

**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, 2013**

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

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
Doug Schwartzkopf	President	2013
Pat Vonnahme	Vice President	2013
Wendell Schmidt	Board Member	2013
Mark Collins	Board Member	2015
Jillian Hanson	Board Member	2015
Dawn Schmidt	Board Member	2015
John Zaugg	Board Member	2015
<b>School Officials</b>		
Nancy Schmitz	Superintendent	2013
Carla Montag	District Secretary/Treasurer and Business Manager	2013
Steve Avery	Attorney	2013

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

## Certified Public Accountants

714 14th Avenue North  
Fort Dodge, IA 50501-7098  
Phone 515.955.4805 • Fax 515.955.4673

Lowell W. Cornwell, C.P.A.  
lwcornwell@frontiernet.net

Christine R. Frideres, C.P.A.  
crfrideres@frontiernet.net

Jerilyn J. Maher, C.P.A.  
jjmaher@frontiernet.net

### Independent Auditor's Report

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

#### Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

#### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

#### Basis for Qualified Opinion

The financial statements of West Bend-Mallard Achievement Foundation have not been audited, and we were not engaged to audit the West Bend-Mallard Achievement Foundation financial statements as part of our audit of the District's basic financial statements. West Bend-Mallard Achievement Foundation's financial activities are included in the District's basic financial statements as a discretely presented component unit and represent 100 percent of the assets, net position and revenues of the District's aggregate discretely presented component units.

#### Qualified Opinion

In our opinion, except for the possible effects of the matter discussed in the "Basis for Qualified Opinion" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregate discretely presented component unit of West Bend-Mallard Community School District as of June 30, 2013, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### Unmodified Opinions

In our opinion, the financial statements referred to in the first paragraph 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 as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

#### Other Matters

##### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 15 and 46 through 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We

do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Supplementary Information*

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 third paragraph of this report, the financial statements for the nine years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 7, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 12, 2014 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 in considering West Bend-Mallard Community School District's internal control over financial reporting and compliance.

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

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

March 12, 2014

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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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, 2013. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### 2013 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$3,523,310 in fiscal 2012 to \$3,563,490 in fiscal 2013, while General Fund expenditures increased from \$3,540,085 in fiscal 2012 to \$3,676,750 in fiscal 2013. The District's General Fund balance decreased from \$1,351,422 at the end of fiscal 2012 to \$1,238,562 at the end of fiscal 2013, an 8.4% decrease.
- The increase in General Fund revenues was attributable to increases in state grant revenue. The increase in expenditures was due primarily to an increase in negotiated salaries and benefits.

### 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 Position 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.

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.

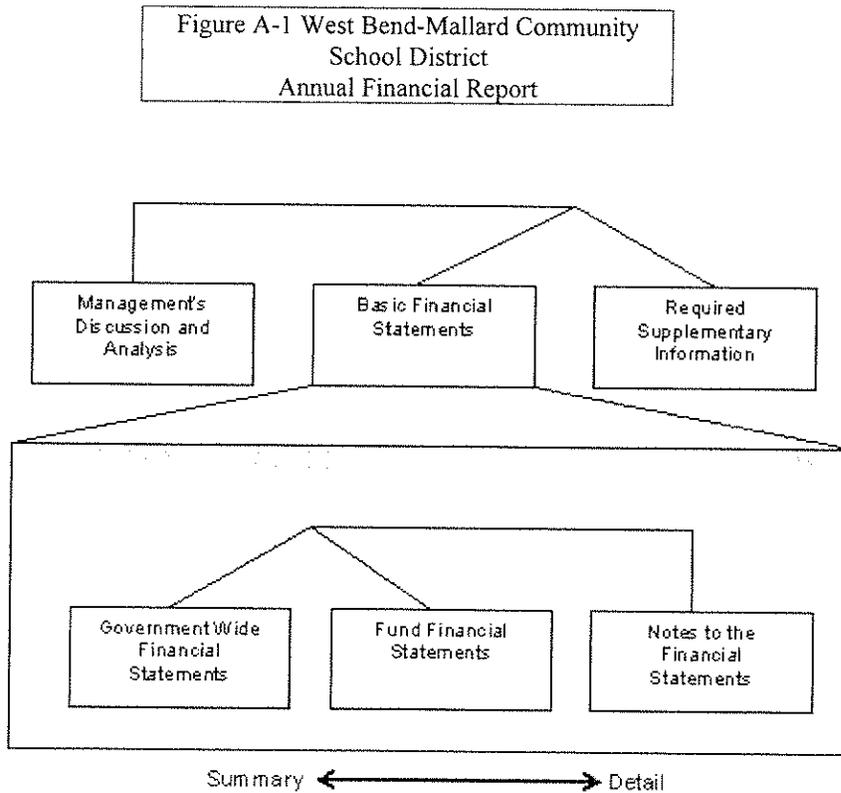


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

<b>Figure A-2: Major Features of the Government Wide and Fund Financial Statements</b>				
	Government-wide Statements	Fund 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"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of cash flows</li> <li>• Statement of revenues, expenses and changes in net assets</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial 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 Position 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 position and how it has changed. Net position – the difference between the District's assets and liabilities – is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position is 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's Enterprise Fund is the School Nutrition Fund.

The required financial statements for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position 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 Position and a Statement of Changes in Fiduciary Net Position.

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 position at June 30, 2013 compared to June 30, 2012.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-2013
Current and other assets	\$ 5,361	5,073	28	32	5,389	5,105	5.6%
Capital assets	<u>1,995</u>	<u>2,030</u>	<u>11</u>	<u>12</u>	<u>2,006</u>	<u>2,042</u>	<u>-1.8%</u>
Total assets	<u>7,356</u>	<u>7,103</u>	<u>39</u>	<u>44</u>	<u>7,395</u>	<u>7,147</u>	<u>3.5%</u>
Long-term liabilities	88	63	2	1	90	64	40.6%
Other liabilities	<u>2,519</u>	<u>2,373</u>	<u>15</u>	<u>14</u>	<u>2,534</u>	<u>2,387</u>	<u>6.2%</u>
Total liabilities	<u>2,607</u>	<u>2,436</u>	<u>17</u>	<u>15</u>	<u>2,624</u>	<u>2,451</u>	<u>7.1%</u>
Net position:							
Net investment in capital assets	1,995	2,030	11	12	2,006	2,042	-1.8%
Restricted	1,725	1,471	---	---	1,725	1,471	17.3%
Unrestricted	<u>1,029</u>	<u>1,166</u>	<u>11</u>	<u>17</u>	<u>1,040</u>	<u>1,183</u>	<u>-12.1%</u>
Total net position	<u>\$ 4,749</u>	<u>4,667</u>	<u>22</u>	<u>29</u>	<u>4,771</u>	<u>4,696</u>	<u>1.6%</u>

The District's total net position increased 1.6% or approximately \$75,000, from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, buildings and equipment), less the 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 position increased approximately \$254,000, or 17.3%, over the prior year.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately \$143,000 or 12%.

Figure A-4 shows the changes in net position for the year ended June 30, 2013 compared to the year ended June 30, 2012.

<b>Figure A-4</b>							
<b>Changes in Net Position</b>							
<b>(Expressed in Thousands)</b>							
	Governmental Activities		Business Type Activities		Total School District		Total Change
	2013	2012	2013	2012	2013	2012	2012-2013
Revenues:							
Program revenues:							
Charges for service	\$ 475	548	107	101	582	649	-10.3%
Operating grants, contributions and restricted interest	565	580	72	83	637	663	-3.9%
Capital grants, contributions and restricted interest	57	21	---	11	57	32	78.1%
General revenues:							
Property tax	1,867	2,102	---	---	1,867	2,102	-11.2%
Statewide sales, services and use tax	275	245	---	---	275	245	12.2%
Unrestricted state grants	1,046	908	---	---	1,046	908	15.2%
Unrestricted investment earnings	16	19	---	---	16	19	-15.8%
Other	33	8	---	---	33	8	312.5%
Total revenues	<u>4,334</u>	<u>4,431</u>	<u>179</u>	<u>195</u>	<u>4,513</u>	<u>4,626</u>	<u>-2.4%</u>
Program expenses:							
Instruction	2,700	2,524	---	---	2,700	2,524	7.0%
Support services	1,223	1,128	---	1	1,223	1,129	8.3%
Non-instructional programs	5	3	186	181	191	184	3.8%
Other expenses	324	392	---	---	324	392	-17.3%
Total expenses	<u>4,252</u>	<u>4,047</u>	<u>186</u>	<u>182</u>	<u>4,438</u>	<u>4,229</u>	<u>4.9%</u>
Increase (decrease) in net position	82	384	(7)	13	75	397	-81.1%
Net position beginning of year	<u>4,667</u>	<u>4,283</u>	<u>29</u>	<u>16</u>	<u>4,696</u>	<u>4,299</u>	<u>9.2%</u>
Net position end of year	<u>\$ 4,749</u>	<u>4,667</u>	<u>22</u>	<u>29</u>	<u>4,771</u>	<u>4,696</u>	<u>1.6%</u>

In fiscal 2013, property tax and unrestricted state grants account for 67.2% of the revenue from governmental activities while charges for service and operating grants and contributions account for 100% of the revenue from business type activities.

The District's total revenues were approximately \$4.5 million, of which approximately \$4.3 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 2.4% decrease in revenues and a 4.9% increase in expenses. The District was still able to keep expenditures less than revenues during the year.

### Governmental Activities

Revenues for governmental activities were \$4,333,977 and expenses were \$4,251,671 for the year ended June 30, 2013. In a difficult budget year, the District was able to balance the budget by keeping expenses less than 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, 2013 compared to the year ended June 30, 2012.

	Total Cost of Services			Net Cost of Services		
	2013	2012	Change 2012-2013	2013	2012	Change 2012-2013
Instruction	\$ 2,700	2,524	7.0%	1,779	1,538	15.7%
Support services	1,223	1,128	8.4%	1,200	1,117	7.4%
Non-instructional program	5	3	66.7%	5	3	66.7%
Other expenses	<u>324</u>	<u>392</u>	<u>-17.3%</u>	<u>171</u>	<u>241</u>	<u>-29.0%</u>
Total	<u>\$ 4,252</u>	<u>4,047</u>	<u>5.1%</u>	<u>3,155</u>	<u>2,899</u>	<u>8.8%</u>

For the year ended June 30, 2013:

- The cost financed by users of the District's programs was \$474,641.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$565,437.
- The net cost of governmental activities was financed with \$2,141,813 in property and other taxes and \$1,046,286 in unrestricted state grants.

### Business Type Activities

Revenues for business type activities during the year ended June 30, 2013 were \$179,071, representing an 8.4% decrease from the prior year, while expenses totaled \$185,823, a 1.8% increase from the prior year. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

## **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 \$2,842,178, above last year's ending fund balances of \$2,699,981. The primary reason for the increase in combined fund balances is related to revenues exceeding expenditures in the Capital Projects Funds.

### **Governmental Fund Highlights**

- The General Fund balance decreased from \$1,351,422 to \$1,238,562 due, in part, to the negotiated salaries and benefits and existing expenditure commitments of the District.
- The Capital Projects Fund balance increased from \$668,533 in fiscal 2012 to \$996,784 in fiscal 2013 due to revenues exceeding expenditures.

### **Proprietary Fund Highlights**

School Nutrition Fund net position decreased from \$28,689 at June 30, 2012 to \$21,937 at June 30, 2013, representing a decrease of approximately 24%.

## **BUDGETARY HIGHLIGHTS**

The District's total revenues were \$156,635 more than total budgeted revenues, a variance of 3.6%. 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 \$1,100,020 due primarily to the District's budget for the General Fund.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2013, 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 decrease of 1.8% from last year. More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expense for the year was \$206,170.

The original cost of the District's capital assets was approximately \$8.0 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,
	2013	2012	2013	2012	2013	2012	2012-2013
Land	\$ 32	32	---	---	32	32	0.0%
Buildings	1,474	1,499	---	---	1,474	1,499	-1.7%
Improvements other than buildings	38	41	---	---	38	41	-7.3%
Furniture and equipment	<u>451</u>	<u>458</u>	<u>11</u>	<u>12</u>	<u>462</u>	<u>470</u>	<u>-1.7%</u>
Totals	<u>\$ 1,995</u>	<u>2,030</u>	<u>11</u>	<u>12</u>	<u>2,006</u>	<u>2,042</u>	<u>-1.8%</u>

### Long-Term Debt

At June 30, 2013, the District had \$29,978 long-term debt outstanding. (See Figure A-7) This represents a increase of approximately 15% from last year. Additional information about the District's long-term debt is presented in Note 4 to the financial statements.

	Total District		Total Change
	June 30,		June 30,
	2013	2012	2012-2013
Early retirement	\$ 30	26	15.4%

## **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:

- West Bend-Mallard Community School District experienced an increase in enrollment for 2013-14. However, the projection for the future is that enrollment will decrease.
- Health care reform remains a big issue for all businesses.
- For fiscal year ending June 30, 2013, the District had a special education deficit. With the number of special education students that are served outside the district this trend looks to continue.
- Education reform legislation will impact the District and all small school districts not only with budgets, but also with meeting the needs of staffing requirements.
- We continue to look at neighboring districts for sharing opportunities not only with students but with staff. We are aware that Gilmore City-Bradgate is talking with Humboldt Community School District about the possibility of having multiple whole grade sharing agreements.
- The Board of Education is taking a serious look at closing the Mallard facility. A firm date has not been set to close the building but administration and the Board will continue to monitor enrollment and expenses for this building.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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

June 30, 2013

	Primary Government			Component Unit
	Governmental Activities	Business Type Activities	Total	WBM Achievement Foundation
<b>Assets</b>				
Cash, cash equivalents and pooled investments	\$ 3,117,001	15,593	3,132,594	69,211
Receivables:				
Property tax:				
Delinquent	19,624	-	19,624	-
Succeeding year	1,974,000	-	1,974,000	-
Accounts	15,925	1,027	16,952	-
Due from other governments	230,409	-	230,409	-
Inventories	-	11,052	11,052	-
Capital assets, net of accumulated depreciation	1,994,908	11,106	2,006,014	-
<b>Total assets</b>	7,351,867	38,778	7,390,645	69,211
<b>Liabilities</b>				
Accounts payable	209,418	3,009	212,427	-
Salaries and benefits payable	311,915	11,765	323,680	-
Deferred revenue:				
Succeeding year property tax	1,974,000	-	1,974,000	-
Other	18,052	-	18,052	-
Early retirement payable	1,396	-	1,396	-
Long-term liabilities:				
Portion due within one year:				
Early retirement payable	6,980	-	6,980	-
Portion due after one year:				
Early retirement payable	22,998	-	22,998	-
Net OPEB liability	57,878	14,774	72,652	-
<b>Total liabilities</b>	2,602,637	29,548	2,632,185	-

(continued)

West Bend-Mallard Community School District  
West Bend, Iowa

Exhibit A

Statement of Net Position

June 30, 2013

	Primary Government			Component
	Governmental Activities	Business Type Activities	Total	Unit WBM Achievement Foundation
<b>Net Position</b>				
Net investment in capital assets	1,994,908	16,841	2,011,749	-
Restricted for:				
Categorical funding	151,501	-	151,501	-
Management levy purposes	477,828	-	477,828	-
Public education and recreation levy purposes	23,614	-	23,614	-
School infrastructure	696,949	-	696,949	-
Physical plant and equipment	299,835	-	299,835	-
Student activities	75,412	-	75,412	-
Foundation purposes	-	-	-	69,211
Unrestricted	1,029,183	10,831	1,040,014	-
<b>Total net position</b>	\$ 4,749,230	27,672	4,776,902	69,211

See notes to financial statements.

West Bend-Mallard Community School District  
 West Bend, Iowa  
 Statement of Activities  
 Year ended June 30, 2013

	<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>
<b><u>Functions/Programs:</u></b>				
<b>Primary Government:</b>				
Governmental activities:				
Instruction:				
Regular instruction	\$ 1,670,915	320,156	317,032	37,670
Special instruction	589,107	10,152	60,536	-
Other instruction	439,854	132,163	43,323	-
	<u>2,699,876</u>	<u>462,471</u>	<u>420,891</u>	<u>37,670</u>
Support services:				
Student	82,197	-	6,553	-
Instructional staff	102,962	-	1,339	-
Administration	457,515	-	-	-
Operation and maintenance of plant	320,859	12,170	-	-
Transportation	259,633	-	3,081	-
	<u>1,223,166</u>	<u>12,170</u>	<u>10,973</u>	<u>-</u>
Non-instructional programs	<u>5,327</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	63,426	-	-	18,919
AEA flowthrough	133,573	-	133,573	-
Depreciation (unallocated)*	126,303	-	-	-
	<u>323,302</u>	<u>-</u>	<u>133,573</u>	<u>18,919</u>
Total governmental activities	4,251,671	474,641	565,437	56,589
Business type activities:				
Non-instructional programs:				
Food service operations	185,823	106,768	72,245	-
Total business type activities	<u>185,823</u>	<u>106,768</u>	<u>72,245</u>	<u>-</u>
<b>Total primary government</b>	<b><u>\$ 4,437,494</u></b>	<b><u>581,409</u></b>	<b><u>637,682</u></b>	<b><u>56,589</u></b>
<b>Component Unit:</b>				
WBM Achievement Foundation	<u>\$ 10,241</u>	<u>-</u>	<u>29,111</u>	<u>-</u>
<b>General Revenues:</b>				
Property tax levied for:				
General purposes				
Capital outlay				
Public education and recreation purposes				
Statewide sales, services and use tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Gain on sale of fixed assets				
Total general revenues				
Change in net position				
Net position beginning of year				
Net position 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 Position			
Governmental Activities	Primary Government		Component Unit WBM Achievement Foundation
	Business Type Activities	Total	
(996,057)	-	(996,057)	-
(518,419)	-	(518,419)	-
(264,368)	-	(264,368)	-
<u>(1,778,844)</u>	<u>-</u>	<u>(1,778,844)</u>	<u>-</u>
(75,644)	-	(75,644)	-
(101,623)	-	(101,623)	-
(457,515)	-	(457,515)	-
(308,689)	-	(308,689)	-
(256,552)	-	(256,552)	-
<u>(1,200,023)</u>	<u>-</u>	<u>(1,200,023)</u>	<u>-</u>
(5,327)	-	(5,327)	-
(44,507)	-	(44,507)	-
-	-	-	-
<u>(126,303)</u>	<u>-</u>	<u>(126,303)</u>	<u>-</u>
<u>(170,810)</u>	<u>-</u>	<u>(170,810)</u>	<u>-</u>
<u>(3,155,004)</u>	<u>-</u>	<u>(3,155,004)</u>	<u>-</u>
-	(6,810)	(6,810)	-
-	(6,810)	(6,810)	-
<u>(3,155,004)</u>	<u>(6,810)</u>	<u>(3,161,814)</u>	<u>-</u>
-	-	-	18,870
1,538,743	-	1,538,743	-
304,032	-	304,032	-
23,826	-	23,826	-
275,212	-	275,212	-
1,046,286	-	1,046,286	-
15,861	58	15,919	323
32,950	-	32,950	-
400	-	400	-
<u>3,237,310</u>	<u>58</u>	<u>3,237,368</u>	<u>323</u>
82,306	(6,752)	75,554	19,193
<u>4,666,924</u>	<u>28,689</u>	<u>4,695,613</u>	<u>50,018</u>
<u>\$ 4,749,230</u>	<u>21,937</u>	<u>4,771,167</u>	<u>69,211</u>

West Bend-Mallard Community School District  
West Bend, Iowa

Exhibit C

Balance Sheet  
Governmental Funds

June 30, 2013

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
<b>Assets</b>				
Cash, cash equivalents and pooled investments	\$ 1,552,940	937,968	626,093	3,117,001
Receivables:				
Property tax:				
Delinquent	16,234	3,139	251	19,624
Succeeding year	1,632,000	317,000	25,000	1,974,000
Accounts	15,925	-	-	15,925
Due from other governments	<u>165,093</u>	<u>65,316</u>	<u>-</u>	<u>230,409</u>
<b>Total assets</b>	<b><u>\$ 3,382,192</u></b>	<b><u>1,323,423</u></b>	<b><u>651,344</u></b>	<b><u>5,356,959</u></b>
 <b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 181,663	9,639	18,116	209,418
Salaries and benefits payable	311,915	-	-	311,915
Deferred revenue:				
Succeeding year property tax	1,632,000	317,000	25,000	1,974,000
Other	18,052	-	-	18,052
Early retirement payable	<u>-</u>	<u>-</u>	<u>1,396</u>	<u>1,396</u>
<b>Total liabilities</b>	<b><u>2,143,630</u></b>	<b><u>326,639</u></b>	<b><u>44,512</u></b>	<b><u>2,514,781</u></b>
 Fund balances:				
Restricted for:				
Categorical funding	151,501	-	-	151,501
Management levy purposes	-	-	507,806	507,806
Student activities	-	-	75,412	75,412
Public education and recreation levy purposes	-	-	23,614	23,614
School infrastructure	-	696,949	-	696,949
Physical plant and equipment	-	299,835	-	299,835
Committed for instructional supplies/programs and equipment	350,000	-	-	350,000
Unassigned	<u>737,061</u>	<u>-</u>	<u>-</u>	<u>737,061</u>
<b>Total fund balances</b>	<b><u>1,238,562</u></b>	<b><u>996,784</u></b>	<b><u>606,832</u></b>	<b><u>2,842,178</u></b>
 <b>Total liabilities and fund balances</b>				
	<b><u>\$ 3,382,192</u></b>	<b><u>1,323,423</u></b>	<b><u>651,344</u></b>	<b><u>5,356,959</u></b>

See notes to financial statements.

West Bend-Mallard Community School District  
West Bend, Iowa

Exhibit D

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

June 30, 2013

<b>Total fund balances of governmental funds (page 20 )</b>	<b>\$ 2,842,178</b>
<i>Amounts reported for governmental activities in the Statement of Net Position 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.	1,994,908
Long-term liabilities, including early retirement payable and other postemployment benefits payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds.	<u>(87,856)</u>
<b>Net position of governmental activities (page 17)</b>	<b><u><u>\$ 4,749,230</u></u></b>

See notes to financial statements.

West Bend-Mallard Community School District  
West Bend, Iowa  
Statement of Revenue, Expenditures  
and Changes in Fund Balances  
Governmental Funds  
Year ended June 30, 2013

Exhibit E

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Revenues:				
Local sources:				
Local tax	\$ 1,538,743	579,244	23,826	2,141,813
Tuition	311,486	-	-	311,486
Other	101,306	29,092	136,819	267,217
Intermediate sources	600	-	-	600
State sources	1,472,700	126	10	1,472,836
Federal sources	138,655	-	-	138,655
Total revenues	<u>3,563,490</u>	<u>608,462</u>	<u>160,655</u>	<u>4,332,607</u>
Expenditures:				
Current:				
Instruction:				
Regular	1,610,541	-	36,534	1,647,075
Special	587,115	-	-	587,115
Other	290,086	-	146,165	436,251
	<u>2,487,742</u>	<u>-</u>	<u>182,699</u>	<u>2,670,441</u>
Support services:				
Student	81,587	-	-	81,587
Instructional staff	44,226	58,720	-	102,946
Administration	410,126	15,408	28,661	454,195
Operation and maintenance of plant	296,143	2,457	17,508	316,108
Transportation	218,026	22,285	4,436	244,747
	<u>1,050,108</u>	<u>98,870</u>	<u>50,605</u>	<u>1,199,583</u>
Non-instructional programs	5,327	-	-	5,327
Other expenditures:				
Facilities acquisition	-	182,311	545	182,856
AEA flowthrough	133,573	-	-	133,573
	<u>133,573</u>	<u>182,311</u>	<u>545</u>	<u>316,429</u>
Total expenditures	<u>3,676,750</u>	<u>281,181</u>	<u>233,849</u>	<u>4,191,780</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(113,260)</u>	<u>327,281</u>	<u>(73,194)</u>	<u>140,827</u>
Other financing sources (uses):				
Proceeds from sale of fixed assets	400	-	-	400
Proceeds from insurance claim	-	970	-	970
Total other financing sources (uses)	<u>400</u>	<u>970</u>	<u>-</u>	<u>1,370</u>
Change in fund balances	(112,860)	328,251	(73,194)	142,197
Fund balances beginning of year	<u>1,351,422</u>	<u>668,533</u>	<u>680,026</u>	<u>2,699,981</u>
Fund balances end of year	<u>\$ 1,238,562</u>	<u>996,784</u>	<u>606,832</u>	<u>2,842,178</u>

See notes to financial statements.

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

Year ended June 30, 2013

<b>Change in fund balances - total governmental funds (page 22)</b>	<b>\$ 142,197</b>
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*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. Depreciation expense exceeded capital outlay expenditures in the current year, as follows:

Expenditures for capital assets	\$ 170,468	
Depreciation expense	<u>(205,599)</u>	(35,131)

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	(3,921)	
Other postemployment benefits	<u>(20,839)</u>	<u>(24,760)</u>

<b>Change in net position of governmental activities (page 19)</b>	<b>\$ <u>82,306</u></b>
--	-------------------------

See notes to financial statements.

West Bend-Mallard Community School District  
West Bend, Iowa

Exhibit G

Statement of Net Position  
Proprietary Fund

June 30, 2013

	<u>School Nutrition</u>
<b>Assets</b>	
Current assets:	
Cash, cash equivalents, and pooled investments	\$ 15,593
Accounts receivable	1,027
Inventories	<u>11,052</u>
Total current assets	<u>27,672</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	<u>11,106</u>
Total noncurrent assets	<u>11,106</u>
<b>Total assets</b>	<u>38,778</u>
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	3,009
Salaries and benefits payable	<u>11,765</u>
Total current liabilities	<u>14,774</u>
Noncurrent liabilities:	
Net OPEB liability	<u>2,067</u>
Total noncurrent liabilities	<u>2,067</u>
<b>Total liabilities</b>	<u>16,841</u>
<b>Net Position</b>	
Invested in capital assets	11,106
Unrestricted	<u>10,831</u>
<b>Total net position</b>	<u>\$ 21,937</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 Position  
Proprietary Fund

Year ended June 30, 2013

	Enterprise <u>Fund</u> School <u>Nutrition</u>
Operating revenues:	
Local sources:	
Charges for service	\$ 106,372
Miscellaneous	396
Total operating revenue	<u>106,768</u>
Operating expenses:	
Non-instructional programs:	
Salaries	71,227
Benefits	21,275
Purchased services	270
Supplies	92,480
Depreciation	571
Total operating expenses	<u>185,823</u> <u>185,823</u>
Operating loss	<u>(79,055)</u>
Non-operating revenues:	
State sources	1,631
Federal sources	70,614
Interest income	58
Total non-operating revenues	<u>72,303</u>
Decrease in net position	(6,752)
Net position beginning of year	<u>28,689</u>
Net position end of year	<u>\$ 21,937</u>
See notes to financial statements.	

West Bend-Mallard Community School District  
West Bend, Iowa

Exhibit I

Statement of Cash Flows  
Proprietary Fund

Year ended June 30, 2013

	Enterprise Fund School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 106,335
Cash received from miscellaneous operating activities	396
Cash paid to employees for services	(91,105)
Cash paid to suppliers for goods or services	<u>(74,864)</u>
Net cash used by operating activities	<u>(59,238)</u>
Cash flows from non-capital financing activities:	
State grants received	1,631
Federal grants received	<u>53,748</u>
Net cash provided by non-capital financing activities	<u>55,379</u>
Cash flows from investing activities:	
Interest on investments	<u>58</u>
Net decrease in cash and cash equivalents	(3,801)
Cash and cash equivalents beginning of year	<u>19,394</u>
Cash and cash equivalents end of year	<u>\$ 15,593</u>

West Bend-Mallard Community School District  
West Bend, Iowa

Exhibit I

Statement of Cash Flows  
Proprietary Fund

Year ended June 30, 2013

Enterprise  
Fund  
School  
Nutrition

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

Operating loss	\$	(79,055)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Commodities used		16,866
Depreciation		571
(Increase) in accounts receivable		(320)
Decrease in inventories		1,021
Increase in accounts payable		283
Increase in salaries and benefits payable		564
Increase in other postemployment benefits		832
		<hr/>
Net cash used by operating activities	\$	<u>(59,238)</u>

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

During the year ended June 30, 2013, the District received \$16,866 of federal commodities.

See notes to financial statements.

West Bend-Mallard Community School District  
West Bend, Iowa

Exhibit J

Statement of Fiduciary Net Position  
Fiduciary Funds

June 30, 2013

Agency

**Assets**

Cash \$ 1,938

**Total assets** 1,938

**Liabilities**

Other payables 1,938

**Total liabilities** 1,938

**Net Position** \$ -

See notes to financial statements.

West Bend-Mallard Community School District  
West Bend, Iowa

Notes to Financial Statements

June 30, 2013

**(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, 2013

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 Position (previously referred to as 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 Position presents the District's nonfiduciary assets and liabilities, with the difference reported as net position. Net position is reported in the following categories:

*Net investment in capital assets* 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 position* results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* consists of net position not meeting the definition of the preceding categories. Unrestricted net position 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, 2013

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 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.

West Bend-Mallard Community School District  
West Bend, Iowa

Notes to Financial Statements

June 30, 2013

The District also reports fiduciary funds which focus on net position and changes in net position. 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, 2013

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 position 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.

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

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

D. Assets, Liabilities and Fund Equity

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

Cash, Cash Equivalents and Pooled Investments – 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.

West Bend-Mallard Community School District  
West Bend, Iowa

Notes to Financial Statements

June 30, 2013

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, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2012.

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

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

West Bend-Mallard Community School District  
West Bend, Iowa

Notes to Financial Statements

June 30, 2013

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 Position. 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, 2013

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means 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 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 Position 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 30<sup>th</sup> 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 Position.

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 the preceding classifications.

West Bend-Mallard Community School District  
West Bend, Iowa

Notes to Financial Statements

June 30, 2013

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2013, expenditures did not exceed the amounts budgeted.

(2) **Cash, Cash Equivalents and Pooled Investments**

The District's deposits in banks at June 30, 2013 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, 2013, the District had investments in the Iowa Schools Joint Investment Trust Diversified Portfolio which are valued at an amortized cost of \$389,202 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust are rated AAAM by Standards & Poor's Financial Services.

West Bend-Mallard Community School District  
West Bend, Iowa

Notes to Financial Statements

June 30, 2013

**(3) Capital Assets**

Capital assets activity for the year ended June 30, 2013 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 32,592	---	---	32,592
Total capital assets not being depreciated	<u>32,592</u>	<u>---</u>	<u>---</u>	<u>32,592</u>
Capital assets being depreciated:				
Buildings	3,804,697	73,248	---	3,877,945
Improvements other than buildings	122,554	---	---	122,554
Furniture and equipment	3,820,687	97,220	(19,300)	3,898,607
Total capital assets being depreciated	<u>7,747,938</u>	<u>170,468</u>	<u>(19,300)</u>	<u>7,899,106</u>
Less accumulated depreciation for:				
Buildings	2,305,908	98,730	---	2,404,638
Improvements other than buildings	81,292	2,978	---	84,270
Furniture and equipment	3,363,291	103,891	(19,300)	3,447,882
Total accumulated depreciation	<u>5,750,491</u>	<u>205,599</u>	<u>(19,300)</u>	<u>5,936,790</u>
Total capital assets being depreciated, net	<u>1,997,447</u>	<u>(35,131)</u>	<u>---</u>	<u>1,962,316</u>
Governmental activities capital assets, net	<u>\$ 2,030,039</u>	<u>(35,131)</u>	<u>---</u>	<u>1,994,908</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Business type activities:</b>				
Furniture and equipment	\$ 49,826	---	---	49,826
Less accumulated depreciation	<u>38,149</u>	<u>571</u>	<u>---</u>	<u>38,720</u>
Business type activities capital assets, net	<u>\$ 11,677</u>	<u>(571)</u>	<u>---</u>	<u>11,106</u>

West Bend-Mallard Community School District  
West Bend, Iowa

Notes to Financial Statements

June 30, 2013

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular	\$ 36,107
Other	3,281

Support Services:

Administration	1,040
Operation and maintenance of plant	3,518
Transportation	<u>35,350</u>

79,296

Unallocated

126,303

Total depreciation expense – governmental activities

\$ 205,599

=====

Business type activities:

Food service operations

\$ 571

=====

**(4) Long-Term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2013 are summarized as follows:

Governmental activities:	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Early retirement	\$ 26,057	29,400	25,479	29,978	6,980
Net OPEB liability	<u>37,039</u>	<u>20,839</u>	---	<u>57,878</u>	---
Total	\$ 63,096	50,239	25,479	87,856	6,980
	=====	=====	=====	=====	=====

Business type activities:	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Net OPEB liability	\$ 1,235	832	---	2,067	---
	=====	=====	=====	=====	=====

West Bend-Mallard Community School District  
West Bend, Iowa

Notes to Financial Statements

June 30, 2013

Termination Benefits

The District offered a voluntary early retirement plan to its certified employees retiring in fiscal 2010 and in 2009. 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 commenced. Employees had to complete an application which was subject to approval by the Board of Education.

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 benefits equal \$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.

The District offered a voluntary early retirement plan to its certified employees in fiscal 2013. Eligible employees must have completed twenty-five years of continuous service with the District and must be between age fifty-five and sixty-five on June 30, 2013. The benefit is equal to three and a half years of medical insurance coverage.

At June 30, 2013, the District had obligations to two participants with a total liability of \$29,978. Actual early retirement expenditures for the year ended June 30, 2013 totaled \$20,983.

**(5) 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.

West Bend-Mallard Community School District  
West Bend, Iowa

Notes to Financial Statements

June 30, 2013

Plan members are required to contribute 5.78% of their annual covered salary and the District is required to contribute 8.67% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$180,123, \$165,219 and \$137,354, respectively, equal to the required contributions for each year.

**(6) 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 29 active and six 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.

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, 2013, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

West Bend-Mallard Community School District  
West Bend, Iowa

Notes to Financial Statements

June 30, 2013

Annual required contribution	\$ 28,811
Interest on net OPEB obligation	957
Adjustment to annual required contribution	<u>(4,160)</u>
Annual OPEB cost	25,608
Contributions made	<u>(3,937)</u>
Increase in net OPEB obligation	21,671
Net OPEB obligation beginning of year	<u>38,274</u>
 Net OPEB obligation end of year	 <u><u>\$ 59,945</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2013.

For the year ended June 30, 2013, the District contributed \$3,937 to the medical plan. Plan members eligible for benefits contributed \$0 of the premium costs.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 18,468	32.7%	\$ 26,865
2012	19,922	42.7%	38,274
2013	25,608	15.4%	59,945

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$170,574, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$170,574. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,231,000 and the ratio of the UAAL to covered payroll was 13.9%. As of June 30, 2013, there were no trust fund assets.

West Bend-Mallard Community School District  
West Bend, Iowa

Notes to Financial Statements

June 30, 2013

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 for the Retiree Health Plan, 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, 2012 actuarial valuation date, the entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

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 based on IPERS normal retirement age for each employee and information provided by the District.

Projected claim costs of the medical plan are \$683 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.

**(7) Risk Management**

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

West Bend-Mallard Community School District  
West Bend, Iowa

Notes to Financial Statements

June 30, 2013

**(8) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$133,573 for the year ended June 30, 2013 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(9) 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 Counsel Office and Document for the rental of two copiers on April 17, 2009 for a period of 60 months. The monthly payment amount is \$350.00 plus a charge for copies. On August 18, 2011 the District entered into a second operating lease for one additional copier for a period of 60 months. The monthly payment amount is \$68.50 plus a charge for copies. The amount paid for the fiscal year ended June 30, 2013 was \$14,955. The fixed future rentals are as follows:

Year Ending <u>June 30,</u>	
2014	\$ 3,972
2015	822
2016	822
2017	<u>69</u>
Total	<u>\$ 5,685</u>

West Bend-Mallard Community School District  
West Bend, Iowa

Notes to Financial Statements

June 30, 2013

**(10) Categorical Funding**

The District's restricted fund balance for categorical funding at June 30, 2013 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Preschool	\$ 8,183
Professional development – model core curriculum	27,202
Professional development	32,864
Gifted and Talented	10,824
Hyperstream	589
Dropout prevention	<u>71,839</u>
Total	<u>\$ 151,501</u>

**(11) Subsequent Events**

Subsequent events have been evaluated through March 12, 2014 which is the date the financial statements were available to be issued.

On August 20, 2013 the Board approved the purchase a bus for \$79,211.

## **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, 2013

	Governmental Funds <u>Actual</u>	Proprietary Fund <u>Actual</u>
Revenues:		
Local sources	\$ 2,720,516	106,826
Intermediate sources	600	-
State sources	1,472,836	1,631
Federal sources	<u>138,655</u>	<u>70,614</u>
Total revenues	<u>4,332,607</u>	<u>179,071</u>
 Expenditures/Expenses:		
Instruction	2,670,441	-
Support services	1,199,583	-
Non-instructional programs	5,327	185,823
Other expenditures	<u>316,429</u>	<u>-</u>
Total expenditures/expenses	<u>4,191,780</u>	<u>185,823</u>
 Excess (deficiency) of revenues over (under) expenditures/expenses	140,827	(6,752)
 Other financing sources, net	<u>1,370</u>	<u>-</u>
 Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses	142,197	(6,752)
 Balances beginning of year	<u>2,699,981</u>	<u>28,689</u>
 Balances end of year	<u>\$ 2,842,178</u>	<u>21,937</u>

See accompanying independent auditor's report.

<u>Total Actual</u>	<u>Budgeted Amounts</u>		<u>Final to Actual Variance</u>
	<u>Original</u>	<u>Final</u>	
2,827,342	2,693,977	2,693,977	133,365
600	-	-	600
1,474,467	1,509,066	1,509,066	(34,599)
209,269	152,000	152,000	57,269
<u>4,511,678</u>	<u>4,355,043</u>	<u>4,355,043</u>	<u>156,635</u>
2,670,441	2,763,000	2,763,000	92,559
1,199,583	1,561,950	1,561,950	362,367
191,150	540,500	540,500	349,350
316,429	612,173	612,173	295,744
<u>4,377,603</u>	<u>5,477,623</u>	<u>5,477,623</u>	<u>1,100,020</u>
134,075	(1,122,580)	(1,122,580)	1,256,655
<u>1,370</u>	<u>-</u>	<u>-</u>	<u>1,370</u>
135,445	(1,122,580)	(1,122,580)	1,258,025
<u>2,728,670</u>	<u>2,158,130</u>	<u>2,158,130</u>	<u>570,540</u>
<u><u>2,864,115</u></u>	<u><u>1,035,550</u></u>	<u><u>1,035,550</u></u>	<u><u>1,828,565</u></u>

West Bend-Mallard Community School District  
West Bend, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2013

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, 2013, expenditures did not exceed the amounts 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%
2012	July 1, 2009	-	188,015	188,015	0.0%	1,012,000	18.6%
2013	July 1, 2012	-	170,574	170,574	0.0%	1,231,000	13.9%

See Note 6 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.

## **Supplementary Information**

West Bend-Mallard Community School District  
West Bend, Iowa

Schedule 1

Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2013

	Special Revenue			
	Management	Student	Public Education and Recreation	Total
<b>Assets</b>	<u>Levy</u>	<u>Activity</u>	<u>Levy</u>	<u>Total</u>
Cash, cash equivalents and pooled investments	\$ 511,393	91,337	23,363	626,093
Receivables:				
Property tax:				
Delinquent	-	-	251	251
Succeeding year	-	-	25,000	25,000
	-	-	25,000	25,000
<b>Total assets</b>	<b>\$ 511,393</b>	<b>91,337</b>	<b>48,614</b>	<b>651,344</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 2,191	15,925	-	18,116
Deferred revenue:				
Succeeding year property tax	-	-	25,000	25,000
Early retirement payable	1,396	-	-	1,396
	3,587	15,925	25,000	44,512
Fund balances:				
Restricted for:				
Management levy purpose	507,806	-	-	507,806
Student activities	-	75,412	-	75,412
Public education and recreation levy purposes	-	-	23,614	23,614
	507,806	75,412	23,614	606,832
<b>Total liabilities and fund balances</b>	<b>\$ 511,393</b>	<b>91,337</b>	<b>48,614</b>	<b>651,344</b>

See accompanying independent auditor's report.

West Bend-Mallard Community School District  
West Bend, Iowa

Schedule 2

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

Year ended June 30, 2013

	Special Revenue			
	Management	Student	Public Education and Recreation	Total
	<u>Levy</u>	<u>Activity</u>	<u>Levy</u>	<u>Total</u>
Revenues:				
Local sources:				
Local tax	\$ -	-	23,826	23,826
Other	3,935	132,561	323	136,819
State sources	-	-	10	10
Total revenues	3,935	132,561	24,159	160,655
Expenditures:				
Current:				
Instruction:				
Regular	36,534	-	-	36,534
Other	-	146,165	-	146,165
	36,534	146,165	-	182,699
Support services:				
Administration	28,661	-	-	28,661
Operation and maintenance of plant	17,508	-	-	17,508
Transportation	4,436	-	-	4,436
	50,605	-	-	50,605
Other expenditures:				
Facilities acquisition	-	-	545	545
	-	-	545	545
Total expenditures	87,139	146,165	545	233,849
Excess (deficiency) of revenues over (under) expenditures	(83,204)	(13,604)	23,614	(73,194)
Fund balances beginning of year	591,010	89,016	-	680,026
Fund balances end of year	\$ 507,806	75,412	23,614	606,832

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, 2013

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues and Interfund Transfers</u>	<u>Expenditures</u>	<u>Intra- Fund Transfers</u>	<u>Balance End of Year</u>
HS Athletics	\$ 15,864	63,477	72,276	-	7,065
Weightlifting	540	-	-	-	540
HS Padlock-Athletics	982	-	-	-	982
HS Towel Fees-Athletics	1,518	600	393	-	1,725
Dramatics	813	1,720	993	-	1,540
Annual	14,530	6,620	8,423	-	12,727
Class of:					
2008	326	-	-	(326)	-
2010	391	-	-	(391)	-
2011	436	-	-	(436)	-
2012	351	-	69	(282)	-
2013	989	673	1,621	-	41
2014	-	8,519	7,628	-	891
Vocal Music	904	45	122	-	827
Band	1,096	-	122	-	974
Swing Choir	2	-	-	-	2
Flagline	653	-	300	-	353
HS Cheerleading	638	2,677	1,780	-	1,535
Drill Team	4,462	10,845	9,358	-	5,949
FFA	5,614	10,049	11,098	-	4,565
Concession Stand	1,116	-	-	-	1,116
HS Student Council	5,232	4,280	8,599	1,435	2,348
WBM-TV	817	-	-	-	817
Home Economics	1,310	1,916	783	-	2,443
NOW Account Interest	3,634	398	743	-	3,289
HS Quiz Bowl	782	-	285	-	497
Elementary Classes	9,662	8,528	8,066	-	10,124
MS Industrial Ed	295	-	-	-	295
MS Quiz Bowl	5	1,720	1,139	-	586

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, 2013

<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>
MS Cheerleading	173	-	-	-	173
Four x Four Shop - Wood	1,427	3,437	3,912	-	952
Four x Four Shop - Motor	5,789	2,300	4,429	-	3,660
Spanish Club	15	-	-	-	15
Design Plus	1,300	1,640	1,398	-	1,542
Library	616	-	-	-	616
Business Club	189	404	264	-	329
MS Drama	-	330	235	-	95
MS Music	373	-	-	-	373
MS Programs	4,319	2,383	1,963	-	4,739
MS Student Council	1,853	-	166	-	1,687
Total	<u>\$ 89,016</u>	<u>132,561</u>	<u>146,165</u>	<u>-</u>	<u>75,412</u>

See accompanying independent auditor's report.

West Bend-Mallard Community School District  
West Bend, Iowa

Schedule 4

Combining Balance Sheet  
Capital Project Accounts

June 30, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>Assets</b>			
Cash, cash equivalents and pooled investments	\$ 631,633	306,335	937,968
Receivables:			
Property tax:			
Delinquent	-	3,139	3,139
Succeeding year	-	317,000	317,000
Due from other governments	65,316	-	65,316
<b>Total assets</b>	<b>\$ 696,949</b>	<b>626,474</b>	<b>1,323,423</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ -	9,639	9,639
Deferred revenue:			
Succeeding year property tax	-	317,000	317,000
Total liabilities	-	326,639	326,639
Fund balances:			
Restricted for:			
School infrastructure	696,949	-	696,949
Physical plant and equipment	-	299,835	299,835
Total fund balances	696,949	299,835	996,784
<b>Total liabilities and fund balances</b>	<b>\$ 696,949</b>	<b>626,474</b>	<b>1,323,423</b>

See accompanying independent auditor's report.

West Bend-Mallard Community School District  
West Bend, Iowa

Schedule 5

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

Year ended June 30, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 275,212	304,032	579,244
Other	7,676	21,416	29,092
State sources	-	126	126
Total revenues	282,888	325,574	608,462
Expenditures:			
Support services:			
Instructional staff	-	58,720	58,720
Administration	-	15,408	15,408
Operation and maintenance of plant	-	2,457	2,457
Transportation	-	22,285	22,285
Other expenditures:			
Facilities acquisition	50,838	131,473	182,311
Total expenditures	50,838	230,343	281,181
Excess of revenues over expenditures	232,050	95,231	327,281
Other financing sources:			
Proceeds from insurance claims	-	970	970
Total other financing sources	-	970	970
Excess of revenues and other financing sources over expenditures	232,050	96,201	328,251
Fund balances beginning of year	464,899	203,634	668,533
Fund balances end of year	\$ 696,949	299,835	996,784

See accompanying independent auditor's report.

West Bend-Mallard Community School District  
West Bend, Iowa

Schedule 6

Schedule of Changes in Fiduciary Assets and Liabilities -  
Agency Fund

Year ended June 30, 2013

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b>Assets</b>				
Cash	\$ 13,446	310	11,818	1,938
<b>Total assets</b>	<u>\$ 13,446</u>	<u>310</u>	<u>11,818</u>	<u>1,938</u>
<b>Liabilities</b>				
Other payables	\$ 13,446	310	11,818	1,938
<b>Total liabilities</b>	<u>\$ 13,446</u>	<u>310</u>	<u>11,818</u>	<u>1,938</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 Ten Years

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Revenues:				
Local sources:				
Local tax	\$ 2,141,813	\$ 2,347,631	2,218,761	2,503,273
Tuition	311,486	350,528	309,043	279,735
Other	267,217	251,466	196,254	224,016
Intermediate sources	600	-	-	-
State sources	1,472,836	1,335,241	1,471,679	1,256,291
Federal sources	138,655	146,733	366,982	246,546
Total	<u>\$ 4,332,607</u>	<u>\$ 4,431,599</u>	<u>4,562,719</u>	<u>4,509,861</u>
Expenditures:				
Instruction:				
Regular	\$ 1,647,075	\$ 1,534,018	1,575,349	1,602,691
Special	587,115	531,576	525,557	575,468
Other	436,251	476,314	475,969	515,811
Support services:				
Student	81,587	114,942	96,786	217,956
Instructional staff	102,946	59,117	45,814	46,312
Administration	454,195	415,758	385,887	356,752
Operation and maintenance of plant	316,108	330,448	332,816	317,397
Transportation	244,747	210,867	221,464	355,451
Central support	-	-	-	-
Non-instructional programs	5,327	3,445	4,209	4,558
Other expenditures:				
Facilities acquisition	182,856	320,154	194,201	151,715
Long-term debt:				
Principal	-	-	134,000	134,000
Interest and other charges	-	-	2,680	8,040
AEA flowthrough	133,573	130,217	146,811	145,131
Total	<u>\$ 4,191,780</u>	<u>\$ 4,126,856</u>	<u>4,141,543</u>	<u>4,431,282</u>

See accompanying independent auditor's report.

Modified Accrual Basis					
<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
2,486,074	2,329,743	2,350,050	2,121,619	2,137,957	2,081,984
255,954	257,180	222,499	212,765	203,804	246,565
259,149	273,386	259,385	265,862	276,662	240,563
-	1,366	18,811	-	-	-
1,527,841	1,431,883	1,278,799	1,359,995	1,360,229	1,238,204
120,809	106,540	143,135	274,407	190,334	144,957
<u>4,649,827</u>	<u>4,400,098</u>	<u>4,272,679</u>	<u>4,234,648</u>	<u>4,168,986</u>	<u>3,952,273</u>
1,437,769	1,606,470	1,550,115	1,397,220	1,309,868	1,249,954
549,038	498,462	452,149	448,412	392,443	494,345
444,176	603,603	696,849	742,600	798,900	612,317
90,298	110,453	75,326	78,421	64,401	71,936
38,157	52,549	61,647	123,896	132,145	144,404
387,146	599,540	538,976	568,338	542,428	507,787
387,426	380,714	375,856	376,979	324,611	298,720
238,288	252,249	236,740	225,673	180,186	158,513
-	-	-	-	-	10,668
5,162	5,143	3,286	18,774	30,559	19,578
232,626	508,374	333,210	247,033	339,802	200,019
-	-	-	-	110,000	105,000
4,318	-	-	-	4,815	9,120
<u>127,371</u>	<u>121,327</u>	<u>117,836</u>	<u>115,152</u>	<u>115,716</u>	<u>117,538</u>
<u>3,941,775</u>	<u>4,738,884</u>	<u>4,441,990</u>	<u>4,342,498</u>	<u>4,345,874</u>	<u>3,999,899</u>

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

## Certified Public Accountants

714 14th Avenue North  
Fort Dodge, IA 50501-7098  
Phone 515.955.4805 • Fax 515.955.4673

Lowell W. Cornwell, C.P.A.  
lwcornwell@frontiernet.net

Christine R. Frideres, C.P.A.  
crfrideres@frontiernet.net

Jerilyn J. Maher, C.P.A.  
jjmaher@frontiernet.net

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 in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the 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, 2013, and the related notes to financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 12, 2014. Our report expressed unqualified opinions on the financial statements except for the component unit, West Bend-Mallard Achievement Foundation, which was not audited.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered West Bend-Mallard Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of West Bend-Mallard Community School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control 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 Part I of the accompanying Schedule of Findings as items I-A-13 and I-B-13 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 which 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, 2013 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

West Bend-Mallard Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. West Bend-Mallard Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

March 12, 2014

West Bend-Mallard Community School District  
West Bend, Iowa

Schedule of Findings

Year ended June 30, 2013

**Part I: Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

I-A-13 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-13 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, 2013

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, 2013

**Part II: Other Findings Related to Required Statutory Reporting:**

II-A-13 Certified Budget - Expenditures for the year ended June 30, 2013, did not exceed the amounts budgeted.

II-B-13 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-13 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-13 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	\$2,451

In accordance with Chapter 279.7A of the Code of Iowa, the transactions with Board Member, Schwartzkopf do not appear to be conflicts of interest.

II-E-13 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-13 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.

II-G-13 Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

West Bend-Mallard Community School District  
West Bend, Iowa

Schedule of Findings

Year ended June 30, 2013

- II-H-13 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-13 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-13 Certified Annual Report - The Certified Annual Report was certified timely to the Iowa Department of Education.
- II-K-13 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- II-L-13 Statewide Sales, Services and Use Tax – No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. 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, 2013, the District reported the following information regarding the statewide sales, services and use tax revenue in the District’s CAR:

Beginning balance		\$ 464,899
Revenues/transfers in:		
Sales tax revenues	\$ 275,212	
Other local revenues	<u>7,676</u>	<u>282,888</u>
		747,787
Expenditures/transfers out:		
Other		<u>50,838</u>
Ending balance		\$ <u>696,949</u>

For the year ended June 30, 2013, the District did not reduce any levies as a result of the money received under Chapter 423E or 423F of the Code of Iowa.