

WEST LIBERTY COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS,
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2005

WEST LIBERTY COMMUNITY SCHOOL DISTRICT
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WEST LIBERTY COMMUNITY SCHOOL DISTRICT
 Officials
 June 30, 2005

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2004 Election)		
Bill Laughlin	Board President	2005
Karen Lathrop	Board Member	2004
Joe Stiff	Board Member	2005
Fay Cline	Board Member	2006
Scott Harvey	Board Member	2006
(After September 2004 Election)		
Fay Cline	Board President	2006
Joe Stiff	Board Member	2005
Bill Laughlin	Board Member	2005
Scott Harvey	Board Member	2006
Priscilla Haessig	Board Member	2007
School Officials		
Rebecca Rodocker	Superintendent	2005
Tom Anderson	District Secretary/Treasurer	2005
Brian Gruhn	Attorney	2005

KAY L. CHAPMAN, CPA PC

210 Cedar Street
Muscatine, Iowa 52761
563-264-1385

Independent Auditor's Report

To the Board of Education
West Liberty Community School District

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

I conducted my 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 I 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. I believe my audit provides a reasonable basis for my opinions.

In my 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 Liberty Community School District as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued my report dated September 16, 2005 on my consideration of West Liberty Community School District's internal control over financial reporting and my 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 my 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 my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 43 through 44 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise West Liberty Community School District's basic financial statements. I 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, 2004 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 6, including the accompanying Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, 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 my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Kay L. Chapman, CPA PC
September 16, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2005 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$7,784,049 in fiscal 2004 to \$8,300,626 in fiscal 2005, while General Fund expenditures increased from \$7,832,010 in fiscal 2004 to \$8,449,906 in fiscal 2005. The District's General Fund balance decreased from \$1,965,191 in fiscal 2004 to \$1,812,236 in fiscal 2005, an 8% decrease.
- The increase in General Fund revenues was attributable to an increase in state foundation aid in fiscal 2005 from receiving 4% allowable growth and an increase in student certified enrollment. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits, restricted grant expenditures, and the addition of 7 new staff to add programs or grade sections. One reason the General Fund balance decreased is because the negotiated salary and benefits settlement was greater than the District's increase in General Fund revenue for fiscal 2005. As a result, the District funded a portion of the current year General Fund salaries and benefits from the carryover fund balance.
- In January 2005 the West Liberty Community School District opened a brand new \$11,000,000 high school. The school was financed through \$5,000,000 in General Obligation Bonds, \$2,100,000 in Muscatine County Sales Tax Revenue Bonds, \$500,000 construction grant, accumulated local option sales tax revenues, and approximately \$2,000,000 in donations.

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 Liberty 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 Liberty 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 Liberty 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 non-major Special Revenue Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

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

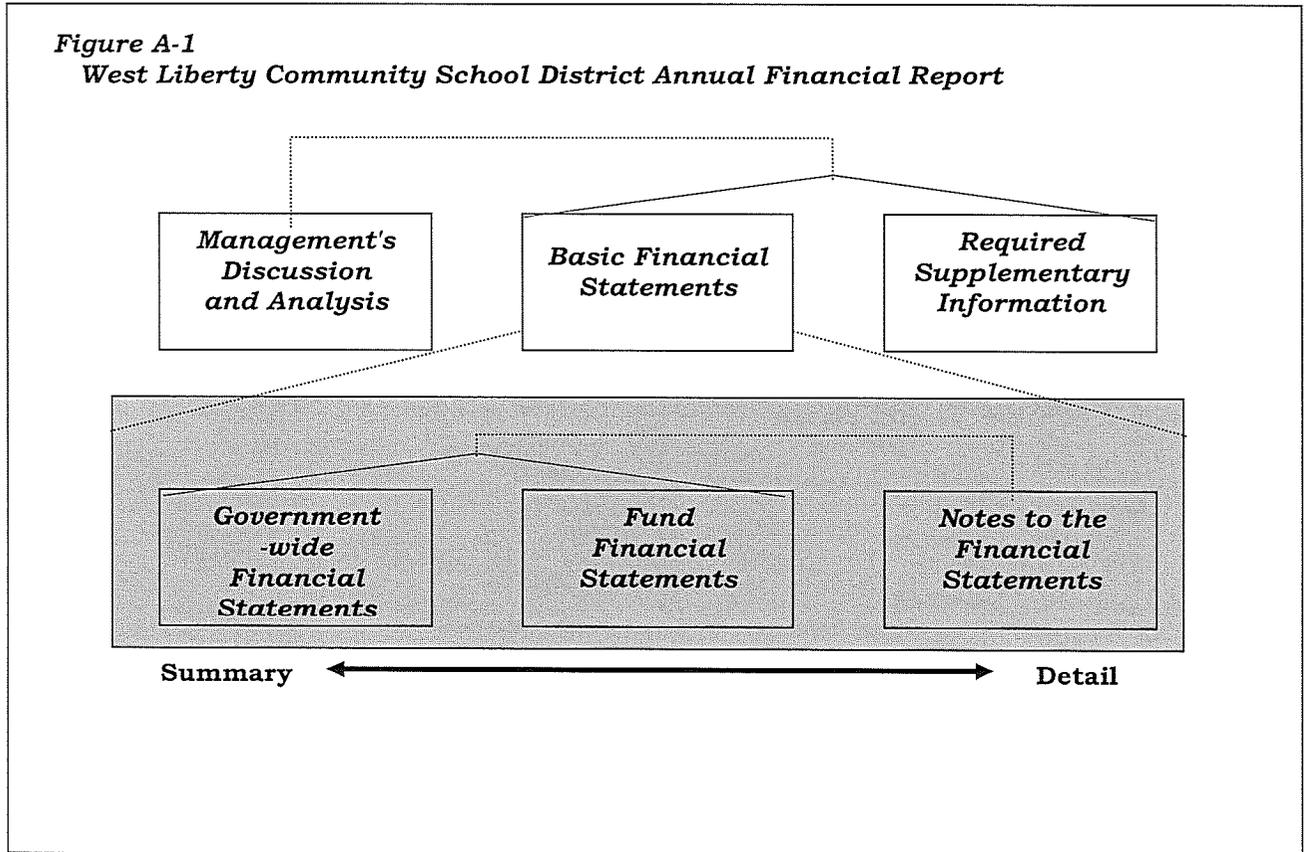


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

	Government-wide Statements	Fund 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 such as food services.	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources 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, 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 during the year or soon thereafter	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 three 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.
- *Component Unit:* This includes the activities of the West Liberty Community School District Foundation. The District receives significant financial benefits from the Foundation although they are legally separate entities.

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 Funds.

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. Internal Service Funds, the other type of proprietary fund, are optional and available to report activities that provide supplies and services for other District programs and activities. The

District currently has one Internal Service Fund, the employee partial self-funding health insurance 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 Private-Purpose Trust and Agency Funds.

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.
- 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 past district employee’s on the district’s Group Health Insurance Program and related expenditures.

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3

Condensed Statement of Net Assets

	Governmental Activities		Business Type Activities		Total School District		Total Change
	2005	2004	2005	2004	2005	2004	2004-2005
Current and other assets	\$ 6,423,756	\$ 9,433,037	\$ 33,476	\$ 25,090	\$ 6,457,232	\$ 9,458,127	-31.73%
Capital assets	<u>13,238,042</u>	<u>9,253,012</u>	<u>76,116</u>	<u>33,951</u>	<u>13,314,158</u>	<u>9,286,963</u>	43.36%
Total assets	<u>19,661,798</u>	<u>18,686,049</u>	<u>109,592</u>	<u>59,041</u>	<u>19,771,390</u>	<u>18,745,090</u>	5.48%
Long-term obligations	7,858,459	8,436,675	-	-	7,858,459	8,436,675	-6.85%
Other liabilities	<u>3,074,326</u>	<u>2,867,214</u>	<u>2,211</u>	<u>1,821</u>	<u>3,076,537</u>	<u>2,869,035</u>	7.23%
Total liabilities	<u>10,932,785</u>	<u>11,303,889</u>	<u>2,211</u>	<u>1,821</u>	<u>10,934,996</u>	<u>11,305,710</u>	-3.28%
Net assets							
Invested in capital assets, net of related debt	5,453,042	962,268	76,116	33,951	5,529,158	996,219	455.01%
Restricted	1,445,853	4,462,212	-	-	1,445,853	4,462,212	-67.60%
Unrestricted	<u>1,830,118</u>	<u>1,957,680</u>	<u>31,265</u>	<u>23,269</u>	<u>1,861,383</u>	<u>1,980,949</u>	-6.04%
Total net assets	<u>\$ 8,729,013</u>	<u>\$ 7,382,160</u>	<u>\$ 107,381</u>	<u>\$ 57,220</u>	<u>\$ 8,836,394</u>	<u>\$ 7,439,380</u>	18.78%

The District's combined net assets increased by approximately 19%, or \$1,397,014, over the prior year. The largest portion of the District's net assets is the investment in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

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 \$3,016,359, or approximately 68% from the prior year. The decrease was primarily a result of the completion of a new high school facility.

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 \$119,566, or 6%. This reduction in unrestricted net assets was a result of the District using carryover fund balance to meet its financial obligations during the year.

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

	Governmental Activities		Business Type Activities		Total District	
	2005	2004	2005	2004	2005	2004
Revenues						
Program revenues						
Charges for service and sales	\$ 350,103	\$ 282,193	\$ 183,253	\$ 178,491	\$ 533,356	\$ 460,684
Operating grants, contributions and restricted interest	1,395,323	1,675,593	204,754	188,315	1,600,077	1,863,908
Capital grants, contributions and restricted interest	432,964	-	-	-	432,964	-
General revenues						
Property tax	3,108,996	3,150,614	-	-	3,108,996	3,150,614
Sales and services tax	565,349	611,465	-	-	565,349	611,465
Unrestricted state grants	4,297,715	3,949,492	-	-	4,297,715	3,949,492
Contributions and donations	2,089,972	-	-	-	2,089,972	-
Unrestricted investment earnings	74,117	133,356	389	190	74,506	133,546
Transfers	(53,319)	-	53,319	-	-	-
Other	35,814	54,515	-	-	35,814	54,515
Total revenues	<u>12,297,034</u>	<u>9,857,228</u>	<u>441,715</u>	<u>366,996</u>	<u>12,738,749</u>	<u>10,224,224</u>
Program expenses						
Governmental activities						
Instruction	6,131,322	5,774,767	-	-	6,131,322	5,774,767
Support services	2,317,021	2,044,327	-	-	2,317,021	2,044,327
Non-instructional programs	-	-	391,554	373,389	391,554	373,389
Other expenses	2,501,838	1,084,132	-	-	2,501,838	1,084,132
Total expenses	<u>10,950,181</u>	<u>8,903,226</u>	<u>391,554</u>	<u>373,389</u>	<u>11,341,735</u>	<u>9,276,615</u>
Change in net assets	<u>\$ 1,346,853</u>	<u>\$ 954,002</u>	<u>\$ 50,161</u>	<u>\$ (6,393)</u>	<u>\$ 1,397,014</u>	<u>\$ 947,609</u>

Property and sales taxes and unrestricted state grants account for 63% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 74% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$12,297,034 and expenses were \$10,950,181.

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

	Total Cost of Services	Net Cost of Services
Instruction	\$ 6,131,322	\$ 4,718,713
Support services	2,317,021	2,308,707
Non-instructional programs	-	-
Other expenses	2,501,838	1,744,371
Total expenses	<u>\$ 10,950,181</u>	<u>\$ 8,771,791</u>

- The cost financed by users of the District's programs was \$350,103.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,828,287.
- The net cost of governmental activities was financed with \$3,674,345 in property and other taxes and \$4,297,715 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$441,715 and expenses were \$391,554. 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.

At the start of the 2004-05 school year the District increased meal prices for middle school and high school students to help off-set salary and benefit increases to food service staff as well as increase in food subsidies. The district transferred \$53,319 in school nutrition equipment from the high school project that resulted in an increase of net assets to business type activities of \$56,554.

INDIVIDUAL FUND ANALYSIS

As previously noted, West Liberty 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 \$3,270,111, well below last year's ending fund balances of \$6,482,973. The primary

reason for the decrease in combined fund balances in fiscal 2005 is due to approximately \$3 million of expenditures from general obligation bond proceeds received in fiscal 2004.

Governmental Fund Highlights

- The District's General Fund financial position is the result of many factors. The district experienced an increase in certified enrollment and with the combination of 4% allowable growth had significant increase in state foundation aid. However the District's property tax revenue decreased. Additionally, the District's increase in General Fund expenditures required the District to use carryover fund balance to meet its financial obligations during the year.
- The General Fund balance decreased from \$1,965,191 to \$1,812,236, due in part to the negotiated salary and benefits settlement, hiring seven new staff, and existing expenditure commitments of the District.
- The Capital Projects Fund, Local Option Sales and Services Tax fund balance decreased due to the completion of the new high school in January 2005.

Proprietary Fund Highlights

School Nutrition Fund net assets increased from \$57,220 at June 30, 2004 to \$107,381 at June 30, 2005, representing an increase of approximately 88%. The district transferred \$53,319 in school nutrition equipment from the high school project because of the new service kitchen in the high school.

BUDGETARY HIGHLIGHTS

Over the course of the year, West Liberty Community School District amended its annual budget one time to reflect additional expenditures associated with accelerated final construction payments for the high school and the VoAg/Greenhouse Project that started in November 2004, and an instructional grant received after the original budget was certified.

The District's receipts were \$1,214,271 more than budgeted receipts, a variance of 9%. The most significant variance resulted from the District receiving a large donation from the West Liberty School District Foundation for the new high school and more in federal aid than originally anticipated.

Total expenditures were \$807,853 less than budgeted. It is the District's practice to budget the anticipated revenues and expenditures on a yearly basis, always over estimating expenditures. The Instruction and Support Services components of the final budget were less than anticipated and the VoAg/Greenhouse was behind its anticipated completing date of April 2005.

In spite of the District amending the budget, the certified budget was exceeded in the non-instructional programs functional areas due to excluding depreciation expense on food service equipment.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2005, the District had invested \$13.3 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities,

computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 43% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$527,058.

The original cost of the District's capital assets was \$19.6 million. Governmental funds account for \$19.4 million, with the remainder of \$230,067 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$591,512 at June 30, 2005, compared to \$5,639,622 reported at June 30, 2004. This significant decrease resulted from completion of the high school building construction activity financed by the issuance of voter approved general obligation bonds and revenue bonds totaling \$7,100,000 in fiscal 2003. At June 30, 2005, the District had one construction project in progress, a VoAg/Greenhouse building.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental		Business Type		Total		Total Change 2004-2005
	Activities		Activities		School District		
	2005	2004	2005	2004	2005	2004	
Land	\$ 462,833	\$ 462,833	\$ -	\$ -	\$ 462,833	\$ 462,833	0.00%
Construction in progress	591,512	5,639,622	-	-	591,512	5,639,622	-89.51%
Buildings and improvements	10,706,837	1,623,264	-	-	10,706,837	1,623,264	559.59%
Improvements, other than buildings	1,045,054	117,945	-	-	1,045,054	117,945	786.05%
Furniture and equipment	431,806	1,409,348	76,116	33,951	507,922	1,443,299	-64.81%
Totals	<u>\$13,238,042</u>	<u>\$9,253,012</u>	<u>\$76,116</u>	<u>\$33,951</u>	<u>\$13,314,158</u>	<u>\$9,286,963</u>	43.36%

Long-Term Debt

At June 30, 2005, the District had \$7,858,459 in general obligation, revenue and other long-term debt outstanding. This represents a decrease of approximately 5% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

Figure A-7
Outstanding Long-term Obligations

	Total		Total Change 2004-2005
	School District		
	2005	2004	
General obligation bonds	\$ 6,430,000	\$ 6,570,000	-2.13%
Revenue bonds	1,840,000	2,100,000	-12.38%
Capital lease	20,744	38,932	-46.72%
Early retirement	120,420	136,529	-11.80%
Compensated absences	25,511	26,809	-4.84%
Total	<u>\$8,436,675</u>	<u>\$8,872,270</u>	-4.91%

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:

- Iowa Legislatures have set allowable growth for 4% for 2005-2006.
- Due to 105 kindergarteners registering for 2005-06, a fifth section of kindergarten had to be added before the start of the school year and a new section of 1st grade was added due to 5 sections of kindergarten in 2004-05.
- The District expects a continued increase in enrollment due to new housing developments in progress within the District and a Desegregation Policy implemented July 1, 2005.
- Fiscal 2005 is the second year of a two-year contract with the West Liberty Education Association (WLEA). The District will negotiate a new agreement during fiscal 2006. Settlements in excess of "new money" or allowable growth in state funding will have an adverse effect on the District's General Fund budget and related fund balance.
- During fiscal year 2005, the District will complete a VoAg/Greenhouse Complex, demolish the old 1916 high school and the old Administrative Office, and renovate of the 1958 old high school into an Administrative/Early Childhood Center that houses the District's Central Office staff and Pre-kindergarten classrooms.
- Our student data at the lower elementary building show a growth in Hispanic population that will continue to change the demographics of our district to affect the need for "specialized" staffing.
- With the addition of the new high school and Administrative Center, additional custodial staff will be hired in 2005-06.
- Rising gas and fuel costs will have a significant impact on General Fund expenditures as well as increase electrical costs associated with running geothermal heating and cooling pumps at the new high school.

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 Tom Anderson, Business Manager and Board Secretary/Treasurer, West Liberty Community School District, 203 E 7th St, West Liberty, Iowa, 52776.

Basic Financial Statements

WEST LIBERTY COMMUNITY SCHOOL DISTRICT
Statement of Net Assets
June 30, 2005

Exhibit A

	Primary Government			Component Unit
	Governmental Activities	Business Type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 3,272,577	\$ 31,157	\$ 3,303,734	
Receivables				
Property tax				
Delinquent	31,673	-	31,673	
Succeeding year	2,771,859	-	2,771,859	
Accounts receivable	1,024	-	1,024	
Prepaid lease	1,201	-	1,201	
Due from other fund	63	-	63	
Due from other governments	345,359	-	345,359	
Inventories	-	2,319	2,319	
Capital assets, net of accumulated depreciation	13,238,042	76,116	13,314,158	
Total assets	19,661,798	109,592	19,771,390	477,413
LIABILITIES				
Accounts payable	137,334	-	137,334	
Salaries and benefits payable	60,854	2,211	63,065	
Accrued interest payable	60,997	-	60,997	
Deferred revenue				
Succeeding year property tax	2,771,859	-	2,771,859	
Federal grants	43,282	-	43,282	

See notes to financial statements and Independent Auditor's Report.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2005

Exhibit A

	Primary Government			Component Unit
	Governmental Activities	Business Type Activities	Total	
LIABILITIES (continued)				
Long-term liabilities (continued)				
Portion due within one year				
Bonds payable	\$ 260,000	\$ -	\$ 260,000	\$ -
Revenue bonds payable	240,000	-	240,000	-
Compensated absences payable	29,485	-	29,485	-
Early retirement payable	33,276	-	33,276	-
Portion due after one year				
Bonds payable	5,920,000	-	5,920,000	-
Revenue bonds payable	1,365,000	-	1,365,000	-
Early retirement payable	10,698	-	10,698	-
Total liabilities	<u>10,932,785</u>	<u>2,211</u>	<u>10,934,996</u>	<u>-</u>
NET ASSETS				
Invested in capital assets, net of related debt	5,453,042	76,116	5,529,158	-
Restricted for				
Talented and Gifted Program	9,454	-	9,454	-
Capital projects	1,033,933	-	1,033,933	-
Physical plant and equipment levy	336,718	-	336,718	-
Other special revenue purposes	65,748	-	65,748	-
Unrestricted	1,830,118	31,265	1,861,383	477,413
Total net assets	<u>\$ 8,729,013</u>	<u>\$ 107,381</u>	<u>\$ 8,836,394</u>	<u>\$ 477,413</u>

See notes to financial statements and Independent Auditor's Report.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

Statement of Activities

For the Year Ended June 30, 2005

Exhibit B

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Unit
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
Functions/Programs							
Primary Government							
Governmental activities							
Instruction							Foundation
Regular instruction	\$ 4,001,465	\$ 146,423	\$ 652,024	\$ -	\$ (3,203,018)	\$ -	\$ -
Special instruction	1,128,255	62,472	411,620	-	(654,163)	-	(654,163)
Other instruction	1,001,602	133,378	6,692	-	(861,532)	-	(861,532)
	6,131,322	342,273	1,070,336	-	(4,718,713)	-	(4,718,713)
Support services							
Student services	216,811	-	-	-	(216,811)	-	(216,811)
Instructional staff services	348,463	-	-	-	(348,463)	-	(348,463)
Administration services	830,073	-	-	-	(830,073)	-	(830,073)
Operation and maintenance of plant services	622,236	1,460	-	-	(620,776)	-	(620,776)
Transportation services	299,438	6,370	484	-	(292,584)	-	(292,584)
Central support services	-	-	-	-	-	-	-
	2,317,021	7,830	484	-	(2,308,707)	-	(2,308,707)
Non-instructional programs							
Other expenditures							
Facilities acquisition	1,378,542	-	-	432,964	(945,578)	-	(945,578)
Long-term debt interest	363,103	-	-	-	(363,103)	-	(363,103)
AEA flowthrough	324,503	-	324,503	-	-	-	-
Depreciation (unallocated)*	435,690	-	-	-	(435,690)	-	(435,690)
	2,501,838	-	324,503	432,964	(1,744,371)	-	(1,744,371)
Total governmental activities	10,950,181	350,103	1,395,323	432,964	(8,771,791)	-	(8,771,791)

See notes to financial statements and Independent Auditor's Report.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

Exhibit B

Statement of Activities

For the Year Ended June 30, 2005

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Unit
	Charges for Services	Expenses	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
Functions/Programs (continued)							
Primary Government (continued)							
Business type activities							
Non-instructional programs							
Food service operations	\$ 391,554	\$ 183,253	\$ 204,754	\$ -	\$ (3,547)	\$ (3,547)	\$ -
Total primary government	<u>\$ 11,341,735</u>	<u>\$ 533,356</u>	<u>\$ 1,600,077</u>	<u>\$ 432,964</u>	<u>\$ (3,547)</u>	<u>\$ (8,775,338)</u>	<u>\$ -</u>
Component Unit							
Foundation	<u>\$ 1,720,743</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,720,743)</u>

General Revenues

Property tax levied for							
General purposes			2,504,906			2,504,906	-
Debt service			255,059			255,059	-
Capital outlay			349,031			349,031	-
Sales and services tax			565,349			565,349	-
Unrestricted state grants			4,297,715			4,297,715	-
Contributions and donations			2,089,972			2,089,972	-
Unrestricted investment earnings			74,117	389		74,506	244,360
Gain on disposal of capital assets			31,993			31,993	45,959
Transfers			(53,319)	53,319		-	-
Other			3,821			3,821	-
Total general revenues			<u>10,118,644</u>	<u>53,708</u>		<u>10,172,352</u>	<u>290,319</u>
Change in net assets			1,346,853	50,161		1,397,014	(1,430,424)
Net assets, beginning of year			7,382,160	57,220		7,439,380	1,907,837
Net assets, end of year			<u>\$ 8,729,013</u>	<u>\$ 107,381</u>		<u>\$ 8,836,394</u>	<u>\$ 477,413</u>

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

See notes to financial statements and Independent Auditor's Report.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds
June 30, 2005

Exhibit C

	General	Capital Projects	Local Option Sales and Services Tax	Nonmajor Governmental Funds	Total
ASSETS					
Cash and pooled investments	\$ 1,847,603		\$ 834,454	\$ 450,204	\$ 3,132,261
Receivables					
Property tax					
Delinquent	25,777		-	5,896	31,673
Succeeding year	2,293,530		-	478,329	2,771,859
Accounts receivable	1,024		-	-	1,024
Prepaid lease	-		-	1,201	1,201
Due from other funds	63		-	-	63
Due from other governments	150,677		41,575	153,107	345,359
Total assets and other debits	<u>\$ 4,318,674</u>		<u>\$ 876,029</u>	<u>\$ 1,088,737</u>	<u>\$ 6,283,440</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 108,772		\$ -	\$ 28,562	\$ 137,334
Salaries and benefits payable	60,854		-	-	60,854
Deferred revenue - Succeeding year property tax	2,293,530		-	478,329	2,771,859
Deferred revenue - federal grants	43,282		-	-	43,282
Total liabilities	<u>2,506,438</u>		<u>-</u>	<u>506,891</u>	<u>3,013,329</u>
Fund balances					
Reserved for					
Talented and gifted	9,454		-	-	9,454
Special purpose	97,443		-	59,600	157,043
Debt service	-		-	9,023	9,023
Unreserved, undesignated					
Special revenue funds	-		-	355,319	355,319
Other governmental	1,705,339		876,029	157,904	2,739,272
Total fund balances	<u>1,812,236</u>		<u>876,029</u>	<u>581,846</u>	<u>3,270,111</u>
Total liabilities and fund balances	<u>\$ 4,318,674</u>		<u>\$ 876,029</u>	<u>\$ 1,088,737</u>	<u>\$ 6,283,440</u>

See notes to financial statements and Independent Auditor's Report.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT
 Reconciliation of the Balance Sheet - Governmental Funds
 to the Statement of Net Assets
 June 30, 2005

Exhibit D

Total fund balances of governmental funds	\$ 3,270,111
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.	13,238,042
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(60,997)
Long-term liabilities, including early retirement, bonds payable, capital leases and compensated absences are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	(7,858,459)
The Internal Service Fund is used by management to charge the costs of funding of the District's employee health insurance plan. The assets and liabilities of the Internal Service Fund are included in the governmental activities in the Statement of Net Assets.	<u>140,316</u>
Net assets of governmental activities	<u>\$ 8,729,013</u>

See notes to financial statements and Independent Auditor's Report.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2005

Exhibit E

		Capital Projects		
	<u>General</u>	<u>Local Option Sales and Services Tax</u>	Nonmajor Governmental <u>Funds</u>	<u>Total</u>
Revenues				
Local sources				
Local tax	\$ 2,333,730	\$ 565,349	\$ 773,662	\$ 3,672,741
Tuition	113,168	-	-	113,168
Other	134,491	11,832	2,232,290	2,378,613
State sources	5,131,678	-	312	5,131,990
Federal sources	587,559	-	432,964	1,020,523
Total revenues	<u>8,300,626</u>	<u>577,181</u>	<u>3,439,228</u>	<u>12,317,035</u>
Expenditures				
Current				
Instruction				
Regular instruction	3,931,569	-	127,543	4,059,112
Special instruction	1,131,055	-	-	1,131,055
Other instruction	857,718	-	149,817	1,007,535
	<u>5,920,342</u>	<u>-</u>	<u>277,360</u>	<u>6,197,702</u>
Support services				
Student services	216,691	-	-	216,691
Instructional staff services	387,927	-	6,117	394,044
Administration services	815,495	-	9,052	824,547
Operation and maintenance of plant services	528,254	-	96,341	624,595
Transportation services	256,694	-	73,116	329,810
	<u>2,205,061</u>	<u>-</u>	<u>184,626</u>	<u>2,389,687</u>
Other expenditures				
Facilities acquisition	-	2,674	5,685,172	5,687,846
Long-term debt				
Principal	-	-	505,744	505,744
Interest and fiscal charges	-	-	372,421	372,421
AEA flowthrough	324,503	-	-	324,503
	<u>324,503</u>	<u>2,674</u>	<u>6,563,337</u>	<u>6,890,514</u>
Total expenditures	<u>8,449,906</u>	<u>2,674</u>	<u>7,025,323</u>	<u>15,477,903</u>

See notes to financial statements and Independent Auditor's Report.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2005

Exhibit E

		Capital Projects		
	<u>General</u>	<u>Local Option Sales and Services Tax</u>	Nonmajor Governmental <u>Funds</u>	<u>Total</u>
Excess (deficiency) of revenues over (under) expenditures	\$ (149,280)	\$ 574,507	\$ (3,586,095)	\$ (3,160,868)
Other financing sources (uses)				
Sale of supplies and materials	1,325	-	-	1,325
Interfund operating transfers in (out)	<u>(5,000)</u>	<u>(484,148)</u>	<u>435,829</u>	<u>(53,319)</u>
Total other financing sources (uses)	<u>(3,675)</u>	<u>(484,148)</u>	<u>435,829</u>	<u>(51,994)</u>
Net change in fund balances	(152,955)	90,359	(3,150,266)	(3,212,862)
Fund balance, beginning of year	<u>1,965,191</u>	<u>785,670</u>	<u>3,732,112</u>	<u>6,482,973</u>
Fund balance, end of year	<u>\$ 1,812,236</u>	<u>\$ 876,029</u>	<u>\$ 581,846</u>	<u>\$ 3,270,111</u>

See notes to financial statements and Independent Auditor's Report.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT
 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances-
 Governmental Funds to the Statement of Activities
 For the Year Ended June 30, 2005

Exhibit F

Net change in fund balances - total governmental funds \$ (3,212,862)

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	\$ 4,462,929	
Gain on disposal of assets	31,993	
Depreciation expense	<u>(509,892)</u>	3,985,030

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 505,744

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.

Early retirement	76,446	
Compensated absences	<u>(3,974)</u>	72,472

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 9,318

The Internal Service Fund is used by management to charge the costs of the District's employee health insurance plan. The change in net assets of the Internal Service Fund is reported with governmental activities. (12,849)

Change in net assets of governmental activities \$ 1,346,853

See notes to financial statements and Independent Auditor's Report.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT
Statement of Net Assets
Proprietary Funds
June 30, 2005

Exhibit G

	Business Type Activity Nonmajor Enterprise	Governmental Activity Internal Service
ASSETS		
Cash and pooled investments	\$ 31,157	\$ 140,316
Inventories	2,319	-
Capital assets, net of accumulated depreciation	76,116	-
Total assets	109,592	140,316
LIABILITIES		
Salaries and benefits payable	2,211	-
NET ASSETS		
Invested in capital assets, net of related debt	76,116	-
Unrestricted	31,265	140,316
Total net assets	\$ 107,381	\$ 140,316

See notes to financial statements and Independent Auditor's Report.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
For the Year Ended June 30, 2005

Exhibit H

	Business Type Activity <u>Nonmajor Enterprise</u>	Governmental Activity <u>Internal Service</u>
Operating revenue		
Local sources		
Charges for service	\$ 183,253	\$ -
Employee contributions	-	92,623
Total operating revenue	<u>183,253</u>	<u>92,623</u>
Operating expenses		
Non-instructional programs		
Salaries	148,698	-
Benefits	59,382	105,472
Purchased services	4,323	-
Supplies	159,358	-
Miscellaneous	2,627	-
Depreciation	17,166	-
Total operating expenses	<u>391,554</u>	<u>105,472</u>
Operating loss	<u>(208,301)</u>	<u>(12,849)</u>
Non-operating revenues		
Interest income	389	-
State sources	5,685	-
Federal sources	199,069	-
Interfund transfers	53,319	-
Total non-operating revenues	<u>258,462</u>	<u>-</u>
Change in net assets	50,161	(12,849)
Net assets, beginning of year	<u>57,220</u>	<u>153,165</u>
Net assets, end of year	<u>\$ 107,381</u>	<u>\$140,316</u>

See notes to financial statements and Independent Auditor's Report.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2005

Exhibit I

	Business Type Activity	Governmental Activity
	Nonmajor Enterprise	Internal Service
Cash flows from operating activities		
Cash received from sale of lunches and breakfasts	\$ 183,253	\$ -
Cash received from miscellaneous operating activities	-	92,623
Cash payments to employees for services	(207,690)	(105,472)
Cash payments to suppliers for goods and services	(151,449)	-
Net cash used in operating activities	(175,886)	(12,849)
Cash flows from non-capital financing activities		
State grants received	5,685	-
Federal grants received	185,700	-
Net cash provided by non-capital financing activities	191,385	-
Cash flows from capital and related financing activities		
Acquisition of capital assets	(6,012)	-
Cash flows from investing activities		
Interest on investments	389	-
Net increase (decrease) in cash and cash equivalents	9,876	(12,849)
Cash and cash equivalents, beginning of year	21,281	153,165
Cash and cash equivalents, end of year	\$ 31,157	\$ 140,316

Reconciliation of operating loss to net cash used in operating activities

Operating loss	\$ (208,301)	\$ (12,849)
Adjustments to reconcile operating loss to net cash used in operating activities		
Commodities used	13,369	-
Depreciation	17,166	-
Decrease in inventories	1,490	-
Increase in salaries and benefits payable	390	-
Net cash used in operating activities	\$ (175,886)	\$ (12,849)

Non-cash investing, capital and financing activities

During the year ended June 30, 2005, the District received \$13,369 of federal commodities.

See notes to financial statements and Independent Auditor's Report.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2005

Exhibit J

	<u>Private Purpose Trust Student Groups</u>	<u>Agency</u>
Assets		
Cash and pooled investments	\$ 3,881	\$2,414
Accrued interest receivable	-	-
Total assets	<u>3,881</u>	<u>2,414</u>
Liabilities		
Salaries and benefits payable	12	-
Due to other fund	63	-
Due to others	-	2,414
Total liabilities	<u>75</u>	<u>2,414</u>
Net assets		
Reserved	<u>\$ 3,806</u>	<u>\$ -</u>

See notes to financial statements and Independent Auditor's Report.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended June 30, 2005

Exhibit K

	Private Purpose Trust <u>Student Groups</u>
Additions	
Local sources	
Gifts and contributions	<u>\$ 7,185</u>
Deductions	
Instruction	
Salaries	654
Benefits	88
Purchased services	5,000
Supplies	2,147
Miscellaneous	<u>89</u>
Total deductions	<u>7,978</u>
Change in net assets	(793)
Net assets, beginning of year	<u>4,599</u>
Net assets, end of year	<u><u>\$ 3,806</u></u>

See notes to financial statements and Independent Auditor's Report.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2005

Note 1. Summary of Significant Accounting Policies

The West Liberty Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades pre-kindergarten through twelve. The geographic area served includes the City of West Liberty, Iowa, and the agricultural territory in Cedar, Johnson and Muscatine 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 Liberty 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.

These financial statements present the West Liberty Community School District (the primary government) and its component unit. The component unit discussed below is included in the District's reporting entity because of the significance of its operational or financial relationship with the District.

Discretely Presented Component Unit

The West Liberty Community School District Foundation was created to raise money through contributions and fundraisers to benefit the District. The Foundation is a separate legal entity with its own accounting records and board of trustees. The Foundation does not produce separately prepared financial statements. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Foundation meets the definition of a component unit which should be discretely presented. The Foundation is accounted for as a Governmental Fund in these financial statements.

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 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 other 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 Capital Projects Fund, Local Option Sales and Services Tax Fund is used to account for the local option sales and services tax resources to be used in the acquisition and construction of capital facilities.

The District reports no proprietary funds as major. However, the District reports two nonmajor proprietary funds. The Enterprise Fund, School Nutrition Fund is used to account for the food service operations of the District. The Internal Service Fund is utilized to account for employee health insurance benefits.

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 various student groups.

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, early retirement benefits, compensated absences and claims and judgments 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 funds of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

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

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

D. Assets, Liabilities and Fund Equity

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

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. 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, they 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 that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current year 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 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 1½ % per month penalty for delinquent payments; is based on January 1, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2004.

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

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 repairs 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	\$ 2,500
Buildings	\$25,000
Improvements other than buildings	\$25,000
Furniture and equipment:	
School Nutrition Fund equipment	\$ 500
Other furniture and equipment	\$ 2,500

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

<u>Asset Class</u>	<u>Useful Life</u>
Buildings	50 years
Site improvements	15 years
Improvements to buildings	20 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable - Teacher contracts and payroll for hourly employees are paid at June 30; however, the benefits on these payments are not paid until July. Therefore, these benefits have been accrued as liabilities.

Compensated Absences - District employees receive specified amounts of vacation and sick leave benefits annually, to be used by the end of the fiscal year. Vacation and sick leave benefits do not accumulate from year to year. However, the benefits are payable upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2005. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Early Retirement - District employees meeting certain requirements are eligible for early retirement benefits. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees that have resigned or retired. The early retirement liability has been computed based on rates of pay in effect at June 30, 2005. The early retirement liability attributable to the governmental activities will be paid primarily from the Management Fund.

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 property tax receivables not collected within sixty days after year end.

Deferred revenue on 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.

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.

Designated Fund Balances - In the fund financial statements the District has designated a portion of its fund balance for special purposes as designated by the Board.

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 Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, expenditures exceeded the amount budgeted in the non-instructional programs function. However, the District did not exceed its General Fund unspent authorized budget.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2005 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2005, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Diversified Portfolio	<hr/> \$ 149,969

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

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

Note 3. Due From and Due to Other Funds

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Private Purpose Trust	\$ 63

The Private Purpose Trust Fund is repaying the General Fund for interest that was credited to the Private Purpose Trust Fund but will be transferred to the General Fund during the year ending June 30, 2006.

Note 4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2005 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Physical Plant and Equipment Levy	General	\$ 5,000
School Nutrition	Capital Projects	53,319
Debt Service	Capital Projects	454,970
Debt Service	Physical Plant and Equipment Levy	<u>165,721</u>
		<u>\$ 679,010</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

Note 5. Capital Assets

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

	Balance, Beginning of Year	Additions	Deletions	Balance, End of Year
<u>Governmental activities</u>				
Capital assets not being depreciated:				
Land	\$ 462,833	\$ -	\$ -	\$ 462,833
Construction in progress	<u>5,639,622</u>	<u>5,767,989</u>	<u>(10,816,099)</u>	<u>591,512</u>
Total capital assets, not being depreciated	<u>6,102,455</u>	<u>5,767,989</u>	<u>(10,816,099)</u>	<u>1,054,345</u>
Capital assets being depreciated:				
Buildings and improvements	6,587,193	9,447,289	(9,605)	16,024,877
Improvements other than buildings	128,662	1,000,224	-	1,128,886
Furniture and equipment	<u>2,101,500</u>	<u>263,551</u>	<u>(1,190,420)</u>	<u>1,174,631</u>
Total capital assets being depreciated	<u>8,817,355</u>	<u>10,711,064</u>	<u>(1,200,025)</u>	<u>18,328,394</u>
Less accumulated depreciation for:				
Buildings and improvements	4,963,929	354,111	-	5,318,040
Improvements other than buildings	10,717	73,115	-	83,832
Furniture and equipment	<u>692,152</u>	<u>82,666</u>	<u>(31,993)</u>	<u>742,825</u>
Total accumulated depreciation	<u>5,666,798</u>	<u>509,892</u>	<u>(31,993)</u>	<u>6,144,697</u>
Total capital assets being depreciated, net	<u>3,150,557</u>	<u>10,201,172</u>	<u>(1,168,032)</u>	<u>12,183,697</u>
Governmental activities capital assets, net	<u>\$ 9,253,012</u>	<u>\$ 15,969,161</u>	<u>\$(11,984,131)</u>	<u>\$ 13,238,042</u>
<u>Business type activities</u>				
Furniture and equipment	\$ 170,736	\$ 59,331	\$ -	\$ 230,067
Less accumulated depreciation	<u>136,785</u>	<u>17,166</u>	<u>-</u>	<u>153,951</u>
Business type activities capital assets, net	<u>\$ 33,951</u>	<u>\$ 42,165</u>	<u>\$ -</u>	<u>\$ 76,116</u>

Depreciation expense was charged to the following functions:

Governmental activities

Instruction		
Regular		\$ 31,155
Special		6,837
Other		1,638
Support services		
Student support services		120
Instructional staff		1,357
Administration		1,799
Operation and maintenance of plant		1,016
Transportation		30,280
Unallocated depreciation		<u>435,690</u>
Total governmental activities depreciation expense		<u>\$ 509,892</u>

Business type activities

Food services		<u>\$ 17,166</u>
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Note 6. Long-term Liabilities

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

	Balance, Beginning of Year	Additions	Reductions	Balance, End of Year	Due Within One Year
General obligation bonds	\$ 6,430,000	\$ -	\$(250,000)	\$ 6,180,000	\$ 260,000
Revenue bonds	1,840,000	-	(235,000)	1,605,000	240,000
Capital lease	20,744	-	(20,744)	-	-
Early retirement	120,420	21,396	(97,842)	43,974	33,276
Compensated absences	<u>25,511</u>	<u>3,974</u>	<u>-</u>	<u>29,485</u>	<u>29,485</u>
Totals	<u>\$ 8,436,675</u>	<u>\$ 25,370</u>	<u>\$(603,586)</u>	<u>\$ 7,858,459</u>	<u>\$ 562,761</u>

Early Retirement

A certified District employee is eligible for this program when a) the sum or his/her total years of teaching and age equals eighty-eight with at least twelve years of continuous service to the District or b) the employee is fifty-five or older with at least twelve years of continuous service to the District. The benefit amount is equivalent to fifty percent of the employee's base salary at the time of retirement. The following terms apply to the first, second and third years of eligibility:

Eligibility Year 1	100% of 50% of base
Eligibility Year 2	50% of 50% of base
Eligibility Year 3	33% of 50% of base

The employee must notify the Board by March 1st to receive the early retirement benefit. At June 30, 2005 the maximum accumulated early retirement pay is \$43,974 and four individuals are receiving the benefit. Early retirement expenditures for the year ended June 30, 2005 totaled \$97,842.

Compensated Absences

District employees accumulate vacation and compensatory hours for subsequent use or for payment upon termination, retirement, or death. These accumulations are not recognized as expenditures by the District until used or paid. The District's approximate maximum liability for unrecognized accrued employee benefits at June 30, 2005 is \$29,485.

Bonds Payable

Details of the District's June 30, 2005 general obligation bonded indebtedness are as follows:

Year Ending June 30,	October 1, 1997				December 2, 2002			
	Interest Rates	Principal	Interest	Total	Interest Rates	Principal	Interest	Total
2006	4.65	\$ 160,000	\$ 62,510	\$ 222,510	3.500	\$ 100,000	\$ 213,900	\$ 313,900
2007	4.75	160,000	55,070	215,070	3.500	100,000	210,400	310,400
2008	4.80	175,000	47,470	222,470	3.625	100,000	206,900	306,900
2009	4.90	180,000	39,070	219,070	3.750	100,000	203,276	303,276
2010	5.00	190,000	30,250	220,250	4.000	100,000	199,526	299,526
2011	5.00	200,000	20,750	220,750	4.000	105,000	195,526	300,526
2012	5.00	215,000	10,750	225,750	4.000	110,000	191,326	301,326
2013	-	-	-	-	4.000	345,000	186,926	531,926
2014	-	-	-	-	4.100	360,000	173,126	533,126
2015	-	-	-	-	4.200	375,000	158,366	533,366
2016	-	-	-	-	4.300	390,000	142,616	532,616
2017	-	-	-	-	4.400	405,000	125,846	530,846
2018	-	-	-	-	4.500	425,000	108,026	533,026
2019	-	-	-	-	4.600	440,000	88,900	528,900
2020	-	-	-	-	4.700	460,000	68,660	528,660
2021	-	-	-	-	4.750	480,000	47,040	527,040
2022	-	-	-	-	4.800	505,000	24,240	529,240
Totals		<u>\$ 1,280,000</u>	<u>\$ 265,870</u>	<u>\$ 1,545,870</u>		<u>\$ 4,900,000</u>	<u>\$ 2,544,600</u>	<u>\$ 7,444,600</u>

Year Ending June 30,	Total		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 260,000	\$ 276,410	\$ 536,410
2007	260,000	265,470	525,470
2008	275,000	254,370	529,370
2009	280,000	242,346	522,346
2010	290,000	229,776	519,776
2011	305,000	216,276	521,276
2012	325,000	202,076	527,076
2013	345,000	186,926	531,926
2014	360,000	173,126	533,126
2015	375,000	158,366	533,366
2016	390,000	142,616	532,616
2017	405,000	125,846	530,846
2018	425,000	108,026	533,026
2019	440,000	88,900	528,900
2020	460,000	68,660	528,660
2021	480,000	47,040	527,040
2022	<u>505,000</u>	<u>24,240</u>	<u>529,240</u>
Totals	<u>\$ 6,180,000</u>	<u>\$ 2,810,470</u>	<u>\$ 8,990,470</u>

Revenue Bonds Payable

Details of the District's June 30, 2005 local option sales and services tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	November 12, 2002		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	4.25	\$ 240,000	\$ 71,332	\$ 311,332
2007	4.50	250,000	60,608	310,608
2008	4.75	260,000	48,808	308,808
2009	4.75	275,000	36,101	311,101
2010	5.20	285,000	22,160	307,160
2011	5.00	<u>295,000</u>	<u>7,375</u>	<u>302,375</u>
Totals		<u>\$ 1,605,000</u>	<u>\$ 246,384</u>	<u>\$ 1,851,384</u>

The local option sales and services tax revenue bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The bonds are payable solely from the proceeds of the local option sales and services tax revenues received by the District. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District.

Note 7. Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2005, 2004 and 2003. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$300,463, \$285,482 and \$207,186 respectively, equal to the required contributions for each year.

Note 8. Risk Management

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

Note 9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media, and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$324,503 for the year ended June 30, 2005 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 10. Construction Commitments

The District began a construction project during the summer of 2005 for construction of a VoAg greenhouse and building. At June 30, 2005, the District had entered into approximately \$550,000 in construction contracts for this project. Costs of \$591,512 had been incurred for the project as of June 30, 2005. The project will be completed during fiscal year 2006.

Required Supplementary Information

WEST LIBERTY COMMUNITY SCHOOL DISTRICT
 Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances - Budget and Actual
 All Governmental Funds and Proprietary Funds
 Required Supplementary Information
 For the Year Ended June 30, 2005

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Less Funds Not Required to be Budgeted	Net	Budgeted Amounts		Final to Actual Variance
						Original	Final	
Revenues								
Local sources	\$ 6,164,522	\$ 276,265	\$ 6,440,787	\$ (92,623)	\$ 6,348,164	\$ 4,096,479	\$ 7,747,236	\$ (1,399,072)
State sources	5,131,990	5,685	5,137,675	-	5,137,675	5,092,304	5,092,304	45,371
Federal sources	1,020,523	199,069	1,219,592	-	1,219,592	898,340	1,080,162	139,430
Total revenues	<u>12,317,035</u>	<u>481,019</u>	<u>12,798,054</u>	<u>(92,623)</u>	<u>12,705,431</u>	<u>10,087,123</u>	<u>13,919,702</u>	<u>(1,214,271)</u>
Expenditures								
Instruction	6,197,702	-	6,197,702	-	6,197,702	6,295,146	6,476,968	279,266
Support services	2,389,687	-	2,389,687	-	2,389,687	2,270,390	2,421,822	32,135
Non-instructional programs	-	497,026	497,026	(105,472)	391,554	374,050	374,050	(17,504)
Other expenditures	6,890,514	-	6,890,514	-	6,890,514	3,905,145	7,404,470	513,956
Total expenditures	<u>15,477,903</u>	<u>497,026</u>	<u>15,974,929</u>	<u>(105,472)</u>	<u>15,869,457</u>	<u>12,844,731</u>	<u>16,677,310</u>	<u>807,853</u>
(Deficiency) of revenues (under) expenditures	(3,160,868)	(16,007)	(3,176,875)	12,849	(3,164,026)	(2,757,608)	(2,757,608)	(406,418)
Net other financing sources	(51,994)	53,319	1,325	-	1,325	462,528	462,528	(461,203)
Net change in fund balance	(3,212,862)	37,312	(3,175,550)	12,849	(3,162,701)	(2,295,080)	(2,295,080)	(867,621)
Balance, beginning of year	6,482,973	210,385	6,693,358	(153,165)	6,540,193	3,540,650	3,540,650	2,999,543
Balance, end of year	<u>\$ 3,270,111</u>	<u>\$ 247,697</u>	<u>\$ 3,517,808</u>	<u>\$ (140,316)</u>	<u>\$ 3,377,492</u>	<u>\$ 1,245,570</u>	<u>\$ 1,245,570</u>	<u>\$ 2,131,922</u>

See accompanying Independent Auditor's Report.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT
Notes to Required Supplementary Information – Budgetary Reporting
For the Year Ended June 30, 2005

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the 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 or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$3,832,579.

During the year ended June 30, 2005, District expenditures exceeded the amended amount budgeted in the Non-instructional Programs function; however, General Fund expenditures did not exceed the District's unspent authorized budget.

Other Supplementary Information

WEST LIBERTY COMMUNITY SCHOOL DISTRICT
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2005

Schedule 1

	Special Revenue			Capital Projects		
	Physical Plant and Equipment Levy	High School Project	Vo/Ag Greenhouse Project	Debt Service	Total	
ASSETS						
Cash and pooled investments	\$ 10,464	\$ 65,850	\$ 342,217	\$ 25,482	\$ -	\$ 450,204
Receivables						
Property tax						
Delinquent	1,989	-	925	-	-	5,896
Succeeding year	143,606	-	72,936	-	-	478,329
Due from other fund	-	-	-	649	-	649
Due from other governments	-	-	-	-	153,107	153,107
Prepaid lease	-	-	1,201	-	-	1,201
Total assets	<u>\$ 156,059</u>	<u>\$ 65,850</u>	<u>\$ 417,279</u>	<u>\$ 26,131</u>	<u>\$ 153,107</u>	<u>\$ 1,089,386</u>
LIABILITIES AND FUND EQUITY						
Liabilities						
Accounts payable	\$ -	\$ 102	\$ 7,625	\$ 9,197	\$ 11,488	\$ 28,562
Due to other fund	-	-	-	-	649	649
Deferred revenue						
Succeeding year property tax	143,606	-	72,936	-	-	478,329
Total liabilities	<u>143,606</u>	<u>102</u>	<u>80,561</u>	<u>9,197</u>	<u>12,137</u>	<u>507,540</u>
Fund equity						
Reserved for special purpose	-	-	59,600	-	-	59,600
Reserved for debt service	-	-	-	-	-	9,023
Unreserved fund balances	12,453	65,748	277,118	16,934	140,970	513,223
Total fund equity	<u>12,453</u>	<u>65,748</u>	<u>336,718</u>	<u>16,934</u>	<u>140,970</u>	<u>581,846</u>
Total liabilities and fund equity	<u>\$ 156,059</u>	<u>\$ 65,850</u>	<u>\$ 417,279</u>	<u>\$ 26,131</u>	<u>\$ 153,107</u>	<u>\$ 1,089,386</u>

See accompanying Independent Auditor's Report.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT
 Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2005

	Special Revenue			Capital Projects			<u>Total</u>
	Management Levy	Student Activity	Physical Plant and Equipment Levy	High School Project	Vo/Ag Greenhouse Project	Debt Service	
Revenues							
Local sources							
Local taxes	\$ 169,780	-	\$ 348,982	-	-	\$ 254,900	\$ 773,662
Other	1,044	145,979	6,090	2,077,435	-	1,742	2,232,290
State sources	104	-	49	-	-	159	312
Federal sources	-	-	-	125,164	307,800	-	432,964
Total revenues	<u>170,928</u>	<u>145,979</u>	<u>355,121</u>	<u>2,202,599</u>	<u>307,800</u>	<u>256,801</u>	<u>3,439,228</u>
Expenditures							
Current instruction							
Regular program instruction	127,543	-	-	-	-	-	127,543
Other instruction	-	149,817	-	-	-	-	149,817
Support services							
Instructional staff support services	-	-	6,117	-	-	-	6,117
Administration services	-	-	9,052	-	-	-	9,052
Operation and maintenance of plant services	64,520	-	31,821	-	-	-	96,341
Transportation services	12,286	-	60,830	-	-	-	73,116

See accompanying Independent Auditor's Report.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT
 Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2005

	Special Revenue			Capital Projects			
	Management Levy	Student Activity	Physical Plant and Equipment Levy	High School Project	Vo/Ag Greenhouse Project	Debt Service	Total
Expenditures (continued)							
Other expenditures							
Facilities acquisition and construction	\$ -	\$ -	\$ 330,099	\$ 4,800,061	\$ 555,012	\$ -	\$ 5,685,172
Long-term debt: Principal	-	-	-	-	-	505,744	505,744
Interest and fiscal charges	-	-	-	-	-	372,421	372,421
Total expenditures	<u>204,349</u>	<u>149,817</u>	<u>437,919</u>	<u>4,800,061</u>	<u>555,012</u>	<u>878,165</u>	<u>7,025,323</u>
Deficiency of revenues under expenditures	<u>(33,421)</u>	<u>(3,838)</u>	<u>(82,798)</u>	<u>(2,597,462)</u>	<u>(247,212)</u>	<u>(621,364)</u>	<u>(3,586,095)</u>
Other financing sources (uses)							
Interfund operating transfers in	-	-	5,000	-	388,182	620,691	1,013,873
Interfund operating transfers (out)	-	-	(165,721)	(412,323)	-	-	(578,044)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(160,721)</u>	<u>(412,323)</u>	<u>388,182</u>	<u>620,691</u>	<u>435,829</u>
Net change in fund balances	<u>(33,421)</u>	<u>(3,838)</u>	<u>(243,519)</u>	<u>(3,009,785)</u>	<u>140,970</u>	<u>(673)</u>	<u>(3,150,266)</u>
Fund balances, beginning of year	<u>45,874</u>	<u>69,586</u>	<u>580,237</u>	<u>3,026,719</u>	<u>-</u>	<u>9,696</u>	<u>3,732,112</u>
Fund balances, end of year	<u>\$ 12,453</u>	<u>\$ 65,748</u>	<u>\$ 336,718</u>	<u>\$ 16,934</u>	<u>\$ 140,970</u>	<u>\$ 9,023</u>	<u>\$ 581,846</u>

See accompanying Independent Auditor's Report.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT
 Schedule of Changes in Special Revenue Fund, Student Activity Accounts
 For the Year Ended June 30, 2005

Schedule 3

Account	Balance, Beginning of Year	Revenues	Expenditures	Intrafund Transfers	Balance, End of Year
District wide					
Interest	\$ 763	\$ 1,108	\$ -	\$ (763)	\$ 1,108
Miscellaneous	343	396	366	-	373
Adult activity tickets	1,408	1,888	13	(1,408)	1,875
Student pictures	1,286	1,153	-	(1,286)	1,153
Student transportation fees	66	1,437	1,503	-	-
Cultural diversity fund	872	-	-	-	872
Booster club reimbursement	(155)	9,494	9,339	-	-
Elementary					
Activity tickets	242	210	-	(242)	210
Miscellaneous/Gardner	3,003	1,865	1,143	-	3,725
Middle school					
5th and 6th grade choir	(28)	-	-	-	(28)
Activity tickets	1,989	2,030	-	(1,989)	2,030
MS misc.	3,016	2,231	3,821	-	1,426
Vending machines	935	2,711	1,651	-	1,995
Junior high					
Vocal music	149	322	320	-	151
Music	147	-	-	-	147
Honor band	50	-	-	-	50
Athletics	1,790	-	10	(1,594)	186
Boys' basketball	(765)	-	930	765	(930)
Football	(550)	-	1,023	550	(1,023)
Boys' track	(457)	-	225	457	(225)
Wrestling	(200)	-	220	200	(220)
Girls' track	(690)	-	930	690	(930)
Girls' volleyball	(384)	-	552	384	(552)
Girls' track	(175)	-	105	175	(105)
Softball	(168)	-	-	168	-
Eighth grade	1,000	-	-	(1,000)	-
Magazines	1,795	4,786	2,344	(1,795)	2,442
Student council	534	2,111	1,791	-	854
Science club	184	-	-	-	184

See accompanying Independent Auditor's Report.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT
Schedule of Changes in Special Revenue Fund, Student Activity Accounts
For the Year Ended June 30, 2005

Schedule 3

Account	Balance, Beginning of Year	Revenues	Expenditures	Intrafund Transfers	Balance, End of Year
High school					
Drama	\$ 1,198	\$ 1,643	\$ 1,366	\$ -	\$ 1,475
Vocal music	232	2,378	3,388	1,161	383
Vocal music fundraiser	76	82	-	-	158
Instrumental music	708	702	1,407	492	495
Athletics	1,178	375	6,113	(142)	(4,702)
Activity tickets	2,785	2,905	20	(2,785)	2,885
Cross country	(465)	-	402	465	(402)
Boys' basketball	844	6,376	6,108	(749)	363
Boys' basketball fundraiser	938	-	480	-	458
Football	2,572	12,781	4,884	(2,506)	7,963
Football fundraiser	709	-	83	-	626
Football resale	1,235	3,130	3,508	131	988
Baseball	(3,691)	2,179	5,650	3,691	(3,471)
Baseball fundraiser	12,231	1,665	5,319	(246)	8,331
Baseball resale	(246)	778	778	246	-
Boys' track	(879)	1,237	3,193	879	(1,956)
KRNA/boys' track fundraiser	3	-	-	-	3
Boys' golf	(450)	412	925	450	(513)
Wrestling	(1,619)	6,483	5,356	1,649	1,157
Wrestling fundraiser	250	4,022	2,168	-	2,104
Wrestling/weight room	-	829	-	-	829
Girls' basketball	(938)	3,138	3,187	937	(50)
Girls' basketball fundraiser	58	100	3	-	155
Volleyball	157	1,572	2,016	(157)	(444)
Volleyball fundraiser	659	600	592	-	667
Volleyball resale	20	-	-	-	20
Girls' soccer	-	1,185	2,439	-	(1,254)
Softball	(638)	3,747	4,293	638	(546)
Softball fundraiser	4,160	-	5,174	1,500	486
Girls' track resale	(23)	384	448	23	(64)
Girls' track	(180)	1,961	1,184	180	777
Girls' track fundraiser	1,168	-	45	139	1,262

See accompanying Independent Auditor's Report.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT
Schedule of Changes in Special Revenue Fund, Student Activity Accounts
For the Year Ended June 30, 2005

Schedule 3

Account	Balance, Beginning of Year	Revenues	Expenditures	Intrafund Transfers	Balance, End of Year
High school (continued)					
Riley special fund	\$ 292	\$ -	\$ -	\$ (292)	\$ -
Softball resale	(304)	266	-	-	(38)
Vocal music fundraiser	9	-	-	-	9
Girls' golf fundraiser	33	295	166	-	162
Instrumental music fundraiser	46	82	-	-	128
Girls' golf	(585)	43	334	585	(291)
Seniors	1,548	-	57	(790)	701
Juniors	758	2,385	3,618	877	402
Sophomore	1,635	-	96	243	1,782
Freshmen	1,878	-	34	(278)	1,566
FHA	(464)	1,506	963	-	79
FFA	(3,523)	13,291	11,279	-	(1,511)
Cheerleaders	2,419	2,641	5,084	-	(24)
Color guard	848	3,089	2,941	-	996
Dance team	500	2,419	3,159	-	(240)
Forensics	220	7	352	280	155
Anime fund	-	65	-	-	65
National Honor Society	2,825	227	641	-	2,411
Student council	1,680	6,856	6,603	-	1,933
Yearbook #2	8,870	8,734	9,879	-	7,725
Video productions	74	-	-	-	74
Students in need of assistance	1,102	-	-	-	1,102
Academic letters	-	166	-	-	166
Boys' soccer	(69)	1,211	1,671	67	(462)
Soccer fundraiser	400	125	-	-	525
KCRG athletics	231	-	-	-	231
Boys' soccer resale	192	-	-	-	192
FHA/FCCLA fundraisers	940	-	-	-	940
FFA resale	(102)	314	285	-	(73)
FFA fundraiser	10,081	9,851	5,840	-	14,092
Totals	<u>\$ 69,586</u>	<u>\$ 145,979</u>	<u>\$ 149,817</u>	<u>\$ -</u>	<u>\$ 65,748</u>

See accompanying Independent Auditor's Report.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT
 Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund
 For the Year Ended June 30, 2005

Schedule 4

	Balance, Beginning of Year	Additions	Deductions	Balance, End of Year
Assets				
Cash	<u>\$ 1,977</u>	<u>\$ 4,569</u>	<u>\$ 4,132</u>	<u>\$ 2,414</u>
Liabilities				
Due to others	<u>\$ 1,977</u>	<u>\$ 4,569</u>	<u>\$ 4,132</u>	<u>\$ 2,414</u>

See accompanying Independent Auditor's Report.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT
Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds
For the Last Four Years

Schedule 5

	Modified Accrual Basis			
	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Revenues				
Local sources				
Local tax	\$ 3,672,741	\$ 3,732,914	\$ 3,403,374	\$ 3,451,923
Tuition	113,168	84,354	139,424	70,402
Other	2,378,613	376,649	350,733	318,159
Intermediate sources	-	-	1,452	2,664
State sources	5,131,990	4,644,022	4,822,440	4,741,526
Federal sources	1,020,523	1,004,441	446,349	613,679
Total revenues	<u>\$ 12,317,035</u>	<u>\$ 9,842,380</u>	<u>\$ 9,163,772</u>	<u>\$ 9,198,353</u>
Expenditures				
Instruction				
Regular instruction	4,059,112	3,917,591	3,626,622	3,594,762
Special instruction	1,131,055	1,404,202	1,312,977	1,515,492
Other instruction	1,007,535	475,596	439,884	515,470
Support services				
Student services	216,691	198,062	131,774	131,854
Instructional staff services	394,044	324,869	316,899	280,892
Administration services	824,547	729,971	728,877	770,859
Operation and maintenance of plant services	624,595	519,585	488,431	480,546
Transportation services	329,810	266,168	227,285	296,305
Central support services	-	11,425	-	-
Other expenditures				
Facilities acquisition	5,687,846	4,902,180	891,244	106,231
Long-term debt				
Principal	505,744	418,188	158,660	130,000
Interest and other charges	372,421	501,289	99,002	88,212
AEA flowthrough	324,503	313,631	336,203	336,583
Total expenditures	<u>\$ 15,477,903</u>	<u>\$ 13,982,757</u>	<u>\$ 8,757,858</u>	<u>\$ 8,247,206</u>

See accompanying Independent Auditor's Report.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2005

Schedule 6

Grantor/Program	<u>CFDA</u> <u>Number</u>	Agency or <u>Pass-through</u> <u>Number</u>	<u>Program</u> <u>Expenditures</u>
Indirect			
U.S. Department of Agriculture			
Iowa Department of Education			
Food distribution program (non-cash)	10.550	FY05	\$ 13,369
National School Breakfast Program	10.553	FY05	20,304
National School Lunch Program	10.555	FY05	<u>165,396</u>
Total U.S. Department of Agriculture			<u>199,069</u>
U.S. Department of Education			
Iowa Department of Education			
Title I Grants to Local Educational Agencies	84.010	FY04	22,387
Title I Grants to Local Educational Agencies	84.010	FY05	123,559
Title I Grants to Local Educational Agencies - Migrant	84.011	FY05	<u>18,190</u>
Total Title I Grants to Local Education Agencies			<u>164,136</u>
Federal, State and Local Partnerships for Educational Improvements			
Title V Program	84.298	FY04	5,315
Title V Program	84.298	FY05	197
Title VI A - State Assessment	84.369	FY05	3,729
Safe and Drug-free Schools and Communities	84.186	FY04	1,322
Safe and Drug-free Schools and Communities	84.186	FY05	4,524
Title IIA - Federal Teach Quality Programs	84.367	FY05	44,025
Fund for Improvement of Education - Construction	84.215	FY05	307,800
Special Education Grants to States-Part B	84.027	FY05	<u>59,470</u>
Total Iowa Department of Education			<u>590,518</u>

See accompanying Independent Auditor's Report.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2005

Schedule 6

Grantor/Program	<u>CFDA Number</u>	Agency or <u>Pass-through Number</u>	<u>Program Expenditures</u>
Indirect (continued)			
U.S. Department of Education			
Area Education Agency			
Vocational Education - Basic Grants to States	84.048A	FY05	\$ 2,949
Star Schools	84.203	FY05	24,932
Reading First State Grants	84.357	FY05	38,364
Special Educaiton - Grants to States - Success 4	84.196	FY05	1,628
Title III - Goals 2000	84.276A	FY05	<u>28,786</u>
Total Area Education Agency			<u>96,659</u>
Total U.S. Department of Education			<u>687,177</u>
U.S. Department of Homeland Security			
Iowa Department of Education			
Emergency Response Crisis Management	97.042	FY05	<u>3,261</u>
U.S. Department of Health and Human Services			
Iowa East Central T.R.A.I.N.			
Head Start	93.600	FY05	<u>55,629</u>
Total federal awards			<u>\$ 945,136</u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the West Liberty Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general-purpose financial statements.

See accompanying Independent Auditor's Report.

KAY L. CHAPMAN, CPA PC

210 Cedar Street
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563-264-1385

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
West Liberty Community School District

I 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 Liberty Community School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued my report thereon dated September 16, 2005. I conducted my 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 my audit, I considered West Liberty Community School District's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my 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 II of the accompanying Schedule of Findings and Questioned Costs.

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. My 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, I believe item II-A Segregation of Duties, is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether West Liberty Community School District's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my 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 the West Liberty Community School District and other parties to whom the District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by the personnel of the West Liberty Community School District during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.



Kay L. Chapman, CPA PC
September 16, 2005

KAY L. CHAPMAN, CPA PC

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Independent Auditor's Report on Compliance with Requirements Applicable
to Each major Program and on Internal Control Over Compliance
in Accordance with OMB Circular A-133

To the Board of Education
West Liberty Community School District
West Liberty, Iowa

Compliance

I have audited the compliance of West Liberty Community School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2005. West Liberty Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of West Liberty Community School District's management. My responsibility is to express an opinion on West Liberty Community School District's compliance based on my audit.

I conducted my audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about West Liberty Community School District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of West Liberty Community School District's compliance with those requirements.

In my opinion West Liberty Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of West Liberty Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing my audit, I considered West Liberty Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

I noted certain matters involving the internal control over compliance and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in my judgment, could adversely affect West Liberty Community School District's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grant agreements. There were no reportable conditions described in Part III of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a 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 non-compliance with applicable requirements of laws, regulations, contracts and grant agreements caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over compliance 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.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the West Liberty Community School District and other parties to whom the 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.



Kay L. Chapman, CPA PC
September 16, 2005

WEST LIBERTY COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2005

Part I. Summary of the Independent Auditor's Results

1. An unqualified opinion was issued on the financial statements.
2. Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
3. The audit did not disclose any noncompliance which is material to the financial statements.
4. No material weaknesses in internal control over major programs were disclosed by the audit of the financial statements.
5. An unqualified opinion was issued on compliance with requirements applicable to each major program.
6. The audit disclosed no audit findings, which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
7. Major programs were as follows:
 - CFDA Number 84.215 Iowa Demonstration Construction Grant
 - Clustered programs
 - CFDA Number 10.553 School Breakfast Program
 - CFDA Number 10.555 National School Lunch Program
8. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
9. West Liberty Community School District did not qualify as a low-risk auditee.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2005

Part II. Findings Related to the General Purpose Financial Statements

INSTANCES OF NON-COMPLIANCE

No matters were noted

REPORTABLE CONDITIONS

05-II-A 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. The cash receipts and disbursements, bank deposits and bank account reconciliations were all handled by the same person.

Recommendation_- I realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review the operating procedures of the District to obtain the maximum internal control possible under the circumstances.

Response and Corrective Action Planned - We will review our procedures and implement changes to improve internal control, as we deem necessary.

Conclusion - Response accepted.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2005

Part III. Findings and Questioned Costs for Federal Awards

INSTANCES OF NON-COMPLIANCE

No matters were noted

REPORTABLE CONDITIONS

There were no reportable conditions or material weaknesses relating to federal grant programs.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2005

Part II. Other Findings Related to Statutory Reporting:

1. Official Depositories - A resolution naming official depositories has been approved by the Board. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2005.
2. Certified Budget - Expenditures for the year ended June 30, 2005 exceeded the amended amount budgeted in the Non-instructional Programs functional area.

Recommendation - The District should have amended the budget in sufficient amounts before expenditures were allowed to exceed the budget.

Response - We will be more attentive of this in the future and amend the budget in sufficient amounts, as necessary.

Conclusion - Response accepted.

3. Questionable Disbursements - I noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
4. 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.
5. Business Transactions - No business transactions between the District and District officials or employees were noted.
6. Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
7. Board Minutes - I noted no transactions requiring Board approval which had not been approved by the Board.
8. Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2005

9. Deposits and Investments - I 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.
10. Certified Annual Reports - The Certified Annual Report was filed with the Department of Education timely and I noted no significant deficiencies in the amounts reported.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT
Audit Staff
June 30, 2005

This audit was performed by

Kay Chapman, CPA
Christina Chamberlin, staff accountant

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

Where Success Happens

Rebecca L. Rodocker, Superintendent
823 N. Elm Street
West Liberty, Iowa 52776

Phone: 319-627-2116
Fax: 319-627-2963

NEWS RELEASE

FOR RELEASE:

Kay L. Chapman, CPA PC of Muscatine, Iowa today released an audit report on the West Liberty Community School District in West Liberty, Iowa.

The District's revenues totaled \$12,738,749 for the year ended June 30, 2005, a 25 percent increase from the prior year. Revenues included \$3,674,345 in local tax, charges for service of \$533,356, operating grants, contributions and restricted interest of \$2,033,041, unrestricted state grants of \$4,297,715, unrestricted interest of \$74,506, contributions and donations of \$2,089,972 and other general revenues of \$35,814.

Expenses for District operations totaled \$11,341,735, a 22 percent increase from the prior year. Expenses included \$6,131,322 for instruction, \$2,317,021 for support services, \$391,554 for non-instructional programs and \$2,501,838 for other expenses.

A copy of the audit report is available for review in the office of the Auditor of State and the District Secretary's office.

Our mission is to provide a safe environment for students to become responsible, contributing members of a diverse and changing society.

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WEST LIBERTY COMMUNITY SCHOOL DISTRICT Corrective Action Plan for Federal Audit Findings For the Year Ended June 30, 2005

Comment Number	Comment Title	Corrective Action Plan	Contact Person	Anticipated Date of Completion
There were no audit findings relating to federal programs.				

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WEST LIBERTY COMMUNITY SCHOOL DISTRICT Summary Schedule of Prior Federal Audit Findings For the Year Ended June 30, 2005

Comment Number	Comment Title	Status	If not corrected, provide planned corrective action or other explanation
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There were no prior year audit findings relating to federal programs.

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