating revenues:			
State sources	4,428	17,616	22,044
Federal sources	171,381	-	171,381
Interest income	2,639	-	2,639
Total non-operating revenues	178,448	17,616	196,064
Gain (loss) before transfers	44,230	38,264	82,494
Transfers in	7,520	-	7,520
Change in net assets	51,750	38,264	90,014
Net assets beginning of year	181,331	23,443	204,774
Net assets end of year	233,081	61,707	294,788

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

Combining Schedule of Cash Flows
Nonmajor Enterprise Funds

Year ended June 30, 2010

	Enterprise Funds		
	School Nutrition	Preschool	Total
	\$	\$	\$
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	211,976	-	211,976
Cash received from preschool services	-	33,993	33,993
Cash payments to employees for services	(136,882)	(11,545)	(148,427)
Cash payments to suppliers for goods or services	(178,261)	(1,800)	(180,061)
Net cash (used) provided by operating activities	<u>(103,167)</u>	<u>20,648</u>	<u>(82,519)</u>
Cash flows from non-capital financing activities:			
Transfer from (to) General Fund	7,520	-	7,520
State grants received	4,428	17,616	22,044
Federal grants received	143,679	-	143,679
Net cash provided by non-capital financing activities	<u>155,627</u>	<u>17,616</u>	<u>173,243</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	<u>(27,574)</u>	<u>-</u>	<u>(27,574)</u>
Cash flows from investing activities:			
Interest on investments	<u>2,577</u>	<u>-</u>	<u>2,577</u>
Net increase (decrease) in cash and cash equivalents	27,463	38,264	65,727
Cash and cash equivalents at beginning of year	<u>146,583</u>	<u>23,443</u>	<u>170,026</u>
Cash and cash equivalents at end of year	<u><u>174,046</u></u>	<u><u>61,707</u></u>	<u><u>235,753</u></u>
Reconciliation of operating gain (loss) to net cash used by operating activities:			
Operating gain (loss)	(134,218)	20,648	(113,570)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:			
Commodities used	26,816	-	26,816
Depreciation	8,314	-	8,314
Decrease (increase) in inventories	(4,150)	-	(4,150)
(Decrease) increase in deferred revenue	71	-	71
Net cash (used) provided by operating activities	<u><u>(103,167)</u></u>	<u><u>20,648</u></u>	<u><u>(82,519)</u></u>

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2010

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Intra-fund Transfers</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$	\$
6th grade store	539	1,522	1,920	-	141
Drama	2,127	943	1,204	-	1,866
Speech	198	-	153	-	45
Color guard	1,258	1,782	2,945	-	95
Cross country	579	1,125	658	-	1,046
Elementary renaissance	1,145	969	1,296	-	818
Spanish club	244	-	-	-	244
Athletic memberships	265	1,000	898	-	367
Golf	2,191	1,985	2,289	-	1,887
Basketball	4,242	10,654	10,043	-	4,853
Volleyball	2,334	2,866	2,619	-	2,581
Football	14,167	18,172	12,827	-	19,512
Baseball	646	9,996	9,005	-	1,637
Track	2,382	2,530	4,678	-	234
Wrestling	2,554	2,623	4,777	-	400
Softball	1,794	5,993	6,032	-	1,755
High school activities	(1)	-	-	1	-
FFA	59,116	23,935	21,861	-	61,190
National honor society	555	116	-	-	671
Class of 2012	134	1,527	1,003	(94)	564
HS cheerleaders	4,155	1,101	1,742	-	3,514
Dance team	412	1,541	900	-	1,053
Class of 2009	(93)	-	-	93	-
Class of 2010	1,066	-	1,066	-	-
Class of 2011	103	2,637	1,755	-	985
MS student council	2,265	6,492	6,651	-	2,106
HS student council	716	1,502	1,472	-	746
Interest	1,215	597	-	-	1,812
Annual	8,084	9,370	7,159	-	10,295
FBLA	981	-	-	-	981
Ag day	825	-	-	-	825
MS renaissance	725	4,782	3,491	-	2,016
HS renaissance	1,523	2,158	2,526	-	1,155
FCCLA	-	444	45	-	399
Total	118,446	118,362	111,015	-	125,793

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

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

For the Last Seven Years

	Modified Accrual Basis						
	2010	2009	2008	2007	2006	2005	2004
	\$	\$	\$	\$	\$	\$	\$
Revenues:							
Local sources:							
Local tax	3,025,310	2,984,118	2,798,167	2,849,760	2,707,089	2,622,810	2,445,741
Tuition	456,314	528,621	451,647	339,047	332,004	230,457	183,515
Other	395,569	330,592	408,071	375,346	319,217	397,914	274,350
Intermediate sources	6,780	5,700	18,565	-	-	-	-
State sources	3,914,188	4,654,608	4,267,844	4,017,081	3,755,551	3,502,195	3,351,565
Federal sources	739,200	164,927	150,082	131,078	143,735	78,220	108,264
Total revenues	8,537,361	8,668,566	8,094,376	7,712,312	7,257,596	6,831,596	6,363,435
Expenditures:							
Instruction:							
Regular instruction	3,194,480	3,364,933	2,947,367	4,154,733	3,813,183	3,816,595	3,620,129
Special instruction	1,026,003	1,082,617	871,256	-	-	-	-
Other instruction	880,197	735,357	728,181	-	-	-	-
Support services:							
Student services	348,493	295,192	289,659	298,672	279,759	166,862	248,375
Instructional staff services	215,543	109,868	186,558	111,777	110,117	179,497	132,999
Administration services	773,205	760,549	725,556	666,566	580,055	550,338	566,388
Operation and maintenance of plant	832,409	798,197	817,383	615,841	703,672	853,764	674,474
Transportation services	396,565	360,307	408,757	520,035	414,913	443,775	402,116
Non-instructional programs	-	-	-	-	-	-	1,827
Other expenditures:							
Facilities acquisition	1,796,163	253,519	96,529	305,221	36,957	69,659	73,648
Long-term debt:							
Principal	250,000	245,000	230,000	225,000	220,000	215,000	160,000
Interest and other charges	40,295	47,645	54,545	60,732	65,833	71,324	132,680
AEA flowthrough	372,205	325,177	298,826	277,407	254,985	242,842	244,573
Total expenditures	10,125,558	8,378,361	7,654,617	7,235,984	6,479,474	6,609,656	6,257,209

WEST MARSHALL COMMUNITY SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards

Year ended June 30, 2010

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u> \$
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY10	22,986
National School Lunch Program (non-cash)	10.555	FY10	26,816
National School Lunch Program	10.555	FY10	121,579
			<u>171,381</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	FY10	68,011
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY10	22,560
			<u>90,571</u>
Safe and Drug Free Schools and Communities - State Grants	84.186	FY10	2,109
Improving Teacher Quality State Grants	84.367	FY10	33,965
Grants for State Assessments and Related Activities	84.369	FY10	5,909
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	FY10	468,217
Area Education Agency 267			
Career and Technical Education - Basic Grants to States	84.048	FY10	6,737
Special Education Cluster (IDEA)			
Special Education - Grants to States	84.027	FY10	45,075
ARRA - Special Education Grants to States, Recovery Act	84.391	FY10	86,617
			<u>131,692</u>
Total			<u>910,581</u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of West Marshall Community School District and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Nonprofit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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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, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated April 8, 2011. 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 an 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items 10-II-A and 10-II-B to be 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 IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2010 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 Questioned Costs. 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, including federal awarding agencies and pass-through entities, and 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 8, 2011

Gary E. Horton CPA

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Independent Auditor's Report on Compliance with Requirements that could have a Direct and
Material Effect on Each Major Program and on Internal Control over Compliance
in Accordance with OMB Circular A-133

To the Board of Education of
West Marshall Community School District:

Compliance

We have audited West Marshall Community School District's compliance with the types of compliance requirements described in the (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on its major federal program for the year ended June 30, 2010. West Marshall Community School District's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of West Marshall Community School District's management. Our responsibility is to express an opinion on West Marshall Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about West Marshall Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on West Marshall Community School District's compliance with those requirements.

In our opinion, West Marshall Community School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2010.

Internal Control Over Compliance

Management of West Marshall Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered West Marshall Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine other auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the

effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of West Marshall Community School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

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

April 8, 2011

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2010

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 84.394 – ARRA – State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) West Marshall Community School District did not qualify as a low-risk auditee.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2010

Part II: Findings Related to the Financial Statements:

Internal Control Deficiencies

10-II-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.

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

Conclusion: Response accepted.

10-II-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.

Instances of Non-Compliance:

No instances of non-compliance were noted.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2010

Part III: Findings and Questioned Costs For Federal Awards:

Instances of Non-Compliance:

No instances of non-compliance were noted.

Internal Control Deficiencies:

No material weaknesses were noted.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2010

Part IV: Other Findings Related to Required Statutory Reporting:

- 10-IV-A Certified Budget: Expenditures for the year ended June 30, 2010, exceeded the amended amount budgeted in the other expenditures function.
- Recommendation: The certified budget was amended in accordance with Chapter 24.9 of the Code of Iowa however construction expenditures exceeded the amended budget at the end of the fiscal year.
- District Response: Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.
- Conclusion: Response accepted.
- 10-IV-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.
- 10-IV-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.
- 10-IV-D Business Transactions: No business transactions between the District and District officials or employees were noted.
- 10-IV-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.
- 10-IV-F Board Minutes: Except as noted in comment 10-IV-N no transactions requiring board approval that had not been approved by the board were noted.
- 10-IV-G Certified Enrollment: No variances in the basic enrollment data certified to the Department of Education were noted.
- 10-IV-H Supplementary Weighting: No variances regarding supplementary weighting certified to the Department of Education were noted.
- 10-IV-I 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.
- 10-IV-J Certified Annual Report: The Certified Annual Report was certified to the Iowa Department of Education timely.
- 10-IV-K Categorical Funding: No instances were noted of categorical funding being used to supplant rather than supplement other funds.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2010

Part IV: Other Findings Related to Required Statutory Reporting (continued):

10-IV-L Statewide Sales, Services and Use Tax: No instances of non-compliance with the use of the statewide sales, services and use 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, services and use tax revenue. For the year ended June 30, 2010, the District's financial activity and other required information for the statewide sales, services and use tax revenue are as follows:

Beginning balance	\$	\$ 868,135
Statewide sales, services and use tax	560,257	
Net revenue bond proceeds	5,952,173	
Interest revenue	55,645	6,568,075
Expenditures/transfers out:		
School infrastructure:		
Buildings and building improvements	1,722,464	
Equipment	13,900	
Debt service for school infrastructure:		
General obligation debt	<u>410,707</u>	<u>2,147,071</u>
Ending balance		<u><u>5,289,139</u></u>

The statewide sales, services and use tax revenue received during the year ended June 30, 2010 is equivalent to a reduction in the following levies:

	Per \$1,000 of Taxable Valuation	Property Tax Dollars
	\$	\$
Debt service Levy	1.96	410,707
Physical plant and equipment levy	.71	149,550

10-IV-M Physical Plant and Equipment Levy Fund: We noted that the Physical Plant and Equipment Levy Fund was used to purchase a maintenance contract.

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 regular maintenance.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2010

Part IV: Other Findings Related to Required Statutory Reporting (continued):

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

Conclusion: Response accepted.

10-IV-N Construction Contract Change Orders: We noted that the Board of Directors did not approve change orders.

Recommendation: All contract changes should be approved by the Board and documented in the minutes.

District Response: All future contract changes will be documented in the minutes.

Conclusion: Response accepted.