

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

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

YEAR ENDED JUNE 30, 2005

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

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2004 Election)		
Peter Nessen	President	2004
Pat Madsen	Vice President	2005
Marvin Fehr	Board Member	2004
Eugene Ruppert	Board Member	2004
Vera Banwart	Board Member	2006
Doug Schwartzkopf	Board Member	(Resigned) 2006
Charles Wirtz	Board Member	2005
Tim Bruns	Board Member	(Appointed) 2006

**Board of Education
(After September 2004 Election)**

Peter Nessen	President	2007
Pat Madsen	Vice President	2005
Tim Bruns	Board Member	2006
Eugene Ruppert	Board Member	2007
Vera Banwart	Board Member	2006
Charles Wirtz	Board Member	2005
Nancy Umsted	Board Member	2007

School Officials

Dr. John Phillips	Superintendent	2005
Barbara Zech	District Secretary/Treasurer and Business Manager	2005
Rick Engel	Attorney	2005

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of West Bend-Mallard Community School District, Mallard, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of West Bend-Mallard Community School District at June 30, 2005, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated September 2, 2005 on our consideration of West Bend-Mallard Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 14 and 44 through 47 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise West Bend-Mallard Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two years ended June 30, 2004 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

September 2, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

West Bend-Mallard Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2005. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2005 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$3,392,775 in fiscal 2004 to \$3,410,256 in fiscal 2005, while General Fund expenditures increased from \$3,411,391 in fiscal 2004 to \$3,583,280 in fiscal 2005. The District's General Fund balance decreased from \$342,379 in fiscal 2004 to \$169,355 in fiscal 2005, a 51% decrease.

- The increase in General Fund revenues was attributable to a decrease in property tax and tuition revenues and an increase in state grant revenues in fiscal 2005. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits and restricted grant expenditures. One reason the General Fund balance decreased is because the negotiated salary and benefits settlement was greater than the District's increase in General Fund revenue for fiscal 2005. As a result, the District funded a portion of the current year General Fund salaries and benefits from the carryover fund balance.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

Other Supplementary Information provides detailed information about the nonmajor Special Revenue Funds.

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

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

The required financial statements for proprietary funds include a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

- 3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Agency funds.

- Agency Funds – These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures.

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2005 compared to June 30, 2004.

Figure A-3
Condensed Statement of Net Assets
(Expressed in Thousands)

	Governmental		Business type		Total		Total Change
	Activities		Activities		District		
	June 30,		June 30,		June 30,		
	2005	2004	2005	2004	2005	2004	2004-2005
Current and other assets	\$ 3,547	3,769	\$ 58	67	\$ 3,605	3,836	-6.0%
Capital assets	1,398	1,175	15	18	1,413	1,193	18.4%
Total assets	<u>4,945</u>	<u>4,944</u>	<u>73</u>	<u>85</u>	<u>5,018</u>	<u>5,029</u>	<u>.2%</u>
Long-term liabilities	55	143	---	---	55	143	-61.5%
Other liabilities	2,828	2,891	11	9	2,839	2,900	-2.1%
Total liabilities	<u>2,883</u>	<u>3,034</u>	<u>11</u>	<u>9</u>	<u>2,894</u>	<u>3,043</u>	<u>-4.9%</u>
Net assets:							
Invested in capital assets, Net of related debt	1,398	1,065	15	18	1,413	1,083	30.5%
Restricted	408	419	---	---	408	419	-2.6%
Unrestricted	256	426	47	58	303	484	-37.4%
Total net assets	<u>\$ 2,062</u>	<u>1,910</u>	<u>\$ 62</u>	<u>76</u>	<u>\$ 2,124</u>	<u>1,986</u>	<u>6.9%</u>

The District's combined net assets increased by nearly 7% or approximately \$138,000. The largest portion of the District's net assets is the invested in capital assets (e.g., land, buildings and equipment).

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased approximately \$11,000 or 3% from the prior year. The decrease was primarily a result of increased expenditures in the Physical Plant and Equipment Levy Fund.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately \$181,000 or 37%. This reduction in unrestricted net assets was a result of the District using carryover fund balance to meet its financial obligations during the year.

Figure A-4 shows the change in net assets for the year ended June 30, 2005 compared to June 30, 2004.

Figure A-4
Changes in Net Assets
(Expressed in Thousands)

	Governmental		Business type		Total	
	Activities		Activities		District	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Revenues:						
Program revenues:						
Charges for service	\$ 447	462	75	77	522	539
Operating grants, contributions and restricted interest	433	418	77	75	510	493
Capital grants, contributions and restricted interest	44	17	---	---	44	17
General revenues:						
Property tax	1,874	1,968	---	---	1,874	1,968
Local option sales and service tax	156	15	---	---	156	15
Income surtax	118	196	---	---	118	196
Unrestricted grants	1,074	952	---	---	1,074	952
Unrestricted investment earnings	27	17	---	---	27	17
Other	14	9	---	---	14	9
Total revenues	<u>4,187</u>	<u>4,054</u>	<u>152</u>	<u>152</u>	<u>4,339</u>	<u>4,206</u>
Program expenses:						
Governmental activities:						
Instruction	2,523	2,342	---	---	2,523	2,342
Support services	1,152	1,192	---	---	1,152	1,192
Non-instructional programs	31	20	167	148	198	168
Other expenses	329	463	---	---	329	463
Total expenses	<u>4,035</u>	<u>4,017</u>	<u>167</u>	<u>148</u>	<u>4,202</u>	<u>4,165</u>
Change in net assets	\$ 152	37	(15)	4	137	41
	=====	=====	====	====	=====	=====

Property tax and unrestricted state grants account for 70% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 91% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$4,187,145 and expenses were \$4,035,173.

The following table presents the total and net cost of the District’s major governmental activities: instruction, support services, non-instructional programs and other expenses.

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

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
--	-----------------------------------	---------------------------------

Instruction	\$ 2,523	1,777
Support services	1,152	1,090
Non-instructional program	31	31
Other expenses	<u>329</u>	<u>213</u>
Total	\$ 4,035	3,111
	=====	=====

The cost financed by users of the District’s programs was \$447,053.

Federal and state governments subsidized certain programs with grants and contributions totaling \$476,581.

The net cost of governmental activities was financed with \$2,148,323 in property and other taxes and \$1,073,998 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$152,250 and expenses were \$166,901. 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 a combined fund balance of \$612,005 below last year’s ending fund balances of \$781,102.

Governmental Fund Highlights

- The General Fund balance decreased from \$342,379 to \$169,355, due in part to the negotiated salary and benefits settlement, and existing expenditure commitments of the District.
- The Physical Plant and Equipment Levy (PPEL) Fund balance decreased from \$125,598 in fiscal 2004 to \$66,076 in fiscal 2005. Revenues increased \$37,088 due to the fact federal funding increased \$43,929. Expenditures also increased \$44,434.
- The Capital Projects Fund balance increased \$61,447 due to the imposition of the local option sales and services tax.

Proprietary Fund Highlights

School Nutrition Fund net assets decreased from \$76,408 at June 30, 2004 to \$61,757 at June 30, 2005, representing a decrease of approximately 19%.

BUDGETARY HIGHLIGHTS

The District's receipts were \$73,684 more than budgeted receipts, a variance of 2%.

Total expenditures were less than budgeted by \$6,082 due primarily to the District's budget for the General Fund.

In spite of the District's budgetary practice, the certified budget was exceeded in the other expenditures, support services and non-instructional programs functional areas and the District exceeded its General Fund unspent authorized budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2005, the District had invested \$1.4 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$205,558.

The original cost of the District's capital assets was \$6.3 million.

Figure A-6
Capital Assets, net of Depreciation
(Expressed in Thousands)

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2005	2004	2005	2004	2005	2004	2004-2005
Land	\$ 75	4	---	---	75	4	1775.0%
Buildings	870	821	---	---	870	821	6.0%
Improvements other than Buildings	10	5	---	---	10	5	100.0%
Furniture and equipment	<u>444</u>	<u>345</u>	<u>15</u>	<u>18</u>	<u>459</u>	<u>363</u>	<u>26.4%</u>
Totals	\$ 1,399	1,175	15	18	1,414	1,193	18.5%
	=====	=====	==	==	=====	=====	=====

Long-Term Debt

At June 30, 2005, the District had long-term debt outstanding. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

Figure A-7
Outstanding Long-Term Obligations
(Expressed in Thousands)

	Total District		Total Change
	June 30,		2004-2005
	2005	2004	
General obligation bonds	\$ ---	110	-100.0%
Early retirement	51	33	54.5%
ISEBA assessment	<u>4</u>	---	<u>100.0%</u>
	55	143	-61.5%
	===	===	=====

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The District has experienced declining enrollment for the past eight years. The enrollment decline from 2003-2004 to 2004-2005 was 5.4%. The loss of these 20 students will eventually result in a shortage of \$95,860 to the District.
- The District bargains each year with WBMEA. The settlement for 2004-2005 exceeded the new money awarded to the District.
- Health insurance makes up a large part of the expense in the 2004-2005 settlement. The 32% (\$88,378) increase in health insurance for the 2004-2005 year follows a long trend of double digit insurance increases.
- The rising energy costs had a detrimental impact on the WBM budget. During 2004-2005, the cost of fuel for the buses increased 40% and the cost of fuel oil for the District increased 32%.
- The District used revenue from the local option tax funds to continue the upgrade in technology. This revenue plus the \$47,478 from two Star School Grants were used to purchase a laptop or tablet computer for each faculty member. Most classrooms are equipped with a multi media projector to enhance learning with technology. Two more portable computer labs were purchased with grants to take technology to the elementary students.
- The District applied for an Iowa Demonstration Construction Grant to build additional facilities space for vocational programs at the high school. This proposed addition was in response to recommendations of the WBM Facilities Planning and Advisory Committee. The District was not successful in obtaining the grant but the District will apply again next year.
- All of the District's bonded indebtedness is paid off as of the 2004-05 school year.

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 Barbara Zech, District Secretary/Treasurer and Business Manager, West Bend-Mallard Community School District, 414 Micawber Street, Mallard, Iowa 50562.

Basic Financial Statements

West Bend-Mallard Community School District
Mallard, Iowa

Exhibit A

Statement of Net Assets

June 30, 2005

	<u>Governmental</u> <u>Activities</u>	<u>Business Type</u> <u>Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents:			
ISCAP	\$ 515,053	-	515,053
Other	939,941	48,169	988,110
Receivables:			
Property tax:			
Delinquent	36,612	-	36,612
Succeeding year	1,869,000	-	1,869,000
Accrued interest:			
ISCAP	2,704	-	2,704
Other	2,355	-	2,355
Due from other governments	180,470	-	180,470
Interfund balances	312	(312)	-
Inventories	-	9,175	9,175
Capital assets, net of accumulated depreciation	1,398,130	15,476	1,413,606
Total assets	4,944,577	72,508	5,017,085
Liabilities			
Excess of warrants issued over bank balance	2,691	-	2,691
Accounts payable	91,051	-	91,051
Salaries and benefits payable	343,218	10,751	353,969
Deferred revenue - succeeding year property tax	1,869,000	-	1,869,000
ISCAP warrants payable	513,000	-	513,000
ISCAP accrued interest payable	2,907	-	2,907
ISCAP unamortized premium	5,437	-	5,437
Long-term liabilities:			
Portion due within one year:			
Early retirement payable	38,713	-	38,713
ISEBA assessment payable	4,120	-	4,120
Portion due after one year:			
Early retirement payable	12,424	-	12,424
Total liabilities	2,882,561	10,751	2,893,312

(continued)

West Bend-Mallard Community School District
Mallard, Iowa

Exhibit A

Statement of Net Assets

June 30, 2005

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Net assets			
Invested in capital assets, net of related debt	1,398,130	15,476	1,413,606
Restricted for:			
Management levy	224,074	-	224,074
Physical plant and equipment levy	114,775	-	114,775
Other special revenue purposes	68,947	-	68,947
Unrestricted	256,090	46,281	302,371
Total net assets	\$ 2,062,016	61,757	2,123,773

See notes to financial statements.

West Bend-Mallard Community School District
Mallard, Iowa
Statement of Activities
Year ended June 30, 2005

	<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>
<u>Functions/Programs</u>				
Governmental activities:				
Instruction:				
Regular instruction	\$ 1,331,626	182,554	181,915	-
Special instruction	392,443	29,510	32,717	-
Other instruction	798,900	233,369	85,445	-
	<u>2,522,969</u>	<u>445,433</u>	<u>300,077</u>	<u>-</u>
Support services:				
Student services	64,401	-	2,726	-
Instructional staff services	132,145	-	5,200	-
Administration services	542,428	-	-	-
Operation and maintenance of plant services	285,489	1,620	-	43,929
Transportation services	128,186	-	8,933	-
	<u>1,152,649</u>	<u>1,620</u>	<u>16,859</u>	<u>43,929</u>
Non-instructional programs	<u>30,559</u>	-	-	-
Other expenditures:				
Facilities acquisition	6,082	-	-	-
Long-term debt interest	4,815	-	-	-
AEA flowthrough	115,716	-	115,716	-
Depreciation (unallocated)*	202,383	-	-	-
	<u>328,996</u>	<u>-</u>	<u>115,716</u>	<u>-</u>
Total governmental activities	4,035,173	447,053	432,652	43,929
Business type activities:				
Non-instructional programs:				
Food service operations	166,901	75,440	76,657	-
Total	<u>\$ 4,202,074</u>	<u>522,493</u>	<u>509,309</u>	<u>43,929</u>
<u>General Revenues:</u>				
Property tax levied for:				
General purposes				
Debt service				
Capital outlay				
Local option sales and services tax				
Income surtax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				
Change in net assets				
Net assets beginning of year				
Net assets end of year				

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

See notes to financial statements.

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business Type Activities	Total
(967,157)	-	(967,157)
(330,216)	-	(330,216)
(480,086)	-	(480,086)
<u>(1,777,459)</u>	<u>-</u>	<u>(1,777,459)</u>
(61,675)	-	(61,675)
(126,945)	-	(126,945)
(542,428)	-	(542,428)
(239,940)	-	(239,940)
(119,253)	-	(119,253)
<u>(1,090,241)</u>	<u>-</u>	<u>(1,090,241)</u>
<u>(30,559)</u>	<u>-</u>	<u>(30,559)</u>
(6,082)	-	(6,082)
(4,815)	-	(4,815)
-	-	-
<u>(202,383)</u>	<u>-</u>	<u>(202,383)</u>
<u>(213,280)</u>	<u>-</u>	<u>(213,280)</u>
<u>(3,111,539)</u>	<u>-</u>	<u>(3,111,539)</u>
<u>-</u>	<u>(14,804)</u>	<u>(14,804)</u>
<u>(3,111,539)</u>	<u>(14,804)</u>	<u>(3,126,343)</u>
\$ 1,675,271	-	1,675,271
107,218	-	107,218
91,465	-	91,465
156,578	-	156,578
117,791	-	117,791
1,073,998	-	1,073,998
26,823	153	26,976
14,367	-	14,367
<u>3,263,511</u>	<u>153</u>	<u>3,263,664</u>
151,972	(14,651)	137,321
1,910,044	76,408	1,986,452
<u>\$ 2,062,016</u>	<u>61,757</u>	<u>2,123,773</u>

West Bend-Mallard Community School District
Mallard, Iowa

Exhibit C

Balance Sheet
Governmental Funds

June 30, 2005

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Special Revenue</u>	<u>Total</u>
Assets					
Cash and pooled investments:					
ISCAP	\$ 515,053	-	-	-	515,053
Other	500,212	-	82,007	357,722	939,941
Receivables:					
Property tax:					
Delinquent	31,093	2,456	-	3,063	36,612
Succeeding year	1,684,000	-	-	185,000	1,869,000
Accrued interest:					
ISCAP	2,704	-	-	-	2,704
Other	2,355	-	-	-	2,355
Due from other funds	-	7,545	603	6,919	15,067
Due from other governments	91,971	-	39,800	48,699	180,470
Total assets	<u>\$ 2,827,388</u>	<u>10,001</u>	<u>122,410</u>	<u>601,403</u>	<u>3,561,202</u>
Liabilities and Fund Balances					
Liabilities:					
Excess of warrants issued over bank balance	\$ -	2,691	-	-	2,691
Accounts payable	41,552	-	46,167	3,332	91,051
Salaries and benefits payable	343,054	-	-	164	343,218
Due to other funds	9,644	-	-	5,111	14,755
ISCAP warrants payable	513,000	-	-	-	513,000
ISCAP accrued interest payable	2,907	-	-	-	2,907
ISCAP unamortized premium	5,437	-	-	-	5,437
Deferred revenue:					
Succeeding year property tax	1,684,000	-	-	185,000	1,869,000
Other	58,439	-	-	48,699	107,138
Total liabilities	<u>2,658,033</u>	<u>2,691</u>	<u>46,167</u>	<u>242,306</u>	<u>2,949,197</u>
Fund balances:					
Reserved for teacher mentoring	1,842	-	-	-	1,842
Reserved for debt service	-	7,310	-	-	7,310
Unreserved	167,513	-	76,243	359,097	602,853
Total fund balances	<u>169,355</u>	<u>7,310</u>	<u>76,243</u>	<u>359,097</u>	<u>612,005</u>
Total liabilities and fund balances	<u>\$ 2,827,388</u>	<u>10,001</u>	<u>122,410</u>	<u>601,403</u>	<u>3,561,202</u>

See notes to financial statements.

West Bend-Mallard Community School District
Mallard, Iowa

Exhibit D

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

June 30, 2005

Total fund balances of governmental funds (page 19)	\$ 612,005
 <i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	1,398,130
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	107,138
Long-term liabilities, including early retirement payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(55,257)</u>
Net assets of governmental activities (page 16)	<u>\$ 2,062,016</u>

See notes to financial statements.

West Bend-Mallard Community School District
Mallard, Iowa

Exhibit E

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year ended June 30, 2005

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Special Revenue</u>	<u>Total</u>
Revenues:					
Local sources:					
Local tax	\$ 1,658,902	114,763	156,578	207,714	2,137,957
Tuition	203,804	-	-	-	203,804
Other	41,068	220	218	235,156	276,662
State sources	1,360,067	72	-	90	1,360,229
Federal sources	146,415	-	-	43,929	190,344
Total revenues	<u>3,410,256</u>	<u>115,055</u>	<u>156,796</u>	<u>486,889</u>	<u>4,168,996</u>
Expenditures:					
Current:					
Instruction:					
Regular instruction	1,291,723	-	-	18,145	1,309,868
Special instruction	392,443	-	-	-	392,443
Other instruction	569,397	-	-	229,503	798,900
	<u>2,253,563</u>	<u>-</u>	<u>-</u>	<u>247,648</u>	<u>2,501,211</u>
Support services:					
Student services	64,215	-	-	186	64,401
Instructional staff services	131,922	-	-	223	132,145
Administration services	538,541	-	-	3,887	542,428
Operation and maintenance of plant services	284,724	-	-	39,887	324,611
Transportation services	166,566	-	-	13,620	180,186
	<u>1,185,968</u>	<u>-</u>	<u>-</u>	<u>57,803</u>	<u>1,243,771</u>
Non-instructional programs	<u>28,033</u>	<u>-</u>	<u>-</u>	<u>2,526</u>	<u>30,559</u>
Other expenditures:					
Facilities acquisition	-	-	95,349	244,453	339,802
Long-term debt:					
Principal	-	110,000	-	-	110,000
Interest and fiscal charges	-	4,815	-	-	4,815
AEA flowthrough	115,716	-	-	-	115,716
	<u>115,716</u>	<u>114,815</u>	<u>95,349</u>	<u>244,453</u>	<u>570,333</u>
Total expenditures	<u>3,583,280</u>	<u>114,815</u>	<u>95,349</u>	<u>552,430</u>	<u>4,345,874</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(173,024)</u>	<u>240</u>	<u>61,447</u>	<u>(65,541)</u>	<u>(176,878)</u>
Other financing sources (uses):					
Insurance claims	-	-	-	7,781	7,781
Net change in fund balances	(173,024)	240	61,447	(57,760)	(169,097)
Fund balances beginning of year	<u>342,379</u>	<u>7,070</u>	<u>14,796</u>	<u>416,857</u>	<u>781,102</u>
Fund balances end of year	<u>\$ 169,355</u>	<u>7,310</u>	<u>76,243</u>	<u>359,097</u>	<u>612,005</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, 2005

Net change in fund balances - total governmental funds (page 21) **\$ (169,097)**

*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 Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 424,842	
Depreciation expense	<u>(202,383)</u>	222,459

Income surtax not collected for several months after year end is not considered available revenue and is deferred in the governmental funds.	10,368
--	--------

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments are as follows:

Repaid	110,000
--------	---------

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:

ISEBA assessment	(4,120)
Early retirement	<u>(17,638)</u>

Change in net assets of governmental activities (page 18) **\$ 151,972**

See notes to financial statements.

West Bend-Mallard Community School District
Mallard, Iowa

Exhibit G

Statement of Net Assets
Proprietary Fund

June 30, 2005

School
Nutrition

Assets

Cash and cash equivalents	\$ 48,169
Inventories	9,175
Capital assets, net of accumulated depreciation	<u>15,476</u>
Total assets	<u>72,820</u>

Liabilities

Due to other funds	312
Salaries and benefits payable	<u>10,751</u>
Total liabilities	<u>11,063</u>

Net Assets

Invested in capital assets, net of related debt	15,476
Unrestricted	<u>46,281</u>
Total net assets	<u>\$ 61,757</u>

See notes to financial statements

West Bend-Mallard Community School District
Mallard, Iowa

Exhibit H

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

Year ended June 30, 2005

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for service	<u>\$ 75,440</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries and benefits	78,595
Purchased services	1,378
Supplies	83,653
Depreciation	<u>3,275</u>
Total operating expenses	<u>166,901</u>
Operating loss	<u>(91,461)</u>
Non-operating revenues:	
State sources	2,341
Federal sources	74,316
Interest income	<u>153</u>
Total non-operating revenues	<u>76,810</u>
Change in net assets	(14,651)
Net assets beginning of year	<u>76,408</u>
Net assets end of year	<u><u>\$ 61,757</u></u>

See notes to financial statements.

West Bend-Mallard Community School District
Mallard, Iowa

Exhibit I

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2005

School
Nutrition

Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 75,440
Cash paid to employees for services	(76,693)
Cash paid to suppliers for goods or services	<u>(68,285)</u>
Net cash used by operating activities	<u>(69,538)</u>
Cash flows from non-capital financing activities:	
State grants received	2,341
Federal grants received	<u>58,521</u>
Net cash provided by non-capital financing activities	<u>60,862</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(888)</u>
Cash flows from investing activities:	
Interest on investments	<u>153</u>
Net decrease in cash and cash equivalents	(9,411)
Cash and cash equivalents beginning of year	<u>57,580</u>
Cash and cash equivalents end of year	<u>\$ 48,169</u>

West Bend-Mallard Community School District
Mallard, Iowa

Exhibit I

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2005

School
Nutrition

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

Operating loss	\$ (91,461)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	15,795
Depreciation	3,275
Decrease in inventories	951
Increase in salaries and benefits payable	<u>1,902</u>
Net cash used by operating activities	<u>\$ (69,538)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2005, the District received \$15,795 of federal commodities.

See notes to financial statements.

West Bend-Mallard Community School District
Mallard, Iowa

Exhibit J

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2005

Agency

Assets

Cash \$ 19,058

Total assets 19,058

Liabilities

Other payables 19,058

Total liabilities 19,058

Net assets \$ -

See notes to financial statements.

West Bend-Mallard Community School District
Mallard, Iowa

Notes to Financial Statements

June 30, 2005

(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. West Bend-Mallard Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

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

West Bend-Mallard Community School District
Mallard, Iowa

Notes to Financial Statements

June 30, 2005

B. Basis of Presentation

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

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

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

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

West Bend-Mallard Community School District
Mallard, Iowa

Notes to Financial Statements

June 30, 2005

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

The District reports the following major governmental funds:

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

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

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

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

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

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

West Bend-Mallard Community School District
Mallard, Iowa

Notes to Financial Statements

June 30, 2005

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
Mallard, Iowa

Notes to Financial Statements

June 30, 2005

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

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

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

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

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Non-negotiable certificates of deposit are stated at cost.

West Bend-Mallard Community School District
Mallard, Iowa

Notes to Financial Statements

June 30, 2005

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2004.

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

West Bend-Mallard Community School District
Mallard, Iowa

Notes to Financial Statements

June 30, 2005

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

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

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

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

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

West Bend-Mallard Community School District
Mallard, Iowa

Notes to Financial Statements

June 30, 2005

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

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

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

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

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

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

West Bend-Mallard Community School District
Mallard, Iowa

Notes to Financial Statements

June 30, 2005

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

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005 disbursements in the support services, non-instructional programs and other expenditures functional areas exceeded the amounts budgeted and the District exceeded its General Fund unspent authorized budget.

(2) **Cash and Pooled Investments**

The District's deposits banks at June 30, 2005 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.

The District has no investments at or during the year ended June 30, 2005 and invested its excess cash in money market checking and savings accounts and certificates of deposit.

West Bend-Mallard Community School District
Mallard, Iowa

Notes to Financial Statements

June 30, 2005

Interest rate risk. The District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District.

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2005 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Special Revenue: Physical Plant and Equipment Levy	\$ 6,942
Special Revenue: Physical Plant and Equipment Levy	General Enterprise: Nutrition Fund	9,667 312
Capital Projects	Special Revenue: Physical Plant and Equipment Levy	603
Special Revenue: Management Levy	General	6,919
Debt Service	Special Revenue: Physical Plant and Equipment Levy	7,545

(4) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each

West Bend-Mallard Community School District
Mallard, Iowa

Notes to Financial Statements

June 30, 2005

school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2005 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2004-05A	6/30/04	6/30/05	\$ 79	---	---	---
2004-05B	1/28/05	1/27/06	194,561	2,636	194,000	2,846
2005-06A	6/30/05	6/30/06	<u>320,413</u>	<u>68</u>	<u>319,000</u>	<u>61</u>
Total			\$ 515,053	2,704	513,000	2,907
			=====	=====	=====	=====

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. There was no ISCAP advance activity during the year ended June 30, 2005.

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

Series	Interest Rates on Warrants	Interest Rates on Investments
2004-05A	3.00%	2.463%
2004-05B	3.50	3.232
2005-06A	3.50	3.903

West Bend-Mallard Community School District
Mallard, Iowa

Notes to Financial Statements

June 30, 2005

(5) Capital Assets

Capital assets activity for the year ended June 30, 2005 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ <u>3,955</u>	<u>70,750</u>	---	<u>74,705</u>
Total capital assets not being depreciated	<u>3,955</u>	<u>70,750</u>	---	<u>74,705</u>
Capital assets being depreciated:				
Buildings	2,605,252	89,825	---	2,695,077
Improvements other than buildings	65,699	7,095	---	72,794
Furniture and equipment	<u>3,149,698</u>	<u>257,172</u>	---	<u>3,406,870</u>
Total capital assets being depreciated	<u>5,820,649</u>	<u>354,092</u>	---	<u>6,174,741</u>
Less accumulated depreciation for:				
Buildings	1,783,783	41,125	---	1,824,908
Improvements other than buildings	60,756	2,106	---	62,862
Furniture and equipment	<u>2,804,394</u>	<u>159,152</u>	---	<u>2,963,546</u>
Total accumulated depreciation	<u>4,648,933</u>	<u>202,383</u>	---	<u>4,851,316</u>
Total capital assets being depreciated, net	<u>1,171,716</u>	<u>151,709</u>	---	<u>1,323,425</u>
Governmental activities capital assets, net	\$ <u>1,175,671</u>	<u>222,459</u>	---	<u>1,398,130</u>

West Bend-Mallard Community School District
Mallard, Iowa

Notes to Financial Statements

June 30, 2005

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Furniture and equipment	\$ 38,411	888	---	39,299
Less accumulated depreciation	<u>20,548</u>	<u>3,275</u>	<u>---</u>	<u>23,823</u>
Business type activities capital assets, net	\$ 17,863	(2,387)	---	15,476
	=====	=====	=====	=====

Depreciation expense was charged to the following functions:

Governmental activities:

Unallocated	<u>202,383</u>
Total depreciation expense – governmental activities	\$ 202,383
	=====

Business type activities:

Food service operations	\$ 3,275
	=====

(6) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2005 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 110,000	---	110,000	---	---
ISEBA assessment	---	4,120	---	4,120	---
Early retirement	<u>33,499</u>	<u>31,713</u>	<u>14,075</u>	<u>51,137</u>	<u>38,713</u>
Total	\$ 143,499	35,833	124,075	55,257	38,713
	=====	=====	=====	=====	=====

West Bend-Mallard Community School District
Mallard, Iowa

Notes to Financial Statements

June 30, 2005

Early Retirement

The District offers a voluntary early retirement plan to its certified employees.

Eligible employees must be at least age fifty-five and must have completed fifteen years of continuous service to the District. Employees must complete an application which is subject to approval by the Board of Education. The early retirement incentive for each eligible employee is equal to a percentage of the employee's base salary based on total years of teaching calculated by using the current year regular salary schedule, less any other pay. 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. Early retirement expenditures for the year ended June 30, 2005 totaled \$14,136.

General Obligation Refunding Bonds Payable

The District made the final payment on the general obligation refunding bonds during the year ended June 30, 2005.

(7) Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2005, 2004 and 2003. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$124,125, \$119,565 and \$120,925, respectively, equal to the required contributions for each year.

West Bend-Mallard Community School District
Mallard, Iowa

Notes to Financial Statements

June 30, 2005

(8) Risk Management

The District was a member in the Iowa School Employees Benefits Association (ISEBA), an Iowa Chapter 28E organization until June 30, 2004. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed in July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical, dental, vision and prescription drugs.

In July 2004, the Association converted from a self-funded pool to a fully insured pool covered by Wellmark Blue Cross Blue Shield of Iowa. In December 2004, ISEBA issued assessments necessary to cover run-out claims received when the program converted from self-insured to fully-insured coverage. ISEBA is recovering the shortfall through a combination of assessments, deficit recovery charges and administrative cost reduction measures. Members that terminated from ISEBA on June 30, 2004 received an assessment in December 2004 which is due July 1, 2005. The total assessment for terminated members is approximately \$3.9 million. The District's share of this assessment was \$4,120 which is recorded as a liability as of June 30, 2005 in the entity wide financial statements.

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

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$115,716 for the year ended June 30, 2005 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

West Bend-Mallard Community School District
Mallard, Iowa

Notes to Financial Statements

June 30, 2005

(10) Operating Lease

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, 2003. The City shall pay one dollar per year for five years payable on or before each anniversary date, the first payment due August 1, 2003.

Required Supplementary Information

West Bend-Mallard Community School District
Mallard, Iowa

Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances -
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2005

	Governmental Funds <u>Actual</u>	Proprietary Fund <u>Actual</u>
Receipts:		
Local sources	\$ 2,611,103	75,592
State sources	1,360,057	2,342
Federal sources	<u>168,614</u>	<u>58,521</u>
Total receipts	<u>4,139,774</u>	<u>136,455</u>
Disbursements:		
Instruction	2,445,817	-
Support services	1,242,907	-
Non-instructional programs	23,452	145,866
Other expenditures	<u>561,370</u>	<u>-</u>
Total disbursements	<u>4,273,546</u>	<u>145,866</u>
Excess (deficiency) of receipts over (under) disbursements	(133,772)	(9,411)
Other financing sources, net	<u>7,781</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(125,991)	(9,411)
Balances beginning of year	<u>1,063,241</u>	<u>57,580</u>
Balances end of year	<u>\$ 937,250</u>	<u>48,169</u>

See accompanying independent auditor's report.

Total <u>Actual</u>	<u>Budgeted Amounts</u>		Final to Actual <u>Variance</u>
	<u>Original</u>	<u>Final</u>	
2,686,695	2,470,644	2,470,644	216,051
1,362,399	1,530,601	1,530,601	(168,202)
227,135	201,300	201,300	25,835
<u>4,276,229</u>	<u>4,202,545</u>	<u>4,202,545</u>	<u>73,684</u>
2,445,817	2,487,554	2,522,554	76,737
1,242,907	1,204,365	1,232,365	(10,542)
169,318	146,090	146,090	(23,228)
561,370	424,485	524,485	(36,885)
<u>4,419,412</u>	<u>4,262,494</u>	<u>4,425,494</u>	<u>6,082</u>
(143,183)	(59,949)	(222,949)	79,766
<u>7,781</u>	<u>-</u>	<u>-</u>	<u>7,781</u>
(135,402)	(59,949)	(222,949)	87,547
<u>1,120,821</u>	<u>95,377</u>	<u>95,377</u>	<u>1,025,444</u>
<u>985,419</u>	<u>35,428</u>	<u>(127,572)</u>	<u>1,112,991</u>

West Bend-Mallard Community School District
Mallard, Iowa

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2005

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 4,139,774	29,222	4,168,996
Expenditures	4,273,546	72,328	4,345,874
Net	(133,772)	(43,106)	(176,878)
Other financing sources, net	7,781	-	7,781
Beginning fund balances	1,063,241	(282,139)	781,102
Ending fund balances	\$ 937,250	(325,245)	612,005
	Proprietary Fund		
	Enterprise		
	Cash Basis	Accrual Adjust- ments	Accrual Basis
Revenues	\$ 136,455	15,795	152,250
Expenses	145,866	21,035	166,901
Net	(9,411)	(5,240)	(14,651)
Beginning net assets	57,580	18,828	76,408
Ending net assets	\$ 48,169	13,588	61,757

See accompanying independent auditor's report.

West Bend-Mallard Community School District
Mallard, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2005

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 Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted disbursements by \$163,000.

During the year ended June 30, 2005, disbursements in the support services, non-instructional programs and other expenditures functions exceeded the amounts budgeted and the District exceeded its General Fund unspent authorized budget.

Other Supplementary Information

West Bend-Mallard Community School District
Mallard, Iowa

Schedule 1

Combining Balance Sheet
Nonmajor Special Revenue Funds

June 30, 2005

	Manage- ment <u>Levy</u>	Student <u>Activity</u>	Physical Plant and Equipment <u>Levy</u>	<u>Total</u>
Assets				
Cash and pooled investments	\$ 215,862	68,947	72,913	357,722
Receivables:				
Property tax:				
Delinquent	1,457	-	1,606	3,063
Succeeding year	100,000	-	85,000	185,000
Due from other funds	6,919	-	-	6,919
Due from other governments	<u>-</u>	<u>-</u>	<u>48,699</u>	<u>48,699</u>
Total assets	<u>\$ 324,238</u>	<u>68,947</u>	<u>208,218</u>	<u>601,403</u>
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	\$ -	-	3,332	3,332
Salaries and benefits payable	164	-	-	164
Due to other funds	-	-	5,111	5,111
Deferred revenue:				
Succeeding year property tax	100,000	-	85,000	185,000
Other	<u>-</u>	<u>-</u>	<u>48,699</u>	<u>48,699</u>
Total liabilities	100,164	-	142,142	242,306
Fund equity:				
Unreserved fund balances	<u>224,074</u>	<u>68,947</u>	<u>66,076</u>	<u>359,097</u>
Total liabilities and fund equity	<u>\$ 324,238</u>	<u>68,947</u>	<u>208,218</u>	<u>601,403</u>

See accompanying independent auditor's report.

West Bend-Mallard Community School District
Mallard, Iowa

Schedule 2

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

Year ended June 30, 2005

	Manage- ment <u>Levy</u>	Student Activity <u>Activity</u>	Physical Plant and Equipment <u>Levy</u>	<u>Total</u>
Revenues:				
Local sources:				
Local tax	\$ 74,967	-	132,747	207,714
Other	1,013	233,717	426	235,156
State sources	42	-	48	90
Federal sources	-	-	43,929	43,929
Total revenues	<u>76,022</u>	<u>233,717</u>	<u>177,150</u>	<u>486,889</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	18,145	-	-	18,145
Other instruction	-	229,503	-	229,503
Support services:				
Student services	186	-	-	186
Instructional staff services	223	-	-	223
Administration services	3,887	-	-	3,887
Operation and maintenance of plant services	39,887	-	-	39,887
Transportation	13,620	-	-	13,620
Non-instructional programs	2,526	-	-	2,526
Other expenditures:				
Facilities acquisition	-	-	244,453	244,453
Total expenditures	<u>78,474</u>	<u>229,503</u>	<u>244,453</u>	<u>552,430</u>
Excess (deficiency) of revenues over (under) expenditures	(2,452)	4,214	(67,303)	(65,541)
Other financing sources (uses):				
Insurance claims	-	-	7,781	7,781
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(2,452)	4,214	(59,522)	(57,760)
Fund balances beginning of year	<u>226,526</u>	<u>64,733</u>	<u>125,598</u>	<u>416,857</u>
Fund balances end of year	<u>\$ 224,074</u>	<u>68,947</u>	<u>66,076</u>	<u>359,097</u>

See accompanying independent auditor's report.

West Bend-Mallard Community School District
Mallard, Iowa

Schedule 3

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2005

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Balance End of Year</u>
Athletics - West Bend	\$ 4,676	88,627	89,060	4,243
Weightlifting	42	-	-	42
Padlock-Athletics-West Bend	823	-	-	823
Towel Fees-Athletics-West Bend	2,383	616	746	2,253
Dramatics	156	7,075	5,362	1,869
Annual	8,230	6,904	5,409	9,725
Class of:				
2004	10	25	-	35
2005	15	13,991	12,078	1,928
2006	1,530	428	996	962
2007	103	35	-	138
Vocal Music	1,237	-	12	1,225
Band	536	327	502	361
Swing Choir	2	-	-	2
Flagline	379	100	-	479
Cheerleading - West Bend	929	3,954	3,940	943
Drill Team	1,609	18,155	18,619	1,145
FFA	7,545	26,050	27,189	6,406
Concession Stand	1,231	-	115	1,116
Student Council - West Bend	38	14,196	12,637	1,597
WBM-TV	622	140	-	762
Home Economics	209	-	-	209
Pep Bus	928	-	-	928
NOW Account Interest	2,716	231	85	2,862
FFA Special	3,571	19,970	21,370	2,171
Elementary Classes	1,188	2,098	1,297	1,989
Industrial Ed	295	-	-	295
Life Skills	323	-	-	323
Cheerleading - Mallard	84	70	-	154

West Bend-Mallard Community School District
Mallard, Iowa

Schedule 3

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2005

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Balance End of Year</u>
Four x Four Shop	1,484	3,678	4,092	1,070
Four x Four Shop - Second	1,943	209	120	2,032
Spanish Club	7	4,131	4,534	(396)
Design Plus	1,907	3,278	3,660	1,525
Drama - Speech	10	538	439	109
Music	57	1,374	1,201	230
Locks-Athletics-Mallard	164	-	5	159
Towel Fees-Athletics-Mallard	975	128	-	1,103
Field Trips	18	200	1,118	(900)
M.S. Programs	6,565	7,486	6,054	7,997
M.S. Classes	1,245	1,870	1,626	1,489
Student Council - Mallard	5,365	6,094	5,715	5,744
Interest	2,259	117	-	2,376
Athletics - Mallard	1,055	1,622	1,522	1,155
Little League	269	-	-	269
	<u>269</u>	<u>-</u>	<u>-</u>	<u>269</u>
Total	<u>\$ 64,733</u>	<u>233,717</u>	<u>229,503</u>	<u>68,947</u>

See accompanying independent auditor's report.

West Bend-Mallard Community School District
Mallard, Iowa

Schedule 4

Schedule of Changes in Fiduciary Assets and Liabilities -
Agency Fund

Year ended June 30, 2005

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
Assets				
Cash	\$ 16,328	58,664	55,934	19,058
Total assets	<u>\$ 16,328</u>	<u>58,664</u>	<u>55,934</u>	<u>19,058</u>
Liabilities				
Other payables	\$ 16,328	58,664	55,934	19,058
Total liabilities	<u>\$ 16,328</u>	<u>58,664</u>	<u>55,934</u>	<u>19,058</u>

See accompanying independent auditor's report.

West Bend-Mallard Community School District
Mallard, Iowa

Schedule 5

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

For the Last Three Years

				Modified Accrual Basis		
				2005	2004	2003
Revenues:						
Local sources:						
Local tax		\$	2,137,957	2,081,984	2,085,579	
Tuition			203,804	246,565	223,348	
Other			276,662	240,563	266,260	
State sources			1,360,229	1,238,204	1,308,225	
Federal sources			190,334	144,957	284,366	
Total		\$	4,168,986	3,952,273	4,167,778	
Expenditures:						
Instruction:						
Regular instruction		\$	1,309,868	1,249,954	1,209,420	
Special instruction			392,443	494,345	441,863	
Other instruction			798,900	612,317	675,520	
Support services:						
Student services			64,401	71,936	69,406	
Instructional staff services			132,145	144,404	124,455	
Administration services			542,428	507,787	462,999	
Operation and maintenance of plant services			324,611	298,720	305,716	
Transportation services			180,186	158,513	211,613	
Central support services			-	10,668	38,963	
Non-instructional programs			30,559	19,578	35,755	
Other expenditures:						
Facilities acquisition			339,802	200,019	189,709	
Long-term debt:						
Principal			110,000	105,000	114,167	
Interest and other charges			4,815	9,120	13,873	
AEA flowthrough			115,716	117,538	127,947	
Total		\$	4,345,874	3,999,899	4,021,406	

See accompanying independent auditor's report.

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of West Bend-Mallard Community School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated September 2, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered West Bend-Mallard Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over

financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item I-A-05 is a material weakness.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2005 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.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of West Bend-Mallard Community School District and other parties to whom West Bend-Mallard Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of West Bend-Mallard Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

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

September 2, 2005

West Bend-Mallard Community School District
Mallard, Iowa

Schedule of Findings

Year ended June 30, 2005

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

I-A-05 Segregation of Duties – One important aspect of internal control is the segregation

of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

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

Response – We are doing everything we can within our situation and make improvements as the situation changes.

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

West Bend-Mallard Community School District
Mallard, Iowa

Schedule of Findings

Year ended June 30, 2005

- I-B-05 Disbursement Approval – For a few transactions, there was insufficient documentation to determine the date the Board President approved routine expenditures for advance payment in accordance with the District’s policy.

Recommendation – The District should ensure that all expenditures are properly approved. For payments made in advance of Board meetings, the District should maintain documentation of the Board President’s approval of claims for payment, such as the President’s initials and date of approval. The District should also review the list of bills presented to the Board at regular meetings to ensure that all claims are included.

Response – We will ensure all expenditures are properly approved and maintain documentation of the approval of disbursements made in advance of Board approval by having the Board President initial and date the claims.

Conclusion – Response accepted.

Part II: Other Findings Related to Statutory Reporting:

- II-A-05 Official Depositories - Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2005.

- II-B-05 Certified Budget - Disbursements for the year ended June 30, 2005, exceeded the amended certified budget amounts in the support services, non-instructional programs and other expenditures functions. The District also exceeded its unspent authorized budget for the year ended June 30, 2005.

Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget. The District should contact the Iowa Department of Education and the School Budget Review Committee to resolve the issue regarding the unspent authorized budget issue.

West Bend-Mallard Community School District

Mallard, Iowa

Schedule of Findings

Year ended June 30, 2005

Response – Future budgets will be amended in sufficient amounts and in proper functional areas to ensure the certified budget is not exceeded. We will contact the Iowa Department of Education and the School Budget Review Committee to resolve the issue regarding the unspent authorized budget.

Conclusion - Response accepted.

II-C-05 Questionable Expenditures - No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

II-D-05 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-E-05 Business Transactions - No business transactions between the District and District officials or employees were noted.

II-F-05 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage is reviewed annually to insure the coverage is adequate for current operations.

II-G-05 Board Minutes – As previously noted, some transactions had insufficient documentation that had been approved for payment by the Board President in advance of the Board meeting.

Recommendation – All expenditures should be approved by the Board, with sufficient documentation maintained to evidence proper approval.

Response – All expenditures will be approved by the Board prior to payment and procedures have been revised to ensure this is adequately documented.

Conclusion – Response accepted.

West Bend-Mallard Community School District
Mallard, Iowa

Schedule of Findings

Year ended June 30, 2005

- II-H-05 Certified Enrollment - No variances in the basic enrollment data certified to the Department of Education were noted.
- II-I-05 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-05 Certified Annual Report - The Certified Annual Report was filed with the Iowa Department of Education timely and we noted no significant deficiencies in the amounts reported.
- II-K-05 Authorized Check Signatures – It was noted that check signatures although authorized by bank signature cards, were not in accordance with Chapters 291.1 and 291.8 of the Code.

Recommendation – Per Chapter 291.1 the president or the president's designee shall sign, using an original or facsimile signature, all school districts warrants. The board of directors, by resolution, may designate an individual, who shall not be the secretary, to sign warrants on his behalf. Per Chapter 291.8 the Board secretary shall draw each order on the treasurer and countersign using an original or facsimile signature.

Response – We will properly sign warrants in accordance with the Code in the future.

Conclusion – Response accepted.