

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2007

WEST LIBERTY COMMUNITY SCHOOL DISTRICT
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WEST LIBERTY COMMUNITY SCHOOL DISTRICT

Officials

June 30, 2007

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2006 Election)		
Bill Laughlin	Board President	2008
Fay Cline	Board Member	2006
Scott Harvey	Board Member	2006
Priscilla Haessig	Board Member	2007
Mike Duytschaver	Board Member	2008
(After September 2006 Election)		
Bill Laughlin	Board President	2008
Priscilla Haessig	Board Member	2007
Mike Duytschaver	Board Member	2008
Tim Buysse	Board Member	2009
Kevin Minor	Board Member	2009
School Officials		
Rebecca Rodocker	Superintendent	2007
Tom Anderson	District Secretary/Treasurer	2007
Brian Gruhn	Attorney	2007
Allbee, Barclay, Allison, Denning & Oppel	Attorney	2007

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, 2007, 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.

Except as discussed in the following paragraph, 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.

The financial statements of the West Liberty Community School District Foundation have not been audited, and I was not engaged to audit the Foundation financial statements as part of my audit of the West Liberty Community School District's basic financial statements. The Foundation's financial statements are included in the District's financial statements as a discretely presented component unit. Because I was not engaged to audit the Foundation's financial statements and because I did not apply any auditing procedures to the Foundation's financial statements, I do not express an opinion on the discretely presented component unit.

Because the Foundation's financial statements have not been audited, the scope of my work was not sufficient to enable me to express, and I do not express, an opinion on the financial statements of the discretely presented component unit of the West Liberty Community School District, as of and for the year ended June 30, 2007.

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, 2007, 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 March 4, 2008 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 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 15 and 48 through 49 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. Other supplementary information included in Schedules 1 through 7, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis and is also not a required part of the basic financial statements of West Liberty Community School District. Schedules 1 through 7 and the Schedule of Federal Awards have been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. 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, 2006 (which are not presented herein) and expressed unqualified opinions on those financial statements. In my opinion, the information set forth in the supplementary information for each of the four years in the period ended June 30, 2007, appearing in Schedule 8, is fairly stated, in all material respects in relation to the basic financial statements from which it has been derived.



Kay L. Chapman, CPA PC
March 4, 2008

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, 2007. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2007 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$8,659,942 in fiscal 2006 to \$9,343,386 in fiscal 2007, while General Fund expenditures increased from \$9,207,921 in fiscal 2006 to \$9,608,812 in fiscal 2007. The District's General Fund balance decreased from \$1,254,164 in fiscal 2006 to \$989,789 in fiscal 2007, a 21% decrease.
- The increase in General Fund revenues was attributable to an increase in state foundation aid in fiscal 2007, from receiving 4% allowable growth, and an increase in student certified enrollment.
- The increase in expenditures was due primarily to the addition of three new certified positions because of increasing enrollment in the elementary grades and dual language moving up through 8th grade. The state legislature increased the amount of Teacher Compensation from FY06 to FY07. This amounted to an increase of \$80,000 additional revenue and expense in the instructional category for teacher salaries and benefits.
- Extra-curricular positions were also added because of increased participation and student safety concerns.
- A full-time custodial position was added because of the increased square footage added when the new high school opened in January 2005.
- The General Fund Balance decrease was a result of the use of carryover balance to meet financial obligations during the year.

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.

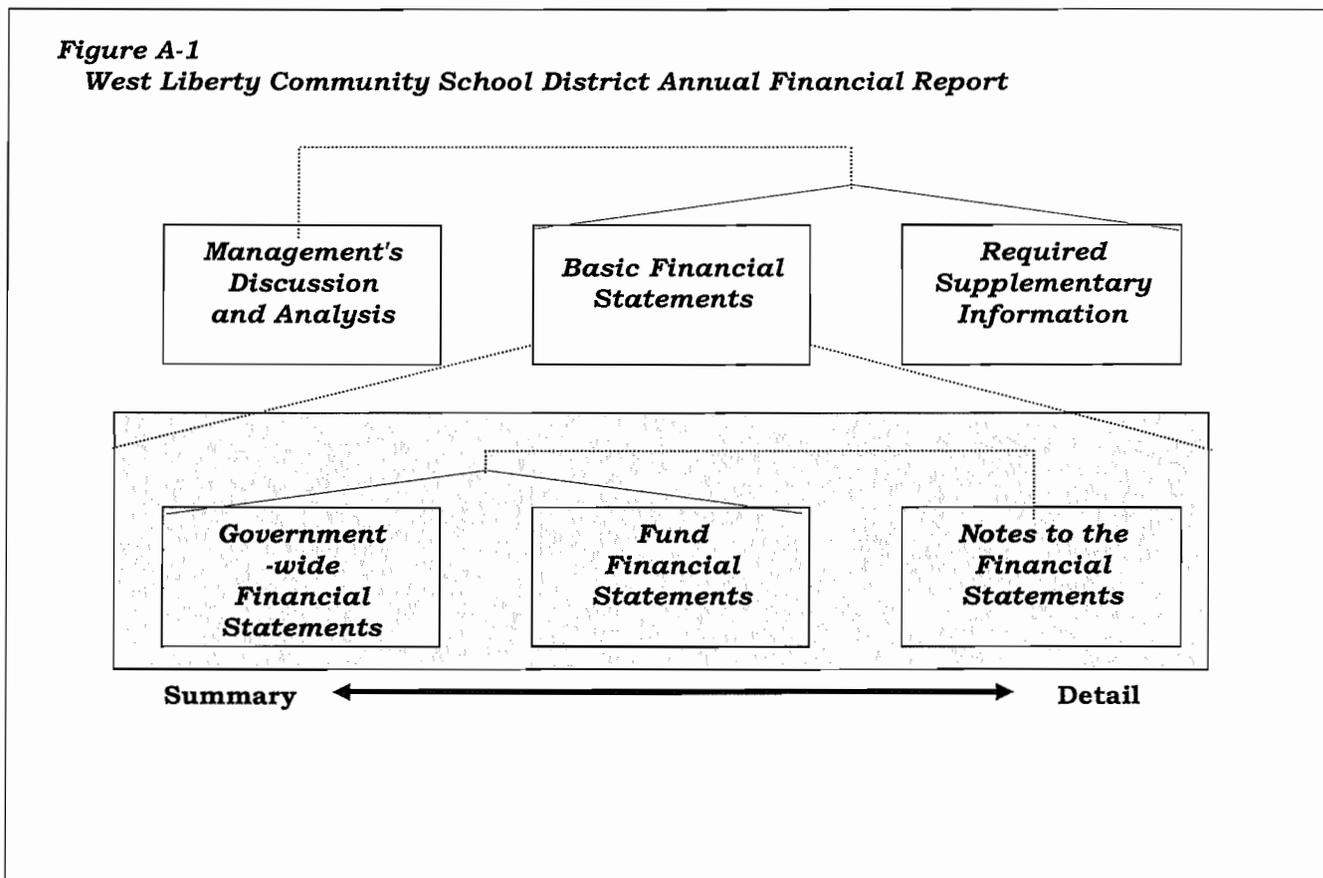


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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 and student construction programs	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 two Enterprise Funds, the School Nutrition Fund and the Student Construction 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 two Internal Service Funds, the employee partial self-funding health insurance fund and flex-benefit 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, 2007 compared to June 30, 2006.

Figure A-3

	Condensed Statement of Net Assets						
	Governmental		Business-type		Total		Total
	Activities		Activities		School District		Change
	2007	2006	2007	2006	2007	2006	2006-2007
Current and other assets	\$ 7,136,527	\$ 6,194,076	\$ 20,743	\$ 56,961	\$ 7,157,270	\$ 6,251,037	14.50%
Capital assets	<u>13,186,697</u>	<u>13,199,243</u>	<u>70,721</u>	<u>76,989</u>	<u>13,257,418</u>	<u>13,276,232</u>	-0.14%
Total assets	<u>20,323,224</u>	<u>19,393,319</u>	<u>91,464</u>	<u>133,950</u>	<u>20,414,688</u>	<u>19,527,269</u>	4.54%
Long-term obligations	6,913,920	7,423,010	-	-	6,913,920	7,423,010	-6.86%
Other liabilities	<u>4,058,094</u>	<u>3,364,078</u>	<u>1,579</u>	<u>2,369</u>	<u>4,059,673</u>	<u>3,366,447</u>	20.59%
Total liabilities	<u>10,972,014</u>	<u>10,787,088</u>	<u>1,579</u>	<u>2,369</u>	<u>10,973,593</u>	<u>10,789,457</u>	1.71%
Net assets							
Invested in capital assets, net of related debt	6,411,697	5,914,243	70,721	76,989	6,482,418	5,991,232	8.20%
Restricted	1,519,910	1,456,611	-	-	1,519,910	1,456,611	4.35%
Unrestricted	<u>1,419,603</u>	<u>1,235,377</u>	<u>19,164</u>	<u>54,592</u>	<u>1,438,767</u>	<u>1,289,969</u>	11.54%
Total net assets	<u>\$ 9,351,210</u>	<u>\$ 8,606,231</u>	<u>\$ 89,885</u>	<u>\$ 131,581</u>	<u>\$ 9,441,095</u>	<u>\$ 8,737,812</u>	8.05%

The District's combined net assets increased by approximately 8%, or \$703,283, 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 increased \$63,299, or approximately 4% over the prior year. The increase was primarily a result of PPEL and Local Option Sales Tax revenue savings for larger projects in the future.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately \$148,798, or 12%. This increase in unrestricted net assets was a result of being the first year Income Surtax was accrued as Deferred Revenue which amounted to \$409,123. The District's General Fund unrestricted fund balance decreased by \$264,375 as a result of using carryover fund balance to meet its financial obligations.

Figure A-4 shows the change in net assets for the year ended June 30, 2007 compared to the year ended June 30, 2006.

Figure A-4

	Change in Net Assets						Total Change 2006-2007
	Governmental Activities		Business Type Activities		Total District		
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	
Revenues							
Program revenues							
Charges for service and sales	\$ 271,898	\$ 260,049	\$ 389,661	\$ 194,128	\$ 661,559	\$ 454,177	45.66%
Operating grants	1,397,639	1,347,389	256,019	233,196	1,653,658	1,580,585	4.62%
General revenues							
Property tax	3,805,427	3,229,771	-	-	3,805,427	3,229,771	17.82%
Sales and services tax	727,678	719,008	-	-	727,678	719,008	1.21%
Unrestricted state grants	5,115,196	4,656,360	-	-	5,115,196	4,656,360	9.85%
Contributions and donations	59,790	31,624	-	-	59,790	31,624	89.07%
Unrestricted investment earnings	138,932	121,774	1,464	1,466	140,396	123,240	13.92%
Other	<u>37,103</u>	<u>9,066</u>	<u>-</u>	<u>-</u>	<u>37,103</u>	<u>9,066</u>	309.25%
Total revenues	<u>11,553,663</u>	<u>10,375,041</u>	<u>647,144</u>	<u>428,790</u>	<u>12,200,807</u>	<u>10,803,831</u>	12.93%
Program expenses							
Governmental activities							
Instruction	6,830,449	6,482,732	-	-	6,830,449	6,482,732	5.36%
Support services	2,707,467	2,763,205	-	-	2,707,467	2,763,205	-2.02%
Non-instructional programs	3,453	-	690,129	404,590	693,582	404,590	71.43%
Other expenses	1,266,026	1,226,125	-	-	1,266,026	1,226,125	3.25%
Loss on disposal of capital assets	<u>-</u>	<u>18,980</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,980</u>	100.00%
Total expenses	<u>10,807,395</u>	<u>10,491,042</u>	<u>690,129</u>	<u>404,590</u>	<u>11,497,524</u>	<u>10,895,632</u>	5.52%
Change in net assets before transfers	746,268	(116,001)	(42,985)	24,200	703,283	(91,801)	866.10%
Transfers	<u>(1,289)</u>	<u>-</u>	<u>1,289</u>	<u>-</u>	<u>-</u>	<u>-</u>	0.00%
Change in net assets	<u>\$ 744,979</u>	<u>\$ (116,001)</u>	<u>\$ (41,696)</u>	<u>\$ 24,200</u>	<u>\$ 703,283</u>	<u>\$ (91,801)</u>	866.10%

In fiscal 2007, property tax and unrestricted state grants account for 73% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99% of the revenue from business type activities.

The District's total revenues were \$12,200,807 of which \$11,553,663 was for governmental activities and \$647,144 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 13% increase in revenues and a 6% increase in expenses. Property tax increased \$575,656 to fund increases in expenditures. The increases in expenses related to additional staff hired, additional money from the state legislature to increase teacher pay, and an addition of a Student Construction Enterprise Fund.

Governmental Activities

Revenues for governmental activities were \$11,553,663 and expenses were \$10,807,395.

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		
	2007	2006	Change 2006- 2007	2007	2006	Change 2006- 2007
Instruction	\$ 6,830,449	\$ 6,482,732	5.4%	\$ 5,559,355	\$ 5,273,459	5.4%
Support services	2,707,467	2,763,205	-2.0%	2,692,881	2,745,424	-1.9%
Non-instructional programs	3,453	-	100.0%	3,453	-	100.0%
Other expenses	<u>1,266,026</u>	<u>1,226,125</u>	3.3%	<u>882,169</u>	<u>845,741</u>	4.3%
Total expenses	<u>\$ 10,807,395</u>	<u>\$ 10,472,062</u>	3.2%	<u>\$ 9,137,858</u>	<u>\$ 8,864,624</u>	3.1%

- The cost financed by users of the District's programs was \$271,898.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,397,639.
- The net cost of governmental activities was financed with \$4,533,105 in property and other taxes and \$5,115,196 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$647,144 representing a 50% increase from the prior year while expenses totaled \$690,129, a 70% increase over the prior year. The District's business type activities include the School Nutrition Fund and Student Construction Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, investment income and proceeds from sale of the house.

The District did not increase student or adult meal prices to help off-set any salary and benefit increases to food service staff and increases in food subsidies.

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 \$2,564,463, below last year's ending fund balances of \$2,744,950. The primary reason for the decrease in combined fund balances in fiscal 2007 is due to use of carryover General Fund balance to meet financial obligations during the year.

Governmental Fund Highlights

- The District's General Fund decrease in financial position is the result of many factors. Even though the District experienced an increase in certified enrollment and 4% allowable growth, the District's property tax revenue increased only moderately. 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 \$1,254,164 to \$989,789, due in part to hiring new staff and existing expenditure commitments of the District.
- New positions were added for required smaller class sizes and the District's Dual Language Program moving into junior high.
- The Capital Projects Fund balance increased by \$42,837 due to Local Option Sales Tax revenue savings for future building projects.

Proprietary Fund Highlights

Enterprise Fund net assets decreased from \$131,581 at June 30, 2006 to \$89,885 at June 30, 2007, representing a decrease of approximately 31%. In 2006-2007, the District hired a new position, School Nutrition Director, to oversee the Food Service Department. Additional staff was hired and updated equipment was purchased to expand the offerings to students and staff. The decrease in Enterprise Fund net assets was attributed to the District not increasing school lunch prices and using net assets to finance the needed changes.

BUDGETARY HIGHLIGHTS

Over the course of the year, West Liberty Community School District amended its annual budget one time by \$614,085 to reflect additional expenditures for the Student Construction Enterprise Fund.

The District's revenues were \$493,819 more than budgeted revenues, a variance of approximately 4%. There was no significant reason why actual revenues were more than budgeted revenues.

Total expenditures were \$1,219,091 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 Instructional and Other Expenditures were less than anticipated.

In spite of the District amending the budget, the certified budget was exceeded in the Non-instructional Programs functional area due to state coding changes that moved expenditures from the Instructional area of the budget to Support Services area of the budget and adding a Student Construction Enterprise Fund.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2007, the District had invested \$13.2 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of less than 1% 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 \$561,754.

The original cost of the District's capital assets was \$20.3 million. Governmental funds account for \$20 million, with the remainder of \$250,787 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress and the buildings categories. The District's construction in progress was closed out after completion of a Vocational Agriculture/Greenhouse Complex and allocated to buildings and equipment during June 30, 2007.

Figure A-6

	Capital Assets, Net of Depreciation						
	Governmental Activities		Business-type Activities		Total School District		Total Change
	2007	2006	2007	2006	2007	2006	2006-2007
Land	\$ 462,833	\$ 462,833	\$ -	\$ -	\$ 462,833	\$ 462,833	0.00%
Construction in progress	330,338	-	-	-	330,338	-	100.00%
Buildings and improvements	10,941,349	11,286,827	-	-	10,941,349	11,286,827	-3.06%
Improvements, other than buildings	898,825	971,940	-	-	898,825	971,940	-7.52%
Furniture and equipment	<u>553,352</u>	<u>477,643</u>	<u>70,721</u>	<u>76,989</u>	<u>624,073</u>	<u>554,632</u>	12.52%
Totals	<u>\$13,186,697</u>	<u>\$13,199,243</u>	<u>\$70,721</u>	<u>\$76,989</u>	<u>\$ 13,257,418</u>	<u>\$13,276,232</u>	-0.14%

Long-Term Debt

At June 30, 2007, the District had \$6,913,920 in general obligation, revenue and other long-term debt outstanding. This represents a decrease of approximately 7% 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
	School District		
	<u>2007</u>	<u>2006</u>	<u>2006-</u> <u>2007</u>
General obligation bonds	\$ 5,660,000	\$ 5,920,000	-4.39%
Revenue bonds	1,115,000	1,365,000	-18.32%
Early retirement	109,096	107,706	1.29%
Compensated absences	29,824	30,304	-1.58%
Total	<u>\$ 6,913,920</u>	<u>\$ 7,423,010</u>	-6.86%

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 2007-2008.
- Another 100+ student kindergarten class registered for 2007-08, five sections of kindergarten were continued for the start of the school year and a new section of 3rd grade was added due to 5 sections of kindergarten, first, and second grade in 2006-07.
- The District will negotiate a new agreement during fiscal 2008 with the West Liberty Education Association (WLEA). 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.
- Our student data continues to show a growth in Hispanic population that will significantly impact the need for increased remedial programs for reading, At-Risk, and ELL/Dual Language.
- The District completed a buildings and grounds feasibility study during fiscal year 2008. In fiscal year 2007, Phase I of the grounds plan started by constructing 3 practice fields next to the high school and a second access road to the high school.
- With bonding capacity limited and an increased need for space at our elementary and middle schools, the District will look to renew the Muscatine Local Option Sales and Services Tax for school infrastructure that expires in 2010. It is a county-wide election that will rely on Muscatine Community School District to be the lead district. By renewing the tax, the District will use Sales Tax Revenue Bonds to help finance adding on to the Administrative Center for a 6-8 middle school, convert the middle school into a 1-5 elementary building, and move the Administrative/Early Childhood PK-K to the elementary.

-
- Increasing electrical costs associated with running geothermal heating and cooling pumps at the high school will continue to have significant impact on General Fund expenditures until the City of West Liberty establishes a new rate structure for energy-efficient buildings. The District has been working with the City to get those rates established.

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, 2007

Exhibit A

	Business Type		Total	Component Unit
	Governmental Activities	Activities		
Assets				
Cash and cash equivalents				
ISCAP	\$ 633,997	\$ -	\$ 633,997	\$ -
Other	2,703,150	15,184	2,718,334	173,603
Investments	-	-	-	443,438
Receivables				
Property tax				
Delinquent	41,224	-	41,224	-
Succeeding year	3,163,932	-	3,163,932	-
Accounts receivable	8,114	1,233	9,347	-
Income surtax	409,123	-	409,123	-
Accrued interest				
ISCAP	189	-	189	-
Prepaid expenses	1,138	-	1,138	-
Due from other governments	175,660	241	175,901	-
Inventories	-	4,085	4,085	-
Non-depreciable capital assets	793,171	-	793,171	-
Capital assets, net of accumulated depreciation	12,393,526	70,721	12,464,247	-
Total assets	<u>20,323,224</u>	<u>91,464</u>	<u>20,414,688</u>	<u>617,041</u>

See notes to financial statements.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT
Statement of Net Assets
June 30, 2007

Exhibit A

	Governmental Activities	Business Type Activities	Total	Component Unit <u>Foundation</u>
Liabilities				
Accounts payable	\$ 19,214	\$ 212	\$ 19,426	\$ -
Salaries and benefits payable	90,729	1,367	92,096	-
Accrued interest payable	48,689	-	48,689	-
Due to other governments	85,443	-	85,443	-
Deferred revenue				
Succeeding year property tax	3,163,932	-	3,163,932	-
Federal grants	10,214	-	10,214	-
ISCAP warrants payable	635,000	-	635,000	-
ISCAP accrued interest payable	161	-	161	-
ISCAP unamortized premium	4,712	-	4,712	-
Long-term liabilities				
Portion due within one year				
General obligation bonds payable	275,000	-	275,000	-
Revenue bonds payable	260,000	-	260,000	-
Compensated absences	29,824	-	29,824	-
Early retirement payable	46,761	-	46,761	-
Portion due after one year				
General obligation bonds payable	5,385,000	-	5,385,000	-
Revenue bonds payable	855,000	-	855,000	-
Early retirement payable	62,335	-	62,335	-
Total liabilities	10,972,014	1,579	10,973,593	-

See notes to financial statements.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2007

Exhibit A

	Governmental Activities	Business Type Activities	Total	Component Unit Foundation
Net Assets				
Invested in capital assets, net of related debt	\$ 6,411,697	\$ 70,721	\$ 6,482,418	\$ -
Restricted for				
Physical plant and equipment levy	201,232	-	201,232	-
Other special revenue purposes	81,067	-	81,067	-
Capital projects	1,237,611	-	1,237,611	-
Unrestricted	1,419,603	19,164	1,438,767	617,041
Total net assets	<u>\$ 9,351,210</u>	<u>\$ 89,885</u>	<u>\$ 9,441,095</u>	<u>\$ 617,041</u>

See notes to financial statements.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

Statement of Activities

For the Year Ended June 30, 2007

Exhibit B

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Unit
	Operating Grants, Contributions and Restricted		Capital Grants, Contributions and Restricted	Primary Government		Total	
	Charges for Services	Interest	Interest	Governmental Activities	Business Type Activities		
<u>Functions/Programs</u>							
Primary Government							
Governmental activities							
Instruction							
Regular instruction	\$ 4,538,906	\$ 77,208	\$ 625,735	\$ (3,835,963)	\$ -	\$ (3,835,963)	
Special instruction	1,224,271	8,714	336,833	(878,724)	-	(878,724)	
Other instruction	1,067,272	171,390	51,214	(844,668)	-	(844,668)	
	<u>6,830,449</u>	<u>257,312</u>	<u>1,013,782</u>	<u>(5,559,355)</u>	-	<u>(5,559,355)</u>	
Support services							
Student	204,014	-	-	(204,014)	-	(204,014)	
Instructional staff	432,271	-	-	(432,271)	-	(432,271)	
Administration	971,765	-	-	(971,765)	-	(971,765)	
Operation and maintenance of plant	754,779	832	-	(753,947)	-	(753,947)	
Transportation	344,638	13,754	-	(330,884)	-	(330,884)	
	<u>2,707,467</u>	<u>14,586</u>	-	<u>(2,692,881)</u>	-	<u>(2,692,881)</u>	
	<u>3,453</u>	-	-	<u>(3,453)</u>	-	<u>(3,453)</u>	
Non-instructional programs							
Other expenditures							
Facilities acquisition	96,613	-	-	(96,613)	-	(96,613)	
Long-term debt interest	320,479	-	-	(320,479)	-	(320,479)	
AEA flowthrough	383,857	-	383,857	-	-	-	
Depreciation (unallocated) *	465,077	-	-	(465,077)	-	(465,077)	
	<u>1,266,026</u>	-	<u>383,857</u>	<u>(882,169)</u>	-	<u>(882,169)</u>	
Total governmental activities	<u>10,807,395</u>	<u>271,898</u>	<u>1,397,639</u>	<u>(9,137,858)</u>	-	<u>(9,137,858)</u>	

See notes to financial statements.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

Statement of Activities

For the Year Ended June 30, 2007

Exhibit B

Functions/Programs (continued)	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Component Unit
	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Primary Government Business Type Activities	
Primary Government (continued)						
Business type activities						
Non-instructional programs						
Food service operations	\$ 508,309	\$ 196,661	\$ -	\$ -	\$ (55,629)	\$ (55,629)
Student construction	181,820	193,000	-	-	11,180	11,180
Total business type activities	690,129	389,661	-	-	(44,449)	(44,449)
Total primary government	\$ 11,497,524	\$ 661,559	\$ -	\$ -	(44,449)	(9,182,307)
Component Unit						
Foundation	\$ 21,285	\$ -	\$ -	\$ -	\$ -	\$ (21,285)
General Revenues						
Property tax levied for						
General purposes				2,730,469	-	2,730,469
Debt service				270,382	-	270,382
Capital outlay				804,576	-	804,576
Local option sales and services tax				727,678	-	727,678
Unrestricted state grants				5,115,196	-	5,115,196
Contributions and donations				59,790	-	59,790
Unrestricted investment earnings				138,932	1,464	140,396
Increase in fair value of investments				-	-	-
Other				37,103	-	37,103
Transfers				(1,289)	1,289	-
Total general revenues and transfers				9,882,837	2,753	9,885,590
Change in net assets				744,979	(41,696)	703,283
Net assets, beginning of year, as restated				8,606,231	131,581	8,737,812
Net assets, end of year				\$ 9,351,210	\$ 89,885	\$ 9,441,095

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

See notes to financial statements.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

Exhibit C

Balance Sheet
Governmental Funds
June 30, 2007

Assets	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Cash and pooled investments				
ISCAP	\$ 633,997	\$ -	\$ -	\$ 633,997
Other	1,099,062	1,120,764	329,788	2,549,614
Receivables				
Property tax				
Delinquent	33,966	-	7,258	41,224
Succeeding year	2,706,261	-	457,671	3,163,932
Accounts receivable	6,821	-	1,293	8,114
Income surtax	148,772	-	260,351	409,123
Accrued interest				
ISCAP	189	-	-	189
Due from other governments	58,813	116,847	-	175,660
Prepaid expenses	-	-	1,138	1,138
Total assets	<u>\$ 4,687,881</u>	<u>\$ 1,237,611</u>	<u>\$ 1,057,499</u>	<u>\$ 6,982,991</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 16,800	\$ -	\$ 2,414	\$ 19,214
Salaries and benefits payable	90,729	-	-	90,729
Due to other governments	85,443	-	-	85,443
ISCAP warrants payable	635,000	-	-	635,000
ISCAP accrued interest payable	161	-	-	161
ISCAP unamortized premium	4,712	-	-	4,712
Deferred revenue				
Succeeding year property tax	2,706,261	-	457,671	3,163,932
Income surtax	148,772	-	260,351	409,123
Federal grants	10,214	-	-	10,214
Total liabilities	<u>3,698,092</u>	<u>-</u>	<u>720,436</u>	<u>4,418,528</u>
Fund balances				
Reserved for				
Debt service	-	-	-	-
Prepaid expenses	-	-	1,138	1,138
Unreserved				
Designated for				
Student programs	53,110	-	-	53,110
Undesignated, governmental funds	936,679	1,237,611	-	2,174,290
Undesignated, special revenue funds	-	-	326,731	326,731
Total fund balances	<u>989,789</u>	<u>1,237,611</u>	<u>327,869</u>	<u>2,555,269</u>
Total liabilities and fund balances	<u>\$ 4,687,881</u>	<u>\$ 1,237,611</u>	<u>\$ 1,048,305</u>	<u>\$ 6,973,797</u>

See notes to financial statements.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT
Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets
June 30, 2007

Exhibit D

Total fund balances of governmental funds	\$2,564,463
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.	13,186,697
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	409,123
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.	(48,689)
The Internal Service Fund is used by the District to charge the costs of the flex-benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in the governmental activities in the Statement of Net Assets.	153,536
Long-term liabilities, including bonds payable, compensated absences and early retirement termination benefits are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(6,913,920)</u>
Net assets of governmental activities	<u>\$9,351,210</u>

See notes to financial statements.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2007

Exhibit E

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Revenues				
Local sources				
Local tax	\$2,573,141	\$ 727,678	\$ 821,661	\$4,122,480
Tuition	97,217	-	-	97,217
Other	159,121	49,408	193,269	401,798
State sources	6,058,725	-	266	6,058,991
Federal sources	455,182	-	-	455,182
Total revenues	<u>9,343,386</u>	<u>777,086</u>	<u>1,015,196</u>	<u>11,135,668</u>
Expenditures				
Current				
Instruction				
Regular	4,436,118	-	54,369	4,490,487
Special	1,224,271	-	-	1,224,271
Other	941,887	-	131,220	1,073,107
	<u>6,602,276</u>	<u>-</u>	<u>185,589</u>	<u>6,787,865</u>
Support services				
Student	203,462	-	470	203,932
Instructional staff	499,397	-	1,616	501,013
Administration	951,824	-	16,043	967,867
Operation and maintenance of plant	668,111	-	85,608	753,719
Transportation	299,885	-	108,699	408,584
	<u>2,622,679</u>	<u>-</u>	<u>212,436</u>	<u>2,835,115</u>
Non-instructional programs	<u>-</u>	<u>-</u>	<u>3,453</u>	<u>3,453</u>
Other expenditures				
Facilities acquisition	-	337,098	132,150	469,248
Long-term debt				
Principal	-	-	510,000	510,000
Interest and fiscal charges	-	-	327,028	327,028
AEA flowthrough	383,857	-	-	383,857
	<u>383,857</u>	<u>337,098</u>	<u>969,178</u>	<u>1,690,133</u>
Total expenditures	<u>9,608,812</u>	<u>337,098</u>	<u>1,370,656</u>	<u>11,316,566</u>

See notes to financial statements.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2007

Exhibit E

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Excess (deficiency) of revenues over (under) expenditures	\$ (265,426)	\$ 439,988	\$ (355,460)	\$ (180,898)
Other financing sources (uses)				
Sale of equipment and materials	200	-	1,500	1,700
Interfund operating transfers in	2,123	-	559,976	562,099
Interfund operating transfers (out)	<u>(1,272)</u>	<u>(397,151)</u>	<u>(164,965)</u>	<u>(563,388)</u>
Total other financing sources (uses)	<u>1,051</u>	<u>(397,151)</u>	<u>396,511</u>	<u>411</u>
Net change in fund balances	(264,375)	42,837	41,051	(180,487)
Fund balance, beginning of year	<u>1,254,164</u>	<u>1,194,774</u>	<u>296,012</u>	<u>2,744,950</u>
Fund balance, end of year	<u>\$ 989,789</u>	<u>\$1,237,611</u>	<u>\$ 337,063</u>	<u>\$2,564,463</u>

See notes to financial statements.

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, 2007

Exhibit F

Net change in fund balances - total governmental funds \$ (180,487)

Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures and depreciation expense are as follows:

Expenditures for capital assets	\$538,410	
Depreciation expense	<u>(550,946)</u>	(12,536)

Certain revenues not collected for several months after year-end are not considered available revenue and are deferred in the governmental funds. 409,123

The Internal Service Fund is used by the District to charge the costs of the flex-benefit plan to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities. 13,250

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 510,000

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, as follows:

Early retirement	\$ (1,390)	
Compensated absences	<u>480</u>	(910)

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. 6,539

Change in net assets of governmental activities \$ 744,979

See notes to financial statements.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT
Statement of Net Assets
Proprietary Funds
June 30, 2007

Exhibit G

	Business Type <u>Activities</u>	Governmental <u>Activity</u>
	<u>Nonmajor</u>	<u>Internal</u>
	<u>Enterprise</u>	<u>Service</u>
Assets		
Cash and pooled investments	\$ 15,184	\$153,536
Accounts receivable	1,233	-
Due from other governments	241	-
Inventories	4,085	-
Capital assets, net of accumulated depreciation	<u>70,721</u>	<u>-</u>
Total assets	<u>91,464</u>	<u>153,536</u>
Liabilities		
Accounts payable	212	-
Salaries and benefits payable	<u>1,367</u>	<u>-</u>
Total liabilities	<u>1,579</u>	<u>-</u>
Net Assets		
Invested in capital assets	70,721	-
Unrestricted	<u>19,164</u>	<u>153,536</u>
Total net assets	<u>\$ 89,885</u>	<u>\$153,536</u>

See notes to financial statements.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2007

Exhibit H

	Business Type Activities	Governmental Activity
	Nonmajor Enterprise	Internal Service
Operating revenue		
Local sources		
Charges for service	\$ 196,661	\$ -
Sale of house	193,000	-
Employee contributions	-	155,894
Miscellaneous	-	5,081
Total operating revenue	389,661	160,975
Operating expenses		
Support services		
Administration		
Benefits	20,442	-
Purchased services	6,647	-
Purchased services	33,334	-
Supplies	1,633	-
Miscellaneous	3,793	-
	65,849	-
Operation and maintenance of plant		
Purchased services	3,603	-
Supplies	2,235	-
	5,838	-
Non-instructional programs		
Salaries	152,470	-
Benefits	67,336	154,897
Purchased services	102,786	-
Supplies	285,042	-
Depreciation	10,808	-
	618,442	154,897
Total operating expenses	690,129	154,897
Operating income (loss)	(300,468)	6,078
Non-operating revenue		
Interest income	1,464	7,172
State sources	5,751	-
Federal sources	250,268	-
Total non-operating revenue	257,483	7,172
Net income (loss) before transfers	(42,985)	13,250
Transfers in	1,289	-
Net income (loss)	(41,696)	13,250
Net assets, beginning of year	131,581	140,286
Net assets, end of year	\$ 89,885	\$ 153,536

See notes to financial statements.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

Exhibit I

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2007

	Business Type Activities	Governmental Activity
	Nonmajor Enterprise	Internal Service
Cash flows from operating activities		
Cash received from sale of services	\$ 195,428	\$ -
Cash received from other operations	193,000	160,975
Cash payments to employees for services	(246,485)	(154,897)
Cash payments to suppliers for goods and services	(411,434)	-
Net cash provided by (used in) operating activities	<u>(269,491)</u>	<u>6,078</u>
Cash flows from non-capital financing activities		
Operating transfers from other funds	1,289	-
State grants received	5,751	-
Federal grants received	226,566	-
Net cash provided by non-capital financing activities	<u>233,606</u>	<u>-</u>
Cash flows from capital and related financing activities		
Proceeds from loan	147,000	-
Repayment of loan	(147,000)	-
Acquisition of capital assets	(4,540)	-
Net cash used by capital and related financing activities	<u>(4,540)</u>	<u>-</u>
Cash flows from investing activities		
Interest on investments	1,464	7,172
Net increase (decrease) in cash and cash equivalents	(38,961)	13,250
Cash and cash equivalents, beginning of year	54,145	140,286
Cash and cash equivalents, end of year	<u>\$ 15,184</u>	<u>\$ 153,536</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities		
Operating income (loss)	\$ (300,468)	\$ 6,078
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities		
Depreciation	10,808	-
Commodities used	23,461	-
(Increase) in accounts receivable	(1,233)	-
(Increase) in inventory	(1,981)	-
Decrease in due from other fund	712	-
(Decrease) in accounts payable	(488)	-
(Decrease) in accrued salaries and benefits	(302)	-
Net cash provided by (used in) operating activities	<u>\$(269,491)</u>	<u>\$ 6,078</u>
Non-cash investing, capital and financing activities		

During the year ended June 30, 2007, the District received \$23,461 of federal commodities.

See notes to financial statements.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2007

Exhibit J

	<u>Private Purpose Trust</u>	<u>Agency</u>
	<u>Scholarships</u>	
Assets		
Cash and pooled investments	\$ 2,000	\$6,144
Accounts receivable	-	<u>673</u>
Total assets	<u>2,000</u>	<u>6,817</u>
Liabilities		
Accounts payable	2,000	-
Due to others	-	<u>6,817</u>
Total liabilities	<u>2,000</u>	<u>6,817</u>
Net assets	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See notes to financial statements.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended June 30, 2007

Exhibit K

	Private Purpose Trust <u>Scholarships</u>
Additions	
Local sources	
Gifts and contributions	\$2,000
Deductions	
Instruction, regular	
Scholarships	<u>2,000</u>
Change in net assets	-
Net assets, beginning of year	<u>-</u>
Net assets, end of year	<u><u>\$ -</u></u>

See notes to financial statements.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2007

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. West Liberty Community School District has one component unit meeting the Governmental Accounting Standards Board criteria.

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. The Foundation financial statements are shown on the Statement of Net Assets and the Statement of Activities in separate columns. As explained in the Independent Auditor's Report, the Foundation financial statements have not been audited.

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 not meeting 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 is used to account for the acquisition and construction of capital facilities.

The District reports no proprietary funds as major. However, the District reports three nonmajor proprietary funds. The Enterprise Fund, School Nutrition Fund is used to account for the food service operations of the District and the Enterprise Fund, Student Construction Fund is used to account for the student-built house operations of the District. The Internal Service Fund is utilized to account for employee health insurance benefits and flex 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 funds are 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 twelve 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, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2006.

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 are paid at June 30; however, the benefits on these payments are not paid until July. Also, the payroll for hourly employees up to June 30 were not paid until July. Therefore, these salaries and 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, 2007. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Early Retirement Termination Benefit - 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, 2007. 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 unspent federal grant proceeds as well as property

tax and income surtax receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of unspent federal grant proceeds and 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.

Fund Balance - 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.

Designated Fund Balance - The District has designated a portion of its fund balance for specific programs.

Net Assets - Invested in capital assets, net of related debt consists of capital assets net of accumulated depreciation and reduced by the outstanding balance of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets consist of net assets with constraints placed on the use either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The government-wide statement of net assets reports no net assets, restricted by 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, 2007, expenditures exceeded the amount budgeted in the non-instructional programs function.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2007 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, 2007, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	\$ 163,677

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

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

Component Unit Investments - The Foundation had investments in mutual funds as follows:

Mutual funds	\$443,438
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Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2007 is as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 2,123	\$ 1,272
Capital Projects Fund	-	397,151
Non-major governmental funds	559,976	164,965
Non-major enterprise funds	<u>1,289</u>	<u>-</u>
Total	<u>\$563,388</u>	<u>\$563,388</u>

The transfers between the Student Activity Fund and the General Fund were reimbursements between the funds. The transfers from General Fund and Student Activity Fund to School Nutrition Fund were to reimburse the nutrition fund for food used for in-service days and student activities. The transfers from the Physical Plant and Equipment Levy Fund and Capital Projects Fund to the Debt Service Fund were to move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

Note 4. Iowa Schools Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2007, is as follows:

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Investments</u>	<u>Accrued Interest Receivable</u>	<u>Warrants Payable</u>	<u>Accrued Interest Payable</u>	<u>Unamortized Premium</u>
2007-08A	6/27/07	6/27/08	\$ 633,997	\$ 189	\$ 635,000	\$ 161	\$ 4,712

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In additions, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. There was no ISCAP advance activity during the year ended June 30, 2007.

The warrants bear an interest rate and the proceeds of the warrants are invested at an interest rate as shown below:

<u>Series</u>	<u>Interest Rates on Warrants</u>	<u>Interest Rates on Investments</u>
2006-07A	4.500%	5.6760%
2006-07B	4.250%	5.3150%
2007-08A	4.500%	5.4550%

Note 5. Capital Assets

Capital assets activity for the year ended June 30, 2007 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	-	330,338	-	330,338
Total capital assets, not being depreciated	<u>462,833</u>	<u>330,338</u>	<u>-</u>	<u>793,171</u>
Capital assets being depreciated:				
Buildings and improvements	16,716,965	35,500	-	16,752,465
Improvements other than buildings	1,128,886	-	-	1,128,886
Furniture and equipment	<u>1,230,993</u>	<u>172,572</u>	<u>(30,282)</u>	<u>1,373,283</u>
Total capital assets being depreciated	<u>19,076,844</u>	<u>208,072</u>	<u>(30,282)</u>	<u>19,254,634</u>
Less accumulated depreciation for:				
Buildings and improvements	5,430,148	380,968	-	5,811,116
Improvements other than buildings	156,946	73,115	-	230,061
Furniture and equipment	<u>753,350</u>	<u>96,863</u>	<u>(30,282)</u>	<u>819,931</u>
Total accumulated depreciation	<u>6,340,444</u>	<u>550,946</u>	<u>(30,282)</u>	<u>6,861,108</u>
Total capital assets being depreciated, net	<u>12,736,400</u>	<u>(342,874)</u>	<u>-</u>	<u>12,393,526</u>
Governmental activities capital assets, net	<u>\$ 13,199,233</u>	<u>\$ (12,536)</u>	<u>\$ -</u>	<u>\$ 13,186,697</u>
<u>Business-type activities</u>				
Furniture and equipment	\$ 246,247	\$ 4,540	\$ -	\$ 250,787
Less accumulated depreciation	<u>169,258</u>	<u>10,808</u>	<u>-</u>	<u>180,066</u>
Business-type activities capital assets, net	<u>\$ 76,989</u>	<u>\$ (6,268)</u>	<u>\$ -</u>	<u>\$ 70,721</u>

Depreciation expense was charged to the following functions:

Governmental activities

Instruction	
Regular	\$ 53,107
Support services	
Student support services	82
Instructional staff	405
Administration	1,847
Operation and maintenance of plant	1,411
Transportation	29,017
Unallocated depreciation	<u>465,077</u>
Total governmental activities depreciation expense	<u>\$ 550,946</u>

Business type activities

Food services	<u>\$ 10,808</u>
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Note 6. Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2007 are summarized as follows:

	Balance, Beginning of Year	Additions	Reductions	Balance, End of Year	Due Within One Year
General obligation bonds	\$ 5,920,000	\$ -	\$(260,000)	\$ 5,660,000	\$ 275,000
Revenue bonds	1,365,000	-	(250,000)	1,115,000	260,000
Early retirement	107,706	46,726	(45,336)	109,096	46,761
Compensated absences	<u>30,304</u>	<u>32,057</u>	<u>(32,537)</u>	<u>29,824</u>	<u>29,824</u>
Totals	<u>\$ 7,423,010</u>	<u>\$ 78,783</u>	<u>\$(587,873)</u>	<u>\$ 6,913,920</u>	<u>\$ 611,585</u>

Interest costs incurred and charged to expense on all long-term debt was \$320,479 for the year ended June 30, 2007.

Early Retirement Termination Benefit

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, 2007 the maximum accumulated early retirement pay was \$109,096 and six individuals are receiving the benefit. Early retirement expenditures for the year ended June 30, 2007 totaled \$45,336.

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, 2007 is \$29,824.

General Obligation Bonds

Details of the District's June 30, 2007 general obligation bonded indebtedness are as follows:

Year Ending June 30,	10/01/1997				12/02/2002			
	Interest Rates	Principal	Interest	Total	Interest Rates	Principal	Interest	Total
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
2013-2017		-	-	-	4.0-4.4	1,875,000	786,880	2,661,880
2018-2022		-	-	-	4.5-4.8	<u>2,310,000</u>	<u>336,866</u>	<u>2,646,866</u>
Totals		<u>\$ 960,000</u>	<u>\$ 148,290</u>	<u>\$ 1,108,290</u>		<u>\$ 4,700,000</u>	<u>\$ 2,120,300</u>	<u>\$ 6,820,300</u>

Year Ending June 30,	Total		
	Principal	Interest	Total
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
2013-2017	1,875,000	786,880	2,661,880
2018-2022	<u>2,310,000</u>	<u>336,866</u>	<u>2,646,866</u>
Totals	<u>\$ 5,660,000</u>	<u>\$ 2,268,590</u>	<u>\$ 7,928,590</u>

Revenue Bonds

Details of the District's June 30, 2007 local option sales and services tax revenue bonded indebtedness are as follows:

Year Ending June 30,	November 12, 2002			
	Interest Rates	Principal	Interest	Total
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>\$ 1,115,000</u>	<u>\$ 114,444</u>	<u>\$ 1,229,444</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, 2007, 2006 and 2005. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$342,829, \$322,505 and \$300,463 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 \$383,857 for the year ended June 30, 2007 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 10. Contingencies

Grant Funding - The District participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants were subjected to local audit but still remain open to audit by the appropriate grantor government. If expenditures are disallowed by the grantor government due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. As of June 30, 2007, significant amounts of grant expenditures have not been audited by granting authorities but the District believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

Insurance Plan - As discussed in Note 13, the District is contingently liable for any unreported claim or assessment in excess of their balance in the Internal Service Insurance Fund.

Note 11. Short-term Debt

The District's Enterprise Fund, Student Construction Fund received a \$160,000 loan from Iowa State Bank and Trust Company on 9/20/06, of which \$147,001 was advanced and repaid during the year ended June 30, 2007. Proceeds of the loan were used to construct a student-built house as part of a school program. The house was sold on 5/30/07 to Tom Anderson, Business Manager, in an arms-length transaction. The District advertised the sell of the house and sold it to the highest bidder, in compliance with Board policy. Proceeds of the sale were used to repay the bank loan. Therefore, the loan was repaid before June 30, 2007

<u>Balance,</u> <u>Beginning of Year</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance,</u> <u>End of year</u>
\$ -	\$147,001	\$147,001	\$ -

Note 12. Restatement of Beginning Balances

During the year ended June 30, 2007, the District discovered an error in the prior year ending net assets of the component unit. The component unit had a loan payable balance of \$167,000 at June 30, 2006, which had not been separately reported. Therefore, the beginning net assets of the component unit on Exhibit B have been decreased by \$167,000. The loan was paid in full during the year ended June 30, 2007; therefore no corresponding liability is reported on Exhibit A.

Note 13. Self-funded Health Insurance

The District utilizes a partial self-funded/partial fully funded plan. The District purchases a base plan from Wellmark with a \$750 single and \$1,500 family deductible and \$1,500 single and \$3,000 family out of pocket maximums. The District partial self-funds down to a \$100 single and \$200 family deductible plan with a maximum out of pocket of \$500 for both single and family. Payments to Wellmark are made for its premium and deposits into the Internal Service Fund are made monthly for the self-funded portion. The self-fund plan (Internal Service Fund) deposits and the independent administrator funds/pays for the claim exposure between the two or \$1,500 for single and \$3,000 for family. After the total exposure has been maximized, the fully-funded carrier pays 100%. The District estimates that 25% of those covered will reach full maximum exposure.

At June 30, 2007, the District had accumulated \$139,737 in its Internal Service Fund to cover employee health care claims. Also, the District continues to fund this plan by depositing premiums into the account on a monthly basis. The District's deposits into this fund have exceeded claims paid from the fund during the last five fiscal years. All submitted claims had been paid or accrued at June 30, 2007. The District does not expect claims to exceed monies available in the fund during the year ending June 30, 2008. The District is contingently liable for any claims in excess of funds available at June 30, 2007.

Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an estimated amount for claims that have been incurred but not reported (IBNR) which represent estimates of the eventual loss on claims arising prior to year-end. Claims liabilities are reported in the financial statements in other current liabilities. There was no liability reported for unpaid claims at June 30, 2007 or June 30, 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, 2007

	Governmental Funds		Proprietary Funds		Total Actual	Budgeted Amounts		Final to Actual Variance
	Actual		Actual			Original	Final	
Revenues								
Local sources	\$4,621,495		\$391,125		\$5,012,620	\$4,585,311	\$4,585,311	\$ 427,309
State sources	6,058,991		5,751		6,064,742	5,965,535	5,965,535	99,207
Federal sources	455,182		250,268		705,450	738,147	738,147	(32,697)
Total revenues	<u>11,135,668</u>		<u>647,144</u>		<u>11,782,812</u>	<u>11,288,993</u>	<u>11,288,993</u>	<u>493,819</u>
Expenditures								
Instruction	6,787,865		-		6,787,865	7,004,503	7,004,503	216,638
Support services	2,835,115		71,687		2,906,802	2,797,629	3,191,740	284,938
Non-instructional programs	3,453		618,442		621,895	401,525	621,499	(396)
Other expenditures	1,690,133		-		1,690,133	2,408,044	2,408,044	717,911
Total expenditures	<u>11,316,566</u>		<u>690,129</u>		<u>12,006,695</u>	<u>12,611,701</u>	<u>13,225,786</u>	<u>1,219,091</u>
Deficiency of revenues under expenditures	(180,898)		(42,985)		(223,883)	(1,322,708)	(1,936,793)	1,712,910
Net other financing sources	411		1,289		1,700	2,500	2,500	(800)
Deficiency of revenues and other financing sources under expenditures	(180,487)		(41,696)		(222,183)	(1,320,208)	(1,934,293)	1,712,110
Balance, beginning of year	2,744,950		131,581		2,876,531	2,371,943	2,371,943	504,588
Balance, end of year	<u>\$2,564,463</u>		<u>\$ 89,885</u>		<u>\$2,654,348</u>	<u>\$1,051,735</u>	<u>\$ 437,650</u>	<u>\$2,216,698</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, 2007

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 Internal Service Funds and Private Purpose Trust Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$614,085.

During the year ended June 30, 2007, District expenditures exceeded the amount budgeted in the Non-instructional Programs function.

Other Supplementary Information

WEST LIBERTY COMMUNITY SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2007

Schedule 1

	Special Revenue				<u>Total</u>
	Management <u>Levy</u>	Student <u>Activity</u>	Physical Plant and Equipment <u>Levy</u>	Debt <u>Service</u>	
Assets					
Cash and pooled investments	\$ 43,382	\$82,188	\$198,804	\$ 5,414	\$ 329,788
Receivables					
Property tax					
Current year delinquent	2,188	-	1,290	3,780	7,258
Succeeding year	121,822	-	97,510	238,339	457,671
Accounts receivable	-	1,293	-	-	1,293
Income surtax	-	-	260,351	-	260,351
Prepaid expenses	-	-	1,138	-	1,138
Total assets	<u>\$167,392</u>	<u>\$83,481</u>	<u>\$559,093</u>	<u>\$247,533</u>	<u>\$1,057,499</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ -	\$ 2,414	\$ -	\$ -	\$ 2,414
Deferred revenue					
Succeeding year property tax	121,822	-	97,510	238,339	457,671
Income surtax	-	-	260,351	-	260,351
Total liabilities	<u>121,822</u>	<u>2,414</u>	<u>357,861</u>	<u>238,339</u>	<u>720,436</u>
Fund balances					
Reserved for:					
Debt service	-	-	-	9,194	9,194
Prepaid expenses	-	-	1,138	-	1,138
Unreserved fund balances	45,570	81,067	200,094	-	326,731
Total fund balances	<u>45,570</u>	<u>81,067</u>	<u>201,232</u>	<u>9,194</u>	<u>337,063</u>
Total liabilities and fund balances	<u>\$167,392</u>	<u>\$83,481</u>	<u>\$559,093</u>	<u>\$247,533</u>	<u>\$1,057,499</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, 2007

Schedule 2

Revenues	Special Revenue				Total
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service	
Local sources					
Local taxes	\$156,013	\$ -	\$395,405	\$270,243	\$ 821,661
Other	12,851	153,892	20,854	5,672	193,269
State sources	80	-	47	139	266
Total revenues	168,944	153,892	416,306	276,054	1,015,196
Expenditures					
Current					
Instruction					
Regular	54,369	-	-	-	54,369
Other	-	131,220	-	-	131,220
Total instruction	54,369	131,220	-	-	185,589
Support services					
Student	470	-	-	-	470
Instructional staff	611	1,005	-	-	1,616
Administration	1,241	867	13,935	-	16,043
Operation and maintenance of plant	72,239	2,034	11,335	-	85,608
Transportation	14,932	72	93,695	-	108,699
Total support services	89,493	3,978	118,965	-	212,436
Non-instructional programs	3,453	-	-	-	3,453
Other expenditures					
Facilities acquisition	-	-	132,150	-	132,150
Long-term debt					
Principal	-	-	-	510,000	510,000
Interest and fiscal charges	-	-	-	327,028	327,028
Total other expenditures	-	-	132,150	837,028	969,178
Total expenditures	147,315	135,198	251,115	837,028	1,370,656
Excess (deficiency) of revenues over (under) expenditures	21,629	18,694	165,191	(560,974)	(355,460)
Other financing sources (uses)					
Sale of materials	-	-	1,500	-	1,500
Interfund operating transfers in	-	42	-	559,934	559,976
Interfund operating transfers (out)	-	(2,182)	(162,783)	-	(164,965)
Total other financing sources (uses)	-	(2,140)	(161,283)	559,934	396,511
Net change in fund balances	21,629	16,554	3,908	(1,040)	41,051
Fund balances, beginning of year	23,941	64,513	197,324	10,234	296,012
Fund balances, end of year	\$ 45,570	\$ 81,067	\$201,232	\$ 9,194	\$ 337,063

See accompanying Independent Auditor's Report.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT
Combining Statement of Net Assets
Nonmajor Enterprise Funds
June 30, 2007

Schedule 3

	<u>School Nutrition</u>	<u>Student Construction</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 3,998	\$11,186	\$ 15,184
Accounts receivable	1,233	-	1,233
Due from other governments	241	-	241
Inventories	4,085	-	4,085
Capital assets, net of accumulated depreciation	<u>70,721</u>	<u>-</u>	<u>70,721</u>
Total assets	<u>80,278</u>	<u>11,186</u>	<u>91,464</u>
Liabilities			
Accounts payable	212	-	212
Salaries and benefits payable	<u>1,367</u>	<u>-</u>	<u>1,367</u>
Total liabilities	<u>1,579</u>	<u>-</u>	<u>1,579</u>
Net Assets			
Invested in capital assets	70,721	-	70,721
Unrestricted	<u>7,978</u>	<u>11,186</u>	<u>19,164</u>
Total net assets	<u>\$78,699</u>	<u>\$11,186</u>	<u>\$ 89,885</u>

See accompanying Independent Auditor's Report.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Nonmajor Proprietary Funds
For the Year Ended June 30, 2007

Schedule 4

	<u>School Nutrition</u>	<u>Student Construction</u>	<u>Total</u>
Operating revenue			
Local sources			
Charges for service	\$ 196,661	\$ -	\$ 196,661
Sale of house	-	193,000	193,000
Total operating revenue	<u>196,661</u>	<u>193,000</u>	<u>389,661</u>
Operating expenses			
Support services			
Administration			
Salaries	20,442	-	20,442
Benefits	6,647	-	6,647
Purchased services	2,451	30,883	33,334
Supplies	1,543	90	1,633
Miscellaneous	-	3,793	3,793
	<u>31,083</u>	<u>34,766</u>	<u>65,849</u>
Operation and maintenance of plant			
Purchased services	3,603	-	3,603
Supplies	2,235	-	2,235
	<u>5,838</u>	<u>-</u>	<u>5,838</u>
Non-instructional programs			
Salaries	152,470	-	152,470
Benefits	67,336	-	67,336
Purchased services	-	102,786	102,786
Supplies	240,774	44,268	285,042
Depreciation	10,808	-	10,808
	<u>471,388</u>	<u>147,054</u>	<u>618,442</u>
Total operating expenses	<u>508,309</u>	<u>181,820</u>	<u>690,129</u>
Operating income (loss)	<u>(311,648)</u>	<u>11,180</u>	<u>(300,468)</u>
Non-operating revenue			
Interest income	1,458	6	1,464
State sources	5,751	-	5,751
Federal sources	250,268	-	250,268
Total non-operating revenue	<u>257,477</u>	<u>6</u>	<u>257,483</u>
Net income (loss) before transfers	<u>(54,171)</u>	<u>11,186</u>	<u>(42,985)</u>
Transfers in	1,289	-	1,289
Net income (loss)	<u>(52,882)</u>	<u>11,186</u>	<u>(41,696)</u>
Net assets, beginning of year	131,581	-	131,581
Net assets, end of year	<u>\$ 78,699</u>	<u>\$ 11,186</u>	<u>\$ 89,885</u>

See accompanying Independent Auditor's Report.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended June 30, 2007

Schedule 5

	<u>School Nutrition</u>	<u>Student Construction</u>	<u>Total</u>
Cash flows from operating activities			
Cash received from sale of services	\$ 195,428	\$ -	\$ 195,428
Cash received from other operations	-	193,000	193,000
Cash payments to employees for services	(246,485)	-	(246,485)
Cash payments to suppliers for goods and services	<u>(229,614)</u>	<u>(181,820)</u>	<u>(411,434)</u>
Net cash provided by (used in) operating activities	<u>(280,671)</u>	<u>11,180</u>	<u>(269,491)</u>
Cash flows from non-capital financing activities			
Operating transfers from other funds	1,289	-	1,289
State grants received	5,751	-	5,751
Federal grants received	<u>226,566</u>	<u>-</u>	<u>226,566</u>
Net cash provided by non-capital financing activities	<u>233,606</u>	<u>-</u>	<u>233,606</u>
Cash flows from capital and related financing activities			
Proceeds from loan	-	147,000	147,000
Repayment of loan	-	(147,000)	(147,000)
Acquisition of capital assets	<u>(4,540)</u>	<u>-</u>	<u>(4,540)</u>
Net cash used by capital and related financing activities	<u>(4,540)</u>	<u>-</u>	<u>(4,540)</u>
Cash flows from investing activities			
Interest on investments	<u>1,458</u>	<u>6</u>	<u>1,464</u>
Net increase (decrease) in cash and cash equivalents	(50,147)	11,186	(38,961)
Cash and cash equivalents, beginning of year	54,145	-	54,145
Cash and cash equivalents, end of year	<u>\$ 3,998</u>	<u>\$ 11,186</u>	<u>\$ 15,184</u>
 Reconciliation of operating income (loss) to net cash provided by (used in) operating activities			
Operating income (loss)	\$(311,648)	\$ 11,180	\$(300,468)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities			
Depreciation	10,808	-	10,808
Commodities used	23,461	-	23,461
(Increase) in accounts receivable	(1,233)	-	(1,233)
(Increase) in inventory	(1,981)	-	(1,981)
Decrease in due from other fund	712	-	712
(Decrease) in accounts payable	(488)	-	(488)
(Decrease) in accrued salaries and benefits	<u>(302)</u>	<u>-</u>	<u>(302)</u>
Net cash provided by (used in) operating activities	<u>\$(280,671)</u>	<u>\$ 11,180</u>	<u>\$(269,491)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2007, the District received \$23,461 of federal commodities.

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, 2007

Schedule 6

Account	Balance, Beginning of Year	Revenues	Expenditures	Intrafund Transfers	Balance, End of Year
District wide					
Interest	\$ 2,679	\$ 3,785	\$ -	\$ (2,679)	\$ 3,785
Miscellaneous	257	1,692	1,802	-	147
Adult activity tickets	2,144	2,051	-	(2,144)	2,051
Student pictures	1,121	1,477	-	(1,121)	1,477
Student transportation fees	-	1,340	1,340	-	-
Cultural diversity fund	872	-	-	-	872
Booster club reimbursement	-	17,629	17,629	-	-
Fine Arts Booster Donations	-	1,318	1,318	-	-
Elementary					
Activity tickets	245	140	-	(245)	140
Miscellaneous/Gardner	3,240	2,207	2,121	-	3,326
Middle school					
5th and 6th grade choir	-	-	-	-	-
Activity tickets	1,540	1,502	-	(1,540)	1,502
MS misc.	1,619	1,070	1,435	-	1,254
Vending machines	1,633	-	1,633	-	-
Junior high					
Vocal music	111	-	111	-	-
Band	64	-	-	-	64
Honor band	50	-	-	-	50
Athletics	(10)	-	10	10	(10)
Boys' basketball	(1,064)	20	1,875	1,064	(1,855)
Football	(692)	-	982	692	(982)
Boys' track	88	725	342	(88)	383
Boys Track Resale Fund	-	272	272	-	-
Wrestling	(160)	-	220	160	(220)
Girls' Basketball	(2,137)	-	858	2,137	(858)
Girls' volleyball	(693)	-	450	693	(450)
Girls' track	(17)	398	251	17	147
Softball	(171)	-	251	171	(251)
Magazines	1,842	346	-	-	2,188
Student council	1,075	4,091	4,513	(1,841)	(1,188)
Science club	184	-	157	-	27

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, 2007

Schedule 6

Account	Balance, Beginning of Year	<u>Revenues</u>	<u>Expenditures</u>	Intrafund Transfers	Balance, End of Year
High school					
Drama	\$ 1,305	\$ 5,622	\$ 3,437	\$ -	\$ 3,490
Musical Fund	869	1,652	588	-	1,933
Forensic Fund	440	-	-	-	440
Vocal music	80	1,194	2,089	1,178	363
Vocal music fundraiser	158	-	-	(158)	-
Instrumental music	232	278	1,491	996	15
Instrumental fudrsr fund	128	-	-	(128)	-
Athletics	(3,825)	8	2,895	4,465	(2,247)
Activity tickets	2,993	2,495	41	(2,993)	2,454
Cross country	(741)	320	901	741	(581)
Cross country fundraiser	689	580	186	(28)	1,055
Cross country resale fund	-	198	226	28	-
HS cheerleading	(296)	3,205	1,250	-	1,659
Dance Team Fund	18	-	-	-	18
Boys' basketball	2,116	6,680	3,779	(2,116)	2,901
Boys' basketball fundraiser	458	795	245	-	1,008
Football	2,621	11,161	6,213	(2,621)	4,948
Football fundraiser	566	1,145	228	-	1,483
Football resale	1,621	4,729	5,972	-	378
Boys Soccer Fund	(584)	3,344	3,669	584	(325)
Boys Soccer Fundraiser	525	-	-	193	718
Boys Soccer Resale	193	-	-	(193)	-
Baseball	(2,706)	1,670	4,294	2,706	(2,624)
Baseball fundraiser	8,866	4,732	9,424	75	4,249
Baseball resale	(170)	245	-	(75)	-
Boys' track	(789)	2,765	4,390	789	(1,625)
KRNA/boys' track fundraiser	-	1,044	-	-	1,044
Boys Track Resale	-	217	217	-	-
Boys' golf	(280)	115	670	279	(556)
Wrestling	(2,236)	2,224	1,437	2,236	787
Wrestling fundraiser	2,838	1,456	2,744	231	1,781
KCRG Athletic Fund	231	-	-	(231)	-
Wrestling/weight room	3,319	1,685	-	-	5,004

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, 2007

Schedule 6

Account	Balance, Beginning of Year	Revenues	Expenditures	Intrafund Transfers	Balance, End of Year
High school (continued)					
Girls' basketball	\$ 1,941	\$ 4,565	\$ 2,808	\$ (1,941)	\$ 1,757
Girls' basketball fundraiser	639	30	450	-	219
Volleyball	1,613	2,207	1,010	(1,613)	1,197
Volleyball fundraiser	577	-	80	20	517
Volleyball resale	20	-	-	(20)	-
Girls' soccer	(1,033)	1,871	2,150	1,033	(279)
Softball	555	3,201	2,094	(555)	1,107
Softball fundraiser	486	-	-	(38)	448
Girls' track	(1,020)	2,127	2,753	956	(690)
Girls' track resale	(64)	-	-	64	-
Softball resale	(38)	-	-	38	-
Girls golf	(383)	153	405	383	(252)
Girls' golf fundraiser	209	360	308	-	261
Seniors	369	-	120	806	1,055
Juniors	1,174	2,220	2,816	325	903
Sophomore	1,499	-	64	(785)	650
Freshmen	714	-	111	86	689
FHA	313	956	1,182	938	1,025
FFA	(6,663)	24,980	15,217	18,821	21,921
FFA resale	(73)	308	-	-	235
FFA fundraiser	18,821	-	-	(18,821)	-
FHA/FCCLA	941	-	-	(941)	-
Greenhouse Fund	584	1,231	1,349	-	466
Color guard	179	-	-	-	179
Anime fund	65	-	-	-	65
National Honor Society	2,153	850	1,290	-	1,713
Student council	2,424	860	1,025	-	2,259
Yearbook #2	4,462	7,458	7,641	-	4,279
Video productions	74	-	-	-	74
Students in need of assistance	992	-	26	-	966
Academic letters	524	935	525	-	934
Totals	<u>\$ 64,513</u>	<u>\$ 153,934</u>	<u>\$ 137,380</u>	<u>\$ -</u>	<u>\$ 81,067</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, 2007

Schedule 7

	Balance, Beginning of Year	Additions	Deductions	Balance, End of Year
Assets				
Cash	<u>\$ 2,309</u>	<u>\$ 77,856</u>	<u>\$ 73,348</u>	<u>\$ 6,817</u>
Liabilities				
Due to others	<u>\$ 2,309</u>	<u>\$ 143,882</u>	<u>\$ 139,374</u>	<u>\$ 6,817</u>

See accompanying Independent Auditor's Report.

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

Schedule 8

	Modified Accrual Basis			
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Revenues				
Local sources				
Local tax	\$ 4,122,480	\$ 3,947,341	\$ 3,672,741	\$ 3,732,914
Tuition	97,217	87,345	113,168	84,354
Other	401,798	329,952	2,378,613	376,649
Intermediate sources	-	-	-	-
State sources	6,058,991	5,449,822	5,131,990	4,644,022
Federal sources	455,182	555,366	1,020,523	1,004,441
Total revenues	<u>\$11,135,668</u>	<u>\$10,369,826</u>	<u>\$12,317,035</u>	<u>\$ 9,842,380</u>
Expenditures				
Current				
Instruction				
Regular	4,490,487	4,259,751	4,059,112	3,917,591
Special	1,224,271	1,172,616	1,131,055	1,404,202
Other	1,073,107	1,000,686	1,007,535	475,596
Support services				
Student	203,932	190,986	216,691	198,062
Instructional staff	501,013	568,994	394,044	324,869
Administration	967,867	933,439	824,547	729,971
Operation and maintenance of plant	753,719	734,840	624,595	519,585
Transportation	408,584	367,395	329,810	266,168
Central support	-	-	-	11,425
Non-instructional programs	3,453	-	-	-
Other expenditures				
Facilities acquisition	469,248	466,161	5,687,846	4,902,180
Long-term debt				
Principal	510,000	500,000	505,744	418,188
Interest and other charges	327,028	348,842	372,421	501,289
AEA flowthrough	383,857	346,184	324,503	313,631
Total expenditures	<u>\$11,316,566</u>	<u>\$10,889,894</u>	<u>\$15,477,903</u>	<u>\$13,982,757</u>

See accompanying Independent Auditor's Report.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2007

Schedule 9

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	FY07	\$ 23,461
National School Breakfast Program	10.553	FY07	27,812
National School Lunch Program	10.555	FY07	<u>198,995</u>
Total U.S. Department of Agriculture			<u>250,268</u>
U.S. Department of Education			
Iowa Department of Education			
Title I Grants to Local Educational Agencies	84.010	FY06	16,090
Title I Grants to Local Educational Agencies	84.010	FY07	<u>118,735</u>
Total Title I Grants to Local Education Agencies			<u>134,825</u>
Title I Grants to Local Educational Agencies - Migrant	84.011	FY06	5,532
Title I Grants to Local Educational Agencies - Migrant	84.011	FY07	<u>22,330</u>
Total Title I Migrant			<u>27,862</u>
Federal, State and Local Partnerships for Educational Improvements			
Title V Program	84.298	FY07	1,351
Title VI A - State Assessment	84.369	FY07	3,278
Comprehensive School Reform Demonstration	84.332	FY07	2,000
Safe and Drug-free Schools and Communities	84.186	FY07	5,156
Title IIA - Federal Teach Quality Programs	84.367	FY07	39,616
Special Education Grants to States-Part B	84.027	FY07	<u>66,333</u>
Total Iowa Department of Education			<u>280,421</u>

See accompanying Independent Auditor's Report.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2007

Schedule 9

Grantor/Program	<u>CFDA</u> <u>Number</u>	Agency or <u>Pass-through</u> <u>Number</u>	<u>Program</u> <u>Expenditures</u>
Indirect (continued)			
U.S. Department of Education			
Area Education Agency			
Vocational Education - Basic Grants to States	84.048A	FY07	\$ 996
Advanced Placement Fee Program	84.330	FY07	424
Reading First State Grants	84.357	FY07	17,276
Title III - ELL	84.365	FY07	29,892
Special Educaiton - Grants to States - Success 4	84.196	FY07	7,933
Total Area Education Agency			56,521
Total U.S. Department of Education			336,942
U.S. Department of Health and Human Services			
Iowa East Central T.R.A.I.N.			
Head Start	93.600	FY07	56,549
Total federal awards			\$ 643,759

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 basic financial statements.

See accompanying Independent Auditor's Report.

KAY L. CHAPMAN, CPA PC

210 Cedar Street
Muscatine, Iowa 52761
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, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued my report thereon dated March 4, 2008. I did not issue an opinion on the West Liberty Community School District Foundation, which is included in the District's financial statements as a discretely presented component unit, because I was not engaged to and did not audit the Foundation. 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 as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing my opinion on the effectiveness of West Liberty Community School District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of West Liberty Community School District's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as described below, I identified certain deficiencies in internal control over financial reporting that I consider to be significant deficiencies and other deficiencies I consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects West Liberty Community School District's ability to initiate, authorize, record process, or report financial

data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of West Liberty Community School District's financial statements that is more than inconsequential will not be prevented or detected by West Liberty Community School District's internal control. I consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by West Liberty Community School District's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, I believe item 07-II-A 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, 2007 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.

West Liberty Community School District's responses to findings identified in my audit are described in the accompanying Schedule of Findings. While I have expressed my conclusions in the District's responses, I did not audit West Liberty Community School District's responses and, accordingly, I express no opinion on them.

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

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.

A handwritten signature in cursive script that reads "Kay L. Chapman, CPA PC".

Kay L. Chapman, CPA PC
March 4, 2008

KAY L. CHAPMAN, CPA PC

210 Cedar St.
Muscatine, Iowa 52761
563-264-1385

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, 2007. 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, 2007.

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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of West Liberty Community School District's internal control over compliance.

My consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below.

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control. I noted no matters involving the internal control over compliance that I consider to be material weaknesses.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control.

West Liberty Community School District's responses to the findings identified in my audit are described in the accompanying Schedule of Findings and Questioned Costs. While I expressed my conclusions on the District's responses, I did not audit West Liberty Community School District's responses and, accordingly, I express no opinion on them.

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

Kay L. Chapman, CPA PC
March 4, 2008

WEST LIBERTY COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2007

Part I. Summary of the Independent Auditor's Results

1. An unqualified opinion was issued on the financial statements.
2. Significant deficiencies 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 significant deficiencies 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 are 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 84.010 Title I Grants to Local Educational Agencies
 - 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, 2007

Part II. Findings Related to the General Purpose Financial Statements

INSTANCES OF NON-COMPLIANCE

No matters were reported.

SIGNIFICANT DEFICIENCIES

07-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 for some funds, 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.

07-II-B Approval of Transfers - Interfund transfers were not approved by the board or documented in the board minutes.

Recommendation - The District should ensure that all transfers between funds are approved by the Board and documented in the minutes.

Response and Corrective Action Planned - We will have all interfund transfers approved by the board and documented in the minutes.

Conclusion - Response accepted.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2007

Part III. Findings and Questioned Costs for Federal Awards

INSTANCES OF NON-COMPLIANCE

No matters were reported.

SIGNIFICANT DEFICIENCIES

There were no significant deficiencies 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, 2007

Part IV. Other Findings Related to Statutory Reporting:

1. Certified Budget - Expenditures for the year ended June 30, 2007 exceeded the amended amount budgeted in the Non-instructional Programs function.

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

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

Conclusion - Response accepted.

2. Questionable Expenditures - I noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
3. 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.
4. Business Transactions - Business transactions between the District and District officials are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Tom Anderson, Business Manager	Purchase of student-built house	\$ 193,000

The transaction with the Business Manager does not appear to represent a conflict of interest since it was competitively bid.

Recommendation - The District should consult legal counsel to determine the disposition of this matter.

Response - We contacted legal counsel prior to entering into this agreement and counsel's opinion was that it was an allowable transaction.

Conclusion - Response accepted.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2007

5. 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.
6. Board Minutes - I noted no transactions requiring Board approval which had not been approved by the Board.
7. Certified Enrollment - The number of basic resident students reported to the Iowa Department of Education on line 7 of the Certified Enrollment Certification Form for October 2006 was overstated by 1 student. A student moved and was removed from the certified enrollment resident student list. However, the computer program did not renumber the list when that student name was removed. The staff member completing the certified enrollment form assumed the number listed at the bottom of the student list was the number of names on the list instead of counting the actual names on the list. Therefore, the number reported was one more than the actual number of students on the list.

Recommendation - The District should contact the Iowa Department of Education and the Iowa Department of Management to resolve this matter.

Response - We will contact the Iowa Department of Education and the Department of Management.

Conclusion - Response accepted.

8. 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.
9. 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.
10. Images of Checks not Available - The District receives only images of the cancelled checks from the bank. However, only images of the check fronts were included in the bank statement until December 2006. After December 2006 the District started getting images of front and back of cancelled checks from the bank.

Recommendation - Chapter 554D.114 of the Code of Iowa requires that front and back of checks be retained by the District. The Code of Iowa allows for the proper images to be retained by an outside party, such as the financial institution. If the financial institution retains the required images, the District should have a written agreement with the bank which indicates that the bank complies with all aspects of the record retention

WEST LIBERTY COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2007

rules in the Code of Iowa. The District should either receive images of both front and back of all checks monthly from the financial institution or enact a written agreement with the bank to act as the District's service provider, as allowed by the Code of Iowa.

Response - We were not aware that we needed to receive and retain images of fronts and backs of cancelled checks until November 2006. Once we were aware of the requirement, we took the necessary steps to ensure that we complied with the Code of Iowa.

Conclusion - Response accepted.

11. Self-funded Insurance Report - Chapter 509A of the Code of Iowa contains certain requirements pertaining to self-insurance funds maintained by school districts. There is an exemption to the requirements contained in Chapter 509A if the claims paid by the self-insurance plan are less than two percent of the district's General Fund budget. However, the District needs to file a waiver from the requirements in Chapter 509A with the Iowa Insurance Division on an annual basis, if they meet the requirements for the exemption. The District's self-funded insurance plan's claims paid were less than two percent of the General Fund budgeted expenditures for the fiscal year ended June 30, 2007. Therefore, the District's self-funded insurance plan appears to be exempt from the requirements of Chapter 509A; however, the waiver was not filed with the Iowa Insurance Division.

Recommendation - The District should file a waiver for exemption with the Iowa Insurance Division. The District should also ensure that they comply with the requirements of Chapter 509A of the Code of Iowa or file for the waiver every year for all subsequent years.

Response - We will file the necessary waiver request and ensure that the appropriate measures are taken in subsequent years to comply with Chapter 509A of the Code of Iowa.

Conclusion - Response accepted.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT
Audit Staff
June 30, 2007

This audit was performed by

Kay Chapman, CPA
Tammy Calvert, staff accountant