

WALL LAKE VIEW AUBURN COMMUNITY SCHOOL
DISTRICT

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

June 30, 2006

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Independent Auditor's Report

To the Board of Education of
Wall Lake View Auburn Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of Wall Lake View Auburn Community School District, Lake View, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of Wall Lake View Auburn Community School District at June 30, 2006, 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 November 29, 2006, on our consideration of Wall Lake View Auburn Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contract 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 9 and 31 through 32 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Wall Lake View Auburn 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 three years ended June 30, 2005, (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

November 29, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Wall Lake View Auburn 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, 2006. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2006 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$4,579,988 in fiscal 2005 to \$4,486,033 in fiscal 2006, while General Fund expenditures increased from \$4,058,956 in fiscal 2005 to \$4,394,625 in fiscal 2006. Despite these changes, the District's General Fund balance still increased from \$712,201 in fiscal 2005 to \$803,609 in fiscal 2006, a 13% increase.
- The decrease in General Fund revenues was attributable to declines at all levels; local, state and federal. Fiscal 2006 revenues, although lower than fiscal 2005, still exceeded fiscal 2004 by approximately \$75,000. The increase in General Fund expenditures was primarily in the Instruction category, although, Transportation and Plant Operations showed some increases.

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 Wall Lake View Auburn 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 Wall Lake View Auburn 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 Wall Lake View Auburn Community School District acts solely as an agent or custodian for the benefit of those outside of County 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.

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 net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

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

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

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

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

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

Government-Wide Financial Analysis

Figure A-3 below provides a summary of the District's net assets at June 30, 2005 compared to June 30, 2006.

Figure A-3

	Condensed Statement of Net Assets						Percentage Change 2005-2006
	Governmental Activities		Business-type Activities		Total School District		
	2005	2006	2005	2006	2005	2006	
	\$	\$	\$	\$	\$	\$	
Current and other assets	4,520,385	3,599,916	50,358	42,811	4,570,743	3,642,727	(20%)
Capital assets	714,104	818,589	38,166	55,892	752,270	874,481	16%
Total assets	5,234,489	4,418,505	88,524	98,703	5,323,013	4,517,208	(14%)
Long-term liabilities	0	0	0	0	0	0	0%
Other liabilities	3,147,571	2,018,702	2,189	2,036	3,149,760	2,020,738	(36%)
Total liabilities	3,147,571	2,018,702	2,189	2,036	3,149,760	2,020,738	(36%)
Net Assets:							
Invested in capital assets, net of related debt	714,104	818,589	38,166	55,892	752,270	874,481	16%
Restricted	635,323	762,658	0	0	635,323	762,658	20%
Unrestricted	737,491	818,556	48,169	40,775	785,660	859,331	9%
TOTAL NET ASSETS	2,086,918	2,399,803	86,335	96,667	2,173,253	2,496,470	15%

The District's combined net assets increased by 15% or approximately \$323,000 over the prior year. The largest portion of the District's assets is in cash or cash equivalents.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately 20% or \$125,000.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately 9%. This increase in unrestricted net assets was a result of the District reducing current liabilities in the general fund.

Figure A-4 shows the change in net assets for the years ended June 30, 2005 and 2006.

Figure A-4

	Change in Net Assets						Percentage Change 2004-2005
	Governmental Activities		Business-type Activities		Total School District		
	2005 \$	2006 \$	2005 \$	2006 \$	2005 \$	2006 \$	
Revenues							
Program Revenues:							
Charges for services	326,030	308,744	145,505	146,226	471,535	454,970	(4%)
Operating grants & contributions	737,395	685,999	108,431	110,712	845,826	796,711	(6%)
Capital grants & contributions	0	0	0	0	0	0	
General Revenues:							
Property taxes	1,842,947	1,779,817	0	0	1,842,947	1,779,817	(3%)
Income Surtax	75,044	91,036	0	0	75,044	91,036	21%
Local option sales tax	266,830	263,559	0	0	266,830	263,559	(1%)
Unrestricted state grants	1,882,350	1,882,760	0	0	1,882,350	1,882,760	0%
Unrestricted investment earnings	45,398	46,255	182	143	45,580	46,398	2%
Other revenue	9,072	13,052	0	0	9,072	13,052	44%
Total Revenues	5,185,066	5,071,222	254,118	257,081	5,439,184	5,328,303	(2%)
Expenses:							
Instruction	2,886,423	3,148,869	0	0	2,886,423	3,148,869	9%
Support services	1,286,150	1,367,695	0	0	1,286,150	1,367,695	6%
Non-instructional programs	0	0	241,262	246,749	241,262	246,749	2%
Other expenditures	228,201	241,773	0	0	228,201	241,773	6%
Total expenses	4,400,774	4,758,337	241,262	246,749	4,642,036	5,005,086	7%
Change in net assets before transfers	784,292	312,885	12,856	10,332	797,148	323,217	(59%)
Transfers	0	0	0	0	0	0	0%
CHANGE IN NET ASSETS	784,292	312,885	12,856	10,332	797,148	323,217	(59%)
Net assets beginning of year	1,302,626	2,086,918	73,479	86,335	1,376,105	2,173,253	58%
Net assets end of year	2,086,918	2,399,803	86,335	96,667	2,173,253	2,496,470	15%

Property tax and unrestricted state grants account for 69% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 90% of the total expenses. A 3% decrease in property tax revenues resulted in an overall decrease in revenues of 2%. The decrease in revenues and increase in expenditures has resulted in a smaller increase in net assets than last year. Despite these changes a 15% increase in net assets was still realized for fiscal year 2006.

Governmental Activities

Revenues for governmental activities were \$5,071,222 and expenses were \$4,758,337. The increase in expenditures was due to regular cost increases. Most of the decline in revenues was due to property taxes. These changes resulted in a smaller margin between revenues and expenses than last year.

Business Type Activities

Revenues for business type activities were \$257,081 and expenses were \$246,749. 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.

The School Nutrition Fund is financially independent. Revenues pay all expenses for payroll, supplies and goods. Some equipment and kitchen repairs are also paid for by this fund.

INDIVIDUAL FUND ANALYSIS

As previously noted, Wall Lake View Auburn 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 \$1,501,214, slightly above last year's ending fund balances of \$1,302,814.

Governmental Fund Highlights

- The General Fund balance increased from \$712,201 to \$803,609.
- The Capital Projects Fund balance increased to \$387,428 due to revenues from the one cent sales tax. The fund balance in the Capital Projects Fund will be used to finance future equipment purchases and capital improvements.

Proprietary Fund Highlights

School Nutrition Fund realized a slight increase in net assets from \$86,335 to \$96,667.

BUDGETARY HIGHLIGHTS

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

The District was able to keep expenditures (\$5,113,299) below total revenues (\$5,322,031).

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2006, the District had invested \$874,481, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 16% from last year.

During fiscal year 2006 the District spent approximately \$228,000 to acquire computers, copiers, cafeteria equipment, a van, a fire alarm upgrade and for roof repairs and parking improvements.

At June 30, 2006 the District had committed \$102,000 for science lab renovations and a kitchen exhaust system.

Figure A-6

Capital Assets (net of depreciation)

	Governmental Activities		Business type Activities		Total School District		Percentage Change 2004-2005
	2005	2006	2005	2006	2005	2006	
	\$	\$	\$	\$	\$	\$	
Land	20,000	20,000	0	0	20,000	20,000	0%
Construction in progress	0	0	0	0	0	0	0%
Buildings	573,217	573,279	0	0	573,217	573,279	0%
Improvements	16,888	31,391	0	0	16,888	31,391	86%
Equipment & Furniture	103,999	193,919	38,166	55,892	142,165	249,811	76%
TOTAL	714,104	818,589	38,166	55,892	752,270	874,481	16%

Long-Term Debt

At June 30, 2006 the District has no Long-Term Debt.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of the following circumstance that could effect its financial health in the future:

- The District has experienced declining enrollment for the past several years. School financing is highly dependent upon student enrollment. The District's September 2006 enrollment again decreased. This drop in enrollment will decrease the District's funding for fiscal year 2008.

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 John Kraft, District Secretary/Treasurer and Business Manager, Wall Lake View Auburn Community School District, 801 Jackson Street, Lake View, Iowa, 51450.

BASIC FINANCIAL STATEMENTS

WALL LAKE VIEW AUBURN COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2006

	Governmental Activities	Business Type Activities	Total	Component Unit Wall Lake View Auburn Community School Foundation
	\$	\$	\$	\$
Assets				
Cash and cash equivalents	1,764,762	36,450	1,801,212	309,489
Receivables:				
Property tax:				
Delinquent	28,570	-	28,570	-
Succeeding year	1,585,026	-	1,585,026	-
Due from other governments	221,558	-	221,558	-
Inventories	-	6,361	6,361	-
Capital assets, net of accumulated depreciation	818,589	55,892	874,481	-
Total assets	4,418,505	98,703	4,517,208	309,489
Liabilities				
Accounts payable	46,055	-	46,055	-
Salaries and benefits payable	341,211	-	341,211	-
Deferred revenue:				
Succeeding year property tax	1,585,026	-	1,585,026	-
Other	46,410	2,036	48,446	-
Total liabilities	2,018,702	2,036	2,020,738	-
Net assets				
Invested in capital assets, net of related debt	818,589	55,892	874,481	-
Restricted for:				
Gifted and talented program	65,053	-	65,053	-
Management levy	60,068	-	60,068	-
Physical plant and equipment levy	164,154	-	164,154	-
Other special revenue purposes	85,955	-	85,955	-
Local option sales tax capital projects	387,428	-	387,428	-
Unrestricted	818,556	40,775	859,331	309,489
Total net assets	2,399,803	96,667	2,496,470	309,489

See notes to financial statements.

WALL LAKE VIEW AUBURN COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2006

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular instruction	2,220,224	151,472	327,615	-
Special instruction	396,141	-	85,463	-
Other instruction	532,504	150,522	99,576	-
	<u>3,148,869</u>	<u>301,994</u>	<u>512,654</u>	<u>-</u>
Support services:				
Student services	60,542	-	-	-
Instructional staff services	64,559	-	-	-
Administration services	471,911	-	-	-
Operation and maintenance of plant services	511,064	6,750	-	-
Transportation services	259,619	-	4,505	-
	<u>1,367,695</u>	<u>6,750</u>	<u>4,505</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	25,450	-	-	-
AEA flowthrough	168,840	-	168,840	-
Depreciation (unallocated)*	47,483	-	-	-
	<u>241,773</u>	<u>-</u>	<u>168,840</u>	<u>-</u>
Total governmental activities	4,758,337	308,744	685,999	-
Business type activities:				
Non-instructional programs:				
Food service operations	246,749	146,226	110,712	-
Total primary government	5,005,086	454,970	796,711	-
Component Unit:				
Wall Lake View Auburn Community School Foundation	3,500	-	46,838	-
Total	5,008,586	454,970	843,549	-
General Revenues:				
Property taxes levied for:				
General purposes				
Capital outlay				
Income surtax				
Local option sales and services tax				
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.

Net (Expense) Revenue and Changes in Net Assets
Primary Government

Governmental Activities	Business Type Activities	Total	Component Unit
\$	\$	\$	\$
(1,741,137)	-	(1,741,137)	-
(310,678)	-	(310,678)	-
(282,406)	-	(282,406)	-
<u>(2,334,221)</u>	<u>-</u>	<u>(2,334,221)</u>	<u>-</u>
(60,542)	-	(60,542)	-
(64,559)	-	(64,559)	-
(471,911)	-	(471,911)	-
(504,314)	-	(504,314)	-
(255,114)	-	(255,114)	-
<u>(1,356,440)</u>	<u>-</u>	<u>(1,356,440)</u>	<u>-</u>
(25,450)	-	(25,450)	-
-	-	-	-
(47,483)	-	(47,483)	-
<u>(72,933)</u>	<u>-</u>	<u>(72,933)</u>	<u>-</u>
(3,763,594)	-	(3,763,594)	-
-	10,189	10,189	-
<u>(3,763,594)</u>	<u>10,189</u>	<u>(3,753,405)</u>	<u>-</u>
-	-	-	43,338
<u>(3,763,594)</u>	<u>10,189</u>	<u>(3,753,405)</u>	<u>43,338</u>
1,732,018	-	1,732,018	-
47,799	-	47,799	-
91,036	-	91,036	-
263,559	-	263,559	-
1,882,760	-	1,882,760	-
46,255	143	46,398	10,352
13,052	-	13,052	-
<u>4,076,479</u>	<u>143</u>	<u>4,076,622</u>	<u>10,352</u>
312,885	10,332	323,217	53,690
<u>2,086,918</u>	<u>86,335</u>	<u>2,173,253</u>	<u>255,799</u>
<u>2,399,803</u>	<u>96,667</u>	<u>2,496,470</u>	<u>309,489</u>

WALL LAKE VIEW AUBURN COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2006

	General Fund	Capital Projects - Sales Tax	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Assets				
Cash and pooled investments	1,147,617	306,116	311,029	1,764,762
Receivables:				
Property tax:				
Delinquent	26,228	-	2,342	28,570
Succeeding year	1,406,031	-	178,995	1,585,026
Due from other governments	140,246	81,312	-	221,558
Total assets	<u>2,720,122</u>	<u>387,428</u>	<u>492,366</u>	<u>3,599,916</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	42,861	-	3,194	46,055
Salaries and benefits payable	341,211	-	-	341,211
Deferred revenue:				
Succeeding year property tax	1,406,031	-	178,995	1,585,026
Other	126,410	-	-	126,410
Total liabilities	<u>1,916,513</u>	<u>-</u>	<u>182,189</u>	<u>2,098,702</u>
Fund balances:				
Reserved for:				
Gifted and talented program	65,053	-	-	65,053
Unreserved reported in:				
General Fund	738,556	-	-	738,556
Special Revenue Funds	-	-	310,177	310,177
Capital Projects Fund	-	387,428	-	387,428
Total fund balances	<u>803,609</u>	<u>387,428</u>	<u>310,177</u>	<u>1,501,214</u>
Total liabilities and fund balances	<u>2,720,122</u>	<u>387,428</u>	<u>492,366</u>	<u>3,599,916</u>

WALL LAKE VIEW AUBURN COMMUNITY SCHOOL DISTRICT

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

June 30, 2006

	\$
Total fund balances of governmental funds (Exhibit C)	1,501,214
<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.	818,589
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	<u>80,000</u>
Net assets of governmental activities (Exhibit A)	<u><u>2,399,803</u></u>

WALL LAKE VIEW AUBURN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2006

	General Fund	Capital Projects - Sales Tax	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	1,718,673	263,559	147,352	2,129,584
Tuition	91,017	-	-	91,017
Other	107,731	-	167,859	275,590
State sources	2,255,345	-	147	2,255,492
Federal sources	313,267	-	-	313,267
Total revenues	<u>4,486,033</u>	<u>263,559</u>	<u>315,358</u>	<u>5,064,950</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	2,213,817	-	-	2,213,817
Special instruction	396,141	-	-	396,141
Other instruction	382,436	-	147,938	530,374
	<u>2,992,394</u>	<u>-</u>	<u>147,938</u>	<u>3,140,332</u>
Support services:				
Student services	60,542	-	-	60,542
Instructional staff services	64,559	-	-	64,559
Administration services	463,231	-	-	463,231
Operation and maintenance of plant services	414,745	-	94,402	509,147
Transportation services	230,314	88,497	-	318,811
	<u>1,233,391</u>	<u>88,497</u>	<u>94,402</u>	<u>1,416,290</u>
Other expenditures:				
Facilities acquisition	-	68,906	72,182	141,088
AEA flowthrough	168,840	-	-	168,840
	<u>168,840</u>	<u>68,906</u>	<u>72,182</u>	<u>309,928</u>
Total expenditures	<u>4,394,625</u>	<u>157,403</u>	<u>314,522</u>	<u>4,866,550</u>
expenditures	91,408	106,156	836	198,400
Fund balances beginning of year	<u>712,201</u>	<u>281,272</u>	<u>309,341</u>	<u>1,302,814</u>
Fund balances end of year	<u>803,609</u>	<u>387,428</u>	<u>310,177</u>	<u>1,501,214</u>

WALL LAKE VIEW AUBURN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2006

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		198,400
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded loss on disposal of capital assets and depreciation expense in the year as follows:		
Expenditures for capital assets	204,135	
Loss on disposal of capital assets	(3,728)	
Depreciation expense	<u>(95,922)</u>	104,485
Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the statement of activities.		<u>10,000</u>
Changes in net assets of governmental activities (Exhibit B)		<u><u>312,885</u></u>

WALL LAKE VIEW AUBURN COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2006

	Nonmajor School Nutrition
	<u>\$</u>
Assets	
Cash and cash equivalents	36,450
Inventories	6,361
Capital assets, net of accumulated depreciation	<u>55,892</u>
Total assets	98,703
Liabilities	
Deferred revenue	<u>2,036</u>
Net assets	
Invested in capital assets, net of related debt	55,892
Unrestricted	<u>40,775</u>
Total net assets	<u><u>96,667</u></u>

WALL LAKE VIEW AUBURN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2006

	Nonmajor School Nutrition
	<u>\$</u>
Operating revenue:	
Local sources:	
Charges for service	<u>146,226</u>
Operating expenses:	
Non-instructional programs:	
Salaries and benefits	110,563
Supplies	130,069
Depreciation	<u>6,117</u>
	<u>246,749</u>
Operating gain (loss)	<u>(100,523)</u>
Non-operating revenue:	
State sources	3,474
Federal sources	107,238
Interest income	<u>143</u>
Total non-operating revenue	<u>110,855</u>
Change in net assets	10,332
Net assets beginning of year	<u>86,335</u>
Net assets end of year	<u><u>96,667</u></u>

WALL LAKE VIEW AUBURN COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2006

	Nonmajor School Nutrition
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	146,100
Cash payments to employees for services	(110,563)
Cash payments to suppliers for goods or services	(109,031)
Net cash used by operating activities	<u>(73,494)</u>
Cash flows from non-capital financing activities:	
State grants received	3,474
Federal grants received	87,080
Net cash provided by non-capital financing activities	<u>90,554</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(23,843)</u>
Cash flows from investing activities:	
Interest on investments	<u>143</u>
Net increase (decrease) in cash and cash equivalents	(6,640)
Cash and cash equivalents at beginning of year	<u>43,090</u>
Cash and cash equivalents at end of year	<u><u>36,450</u></u>
Reconciliation of operating gain (loss) to net cash used by operating activities:	
Operating gain (loss)	(100,523)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:	
Commodities used	20,158
Depreciation	6,117
Decrease (increase) in inventories	880
Decrease (increase) in accounts receivable	27
(Decrease) increase in deferred revenue	(153)
Net cash used in operating activities	<u><u>(73,494)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2006, the District received \$20,158 of federal commodities.

WALL LAKE VIEW AUBURN COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2006

	Private Purpose Trust Scholarship
	<u>\$</u>
Assets	
Cash and pooled investments	12,701
Liabilities	<u>-</u>
Net Assets	
Reserved for scholarships	<u><u>12,701</u></u>

WALL LAKE VIEW AUBURN COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2006

	Private Purpose Trust Scholarship
	<u>\$</u>
Additions:	
Local sources:	
Interest	309
Deductions	<u>-</u>
Change in net assets	309
Net assets beginning of year	<u>12,392</u>
Net assets end of year	<u><u>12,701</u></u>

WALL LAKE VIEW AUBURN COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2006

1. Summary of Significant Accounting Policies

Board of Education of Wall Lake View Auburn 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 Wall Lake, Lake View and Auburn, Iowa and the predominately agricultural territory in a portion of Sac, Carroll and Crawford 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, Wall Lake View Auburn 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 Wall Lake View Auburn Community School Foundation has been included in these financial statements as a discretely presented component unit.

The Wall Lake View Auburn School Foundation is a separate legal entity that was established to actively solicit and receive donations, gifts and grants for scholarships, the enhancement of technology and other enrichment to the programs for Wall Lake View Auburn Community students or other programs sponsored by the Board of Directors of Wall Lake View Auburn Community School District.

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

B. Basis of Presentation

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

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

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed 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 that are imposed by management, but can be removed or modified.

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

Fund Financial Statements – Separate financial statements are provided for governmental, 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 instruction, support and other costs.

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

The District'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 Private-Purpose Trust Fund is used to account for assets held by the District under trust agreements, which require income earned to be used to benefit individuals through scholarship awards.

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 accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 nonoperating revenues and expenses.

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year.

However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied. Property tax revenue recognized in these funds became due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005, through June 30, 2006, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2005.

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

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

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

<u>Asset Class</u>	<u>Amount</u>
	\$
Land	-
Buildings	2,500
Improvements other than buildings	2,500
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,500

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

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Buildings	50 years
Improvements other than buildings	20 years
Furniture and equipment	5-15 years

The District's collection of library books and other similar materials are not capitalized. These collections are unencumbered, held for public exhibition and education, protected, cared for and preserved and subject to District policy that requires proceeds from the sale of these items, if any, to be used to acquire other collection items.

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

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

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

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use. Employees are not paid for unused vacation and sick leave benefits when employment with the District ends.

Long-term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets. The District did not have any long-term liabilities at June 30, 2006.

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

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

E. Budgeting and Budgetary Control

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

2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2006 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 had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3 as amended by Statement No. 40.

3. Capital Assets

Capital assets activity for the year ended June 30, 2006 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Land	20,000	-	-	20,000
Capital assets being depreciated:				
Buildings	2,493,244	45,065	-	2,538,309
Improvements other than buildings	431,693	16,983	-	448,676
Furniture and equipment	699,704	142,087	12,426	829,365
Total capital assets being deprec.	<u>3,624,641</u>	<u>204,135</u>	<u>12,426</u>	<u>3,816,350</u>
Less accumulated depreciation for:				
Buildings	1,920,027	45,003	-	1,965,030
Improvements other than buildings	414,805	2,480	-	417,285
Furniture and equipment	595,705	48,439	8,698	635,446
Total accumulated depreciation	<u>2,930,537</u>	<u>95,922</u>	<u>8,698</u>	<u>3,017,761</u>
Total capital assets being depreciated, net	<u>694,104</u>	<u>108,213</u>	<u>3,728</u>	<u>798,589</u>
Governmental activities capital assets, net	<u>714,104</u>	<u>108,213</u>	<u>3,728</u>	<u>818,589</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	65,113	23,843	-	88,956
Less accumulated depreciation	<u>26,947</u>	<u>6,117</u>	-	<u>33,064</u>
Business type activities capital assets, net	<u>38,166</u>	<u>17,726</u>	-	<u>55,892</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	6,407
Other	2,130
Support Services:	
Administration services	8,680
Operation and maintenance of plant services	1,917
Transportation	<u>29,305</u>
	48,439
Unallocated depreciation	<u>47,483</u>
Total depreciation expense – governmental activities	<u>95,922</u>
Business type activities:	
Food services	<u>6,117</u>

4. 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, 2006, 2005 and 2004. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2006, 2005, and 2004 were \$140,558, \$130,145, and \$138,410 respectively, equal to the required contributions for each year.

5. Risk Management

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

6. 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 \$168,840 for the year ended June 30, 2006 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

7. Related Party Transactions

Charles Brotherton, a board member, is a part owner of Lake View Lumber and Wall Lake Lumber. During the year ended June 30, 2006 Wall Lake View Auburn Community School District purchased approximately \$26,912 of building materials and supplies from these two businesses.

Lisa Drest, a board member, is part owner of Albrecht Oil. During fiscal year 2006 the District purchased \$10,350 of fuel from this business.

8. Construction Commitment

The District has entered into contracts totaling \$102,390 for science lab renovations and a kitchen exhaust system. Work on the projects had not started at June 30, 2006.

REQUIRED SUPPLEMENTARY INFORMATION

WALL LAKE VIEW AUBURN COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year ended June 30, 2006

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	2,496,191	146,369	2,642,560	2,671,938	2,671,938	(29,378)
State sources	2,255,492	3,474	2,258,966	2,356,793	2,356,793	(97,827)
Federal sources	313,267	107,238	420,505	310,000	310,000	110,505
Total revenues:	<u>5,064,950</u>	<u>257,081</u>	<u>5,322,031</u>	<u>5,338,731</u>	<u>5,338,731</u>	<u>(16,700)</u>
Expenditures:						
Instruction	3,140,332	-	3,140,332	3,429,099	3,429,099	288,767
Support services	1,416,290	-	1,416,290	1,418,729	1,418,729	2,439
Non-instructional programs	-	246,749	246,749	328,000	328,000	81,251
Other expenditures	309,928	-	309,928	633,808	633,808	323,880
Total expenditures	<u>4,866,550</u>	<u>246,749</u>	<u>5,113,299</u>	<u>5,809,636</u>	<u>5,809,636</u>	<u>696,337</u>
Excess (deficiency) of revenues over (under) expenditures	198,400	10,332	208,732	(470,905)	(470,905)	679,637
Balance beginning of year	<u>1,302,814</u>	<u>86,335</u>	<u>1,389,149</u>	<u>488,141</u>	<u>488,144</u>	<u>901,005</u>
Balance end of year	<u><u>1,501,214</u></u>	<u><u>96,667</u></u>	<u><u>1,597,881</u></u>	<u><u>17,236</u></u>	<u><u>17,239</u></u>	<u><u>1,580,642</u></u>

WALL LAKE VIEW AUBURN COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2006

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Internal Service, Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the 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 functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. The District did not amend its budget during the year.

OTHER SUPPLEMENTARY INFORMATION

WALL LAKE VIEW AUBURN COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2006

Assets	Special Revenue Funds			Total
	Management	Student	Physical	
	Levy	Activity	Plant and	
		Fund	Equipment	
	\$	\$	Levy	\$
Cash and pooled investments	59,315	89,149	162,565	311,029
Receivables:				
Property tax:				
Delinquent	753	-	1,589	2,342
Succeeding year	130,000	-	48,995	178,995
Total assets	190,068	89,149	213,149	492,366
Liabilities & Fund Balances				
Liabilities:				
Accounts payable	-	3,194	-	3,194
Deferred revenue:				
Succeeding year property tax	130,000	-	48,995	178,995
Total liabilities	130,000	3,194	48,995	182,189
Fund balances:				
Unreserved fund balance reported in:				
Special Revenue Funds	60,068	85,955	164,154	310,177
Total liabilities and fund balances	190,068	89,149	213,149	492,366

WALL LAKE VIEW AUBURN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2006

	Special Revenue Funds			Total
	Management	Student	Physical	
	Levy	Activity	Plant and	
	\$	Fund	Equipment	\$
	\$	\$	Levy	\$
Revenues:				
Local sources:				
Local tax	99,421	-	47,931	147,352
Other	4,400	150,259	13,200	167,859
State sources	101	-	46	147
Total revenues	<u>103,922</u>	<u>150,259</u>	<u>61,177</u>	<u>315,358</u>
Expenditures:				
Current:				
Instruction:				
Other instruction	-	147,938	-	147,938
Support services:				
Operation and maintenance of plant services	94,402	-	-	94,402
Other expenditures:				
Facilities acquisition	-	-	72,182	72,182
Total expenditures	<u>94,402</u>	<u>147,938</u>	<u>72,182</u>	<u>314,522</u>
Excess (deficiency) of revenues over (under) expenditures	9,520	2,321	(11,005)	836
Fund balances beginning of year	<u>50,548</u>	<u>83,634</u>	<u>175,159</u>	<u>309,341</u>
Fund balances end of year	<u><u>60,068</u></u>	<u><u>85,955</u></u>	<u><u>164,154</u></u>	<u><u>310,177</u></u>

WALL LAKE VIEW AUBURN COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2006

Account	Balance	Revenues	Expenditures	Intra-Fund Transfers	Balance
	Beginning of Year				End of Year
	\$	\$	\$	\$	\$
Yearbook	750	9,065	9,945	985	855
Student council	1,118	6,564	7,516	29	195
JH student council	1,141	-	-	-	1,141
Cheerleading	1,940	277	1,133	-	1,084
Co-op and Greenthumb	11,467	10,790	12,041	-	10,216
FFA	3,382	33,671	33,065	-	3,988
FHA	959	-	-	(959)	-
FCCLA	-	1,293	1,296	959	956
Thespians	1,007	814	1,321	-	500
National Honor Society	1,301	-	276	-	1,025
Drill team	5,134	8,147	5,107	(75)	8,099
Baseball	200	2,383	4,202	2,595	976
Athletics	3,795	8,709	2,399	(1,300)	8,805
Softball	3,936	6,281	7,434	-	2,783
Basketball	6,773	5,963	7,349	985	6,372
Football	586	5,632	5,628	-	590
Track	200	1,851	1,322	-	729
Golf	200	38	1,013	800	25
Volleyball	3,589	9,708	8,412	(80)	4,805
Wrestling	61	2,018	1,925	-	154
Weightlifting	166	-	-	-	166
Class of 2005	111	-	88	-	23
Class of 2006	496	700	1,147	10	59
Class of 2007	177	2,316	4,242	2,811	1,062
Class of 2008	-	-	-	10	10
Class of 2009	-	72	16	10	66
Band	100	856	782	-	174
Chorus	33	-	474	500	59
Marketing	236	-	-	-	236
Chicago trip	660	7,799	8,062	-	397
Elementary activities	4,563	-	-	-	4,563
5th/6th grade student council	1,767	-	-	-	1,767
Concessions	-	12,871	9,995	(2,876)	-
Concession maintenance	1,440	-	-	507	1,947
Softball concessions	2,717	6,970	3,478	(2,189)	4,020
Baseball concessions	3,375	4,451	2,692	(2,722)	2,412
Industrial tech. mass production	65	864	907	-	22
Band	5,000	-	-	-	5,000
Band/choir trip	3,079	-	3,079	-	-
Wall Lake activities	13,712	156	-	-	13,868
June 30, 2005 accounts payable	(1,602)	-	(1,602)	-	-
June 30, 2006 accounts payable	-	-	3,194	-	(3,194)
Total	83,634	150,259	147,938	-	85,955

See accompanying independent auditor's report.

WALL LAKE VIEW AUBURN COMMUNITY SCHOOL DISTRICT

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

For the Last Four Years

	Modified Accrual Basis			
	2006	2005	2004	2003
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	2,129,584	2,186,484	2,056,897	1,814,496
Tuition	91,017	86,480	166,094	114,679
Other	275,590	289,357	206,621	213,704
State sources	2,255,492	2,237,989	2,061,465	2,158,923
Federal sources	313,267	381,756	281,890	210,919
Total revenues	<u>5,064,950</u>	<u>5,182,066</u>	<u>4,772,967</u>	<u>4,512,721</u>
Expenditures:				
Instruction:				
Regular instruction	2,213,817	2,002,333	2,177,654	2,214,095
Special instruction	396,141	369,397	473,091	557,824
Other instruction	530,374	508,491	385,898	396,228
Support services:				
Student services	60,542	77,135	123,124	109,615
Instructional staff services	64,559	66,897	38,773	40,629
Administration services	463,231	523,287	496,927	486,123
Operation and maintenance of plant services	509,147	385,685	337,200	371,463
Transportation services	318,811	195,394	224,222	154,463
Non-instructional programs	-	-	30,122	36,028
Other expenditures:				
Facilities acquisition	141,088	61,581	40,014	29,359
AEA flowthrough	168,840	168,194	171,059	183,905
Total expenditures	<u>4,866,550</u>	<u>4,358,394</u>	<u>4,498,084</u>	<u>4,579,732</u>

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

To the Board of Education of
Wall Lake View Auburn Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of Wall Lake View Auburn Community School District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated November 29, 2006. 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 Wall Lake View Auburn 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 items 06-I-A and 06-I-B are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Wall Lake View Auburn 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, 2006 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 Wall Lake View Auburn Community School District and other parties to whom Wall Lake View Auburn Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

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

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

November 29, 2006

WALL LAKE VIEW AUBURN COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2006

Part I: Findings Related to the Financial Statements:

Instances of Noncompliance:

No matters were reported.

Reportable Conditions:

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

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

District Response: The District is aware of the lack of complete segregation of duties and will make changes as the opportunity arises.

Conclusion: Response accepted.

06-I-B Signature Stamp: We noted that a stamp bearing the signature of the Board President is used to cosign checks. The stamp is under the care, custody, and control of the administrative office. This practice negates the internal control procedure established by requiring two signatures on a check.

Recommendation: We recommend that this practice cease. The Board may designate a person other than the Board president to cosign checks. If a signature stamp is used, it should remain under the control of the person whose name the stamp bears at all times.

District Response: We will discuss methods to limit access to the signature stamp.

Conclusion: Response accepted.

WALL LAKE VIEW AUBURN COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2006

Part II: Other Findings Related to Statutory Reporting:

06-II-A Certified Budget: Expenditures for the year ended June 30, 2006 did not exceed the amounts budgeted.

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

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

06-II-D 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> \$
Chuck Brotherton, Board Member, part-owner of Lake View Lumber and Wall Lake Lumber	Supplies	26,912
Lisa Drest, Board Member, Part owner of Albrecht Oil	Fuel	10,350

The above transactions appear to be conflicts of interest. Business with district officials is a conflict of interest if bids are not taken or if the total amount exceeds \$2,500.

Recommendation: The District should consult legal council regarding this matter.

District Response: We will consult with our attorney.

Conclusion: Response accepted.

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

06-II-F Board Minutes: We noted no expenditures requiring board approval that had not been approved.

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

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

06-II-I Certified Annual Report (CAR): The Certified Annual Report was certified to the Iowa Department of Education timely.

WALL LAKE VIEW AUBURN COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2006

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

06-II-J Old Outstanding Checks: We noted that the District's bank reconciliations included approximately \$3,700 of old outstanding checks. Iowa Code Section 566 specifies that holders of unclaimed property, which includes outstanding checks, must file a report with and send the unclaimed property to the Treasurer of Iowa.

Recommendation: The District should investigate the status of all old outstanding checks. Checks that were issued in error or in duplicate should be voided and removed from the list of outstanding checks. The District should search for the owners of all other outstanding checks, then reissue new checks if the owners are found. If the owners can not be found, the District must file an unclaimed property report with and send the money to the Treasurer State of Iowa.

District Response: We will begin investigating the status of old outstanding checks and we will file an unclaimed property report with the Treasurer of Iowa if necessary.

Conclusion: Response accepted.

06-II-K Student Activity Fund and Nutrition Fund Expenditure Procedures: We noted that the board secretary and board president were not signing Student Activity Fund and Nutrition Fund checks. Iowa Code section 291.8 requires that the Board Secretary's original or facsimile signature appear on all checks. Iowa Code section 291.1 requires that the Board President's original or facsimile signature appear on all checks. Code section 291.1 also states that "The board of directors, by resolution, may designate an individual, who shall not be the secretary, to sign warrants on behalf of the president".

Recommendation: The District should revise its procedures for check signatures to comply with the above code sections.

District Response: We will review our current procedures.

Conclusion: Response accepted.

06-II-L Allocation of Interest: We noted that interest from a pooled bank account is not being allocated to the Capital Projects Sales Tax Fund.

Recommendation: The District should allocate interest revenue to each fund within a pooled bank account.

District Response: We will review our procedures and make any necessary adjustments.

Conclusion: Response accepted.