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, 2006

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West Bend-Mallard Community School District
Mallard, Iowa

Officials

Name	Title	Term Expires
	Board of Education (Before September 2005 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
	Board of Education (After September 2005 Election)	
Peter Nessen	President	2007
Pat Madsen	Vice President	2008
Tim Bruns	Board Member	2006
Eugene Ruppert	Board Member	2007
Vera Banwart	Board Member	2006
Charles Wirtz	Board Member	2008
Nancy Umsted	Board Member	2007
	School Officials	
Dr. John Phillips	Superintendent	2006
Barbara Zech	District Secretary/Treasurer and Business Manager	2006
Rick Engel	Attorney	2006

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, 2006, 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, 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 September 1, 2006 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 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 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

September 1, 2006

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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West Bend-Mallard Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2006 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from $3,410,256 in fiscal 2005 to $3,585,146 in fiscal 2006, while General Fund expenditures increased from $3,583,280 in fiscal 2005 to $3,742,098 in fiscal 2006. The District's General Fund balance decreased from a surplus of $123,188 in fiscal 2005 to a deficit of $33,764 in fiscal 2006, a 127% decrease.

- The increase in General Fund revenues was attributable to an increase in property tax and tuition revenues and an increase in federal grant revenues in fiscal 2006. 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 2006. 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.

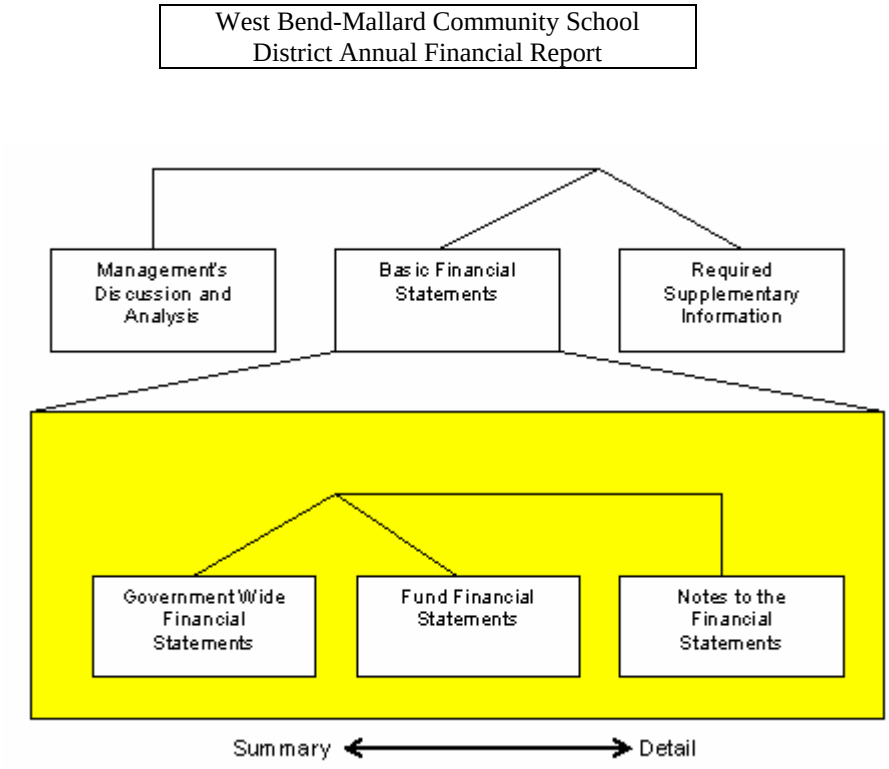

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2:
Major Features of the Government Wide and Fund Financial Statements

	Government-wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services is included here	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	• Statement of net assets • Statement of activities	• Balance sheet • Statement of revenues, expenditures, and changes in fund balances	• Statement of net assets • Statement of cash flows • Statement of revenues, expenses and changes in net assets	• Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

- *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.

- *Business type activities*: The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

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

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

The District has three kinds of funds:

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

The District's governmental funds include the General Fund, 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, 2006 compared to June 30, 2005.

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

	Governmental Activities June 30,		Business type Activities June 30,		Total District June 30,		Total Change June 30,
	2006	2005	2006	2005	2006	2005	2005-2006
Current and other assets	$ 3,620	3,547	$ 33	58	$ 3,653	3,605	1.3%
Capital assets	1,427	1,398	12	15	1,439	1,413	1.8%
Total assets	5,047	4,945	45	73	5,092	5,018	1.5%
Long-term liabilities	163	55	---	---	163	55	196.4%
Other liabilities	3,002	2,828	14	11	3,016	2,839	6.2%
Total liabilities	3,165	2,883	14	11	3,179	2,894	9.8%
Net assets:							
Invested in capital assets, Net of related debt	1,427	1,398	12	15	1,439	1,413	1.8%
Restricted	331	408	---	---	331	408	-18.9%
Unrestricted	124	256	19	47	143	303	-52.8%
Total net assets	$ 1,882	2,062	$ 31	62	$ 1,913	2,124	-9.9%

The District's combined net assets decreased by nearly 10% or approximately $211,000. 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 $77,000 or 19% 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 $160,000 or 53%. 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, 2006 compared to June 30, 2005.

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

	Governmental Activities		Business type Activities		Total District	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program revenues:						
Charges for service	$ 432	447	80	75	512	522
Operating grants, contributions and restricted interest	522	433	66	77	588	510
Capital grants, contributions and restricted interest	63	44	---	---	63	44
General revenues:						
Property tax	1,816	1,874	---	---	1,816	1,874
Local option sales and service tax	193	156	---	---	193	156
Income surtax	117	118	---	---	117	118
Unrestricted grants	1,050	1,074	---	---	1,050	1,074
Unrestricted investment earnings	24	27	---	---	24	27
Other	22	14	4	---	26	14
Total revenues	4,239	4,187	150	152	4,389	4,339
Program expenses:						
Governmental activities:						
Instruction	2,694	2,523	---	---	2,694	2,523
Support services	1,358	1,152	---	---	1,358	1,152
Non-instructional programs	18	31	181	167	199	198
Other expenses	349	329	---	---	349	329
Total expenses	4,419	4,035	181	167	4,600	4,202
Change in net assets	$ (180)	152	(31)	(15)	(211)	137

Property tax and unrestricted state grants account for 68% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 92% of the total expenses.

Governmental Activities

Revenues for governmental activities were $4,239,609 and expenses were $4,419,867.

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)

	Total Cost of Services	Net Cost of Services
Instruction	$ 2,694	1,828
Support services	1,358	1,339
Non-instructional program	19	19
Other expenses	349	218
Total	$ 4,420	3,404

The cost financed by users of the District's programs was $431,577.

Federal and state governments subsidized certain programs with grants and contributions totaling $584,222.

The net cost of governmental activities was financed with $2,126,580 in property and other taxes and $1,050,181 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were $150,734 and expenses were $181,339. 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 $504,155 below last year's ending fund balances of $612,005.

Governmental Fund Highlights

- The General Fund balance decreased from surplus of $169,335 to deficit of $33,764, 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 $66,076 in fiscal 2005 to $47,501 in fiscal 2006. Revenues decreased $29,691 due to the fact federal funding decreased $28,735. Expenditures also decreased $70,509.

- The Capital Projects Fund balance increased $84,100 due to the imposition of the local option sales and services tax.

Proprietary Fund Highlights

School Nutrition Fund net assets decreased from $61,757 at June 30, 2005 to $31,152 at June 30, 2006, representing a decrease of approximately 50%.

BUDGETARY HIGHLIGHTS

The District's receipts were $271,931 more than budged receipts, a variance of 7%.

Total expenditures were more than budgeted by $104,049 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, instruction, non-instructional and other expenditures programs functional areas and the District exceeded its General Fund unspent authorized budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2006, 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 6 to the financial statements. Depreciation expense for the year was $168,716.

The original cost of the District's capital assets was $6.4 million.

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

	Governmental Activities June 30,		Business type Activities June 30,		Total District June 30,		Total Change June 30,
	2006	2005	2006	2005	2006	2005	2005-2006
Land	$ 75	75	---	---	75	75	0.0%
Buildings	914	870	---	---	914	870	5.1%
Improvements other than Buildings	24	10	---	---	24	10	140.0%
Furniture and equipment	414	444	12	15	426	459	-7.2%
Totals	$ 1,427	1,399	12	15	1,439	1,414	1.8%

Long-Term Debt

At June 30, 2006, the District had long-term debt outstanding. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 7 to the financial statements.

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

	Total District June 30,		Total Change
	2006	2005	2005-2006
Early retirement	$ 163	51	220%
ISEBA assessment	---	4	100%
	163	55	196%

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 nine years. The enrollment decline from 2004-2005 to 2005-2006 was 6.2%. The loss of these 22 students will eventually result in a shortfall of $109,626 to the District.
- The District bargains each year with WBMEA. The settlement for 2005-2006 exceeded the new money awarded to the District. For the first time, the District bargained a two year contract with WBMEA that establishes the increases for the 2006-2007 and 2007-2008 school years.
- Health insurance makes up a large part ($375,000) of the 2005-2006 budget. For the first time, the district did not have a double digit increase, the increase for 2005-2006 was 5% and the dollar increase was $18,750 which is down from the $88, 378 increase for 2004-2005.
- The board is committed to operating the General fund within its Authorized Budget and the Board approved a reduction of General Fund expenses in the amount of $181,994.
- The District continued to experience double-digit increases in fuel for the buses and in energy needs for the buildings.
- The District asked for increases in modified allowable growth for the dropout prevention program and the special education program. These two increases amounted to $74,686.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

Basic Financial Statements

West Bend-Mallard Community School District
Mallard, Iowa

Exhibit A

Statement of Net Assets

June 30, 2006

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and cash equivalents:			
ISCAP	$ 624,131	-	624,131
Other	763,553	23,877	787,430
Receivables:			
Property tax:			
Delinquent	38,641	-	38,641
Succeeding year	2,011,000	-	2,011,000
Accrued interest:			
ISCAP	194	-	194
Due from other governments	181,971	-	181,971
Interfund balances	312	(312)	-
Inventories	-	9,143	9,143
Capital assets, net of accumulated depreciation	1,426,816	12,259	1,439,075
Total assets	5,046,618	44,967	5,091,585
Liabilities			
Accounts payable	20,003	-	20,003
Salaries and benefits payable	340,817	13,815	354,632
Deferred revenue - succeeding year property tax	2,011,000	-	2,011,000
ISCAP warrants payable	625,000	-	625,000
ISCAP accrued interest payable	154	-	154
ISCAP unamortized premium	4,756	-	4,756
Long-term liabilities:			
Portion due within one year:			
Early retirement payable	101,048	-	101,048
Portion due after one year:			
Early retirement payable	62,082	-	62,082
Total liabilities	3,164,860	13,815	3,178,675

(continued)

West Bend-Mallard Community School District
Mallard, Iowa

Exhibit A

Statement of Net Assets

June 30, 2006

	Governmental Activities	Business Type Activities	Total
Net assets			
Invested in capital assets, net of related debt	1,426,816	12,259	1,439,075
Restricted for:			
Management levy	214,699	-	214,699
Physical plant and equipment levy	47,501	-	47,501
Other special revenue purposes	69,209	-	69,209
Unrestricted	123,533	18,893	142,426
Total net assets	$ 1,881,758	31,152	1,912,910

See notes to financial statements.

West Bend-Mallard Community School District
Mallard, Iowa
Statement of Activities
Year ended June 30, 2006

		Program Revenues		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs				
Governmental activities:				
Instruction:				
Regular instruction	$ 1,503,275	188,069	281,933	47,478
Special instruction	448,412	34,098	25,283	-
Other instruction	742,600	206,187	83,672	-
	2,694,287	428,354	390,888	47,478
Support services:				
Student services	78,421	-	2,527	-
Instructional staff services	123,896	-	-	-
Administration services	568,338	-	-	-
Operation and maintenance of plant services	376,979	3,163	-	-
Transportation services	210,673	60	12,983	-
	1,358,307	3,223	15,510	-
Non-instructional programs	18,774	-	-	-
Other expenditures:				
Facilities acquisition	64,631	-	-	15,194
AEA flowthrough	115,152	-	115,152	-
Depreciation (unallocated)*	168,716	-	-	-
	348,499	-	115,152	15,194
Total governmental activities	4,419,867	431,577	521,550	62,672
Business type activities:				
Non-instructional programs:				
Food service operations	181,339	80,242	66,317	-
Total	$ 4,601,206	511,819	587,867	62,672
General Revenues:				
Property tax levied for:				
General purposes				
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
(985,795)	-	(985,795)
(389,031)	-	(389,031)
(452,741)	-	(452,741)
(1,827,567)	-	(1,827,567)
(75,894)	-	(75,894)
(123,896)	-	(123,896)
(568,338)	-	(568,338)
(373,816)	-	(373,816)
(197,630)	-	(197,630)
(1,339,574)	-	(1,339,574)
(18,774)	-	(18,774)
(49,437)	-	(49,437)
-	-	-
(168,716)	-	(168,716)
(218,153)	-	(218,153)
(3,404,068)	-	(3,404,068)
-	(34,780)	(34,780)
(3,404,068)	(34,780)	(3,438,848)
1,735,041	-	1,735,041
81,303	-	81,303
192,928	-	192,928
117,308	-	117,308
1,050,181	-	1,050,181
24,166	156	24,322
22,883	4,019	26,902
3,223,810	4,175	3,227,985
(180,258)	(30,605)	(210,863)
2,062,016	61,757	2,123,773
$ 1,881,758	31,152	1,912,910

West Bend-Mallard Community School District
Mallard, Iowa

Exhibit C

Balance Sheet
Governmental Funds

June 30, 2006

	General	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
Assets					
Cash and pooled investments:					
ISCAP	$ 624,131	-	-	-	624,131
Other	260,592	-	173,083	329,878	763,553
Receivables:					
Property tax:					
Delinquent	34,829	-	-	3,812	38,641
Succeeding year	1,799,000	-	-	212,000	2,011,000
Accrued interest:					
ISCAP	194	-	-	-	194
Due from other funds	-	-	603	-	603
Due from other governments	98,194	-	32,824	50,953	181,971
Total assets	$ 2,816,940	-	206,510	596,643	3,620,093
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	19,832	-	-	171	20,003
Salaries and benefits payable	340,817	-	-	-	340,817
Due to other funds	-	-	-	291	291
ISCAP warrants payable	625,000	-	-	-	625,000
ISCAP accrued interest payable	154	-	-	-	154
ISCAP unamortized premium	4,756	-	-	-	4,756
Deferred revenue:					
Succeeding year property tax	1,799,000	-	-	212,000	2,011,000
Other	61,145	-	-	50,954	112,099
Early retirement	-	-	-	1,818	1,818
Total liabilities	2,850,704	-	-	265,234	3,115,938
Fund balances:					
Reserved for teacher mentoring	1,845	-	-	-	1,845
Reserved for early intervention	1,503	-	-	-	1,503
Reserved for teacher salary improvemen	699	-	-	-	699
Unreserved	(37,811)	-	206,510	331,409	500,108
Total fund balances	(33,764)	-	206,510	331,409	504,155
Total liabilities and fund balances	$ 2,816,940	-	206,510	596,643	3,620,093

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, 2006

Total fund balances of governmental funds (page 19)	$ 504,155
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	1,426,816
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	112,099
Long-term liabilities, including early retirement payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(161,312)
Net assets of governmental activities (page 16)	$ 1,881,758

See notes to financial statements.

Exhibit E

West Bend-Mallard Community School District
Mallard, Iowa
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year ended June 30, 2006

	General	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
Revenues:					
Local sources:					
Local tax	$ 1,696,345	-	192,928	232,346	2,121,619
Tuition	212,765	-	-	-	212,765
Other	56,927	-	728	208,207	265,862
State sources	1,359,896	-	-	99	1,359,995
Federal sources	259,213	-	-	15,194	274,407
Total revenues	3,585,146	-	193,656	455,846	4,234,648
Expenditures:					
Current:					
Instruction:					
Regular instruction	1,352,288	-	-	44,932	1,397,220
Special instruction	448,186	-	-	226	448,412
Other instruction	535,973	-	-	206,627	742,600
	2,336,447	-	-	251,785	2,588,232
Support services:					
Student services	78,221	-	-	200	78,421
Instructional staff services	123,663	-	-	233	123,896
Administration services	561,459	-	-	6,879	568,338
Operation and maintenance of plant services	313,752	-	-	63,227	376,979
Transportation services	195,891	-	-	29,782	225,673
	1,272,986	-	-	100,321	1,373,307
Non-instructional programs	17,513	-	-	1,261	18,774
Other expenditures:					
Facilities acquisition	-	-	109,556	137,477	247,033
AEA flowthrough	115,152	-	-	-	115,152
	115,152	-	109,556	137,477	362,185
Total expenditures	3,742,098	-	109,556	490,844	4,342,498
Excess (deficiency) of revenues over (under) expenditures	(156,952)	-	84,100	(34,998)	(107,850)
Other financing sources (uses):					
Transfer in	-	-	-	7,310	7,310
Transfer out	-	(7,310)	-	-	(7,310)
Total other financing sources (uses)	-	(7,310)	-	7,310	-
Net change in fund balances	(156,952)	(7,310)	84,100	(27,688)	(107,850)
Fund balances beginning of year, as restated (note 12)	123,188	7,310	122,410	359,097	612,005
Fund balances end of year	$ (33,764)	-	206,510	331,409	504,155

See notes to financial statements.

West Bend-Mallard Community School District
Mallard, Iowa

Exhibit F

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

Year ended June 30, 2006

Net change in fund balances - total governmental funds (page 21)		$ (107,850)
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	$ 197,402	
Depreciation expense	(168,716)	28,686
Income surtax not collected for several months after year end is not considered available revenue and is deferred in the governmental funds.		4,961
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		(110,175)
Change in net assets of governmental activities (page 18)		$ (180,258)

See notes to financial statements.

West Bend-Mallard Community School District
Mallard, Iowa

Exhibit G

Statement of Net Assets
Proprietary Fund

June 30, 2006

	School Nutrition
Assets	
Cash and cash equivalents	$ 23,877
Inventories	9,143
Capital assets, net of accumulated depreciation	12,259
Total assets	45,279
Liabilities	
Due to other funds	312
Salaries and benefits payable	13,815
Total liabilities	14,127
Net Assets	
Invested in capital assets, net of related debt	12,259
Unrestricted	18,893
Total net assets	$ 31,152

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, 2006

	School Nutrition
Operating revenues:	
Local sources:	
Charges for service	$ 84,026
Miscellanous	235
Total operating revenue	84,261
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries and benefits	97,655
Purchased services	278
Supplies	80,189
Depreciation	3,217
Total operating expenses	181,339
Operating loss	(97,078)
Non-operating revenues:	
State sources	2,070
Federal sources	64,247
Interest income	156
Total non-operating revenues	66,473
Change in net assets	(30,605)
Net assets beginning of year	61,757
Net assets end of year	$ 31,152

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, 2006

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	$ 84,026
Cash received from miscellaneous operating activities	235
Cash paid to employees for services	(94,591)
Cash paid to suppliers for goods or services	(62,428)
Net cash used by operating activities	(72,758)
Cash flows from non-capital financing activities:	
State grants received	2,070
Federal grants received	46,240
Net cash provided by non-capital financing activities	48,310
Cash flows from investing activities:	
Interest on investments	156
Net decrease in cash and cash equivalents	(24,292)
Cash and cash equivalents beginning of year	48,169
Cash and cash equivalents end of year	$ 23,877

West Bend-Mallard Community School District
Mallard, Iowa

Exhibit I

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2006

	School Nutrition
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	$ (97,078)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	18,007
Depreciation	3,217
Decrease in inventories	32
Increase in salaries and benefits payable	3,064
Net cash used by operating activities	$ (72,758)

Non-cash investing, capital and financing activities:

During the year ended June 30, 2006, the District received $18007 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, 2006

	Agency
Assets	
Cash	$ 4,272
Total assets	4,272
Liabilities	
Other payables	4,272
Total liabilities	4,272
Net assets	$ -

See notes to financial statements.

(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.

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.

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.

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.

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 financial statements.

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.

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, 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.

Asset Class	Amount
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:

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

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

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.

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, 2006 disbursements in instruction, 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 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 has no investments at or during the year ended June 30, 2006 and invested its excess cash in money market checking and savings accounts and certificates of deposit.

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2006 is as follows:

Receivable Fund	Payable Fund	Amount
Special Revenue: Physical Plant and Equipment Levy	Enterprise: Nutrition Fund	$ 312
Capital Projects	Special Revenue: Physical Plant and Equipment Levy	603

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2006 is as follows:

Transfer to	Transfer from	Amount
Special Revenue Physical Plant and Equipment Levy	Debt Service	$ 7,310

(5) 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

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, 2006 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2006-07A	6/28/06	6/28/07	$ 624,131	194	625,000	154
			======	=====	======	=====

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, 2006.

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
2006-07A	4.50%	5.676%

(6) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 74,705	---	---	74,705
Total capital assets not being depreciated	74,705	---	---	74,705
Capital assets being depreciated:				
Buildings	2,695,077	88,308	---	2,783,385
Improvements other than buildings	72,794	16,529	---	89,323
Furniture and equipment	3,406,870	92,565	---	3,499,435
Total capital assets being depreciated	6,174,741	197,402	---	6,372,143
Less accumulated depreciation for:				
Buildings	1,824,908	44,662	---	1,869,570
Improvements other than buildings	62,862	2,243	---	65,105
Furniture and equipment	2,963,546	121,811	---	3,085,357
Total accumulated depreciation	4,851,316	168,716	---	5,020,032
Total capital assets being depreciated, net	1,323,425	28,686	---	1,352,111
Governmental activities capital assets, net	$ 1,398,130	28,686	---	1,426,816
	=======	======	=====	=======

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Furniture and equipment	$ 39,299	---	---	39,299
Less accumulated depreciation	23,823	3,217	---	27,040
Business type activities capital assets, net	$ 15,476	(3,217)	---	12,259

Depreciation expense was charged to the following functions:

Governmental activities:	
Unallocated	168,716
Total depreciation expense – governmental activities	$ 168,716
Business type activities:	
Food service operations	$ 3,217

(7) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2006 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
ISEBA assessment	$ 4,120	---	4,120	---	---
Early retirement	51,137	151,528	39,535	163,130	101,048
Total	$ 55,257	151,528	43,655	163,130	101,048

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, 2006 totaled $39,499.

(8) 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 $127,047, $124,125 and $119,565, respectively, equal to the required contributions for each year.

(9) Risk Management

West Bend-Mallard 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.

(10) 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 $115,152 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.

(11) 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.

(12) Restatement of Beginning Balances

The fund financial statements report the District's governmental fund type activities. Beginning fund balances for the general and capital projects funds have been restated to include an accounts payable in the proper fund at July 1, 2005.

	Total
General Fund	
Fund balance, June 30, 2005 as previously reported	$ 169,355
Account payable	(46,167)
Fund balance, July 1, 2005, as restated	$ 123,188
	=======
Capital Projects	
Fund balance, June 30, 2005 as previously reported	$ 76,243
Accounts payable	46,167
Fund balance, July 1, 2005, as restated	$ 122,410
	======

(13) Subsequent Events

On August 22, 2006 the West Bend-Mallard Community School District entered into a lease purchase agreement for two International school buses from Hoglund Bus Co. The District is financing the purchase of the buses with BB Community Leasing Services, Inc., the payment methodology including a purchase option payment due August 1, 2009. Hoglund Bus. Co. has agreed to buy back one or both buses if the District elects not to exercise its purchase option.

On July 18, 2006 the District entered into an equipment lease agreement with Bro Business Center to lease a digital copy machine for a period of sixty months.

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, 2006

	Governmental Funds Actual	Proprietary Fund Actual
Receipts:		
Local sources	$ 2,594,235	84,417
State sources	1,357,098	2,070
Federal sources	273,787	46,240
Total receipts	4,225,120	132,727
Disbursements:		
Instruction	2,718,142	-
Support services	1,293,203	80
Non-instructional programs	21,956	156,939
Other expenditures	365,516	-
Total disbursements	4,398,817	157,019
Excess (deficiency) of receipts over (under) disbursements	(173,697)	(24,292)
Balances beginning of year	937,250	48,169
Balances end of year	$ 763,553	23,877

See accompanying independent auditor's report.

Total Actual	Budgeted Amounts Original	Budgeted Amounts Final	Final to Actual Variance
2,678,652	2,531,580	2,531,580	147,072
1,359,168	1,397,536	1,397,536	(38,368)
320,027	156,800	156,800	163,227
4,357,847	4,085,916	4,085,916	271,931
2,718,142	2,570,920	2,570,920	(147,222)
1,293,283	1,502,302	1,502,302	209,019
178,895	153,550	153,550	(25,345)
365,516	225,015	225,015	(140,501)
4,555,836	4,451,787	4,451,787	(104,049)
(197,989)	(365,871)	(365,871)	167,882
985,419	792,232	792,232	193,187
787,430	426,361	426,361	361,069

West Bend-Mallard Community School District
Mallard, Iowa

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2006

	Governmental Funds		
	Cash Basis	Accrual Adjust-ments	Modified Accrual Basis
Revenues	$ 4,225,120	9,528	4,234,648
Expenditures	4,398,817	(56,319)	4,342,498
Net	(173,697)	65,847	(107,850)
Beginning fund balances	937,250	(325,245)	612,005
Ending fund balances	$ 763,553	(259,398)	504,155

	Proprietary Fund		
	Enterprise		
	Cash Basis	Accrual Adjust-ments	Accrual Basis
Revenues	$ 132,727	18,007	150,734
Expenses	157,019	24,320	181,339
Net	(24,292)	(6,313)	(30,605)
Beginning net assets	48,169	13,588	61,757
Ending net assets	$ 23,877	7,275	31,152

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, 2006

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. 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 ended June 30, 2006, disbursements in the instruction, 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, 2006

	Management Levy	Student Activity	Physical Plant and Equipment Levy	Total
Assets				
Cash and pooled investments	$ 214,558	69,209	46,111	329,878
Receivables:				
Property tax:				
Delinquent	2,130	-	1,682	3,812
Succeeding year	125,000	-	87,000	212,000
Due from other governments	-	-	50,953	50,953
Total assets	$ 341,688	69,209	185,746	596,643
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	$ 171	-	-	171
Due to other funds	-	-	291	291
Deferred revenue:				
Succeeding year property tax	125,000	-	87,000	212,000
Other	-	-	50,954	50,954
Early retirement	1,818	-	-	1,818
Total liabilities	126,989	-	138,245	265,234
Fund equity:				
Unreserved fund balances	214,699	69,209	47,501	331,409
Total liabilities and fund equity	$ 341,688	69,209	185,746	596,643

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, 2006

	Management Levy	Student Activity	Physical Plant and Equipment Levy	Total
Revenues:				
Local sources:				
Local tax	$ 99,976	-	132,370	232,346
Other	1,133	206,624	450	208,207
State sources	54	-	45	99
Federal sources	-	-	15,194	15,194
Total revenues	101,163	206,624	148,059	455,846
Expenditures:				
Current:				
Instruction:				
Regular instruction	44,932	-	-	44,932
Special instruction	226	-	-	226
Other instruction	265	206,362	-	206,627
Support services:				
Student services	200	-	-	200
Instructional staff services	233	-	-	233
Administration services	6,879	-	-	6,879
Operation and maintenance of plant services	41,760	-	21,467	63,227
Transportation	14,782	-	15,000	29,782
Non-instructional programs	1,261	-	-	1,261
Other expenditures:				
Facilities acquisition	-	-	137,477	137,477
Total expenditures	110,538	206,362	173,944	490,844
Excess (deficiency) of revenues over (under) expenditures	(9,375)	262	(25,885)	(34,998)
Other financing sources (uses):				
Transfers in	-	-	7,310	7,310
Total other financing sources (uses)	-	-	7,310	7,310

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, 2006

	Management Levy	Student Activity	Physical Plant and Equipment Levy	Total
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(9,375)	262	(18,575)	(27,688)
Fund balances beginning of year	224,074	68,947	66,076	359,097
Fund balances end of year	$ 214,699	69,209	47,501	331,409

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, 2006

Account	Balance Beginning of Year	Revenues	Expenditures	Intra-Fund Transfers	Balance End of Year
Athletics - West Bend	$ 4,243	68,784	70,446	-	2,581
Weightlifting	42	-	-	-	42
Padlock-Athletics-West Bend	823	-	-	-	823
Towel Fees-Athletics-West Bend	2,253	415	-	-	2,668
Dramatics	1,869	2,994	4,893	-	(30)
Annual	9,725	7,153	4,532	-	12,346
Class of:					
2006	1,928	69	814	(263)	920
2007	138	10,405	8,671	-	1,872
2008	35	-	35	-	-
2009	962	-	1,225	263	-
Vocal Music	1,225	-	160	-	1,065
Band	361	173	69	-	465
Swing Choir	2	-	-	-	2
Flagline	479	174	-	-	653
Cheerleading - West Bend	943	4,758	4,481	-	1,220
Drill Team	1,145	29,267	29,712	-	700
FFA	6,406	23,911	25,238	-	5,079
Concession Stand	1,116	-	-	-	1,116
Student Council - West Bend	1,597	12,798	12,135	-	2,260
WBM-TV	762	25	-	-	787
Home Economics	209	-	-	-	209
Pep Bus	928	-	928	-	-
NOW Account Interest	2,862	243	-	-	3,105
FFA Special	2,171	20,627	19,351	-	3,447
Elementary Classes	1,989	1,509	679	-	2,819
Industrial Ed	295	-	-	-	295
Life Skills	323	449	458	-	314
Cheerleading - Mallard	154	-	-	-	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, 2006

Account	Balance Beginning of Year	Revenues	Expenditures	Intra-Fund Transfers	Balance End of Year
Four x Four Shop	1,070	4,500	2,760	-	2,810
Four x Four Shop - Second	2,032	390	377	-	2,045
Spanish Club	(396)	493	-	-	97
Design Plus	1,525	2,720	2,369	-	1,876
Drama - Speech	109	-	-	-	109
Music	230	1,162	1,046	-	346
Locks-Athletics-Mallard	159	-	-	-	159
Towel Fees-Athletics-Mallard	1,103	99	-	-	1,202
Field Trips	(900)	2,095	794	-	401
M.S. Programs	7,997	5,323	8,346	-	4,974
M.S. Classes	1,489	902	1,631	-	760
Student Council - Mallard	5,744	3,651	4,022	-	5,373
Interest	2,376	193	-	-	2,569
Athletics - Mallard	1,155	1,342	1,190	-	1,307
Little League	269	-	-	-	269
Total	$ 68,947	206,624	206,362	-	69,209

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, 2006

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash	$ 19,058	46,062	60,848	4,272
Total assets	$ 19,058	46,062	60,848	4,272
Liabilities				
Other payables	$ 19,058	46,062	60,848	4,272
Total liabilities	$ 19,058	46,062	60,848	4,272

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 Four Years

	Modified Accrual Basis			
	2006	2005	2004	2003
Revenues:				
Local sources:				
Local tax	$ 2,121,619	2,137,957	2,081,984	2,085,579
Tuition	212,765	203,804	246,565	223,348
Other	265,862	276,662	240,563	266,260
State sources	1,359,995	1,360,229	1,238,204	1,308,225
Federal sources	274,407	190,334	144,957	284,366
Total	$ 4,234,648	4,168,986	3,952,273	4,167,778
Expenditures:				
Instruction:				
Regular instruction	$ 1,397,220	1,309,868	1,249,954	1,209,420
Special instruction	448,412	392,443	494,345	441,863
Other instruction	742,600	798,900	612,317	675,520
Support services:				
Student services	78,421	64,401	71,936	69,406
Instructional staff services	123,896	132,145	144,404	124,455
Administration services	568,338	542,428	507,787	462,999
Operation and maintenance of plant services	376,979	324,611	298,720	305,716
Transportation services	225,673	180,186	158,513	211,613
Central support services	-	-	10,668	38,963
Non-instructional programs	18,774	30,559	19,578	35,755
Other expenditures:				
Facilities acquisition	247,033	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	115,152	115,716	117,538	127,947
Total	$ 4,342,498	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, 2006, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated September 1, 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 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-06 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, 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 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.L.C.
Certified Public Accountants

September 1, 2006

West Bend-Mallard Community School District
Mallard, Iowa

Schedule of Findings

Year ended June 30, 2006

Part I: Findings Related to the Financial Statements:

REPORTABLE CONDITIONS:

I-A-06 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.

INSTANCES OF NON-COMPLIANCE:

No matters were reported

West Bend-Mallard Community School District
Mallard, Iowa

Schedule of Findings

Year ended June 30, 2006

Part II: Other Findings Related to Statutory Reporting:

II-A-06 Certified Budget - Disbursements for the year ended June 30, 2006, exceeded the certified budget amounts in the instruction, non-instructional programs and other expenditures functions. The District also exceeded its unspent authorized budget for the year ended June 30, 2006.

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 unspent authorized budget issue.

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

II-D-06 Business Transactions - No business transactions between the District and District officials or employees were noted.

II-E-06 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.

West Bend-Mallard Community School District
Mallard, Iowa

Schedule of Findings

Year ended June 30, 2006

II-F-06 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

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

II-H-06 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-I-06 Certified Annual Report - The Certified Annual Report was filed with the Iowa Department of Education timely.

II-J-06 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.