

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

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

YEAR ENDED JUNE 30, 2011

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

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Doug Schwartzkopf	President	2013
Pat Vonnahme	Vice President	2013
Sheila Griffin	Board Member	(Resigned) 2011
Jessica Wickman	Board Member	(Appointed) 2011
Lannie Miller	Board Member	2011
Dawn Schmidt	Board Member	2011
Wendell Schmidt	Board Member	2013
Nancy Umsted	Board Member	(Resigned) 2011
Jillian Hanson	Board Member	(Appointed) 2011
School Officials		
Nancy Schmitz	Superintendent	2011
Carla Montag	District Secretary/Treasurer and Business Manager	2011
Steve Avery	Attorney	2011

Cornwell, Frideres, Maher & Associates, P.L.C.

Certified Public Accountants

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of West Bend-Mallard Community School District, West Bend, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

The financial statements of West Bend-Mallard Achievement Foundation have not been audited, and we were not engaged to audit the Foundation's financial statements as part of our audit of the West Bend-Mallard Community School District's basic financial statements. West Bend-Mallard Achievement Foundation's financial statements are included in the District's financial statements as a discretely presented component unit.

Because West Bend-Mallard Achievement Foundation's financial statements have not been audited, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statements of the discretely presented component unit of the West Bend-Mallard Community School District, as of and for the year ended June 30, 2011. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of West Bend-Mallard Community School District at June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated January 10, 2012 on our consideration of West Bend-Mallard Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 14 and 50 through 53 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise West Bend-Mallard Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the eight years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

January 10, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

West Bend-Mallard Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$3,641,895 in fiscal 2010 to \$3,753,707 in fiscal 2011, while General Fund expenditures decreased from \$3,673,094 in fiscal 2010 to \$3,482,737 in fiscal 2011. The District's General Fund balance increased from \$1,097,227 at the end of fiscal 2010 to \$1,368,197 at the end of fiscal 2011, a 24.7% increase.
- The increase in General Fund revenues was attributable to increases in federal grant revenue. The decrease in expenditures was due primarily to the District cutting expenses.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of West Bend-Mallard Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report West Bend-Mallard Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which West Bend-Mallard Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the nonmajor governmental funds.

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

Figure A-1 West Bend-Mallard Community School District Annual Financial Report

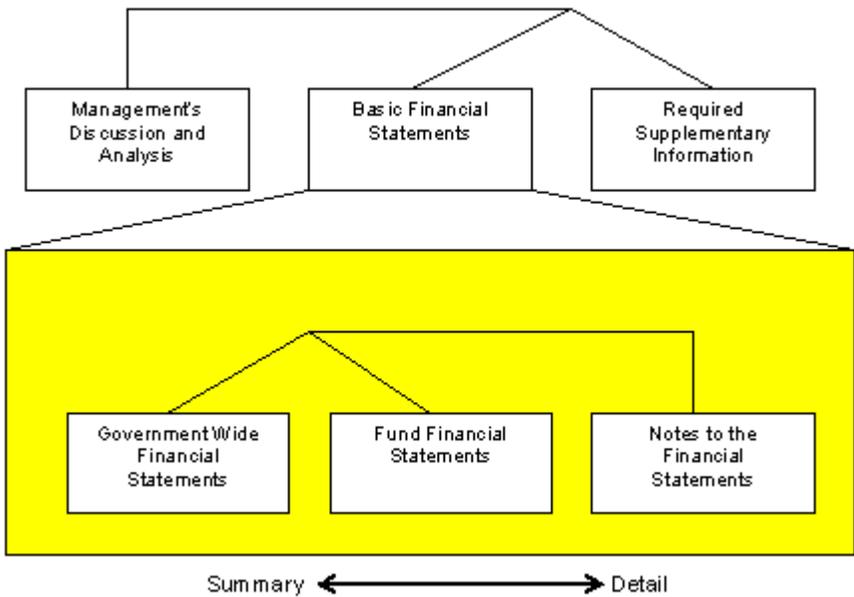


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

The District's governmental funds include the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund.

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

- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Fund, one type of proprietary fund, is the same as its business type activities, but provides more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund. Internal Service Funds, the other type of proprietary fund, are optional and available to report activities that provide supplies and services for other District programs and activities. The District currently has one Internal Service Fund, the 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.

- 3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Agency funds.
 - Agency Funds – These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures.

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2011 compared to June 30, 2010.

Figure A-3							
Condensed Statement of Net Assets							
(Expressed in Thousands)							
	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-2011
Current and other assets	\$ 4,976	4,642	28	27	5,004	4,669	7.2%
Capital assets	<u>1,963</u>	<u>1,944</u>	<u>2</u>	<u>3</u>	<u>1,965</u>	<u>1,947</u>	<u>0.9%</u>
Total assets	<u>6,939</u>	<u>6,586</u>	<u>30</u>	<u>30</u>	<u>6,969</u>	<u>6,616</u>	<u>5.3%</u>
Long-term liabilities	76	302	1	---	77	302	-74.5%
Other liabilities	<u>2,580</u>	<u>2,700</u>	<u>13</u>	<u>15</u>	<u>2,593</u>	<u>2,715</u>	<u>-4.5%</u>
Total liabilities	<u>2,656</u>	<u>3,002</u>	<u>14</u>	<u>15</u>	<u>2,670</u>	<u>3,017</u>	<u>-11.5%</u>
Net assets:							
Invested in capital assets, net of related debt	1,963	1,810	2	3	1,965	1,813	8.4%
Restricted	764	702	---	---	764	702	8.8%
Unrestricted	<u>1,556</u>	<u>1,072</u>	<u>14</u>	<u>12</u>	<u>1,570</u>	<u>1,084</u>	<u>44.8%</u>
Total net assets	<u>\$ 4,283</u>	<u>3,584</u>	<u>16</u>	<u>15</u>	<u>4,299</u>	<u>3,599</u>	<u>19.4%</u>

The District's combined net assets increased 19% or approximately \$700,000, from the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, buildings and equipment), less related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$62,000 or 9%, over the prior year. The increase was primarily a result of increased revenues in the Management Levy, Special Revenue Fund.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately \$486,000 or 45%. This increase in unrestricted net assets was a result of decreased General Fund expenditures.

Figure A-4 shows the changes in net assets for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-4							
Changes in Net Assets							
(Expressed in Thousands)							
	Governmental		Business Type		Total School		Total
	Activities	Activities	Activities	Activities	District	District	Change
	2011	2010	2011	2010	2011	2010	2010-2011
Revenues:							
Program revenues:							
Charges for service	\$ 450	422	97	98	547	520	5.2%
Operating grants, contributions and restricted interest	811	591	64	78	875	669	30.8%
Capital grants, contributions and restricted interest	10	39	---	---	10	39	-74.4%
General revenues:							
Property tax	1,975	2,113	---	---	1,975	2,113	-6.5%
Statewide sales, services and use tax	244	205	---	---	244	205	19.0%
Income surtax	---	43	---	---	---	43	-100.0%
Unrestricted state grants	1,034	858	---	---	1,034	858	20.5%
Unrestricted investment earnings	20	26	---	---	20	26	-23.1%
Other	6	20	---	---	6	20	-70.0%
Total revenues	<u>4,550</u>	<u>4,317</u>	<u>161</u>	<u>176</u>	<u>4,711</u>	<u>4,493</u>	<u>4.9%</u>
Program expenses:							
Governmental activities:							
Instruction	2,477	2,752	---	---	2,477	2,752	-10.0%
Support services	1,022	1,177	---	---	1,022	1,177	-13.2%
Non-instructional programs	4	5	160	175	164	180	-8.9%
Other expenses	348	358	---	---	348	358	-2.8%
Total expenses	<u>3,851</u>	<u>4,292</u>	<u>160</u>	<u>175</u>	<u>4,011</u>	<u>4,467</u>	<u>-10.2%</u>
Increase in net assets	699	25	1	1	700	26	2,592.3%
Net assets beginning of year	<u>3,584</u>	<u>3,559</u>	<u>15</u>	<u>14</u>	<u>3,599</u>	<u>3,573</u>	<u>0.7%</u>
Net assets end of year	\$ 4,283	3,584	16	15	4,299	3,599	19.4%
	=====	=====	=====	=====	=====	=====	=====

In fiscal 2011, property tax and unrestricted state grants account for 66.1% of the revenue from governmental activities while charges for service and operating grants and contributions account for 100% of the revenue from business type activities.

The District's total revenues were approximately \$4.7 million, of which approximately \$4.6 million was for governmental activities and less than \$1 million was for business type activities.

As shown in Figure A-4, the District's as a whole experienced a 4.9% increase in revenues and a 10.2% decrease in expenses. The decrease in expenses is related to the District cutting expenditures in response to the state budget cuts in the prior year.

Governmental Activities

Revenues for governmental activities were \$4,550,271 and expenses were \$3,851,005 for the year ended June 30, 2011. In a difficult budget year, the District was able to balance the budget by trimming expenses below available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2011 compared to the year ended June 30, 2010.

	Total Cost of Services			Net Cost of Services		
	2011	2010	Change 2010-2011	2011	2010	Change 2010-2011
Instruction	\$ 2,477	2,752	-10.0%	1,376	1,894	-27.3%
Support services	1,022	1,177	-13.2%	1,008	1,166	-13.6%
Non-instructional program	4	5	-20.0%	4	5	-20.0%
Other expenses	<u>348</u>	<u>358</u>	<u>-2.8 %</u>	<u>191</u>	<u>175</u>	<u>9.1%</u>
Total	<u>\$ 3,851</u>	<u>4,292</u>	<u>-10.3%</u>	<u>2,579</u>	<u>3,240</u>	<u>-20.4%</u>
	=====	=====	=====	=====	=====	=====

For the year ended June 30, 2011:

- The cost financed by users of the District's programs was \$450,202.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$821,861.
- The net cost of governmental activities was financed with \$2,218,763 in property and other taxes and \$1,033,792 in unrestricted state grants.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2011 were \$160,898, representing a 8.5% decrease from the prior year, while expenses totaled \$160,449, a 8.5% decrease from the prior year. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$2,395,238, above last year's ending fund balances of \$1,944,397. The primary reason for the increase in combined fund balances is related to the decrease in expenditures.

Governmental Fund Highlights

- The General Fund balance increased from \$1,097,227 to \$1,368,197 due, in part to the decrease of expenditures by the District.
- The Debt Service Fund balance decreased from \$150,092 at the end of fiscal year 2010 to \$13,142 at the end of fiscal year 2011. This was due to the final bond payment being made during the year.
- The Capital Projects Fund balance increased from \$379,072 in fiscal 2010 to \$557,235 in fiscal 2011 due, in part to a decrease in expenditures and no required transfer to the debt service fund to make future payments on the bond.

Proprietary Fund Highlights

School Nutrition Fund net assets increased from \$15,292 at June 30, 2010 to \$15,741 at June 30, 2011, representing an increase of approximately 3%.

BUDGETARY HIGHLIGHTS

The District's total revenues were \$106,452 more than total budgeted revenues, a variance of 2.3%. Even though state resources were less than budgeted, this was offset by local and federal sources being more than budgeted.

Total expenditures were less than budgeted by \$653,186 due primarily to the District's budget for the General Fund.

In spite of the District's budgetary practice, the certified budget was exceeded in the other expenditures functional area due to the timing of expenditures at year-end without sufficient time to amend the certified budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the District had invested \$2.0 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 0.9% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$158,313.

The original cost of the District's capital assets was approximately \$7.5 million. Governmental funds account for nearly the entire balance.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-2011
Land	\$ 32	75	---	---	32	75	-57.3%
Buildings	1,560	1,521	---	---	1,560	1,521	2.6%
Improvements other than buildings	42	37	---	---	42	37	13.5%
Furniture and equipment	<u>329</u>	<u>311</u>	<u>2</u>	<u>3</u>	<u>331</u>	<u>314</u>	<u>5.4%</u>
Totals	\$ 1,963	1,944	2	3	1,965	1,947	0.9%
	=====	=====	==	==	=====	=====	=====

Long-Term Debt

At June 30, 2011, the District had \$49,632 long-term debt outstanding. (See Figure A-7) This represents a decrease of approximately 83% from last year. Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

	Total District		Total Change
	June 30,		June 30,
	2011	2010	2010-2011
Revenue bonds	\$ ---	134	-100.0%
Early retirement	<u>50</u>	<u>154</u>	<u>-67.5%</u>
Totals	50	288	-82.6%
	===	===	=====

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- We continue to see an unstable local, state and national economy. This will have an impact on the revenues and expenditures for the District.
- Health care reform is still a big issue not only locally but nationally.
- Going into the 2011-12 fiscal year we received zero percent allowable growth. For 2012-13 we have been promised a 2% allowable growth.
- West Bend-Mallard Community School District entered into a 9-12 whole grade sharing academic agreement with Gilmore City-Bradgate and a 7-12 activity agreement for the 2011-12 school year.
- West Bend-Mallard Community School District had an enrollment increase for the first time in several years.
- We have a significant number of special education students who have decreased in supplemental weighting which results in less revenues; however, the students are being served to the same degree and at the same cost as in the past.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Carla Montag, District Secretary/Treasurer and Business Manager, West Bend-Mallard Community School District, 300 3rd Ave SW, P.O. Box 247, West Bend, Iowa 50597-0247.

Basic Financial Statements

West Bend-Mallard Community School District
West Bend, Iowa

Exhibit A

Statement of Net Assets

June 30, 2011

	Primary Government			Component
	Governmental	Business Type	Total	Unit
	<u>Activities</u>	<u>Activities</u>		<u>WBM Achievement Foundation</u>
Assets				
Cash and cash equivalents	\$ 2,635,369	16,033	2,651,402	33,820
Receivables:				
Property tax:				
Delinquent	28,386	-	28,386	-
Succeeding year	2,101,000	-	2,101,000	-
Accounts	2,479	1,172	3,651	
Due from other governments	208,111	-	208,111	-
Inventories	-	10,982	10,982	-
Capital assets, net of accumulated depreciation	1,963,178	1,720	1,964,898	-
Total assets	6,938,523	29,907	6,968,430	-
Liabilities				
Accounts payable	165,408	1,967	167,375	-
Salaries and benefits payable	296,778	11,334	308,112	-
Deferred revenue:				
Succeeding year property tax	2,101,000	-	2,101,000	-
Other	11,709	-	11,709	-
Early retirement payable	5,212	-	5,212	-
Long-term liabilities:				
Portion due within one year:				
Early retirement payable	30,622	-	30,622	
Portion due after one year:				
Early retirement payable	19,010	-	19,010	-
Net OPEB liability	26,000	865	26,865	-
Total liabilities	2,655,739	14,166	2,669,905	-

(continued)

West Bend-Mallard Community School District
West Bend, Iowa

Exhibit A

Statement of Net Assets

June 30, 2011

	Primary Government			Component
	Governmental	Business Type	Total	Unit
	<u>Activities</u>	<u>Activities</u>		<u>WBM Achievement Foundation</u>
Net assets				
Invested in capital assets, net of related debt	1,963,178	1,720	1,964,898	-
Restricted for:				
Categorical funding	109,205	-	109,205	-
Management levy purposes	369,411	-	369,411	-
Physical plant and equipment levy	184,336	-	184,336	-
Student activities	86,983	-	86,983	-
Debt service	13,412	-	13,412	-
Foundation purposes	-	-	-	33,820
Unrestricted	<u>1,556,259</u>	<u>14,021</u>	<u>1,570,280</u>	<u>-</u>
Total net assets	<u><u>\$ 4,282,784</u></u>	<u><u>15,741</u></u>	<u><u>4,298,525</u></u>	<u><u>33,820</u></u>

See notes to financial statements.

West Bend-Mallard Community School District
West Bend, Iowa
Statement of Activities
Year ended June 30, 2011

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Service</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
Functions/Programs:				
Primary Government:				
Governmental activities:				
Instruction:				
Regular instruction	\$ 1,479,426	262,033	485,244	-
Special instruction	526,354	59,780	74,119	-
Other instruction	471,221	128,389	91,849	-
	<u>2,477,001</u>	<u>450,202</u>	<u>651,212</u>	<u>-</u>
Support services:				
Student	97,178	-	7,947	-
Instructional staff	45,814	-	1,598	-
Administration	386,894	-	-	-
Operation and maintenance of plant	315,373	-	-	-
Transportation	176,283	-	3,825	-
	<u>1,021,542</u>	<u>-</u>	<u>13,370</u>	<u>-</u>
Non-instructional programs	4,209	-	-	-
Other expenditures:				
Facilities acquisition	44,349	-	-	10,468
AEA flowthrough	146,811	-	146,811	-
Depreciation (unallocated)*	157,093	-	-	-
	<u>348,253</u>	<u>-</u>	<u>146,811</u>	<u>10,468</u>
Total governmental activities	3,851,005	450,202	811,393	10,468
Business type activities:				
Non-instructional programs:				
Food service operations	160,449	96,406	64,402	-
Total primary government	\$ 4,011,454	546,608	875,795	10,468
Component Unit:				
WBM Achievement Foundation	\$ 6,770	-	19,855	-
General Revenues:				
Property tax levied for:				
General purposes				
Capital outlay				
Statewide sales, services and use tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Loss on sale of fixed assets				
Total general revenues				
Change in net assets				
Net assets beginning of year				
Net assets end of year				

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

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business Type Activities	Total	WBM Achievement Foundation
(732,149)	-	(732,149)	-
(392,455)	-	(392,455)	-
(250,983)	-	(250,983)	-
<u>(1,375,587)</u>	<u>-</u>	<u>(1,375,587)</u>	<u>-</u>
(89,231)	-	(89,231)	-
(44,216)	-	(44,216)	-
(386,894)	-	(386,894)	-
(315,373)	-	(315,373)	-
(172,458)	-	(172,458)	-
<u>(1,008,172)</u>	<u>-</u>	<u>(1,008,172)</u>	<u>-</u>
(4,209)	-	(4,209)	-
(33,881)	-	(33,881)	-
-	-	-	-
<u>(157,093)</u>	<u>-</u>	<u>(157,093)</u>	<u>-</u>
<u>(190,974)</u>	<u>-</u>	<u>(190,974)</u>	<u>-</u>
<u>(2,578,942)</u>	<u>-</u>	<u>(2,578,942)</u>	<u>-</u>
-	359	359	-
<u>(2,578,942)</u>	<u>359</u>	<u>(2,578,583)</u>	<u>-</u>
-	-	-	13,085
1,807,006	-	1,807,006	-
168,151	-	168,151	-
243,606	-	243,606	-
1,033,792	-	1,033,792	-
19,778	90	19,868	231
18,323	-	18,323	-
(12,448)	-	(12,448)	-
<u>3,278,208</u>	<u>90</u>	<u>3,278,298</u>	<u>231</u>
699,266	449	699,715	13,316
<u>3,583,518</u>	<u>15,292</u>	<u>3,598,810</u>	<u>20,504</u>
<u>\$ 4,282,784</u>	<u>15,741</u>	<u>4,298,525</u>	<u>33,820</u>

West Bend-Mallard Community School District
West Bend, Iowa

Balance Sheet
Governmental Funds

June 30, 2011

	<u>General</u>	<u>Special Revenue Management</u>	<u>Debt Service</u>
Assets			
Cash and pooled investments	\$ 1,649,988	371,169	13,412
Receivables:			
Property tax:			
Delinquent	22,436	3,605	-
Succeeding year	1,638,000	289,000	-
Accounts	2,479	-	-
Due from other governments	163,695	-	-
Total assets	<u>\$ 3,476,598</u>	<u>663,774</u>	<u>13,412</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 161,914	151	-
Salaries and benefits payable	296,778	-	-
Deferred revenue:			
Succeeding year property tax	1,638,000	289,000	-
Other	11,709	-	-
Early retirement payable	-	5,212	-
Total liabilities	<u>2,108,401</u>	<u>294,363</u>	<u>-</u>
Fund balances:			
Restricted for:			
Categorical funding	109,205	-	-
Debt service	-	-	13,412
Management levy purposes	-	369,411	-
Student activities	-	-	-
School infrastructure	-	-	-
Physical plant and equipment	-	-	-
Committed for instructional supplies/programs and equipment	350,000	-	-
Unassigned	908,992	-	-
Total fund balances	<u>1,368,197</u>	<u>369,411</u>	<u>13,412</u>
Total liabilities and fund balances	<u>\$ 3,476,598</u>	<u>663,774</u>	<u>13,412</u>

See notes to financial statements.

Schedule C

<u>Capital Projects</u>	<u>Nonmajor Special Revenue Student Activity</u>	<u>Total</u>
513,817	86,983	2,635,369
2,345	-	28,386
174,000	-	2,101,000
-	-	2,479
44,416	-	208,111
<u>734,578</u>	<u>86,983</u>	<u>4,975,345</u>
3,343	-	165,408
-	-	296,778
174,000	-	2,101,000
-	-	11,709
-	-	5,212
<u>177,343</u>	<u>-</u>	<u>2,580,107</u>
-	-	109,205
-	-	13,412
-	-	369,411
-	86,983	86,983
372,899	-	372,899
184,336	-	184,336
-	-	350,000
-	-	908,992
<u>557,235</u>	<u>86,983</u>	<u>2,395,238</u>
<u>734,578</u>	<u>86,983</u>	<u>4,975,345</u>

West Bend-Mallard Community School District
West Bend, Iowa

Exhibit D

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

June 30, 2011

Total fund balances of governmental funds (page 20)	\$ 2,395,238
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	1,963,178
Long-term liabilities, including bonds payable, early retirement payable and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(75,632)</u>
Net assets of governmental activities (page 16)	<u><u>\$ 4,282,784</u></u>

See notes to financial statements.

West Bend-Mallard Community School District
West Bend, Iowa
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year ended June 30, 2011

	<u>General</u>	<u>Special Revenue Management</u>	<u>Debt Service</u>
Revenues:			
Local sources:			
Local tax	\$ 1,556,878	250,126	-
Tuition	309,043	-	-
Other	49,317	8,454	-
State sources	1,471,487	115	-
Federal sources	366,982	-	-
Total revenues	<u>3,753,707</u>	<u>258,695</u>	<u>-</u>
Expenditures:			
Current:			
Instruction:			
Regular	1,503,588	71,761	-
Special	525,458	99	-
Other	347,862	109	-
	<u>2,376,908</u>	<u>71,969</u>	<u>-</u>
Support services:			
Student	96,777	9	-
Instructional staff	40,915	28	-
Administration	349,692	24,630	-
Operation and maintenance of plant	294,650	16,498	-
Transportation	172,836	3,417	-
	<u>954,870</u>	<u>44,582</u>	<u>-</u>
Non-instructional programs	4,148	61	-
Other expenditures:			
Facilities acquisition	-	-	-
Long-term debt:			
Principal	-	-	134,000
Interest and fiscal charges	-	-	2,680
AEA flowthrough	146,811	-	-
	<u>146,811</u>	<u>-</u>	<u>136,680</u>
Total expenditures	<u>3,482,737</u>	<u>116,612</u>	<u>136,680</u>
Excess (deficiency) of revenues over (under) expenditures	<u>270,970</u>	<u>142,083</u>	<u>(136,680)</u>
Other financing sources :			
Proceeds from sale of fixed assets	-	-	-
Total other financing sources	-	-	-
Net change in fund balances	270,970	142,083	(136,680)
Fund balances beginning of year, as restated	<u>1,097,227</u>	<u>227,328</u>	<u>150,092</u>
Fund balances end of year	<u>\$ 1,368,197</u>	<u>369,411</u>	<u>13,412</u>

See notes to financial statements.

Exhibit E

<u>Capital Projects</u>	<u>Nonmajor Special Revenue Student Activity</u>	<u>Total</u>
411,757	-	2,218,761
-	-	309,043
14,180	124,303	196,254
77	-	1,471,679
-	-	366,982
<u>426,014</u>	<u>124,303</u>	<u>4,562,719</u>
-	-	1,575,349
-	-	525,557
-	127,998	475,969
<u>-</u>	<u>127,998</u>	<u>2,576,875</u>
-	-	96,786
4,871	-	45,814
11,565	-	385,887
21,668	-	332,816
45,211	-	221,464
<u>83,315</u>	<u>-</u>	<u>1,082,767</u>
<u>-</u>	<u>-</u>	<u>4,209</u>
194,201	-	194,201
-	-	134,000
-	-	2,680
-	-	146,811
<u>194,201</u>	<u>-</u>	<u>477,692</u>
<u>277,516</u>	<u>127,998</u>	<u>4,141,543</u>
<u>148,498</u>	<u>(3,695)</u>	<u>421,176</u>
<u>29,665</u>	<u>-</u>	<u>29,665</u>
<u>29,665</u>	<u>-</u>	<u>29,665</u>
178,163	(3,695)	450,841
<u>379,072</u>	<u>90,678</u>	<u>1,944,397</u>
<u>557,235</u>	<u>86,983</u>	<u>2,395,238</u>

West Bend-Mallard Community School District
West Bend, Iowa

Exhibit F

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

Year ended June 30, 2011

Net change in fund balances - total governmental funds (page 23) \$ 450,841

*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 and loss on sale of assets in the current year, as follows:

Expenditures for capital assets	\$ 218,256	
Depreciation expense	(157,093)	
Loss on sale of assets	<u>(42,113)</u>	19,050

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments exceeded issues, as follows:

Repaid		134,000
--------	--	---------

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

2,680

West Bend-Mallard Community School District
West Bend, Iowa

Exhibit F

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

Year ended June 30, 2011

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement	104,556	
Other postemployment benefits	<u>(11,861)</u>	<u>92,695</u>
Change in net assets of governmental activities (page 18)		<u>\$ 699,266</u>

See notes to financial statements.

West Bend-Mallard Community School District
West Bend, Iowa

Exhibit G

Statement of Net Assets
Proprietary Fund

June 30, 2011

	<u>School Nutrition</u>
Assets	
Cash and cash equivalents	\$ 16,033
Accounts receivable	1,172
Inventories	10,982
Capital assets, net of accumulated depreciation	<u>1,720</u>
Total assets	<u>29,907</u>
Liabilities	
Accounts payable	1,967
Salaries and benefits payable	11,334
Net OPEB liability	<u>865</u>
Total liabilities	<u>14,166</u>
Net Assets	
Invested in capital assets	1,720
Unrestricted	<u>14,021</u>
Total net assets	<u>\$ 15,741</u>

See notes to financial statements

West Bend-Mallard Community School District
West Bend, Iowa

Exhibit H

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

Year ended June 30, 2011

	Enterprise <u>Fund</u> School <u>Nutrition</u>	<u>Governmental Activities</u> Internal Service - Self <u>Insurance</u>
Operating revenues:		
Local sources:		
Charges for service	\$ 95,465	400
Miscellaneous	942	-
Total operating revenue	96,407	400
Operating expenses:		
Non-instructional programs:		
Salaries	67,110	-
Benefits	16,703	400
Purchased services	707	-
Supplies	74,709	-
Depreciation	1,220	-
Total operating expenses	160,449	400
Operating loss	(64,042)	-
Non-operating revenues:		
State sources	1,520	-
Federal sources	62,881	-
Interest income	90	-
Total non-operating revenues	64,491	-
Increase in net assets	449	-
Net assets beginning of year	15,292	-
Net assets end of year	\$ 15,741	-

See notes to financial statements.

West Bend-Mallard Community School District
West Bend, Iowa

Exhibit I

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2011

	Enterprise <u>Fund</u> School <u>Nutrition</u>	<u>Governmental Activities</u> Internal Service - Self <u>Insurance</u>
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 95,018	-
Cash received from miscellaneous operating activities	942	400
Cash paid to employees for services	(84,412)	(400)
Cash paid to suppliers for goods or services	<u>(57,115)</u>	<u>-</u>
Net cash used by operating activities	<u>(45,567)</u>	<u>-</u>
Cash flows from non-capital financing activities:		
Interfund loans received (repaid)	(312)	-
State grants received	1,520	-
Federal grants received	<u>47,278</u>	<u>-</u>
Net cash provided by non-capital financing activities	<u>48,486</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	<u>90</u>	<u>-</u>
Net increase in cash and cash equivalents	3,009	-
Cash and cash equivalents beginning of year	<u>13,024</u>	<u>-</u>
Cash and cash equivalents end of year	<u>\$ 16,033</u>	<u>-</u>

West Bend-Mallard Community School District
West Bend, Iowa

Exhibit I

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2011

	Enterprise <u>Fund</u> School <u>Nutrition</u>	Governmental Activities Internal Service - Self <u>Insurance</u>
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	\$ (64,042)	-
Adjustments to reconcile operating loss to net cash used by operating activities:		
Commodities used	15,603	-
Depreciation	1,220	-
(Increase) in accounts receivable	(374)	-
Decrease in inventories	2,698	-
(Decrease) in accounts payable	(73)	-
(Decrease) in salaries and benefits payable	(1,163)	-
Increase in other postemployment benefits	564	-
Net cash used by operating activities	\$ (45,567)	-

Non-cash investing, capital and financing activities:

During the year ended June 30, 2011, the District received \$15,603 of federal commodities.

See notes to financial statements.

West Bend-Mallard Community School District
West Bend, Iowa

Exhibit J

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2011

Agency

Assets

Cash \$ 13,385

Total assets 13,385

Liabilities

Other payables 13,385

Total liabilities 13,385

Net assets \$ -

See notes to financial statements.

West Bend-Mallard Community School District
West Bend, Iowa

Notes to Financial Statements

June 30, 2011

(1) Summary of Significant Accounting Policies

West Bend-Mallard Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the cities of West Bend and Mallard, Iowa, and the predominate agricultural territory in Palo Alto, Kossuth, Pocahontas and Humboldt counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, West Bend-Mallard Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District.

The financial statements present the West Bend-Mallard Community School District and its component unit, the West Bend-Mallard Achievement Foundation. The component unit, discussed below, is included in the District's reporting entity because of the nature and significance of its operational or financial relationship with the District.

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

West Bend-Mallard Community School District
West Bend, Iowa

Notes to Financial Statements

June 30, 2011

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

Jointly Governed Organizations - The District participates in jointly governed organizations that provide services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Palo Alto and Kossuth County Assessor's Conference boards.

B. Basis of Presentation

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

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in the following 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 preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

West Bend-Mallard Community School District
West Bend, Iowa

Notes to Financial Statements

June 30, 2011

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

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

The District reports the following major governmental funds:

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

The Special Revenue, Management Levy Fund is to account for the cost of unemployment benefits, liability insurance and agreements, costs of judgments and certain early retirement benefits.

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

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

The District reports the following major proprietary fund:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

Additionally, the District reports a non-major proprietary fund. The Internal Service, Self Insurance Fund is utilized to account for the District's self insurance plan.

West Bend-Mallard Community School District
West Bend, Iowa

Notes to Financial Statements

June 30, 2011

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

West Bend-Mallard Community School District
West Bend, Iowa

Notes to Financial Statements

June 30, 2011

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.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

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

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

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

D. Assets, Liabilities and Fund Equity

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

West Bend-Mallard Community School District
West Bend, Iowa

Notes to Financial Statements

June 30, 2011

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 become due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2010.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

West Bend-Mallard Community School District
West Bend, Iowa

Notes to Financial Statements

June 30, 2011

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

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

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 1,000
Buildings	1,000
Improvements other than buildings	1,000
Furniture and equipment:	
School Nutrition Fund equipment	300
Other furniture and equipment	1,000

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

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	40-50 years
Improvements other than buildings	15-20 years
Furniture and equipment	5-10 years

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

West Bend-Mallard Community School District
West Bend, Iowa

Notes to Financial Statements

June 30, 2011

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

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

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

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

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned – All amounts not included in other spendable classifications.

West Bend-Mallard Community School District
West Bend, Iowa

Notes to Financial Statements

June 30, 2011

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

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2011 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, 2011, the District had investments in the Iowa School Joint Investment Trust Diversified Portfolio which are valued at an amortized cost of \$558,855 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

West Bend-Mallard Community School District
West Bend, Iowa

Notes to Financial Statements

June 30, 2011

(3) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. Bankers Trust Co. NA is the trustee for the program.

The District pledges its state foundation aid payments and General Fund receipts as security for the warrants issued. Repayments must be made when General Fund receipts are received. The District must make minimum warrant repayments on the 25th of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The interest rate on the Series 2010-11A warrants is 1.20% plus the one-month LIBOR rate, adjusted daily. The interest rate on the Series 2010-11B warrants is a variable rate, calculated daily based upon the LIBOR rate plus 120 basis points. There was no ISCAP advance activity during the year ended June 30, 2011.

During the year ended June 30, 2011, the District paid no interest on the ISCAP warrants.

West Bend-Mallard Community School District
West Bend, Iowa

Notes to Financial Statements

June 30, 2011

(4) Capital Assets

Capital assets activity for the year ended June 30, 2011 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ <u>74,705</u>	---	<u>(42,113)</u>	<u>32,592</u>
Total capital assets not being depreciated	<u>74,705</u>	---	<u>(42,113)</u>	<u>32,592</u>
Capital assets being depreciated:				
Buildings	3,642,908	129,406	---	3,772,314
Improvements other than buildings	112,858	7,028	---	119,886
Furniture and equipment	<u>3,516,823</u>	<u>81,822</u>	<u>(1,376)</u>	<u>3,597,269</u>
Total capital assets being depreciated	<u>7,272,589</u>	<u>218,256</u>	<u>(1,376)</u>	<u>7,489,469</u>
Less accumulated depreciation for:				
Buildings	2,122,026	90,256	---	2,212,282
Improvements other than buildings	75,350	2,963	---	78,313
Furniture and equipment	<u>3,205,790</u>	<u>63,874</u>	<u>(1,376)</u>	<u>3,268,288</u>
Total accumulated depreciation	<u>5,403,166</u>	<u>157,093</u>	<u>(1,376)</u>	<u>5,558,883</u>
Total capital assets being depreciated, net	<u>1,869,423</u>	<u>61,163</u>	---	<u>1,930,586</u>
Governmental activities capital assets, net	<u>\$ 1,944,128</u>	<u>61,163</u>	<u>(42,113)</u>	<u>1,963,178</u>
	=====	=====	=====	=====
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Furniture and equipment	\$ 39,299	---	---	39,299
Less accumulated depreciation	<u>36,359</u>	<u>1,220</u>	---	<u>37,579</u>
Business type activities capital assets, net	<u>\$ 2,940</u>	<u>(1,220)</u>	---	<u>1,720</u>
	=====	=====	=====	=====

West Bend-Mallard Community School District
West Bend, Iowa

Notes to Financial Statements

June 30, 2011

Depreciation expense was charged to the following functions:

Governmental activities:	
Unallocated	\$ <u>157,093</u>
Total depreciation expense – governmental activities	\$ 157,093
	=====
Business type activities:	
Food service operations	\$ 1,220
	=====

(5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2011 are summarized as follows:

	Balance Beginning of Year	<u>Additions</u>	<u>Reductions</u>	Balance End of Year	Due Within One Year
Governmental activities:					
Revenue bonds	\$ 134,000	---	134,000	---	---
Early retirement	154,188	---	104,556	49,632	30,622
Net OPEB liability	<u>14,139</u>	<u>11,861</u>	---	<u>26,000</u>	---
Total	\$ 302,327	11,861	238,556	75,632	30,622
	=====	=====	=====	=====	=====
Business type activities:					
Net OPEB liability	\$ 301	564	---	865	---
	=====	=====	=====	=====	=====

Revenue Bonds

The District's statewide sales, services and use tax revenue bond is paid off as of June 30, 2011.

West Bend-Mallard Community School District
West Bend, Iowa

Notes to Financial Statements

June 30, 2011

The District has pledged future statewide sales, services and use tax revenues to repay the \$268,000 of bonds issued in August 2008. The bonds were issued for the purpose of financing a portion of the costs of school renovations. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2011. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. For the current year, principal and interest paid and total statewide sales, services and use tax revenues were \$136,680 and \$243,606, respectively.

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

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

The District complied with all of the revenue bond provisions during the year ended June 30, 2011.

Termination Benefits

The District offered a voluntary early retirement plan to its certified employees for employees retiring in fiscal 2010 and prior years. Eligible employees must have completed ten years of continuous service to the District and must have reached the age of fifty-five prior to August 15 in the calendar year in which the early retirement commences. Employees must complete an application which is subject to approval by the Board of Education.

West Bend-Mallard Community School District
West Bend, Iowa

Notes to Financial Statements

June 30, 2011

For employees retiring during or before June 30, 2009 the early retirement benefits equal 50% of the employee's regular contractual salary in effect during the employee's last year of employment. In addition, the District will pay on behalf of the employee a monthly amount toward continued participation in the District's then existing health insurance plan until the employee is eligible for Medicare.

For employees retiring during the year ended June 30, 2010 the early retirement benefit equals \$25,000 plus \$100 for each year of service plus \$50 for each unused sick day up to 110 days. This benefit can be applied to current health insurance premiums, a lump sum payment or a combination of both. Employees may stay on the District's health insurance plan, but they must pay for the cost of the premiums.

At June 30, 2011, the District has obligations to four participants with a total liability of \$49,632. Actual early retirement expenditures for the year ended June 30, 2011 totaled \$64,445.

(6) Pension and Retirement Benefits

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

Plan members are required to contribute 4.50% of their annual covered salary and the District is required to contribute 6.95% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$137,354, \$144,631 and \$129,285, respectively, equal to the required contributions for each year.

(7) Other Postemployment Benefits (OPEB)

Plan Description – The District operates a single-employer retiree benefit plan which provides medical benefits for retirees and their spouses. There are 31 active and eight retired members in the plan. Participants must be age 55 or older and have at least 10 years of service to the District at retirement.

West Bend-Mallard Community School District
West Bend, Iowa

Notes to Financial Statements

June 30, 2011

The medical benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical benefits as active employees, which results in an implicit rate 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 which, 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, 2011, the amount actually contributed to the plan and changes in the District’s net OPEB obligation:

Annual required contribution	\$ 19,548
Interest on net OPEB obligation	361
Adjustment to annual required contribution	<u>(1,441)</u>
Annual OPEB cost	18,468
Contributions made	<u>(6,043)</u>
Increase in net OPEB obligation	12,425
Net OPEB obligation beginning of year	<u>14,440</u>
Net OPEB obligation end of year	\$ 26,865
	=====

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, 2011.

For the year ended June 30, 2011, the District contributed \$6,043 to the medical plan. Plan members eligible for benefits contributed \$16,684 of the premium costs.

West Bend-Mallard Community School District
West Bend, Iowa

Notes to Financial Statements

June 30, 2011

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, 2011 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 18,203	20.7%	\$ 14,440
2011	18,468	32.7%	26,865

Funded Status and Funding Progress – As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$188,015, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$188,015. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,118,000 and the ratio of the UAAL to covered payroll was 16.8%. As of June 30, 2011, 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, presents 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%.

West Bend-Mallard Community School District
West Bend, Iowa

Notes to Financial Statements

June 30, 2011

Mortality rates are from the 94 Group Annuity Mortality Table Projected to 2000, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2008 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2008.

Projected claim costs of the medical plan are \$604 per month for retirees less than age 65. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(8) Risk Management

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

(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 \$146,811 for the year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Operating Leases

The West Bend-Mallard Community School District and the City of West Bend entered into an operating lease whereby the District agreed to lease to the City a portion of school grounds containing the swimming pool for a term of five years commencing August 1, 2008. The City shall pay five dollars per year for five years payable on or before each anniversary date, the first payment due August 1, 2008.

The District entered into an operating lease with Bro Business Center for the rental of a copier on July 18, 2006 for a period of 60 months. The amount paid for the fiscal year ended June 30, 2011 was \$11,565. There are no fixed future rentals as payments are based on the number of copies made.

West Bend-Mallard Community School District
West Bend, Iowa

Notes to Financial Statements

June 30, 2011

(11) Categorical Funding

The District's reserved fund balance for categorical funding at June 30, 2011 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Beginning teacher mentoring and induction program	\$ 2,674
Teacher salary supplement	23,677
Empowerment professional development	4,500
Professional development – model core curriculum	16,033
Professional development	28,030
Dropout prevention	<u>34,291</u>
Total	<u>\$ 109,205</u>

(12) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	Capital Projects	Special Revenue, Physical Plant and Equipment Levy
Balances June 30, 2010 as previously reported	\$ 215,460	163,612
Change in fund type classification per implementation of GASB Statement No. 54	<u>163,612</u>	<u>(163,612)</u>
Balances July 1, 2010, as restated	\$ 379,072	---
	=====	=====

West Bend-Mallard Community School District
West Bend, Iowa

Notes to Financial Statements

June 30, 2011

(14) Subsequent Events

Subsequent events have been evaluated through January 10, 2012 which is the date the financial statements were available to be issued.

On August 23, 2011 the District approved the 7-12 Athletic Sharing Agreement with Gilmore City – Bradgate Community School District.

Required Supplementary Information

West Bend-Mallard Community School District
West Bend, Iowa

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

Required Supplementary Information

Year ended June 30, 2011

	Governmental Funds <u>Actual</u>	Proprietary Fund <u>Actual</u>
Revenues:		
Local sources	\$ 2,724,058	96,497
Intermediate sources	-	-
State sources	1,471,679	1,520
Federal sources	<u>366,982</u>	<u>62,881</u>
Total revenues	<u>4,562,719</u>	<u>160,898</u>
Expenditures/Expenses:		
Instruction	2,576,875	-
Support services	1,082,767	-
Non-instructional programs	4,209	160,449
Other expenditures	<u>477,692</u>	<u>-</u>
Total expenditures/expenses	<u>4,141,543</u>	<u>160,449</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	421,176	449
Other financing sources, net	<u>29,665</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses	450,841	449
Balances beginning of year	<u>1,944,397</u>	<u>15,292</u>
Balances end of year	<u>\$ 2,395,238</u>	<u>15,741</u>

See accompanying independent auditor's report.

Total <u>Actual</u>	<u>Budgeted Amounts</u>		Final to Actual <u>Variance</u>
	<u>Original</u>	<u>Final</u>	
2,820,555	2,745,926	2,745,926	74,629
-	1,500	1,500	(1,500)
1,473,199	1,619,739	1,619,739	(146,540)
<u>429,863</u>	<u>250,000</u>	<u>250,000</u>	<u>179,863</u>
<u>4,723,617</u>	<u>4,617,165</u>	<u>4,617,165</u>	<u>106,452</u>
2,576,875	2,838,767	2,838,767	261,892
1,082,767	1,291,950	1,291,950	209,183
164,658	485,500	485,500	320,842
<u>477,692</u>	<u>338,961</u>	<u>338,961</u>	<u>(138,731)</u>
<u>4,301,992</u>	<u>4,955,178</u>	<u>4,955,178</u>	<u>653,186</u>
421,625	(338,013)	(338,013)	759,638
<u>29,665</u>	<u>140,000</u>	<u>140,000</u>	<u>(110,335)</u>
451,290	(198,013)	(198,013)	649,303
<u>1,959,689</u>	<u>1,863,929</u>	<u>1,863,929</u>	<u>95,760</u>
<u>2,410,979</u>	<u>1,665,916</u>	<u>1,665,916</u>	<u>745,063</u>

West Bend-Mallard Community School District
West Bend, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2011

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated 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 ended June 30, 2011, expenditures in the other expenditures function exceeded the amount budgeted.

West Bend-Mallard 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)
2010	July 1, 2009	-	\$188,015	188,015	0.0%	\$1,062,000	17.7%
2011	July 1, 2009	-	188,015	188,015	0.0%	1,118,000	16.8%

See Note 7 In the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

Other Supplementary Information

West Bend-Mallard Community School District
West Bend, Iowa

Schedule 1

Combining Balance Sheet
Capital Project Accounts

June 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	<u>Total</u>
Assets			
Cash and pooled investments	\$ 328,483	185,334	513,817
Receivables:			
Property tax:			
Delinquent	-	2,345	2,345
Succeeding year	-	174,000	174,000
Due from other governments	44,416	-	44,416
Total assets	\$ 372,899	361,679	734,578
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ -	3,343	3,343
Deferred revenue:			
Succeeding year property tax	-	174,000	174,000
Total liabilities	-	177,343	177,343
Fund Balances:			
Restricted for:			
School infrastructure	372,899	-	372,899
Physical plant and equipment	-	184,336	184,336
Total fund balances	372,899	184,336	557,235
Total liabilities and fund balances	\$ 372,899	361,679	734,578

See accompanying independent auditor's report.

West Bend-Mallard Community School District
West Bend, Iowa

Schedule 2

Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Capital Project Accounts

Year ended June 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 243,606	168,151	411,757
Other	2,390	11,790	14,180
State sources	-	77	77
Total revenues	245,996	180,018	426,014
Expenditures:			
Support services:			
Instructional staff	-	4,871	4,871
Administration	-	11,565	11,565
Operation and maintenance of plant	-	21,668	21,668
Transportation	-	45,211	45,211
Other expenditures:			
Facilities acquisition	88,557	105,644	194,201
Total expenditures	88,557	188,959	277,516
Excess (deficiency) of revenues over (under) expenditures	157,439	(8,941)	148,498
Other financing sources:			
Proceeds from sale of fixed assets	-	29,665	29,665
Total other financing sources	-	29,665	29,665
Excess of revenues and other financing sources over expenditures	157,439	20,724	178,163
Fund balances beginning of year, as restated	215,460	163,612	379,072
Fund balances end of year	\$ 372,899	184,336	557,235

See accompanying independent auditor's report.

West Bend-Mallard Community School District
West Bend, Iowa

Schedule 3

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2011

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues and Intrafund Transfers</u>	<u>Expenditures</u>	<u>Intra- Fund Transfers</u>	<u>Balance End of Year</u>
HS Athletics	\$ 13,624	52,726	54,848	-	11,502
Weightlifting	540	-	-	-	540
HS Padlock-Athletics	982	-	-	-	982
HS Towel Fees-Athletics	1,712	500	457	-	1,755
Dramatics	391	1,566	1,130	-	827
Annual	11,830	6,051	6,981	-	10,900
Class of:					
2008	326	-	-	-	326
2010	594	-	203	-	391
2011	907	20	491	-	436
2012	-	8,190	7,221	-	969
Vocal Music	904	-	-	-	904
Band	1,026	115	45	-	1,096
Swing Choir	2	-	-	-	2
Flagline	653	-	-	-	653
HS Cheerleading	2,180	646	913	-	1,913
Drill Team	6,294	11,946	10,576	-	7,664
FFA	6,870	14,549	15,634	-	5,785
Concession Stand	1,116	-	-	-	1,116
HS Student Council	4,914	3,774	3,841	-	4,847
WBM-TV	817	-	-	-	817
Home Economics	185	64	-	-	249
NOW Account Interest	5,509	620	1,943	-	4,186
HS Quiz Bowl	932	-	90	-	842
Elementary Classes	8,795	9,694	9,187	-	9,302
MS Industrial Ed	295	-	-	-	295
MS Quiz Bowl	308	1,034	1,061	-	281
MS Cheerleading	173	-	-	-	173

West Bend-Mallard Community School District
West Bend, Iowa

Schedule 3

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2011

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues and Intrafund Transfers</u>	<u>Expenditures</u>	<u>Intra- Fund Transfers</u>	<u>Balance End of Year</u>
Four x Four Shop - Wood	4,947	2,947	4,706	-	3,188
Four x Four Shop - Motor	5,251	470	236	-	5,485
Spanish Club	11	-	-	-	11
Design Plus	1,985	1,543	2,256	-	1,272
Library	337	334	-	-	671
Business Club	-	329	295	-	34
MS Drama	47	412	458	-	1
MS Music	544	-	171	-	373
MS Programs	3,713	6,673	5,090	-	5,296
MS Student Council	1,964	100	165	-	1,899
Total	<u>\$ 90,678</u>	<u>124,303</u>	<u>127,998</u>	<u>-</u>	<u>86,983</u>

See accompanying independent auditor's report.

West Bend-Mallard Community School District
West Bend, Iowa

Schedule 4

Schedule of Changes in Fiduciary Assets and Liabilities -
Agency Fund

Year ended June 30, 2011

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
Assets				
Cash	<u>\$ 13,565</u>	<u>822</u>	<u>1,002</u>	<u>13,385</u>
Total assets	<u>\$ 13,565</u>	<u>822</u>	<u>1,002</u>	<u>13,385</u>
Liabilities				
Other payables	<u>\$ 13,565</u>	<u>822</u>	<u>1,002</u>	<u>13,385</u>
Total liabilities	<u>\$ 13,565</u>	<u>822</u>	<u>1,002</u>	<u>13,385</u>

See accompanying independent auditor's report.

West Bend-Mallard Community School District
West Bend, Iowa

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

For the Last Nine Years

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>Modified</u> <u>2008</u>
Revenues:				
Local sources:				
Local tax	\$ 2,218,761	2,503,273	2,486,074	2,329,743
Tuition	309,043	279,735	255,954	257,180
Other	196,254	224,016	259,149	273,386
Intermediate sources	-	-	-	1,366
State sources	1,471,679	1,256,291	1,527,841	1,431,883
Federal sources	366,982	246,546	120,809	106,540
Total	<u>\$ 4,562,719</u>	<u>4,509,861</u>	<u>4,649,827</u>	<u>4,400,098</u>
Expenditures:				
Instruction:				
Regular	\$ 1,575,349	1,602,691	1,437,769	1,606,470
Special	525,557	575,468	549,038	498,462
Other	475,969	515,811	444,176	603,603
Support services:				
Student	96,786	217,956	90,298	110,453
Instructional staff	45,814	46,312	38,157	52,549
Administration	385,887	356,752	387,146	599,540
Operation and maintenance of plant	332,816	317,397	387,426	380,714
Transportation	221,464	355,451	238,288	252,249
Central support	-	-	-	-
Non-instructional programs	4,209	4,558	5,162	5,143
Other expenditures:				
Facilities acquisition	194,201	151,715	232,626	508,374
Long-term debt:				
Principal	134,000	134,000	-	-
Interest and other charges	2,680	8,040	4,318	-
AEA flowthrough	146,811	145,131	127,371	121,327
Total	<u>\$ 4,141,543</u>	<u>4,431,282</u>	<u>3,941,775</u>	<u>4,738,884</u>

See accompanying independent auditor's report.

Accrual Basis

<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
2,350,050	2,121,619	2,137,957	2,081,984	2,085,579
222,499	212,765	203,804	246,565	223,348
259,385	265,862	276,662	240,563	266,260
18,811	-	-	-	-
1,278,799	1,359,995	1,360,229	1,238,204	1,308,225
143,135	274,407	190,334	144,957	284,366
<u>4,272,679</u>	<u>4,234,648</u>	<u>4,168,986</u>	<u>3,952,273</u>	<u>4,167,778</u>
1,550,115	1,397,220	1,309,868	1,249,954	1,209,420
452,149	448,412	392,443	494,345	441,863
696,849	742,600	798,900	612,317	675,520
75,326	78,421	64,401	71,936	69,406
61,647	123,896	132,145	144,404	124,455
538,976	568,338	542,428	507,787	462,999
375,856	376,979	324,611	298,720	305,716
236,740	225,673	180,186	158,513	211,613
-	-	-	10,668	38,963
3,286	18,774	30,559	19,578	35,755
333,210	247,033	339,802	200,019	189,709
-	-	110,000	105,000	114,167
-	-	4,815	9,120	13,873
117,836	115,152	115,716	117,538	127,947
<u>4,441,990</u>	<u>4,342,498</u>	<u>4,345,874</u>	<u>3,999,899</u>	<u>4,021,406</u>

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of West Bend-Mallard Community School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 10, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and 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, 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 I of the accompanying Schedule of Findings as items I-A-11 and I-B-11 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether West Bend-Mallard Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of West Bend-Mallard Community School District and other parties to whom West Bend-Mallard Community School District may report, including federal awarding agencies and pass-through entities, 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 Bend-Mallard Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

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

January 10, 2012

West Bend-Mallard Community School District
West Bend, Iowa

Schedule of Findings

Year ended June 30, 2011

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

I-A-11 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

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

Response – We are doing everything we can within our situation and make improvements as the situation changes. We now have an independent person open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued.

Conclusion – Response acknowledged. The District should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

I-B-11 Preparation of Financial Statements – The District does not have an internal control system designed to provide for the preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America. Therefore, as auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. This circumstance is not unusual for an entity similar in size to West Bend-Mallard Community School District. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

West Bend-Mallard Community School District
West Bend, Iowa

Schedule of Findings

Year ended June 30, 2011

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

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

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

West Bend-Mallard Community School District
West Bend, Iowa

Schedule of Findings

Year ended June 30, 2011

Part II: Other Findings Related to Required Statutory Reporting:

II-A-11 Certified Budget - Expenditures for the year ended June 30, 2011, exceeded the certified budget amounts in the other expenditures function.

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

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

Conclusion - Response accepted.

II-B-11 Questionable Expenditures - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

II-C-11 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-11 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Doug Schwartzkopf, Board Member Co-owner West Bend Journal	Publications	\$2,440

In accordance with an Attorney General’s opinion dated November 9, 1976, the transactions with Board Member Schwartzkopf do not appear to be a conflict of interest.

West Bend-Mallard Community School District
West Bend, Iowa

Schedule of Findings

Year ended June 30, 2011

II-E-11 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage is reviewed annually to ensure the coverage is adequate for current operations.

II-F-11 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.

II-G-11 Certified Enrollment - One variance in the basic enrollment data certified to the Department of Education was noted. The District counted one student as a resident student that open enrolled into another District. The student had moved into that District before the count date and should not have been counted.

Recommendation – The District should develop procedures to ensure open enrolled out students are still living within the District and accurate enrollment data is certified to the Iowa Department of Education.

Response – In the future, opened enrolled out students will be verified to ensure they should be counted as resident students.

Conclusion – Response accepted.

II-H-11 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

II-I-11 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

II-J-11 Certified Annual Report - The Certified Annual Report was certified timely to the Iowa Department of Education.

II-K-11 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.

II-L-11 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.

West Bend-Mallard Community School District
West Bend, Iowa

Schedule of Findings

Year ended June 30, 2011

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. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 215,460
Revenues:		
Sales tax revenues	\$ 243,606	
Other local revenues	<u>2,390</u>	<u>245,996</u>
		461,456
Expenditures:		
Equipment		<u>88,557</u>
Ending balance		\$ <u>372,899</u>

For the year ended June 30, 2011, the District did not reduce any levies as a result of the money received under Chapter 423E or 423F of the code of Iowa.

II-M-11 Revenue Bonds – The provisions of the District's revenue bond resolutions were complied with.