

WEST LIBERTY COMMUNITY SCHOOL DISTRICT
WEST LIBERTY, IOWA

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

JUNE 30, 2008

TABLE OF CONTENTS

	Page
OFFICIALS	4
INDEPENDENT AUDITOR’S REPORT	5-6
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)	7-18
BASIC FINANCIAL STATEMENTS	
Exhibit	
District-Wide Financial Statements:	
A Statement of Net Assets	20-21
B Statement of Activities	22-25
Governmental Fund Financial Statements:	
C Balance Sheet	26
D Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	27
E Statement of Revenues, Expenditures and Changes in Fund Balances	28-29
F Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	30
Proprietary Fund Financial Statements:	
G Statement of Net Assets	31
H Statement of Revenues, Expenses and Changes in Net Assets	32
I Statement of Cash Flows	33-34
Fiduciary Fund Financial Statements:	
J Statement of Fiduciary Assets and Liabilities	35
K Statement of Changes in Fiduciary Net Assets	36
Notes to Financial Statements	37-52
REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances – Budget and Actual – All Governmental Funds and Proprietary Fund	54
Notes to Required Supplementary Information – Budgetary Reporting	55
OTHER SUPPLEMENTARY INFORMATION:	
Schedule	
Nonmajor Governmental Funds:	
1 Combining Balance Sheet	58
2 Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	59-60
Nonmajor Enterprise Funds:	
3 Combining Statement of Net Assets	61
4 Combining Statement of Revenues, Expenses and Changes in Net Assets	62
5 Combining Statement of Cash Flows	63
6 Schedule of Changes in Special Revenue Fund, Student Activity Accounts	64-66
7 Schedule of Changes in Fiduciary Assets and Liabilities – Agency Fund	67
8 Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	68
9 Schedule of Expenditures of Federal Awards	69-70
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	71-72

TABLE OF CONTENTS
(continued)

	Page
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	73-74
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	75-79

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
(Before September 2007 Election)		
Bill Laughlin	President	2008
Mike Duytschaver	Vice President	2008
Priscilla Haessig	Board Member	2007
Tim Buysse	Board Member	2009
Kevin Minor	Board Member	2009
<u>Board of Education</u>		
(After September 2007 Election)		
Bill Laughlin	President	2008
Mike Duytschaver	Vice President	2008
Tim Buysse	Board Member	2009
Kevin Minor	Board Member	2009
Priscilla Haessig	Board Member	2011
<u>School Officials</u>		
Rebecca Rodocker	Superintendent	2008
Tom Anderson	District Secretary/Treasurer	2008
Brian Gruhn	Attorney	2008
Bill Tharp	Attorney	2008

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
West Liberty Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of West Liberty Community School District, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of the District's officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

The financial statements of the West Liberty Community School District Foundation have not been audited, and we were not engaged to audit the Foundation financial statements as part of our 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 we were not engaged to audit the Foundation's financial statements and because we did not apply any auditing procedures to the Foundation's financial statements, we do not express an opinion on the discretely presented component unit.

Because the Foundation's financial statements have not been audited, the scope of our work was not sufficient to enable us to express, and we 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, 2008. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of West Liberty Community School District at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 30, 2008 on our consideration of West Liberty Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 7 through 18 and 54 through 55 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise West Liberty Community School District's basic financial statements. The financial statements for the three years ended June 30, 2007 (which are not presented herein) were audited by other auditors who disclaimed an opinion on the discretely presented component unit and issued unqualified opinions on the governmental activities, business-type activities, each major fund and the aggregate remaining fund information. Other supplementary information included in Schedules 1 through 9, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Oskaloosa, Iowa
December 30, 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, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2008 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$9,343,386 in fiscal 2007 to \$10,296,960 in fiscal 2008, while General Fund expenditures increased from \$9,608,812 in fiscal 2007 to \$10,201,705 in fiscal 2008. The District's General Fund balance increased from \$989,789 in fiscal 2007 to \$1,096,135 in fiscal 2008, an 11% increase.
- The increase in General Fund revenues was attributable to an increase in state foundation aid in fiscal 2008 from receiving 4% allowable growth, an increase in property tax revenue attributable to increased valuations and implementing a \$200,000 cash reserve levy, and state voluntary pre-school revenues of \$108,793.
- The increase in expenditures was due primarily to the addition of two new certified positions in January 2008 to meet the needs of our English as a Second Language (ESL) students. In addition, the state legislature increased the amount of Teacher Compensation from FY07 to FY08. This amounted to an increase of \$150,000 additional revenue and expense for teacher salaries and benefits.
- The district sold \$4,125,000 in sales tax revenue bonds on June 26, 2008 to help finance the 2008 Addition and Renovation Project that consists of adding a 20,000 square foot addition to the current Administrative/Early Childhood Center along with renovations for a 6-8 Middle School beginning in September 2009. Renovations will start in June 2009 to the current elementary for an Administrative/PK-K Center beginning in August 2009. The district's current middle school will be a 1-5 elementary school in August 2009.
- The District did not have to use any carryover balance to meet financial obligations and as a result the General Fund balance increased \$106,346, or 11%, 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 the 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 Governmental 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.

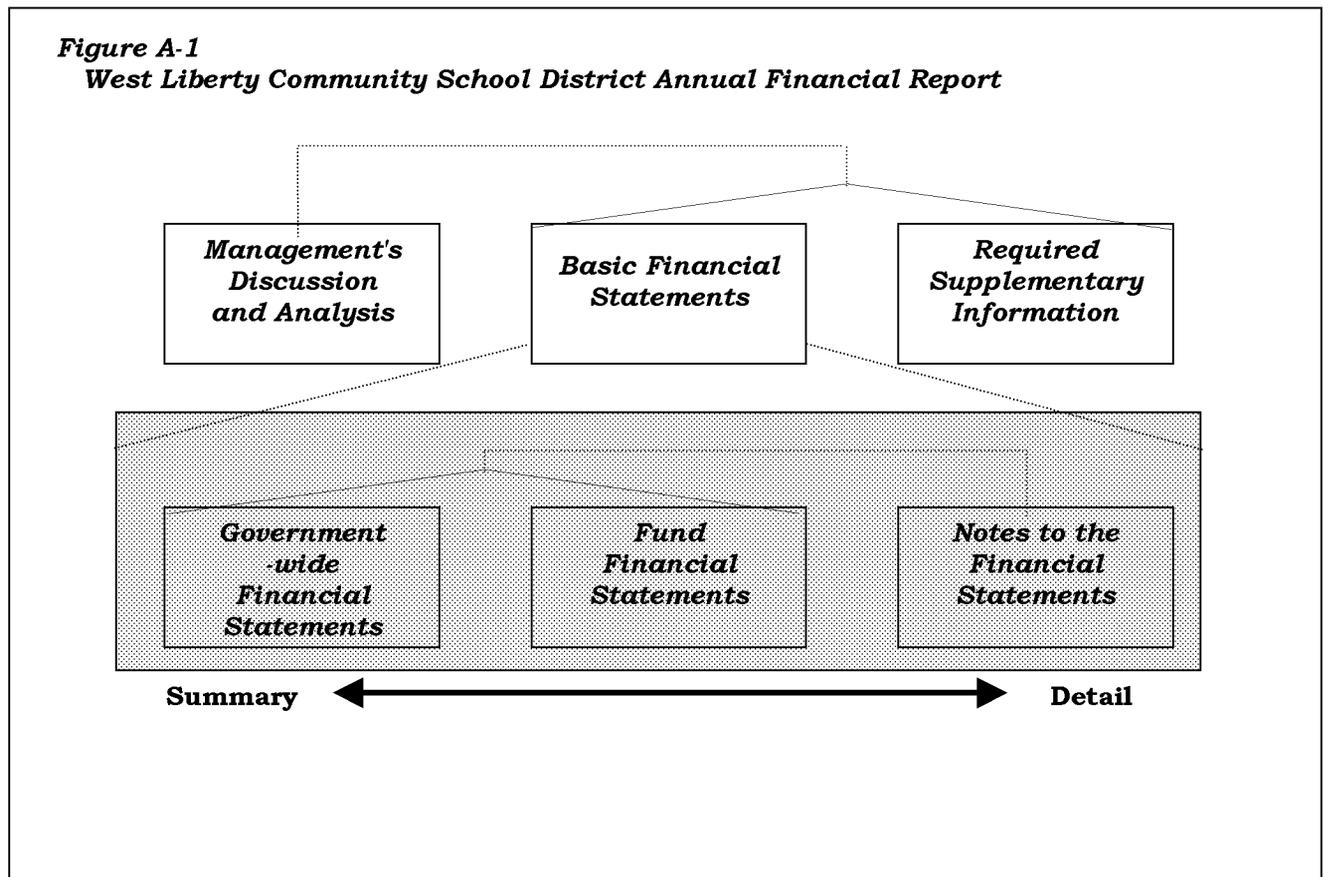


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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 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-funded health insurance fund and flex-benefit fund.

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

- **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, 2008 compared to June 30, 2007.

Figure A-3
Condensed Statement of Net Assets

	Governmental		Business-type		Total		Total
	Activities		Activities		School District		Change
	2008	2007	2008	2007	2008	2007	2007- 2008
Current and other assets	\$ 11,173,995	\$ 7,136,527	\$ 201,855	\$ 20,743	\$ 11,375,850	\$ 7,157,270	58.94%
Capital assets	<u>13,271,615</u>	<u>13,186,697</u>	<u>62,346</u>	<u>70,721</u>	<u>13,333,961</u>	<u>13,257,418</u>	0.58%
Total assets	<u>24,445,610</u>	<u>20,323,224</u>	<u>264,201</u>	<u>91,464</u>	<u>24,709,811</u>	<u>20,414,688</u>	21.04%
Long-term obligations	10,534,774	6,913,920	-	-	10,534,774	6,913,920	52.37%
Other liabilities	<u>3,631,960</u>	<u>4,058,094</u>	<u>181,584</u>	<u>1,579</u>	<u>3,813,544</u>	<u>4,059,673</u>	6.06%
Total liabilities	<u>14,166,734</u>	<u>10,972,014</u>	<u>181,584</u>	<u>1,579</u>	<u>14,348,318</u>	<u>10,973,593</u>	30.75%
Net assets							
Invested in capital assets, net of related debt	7,045,359	6,411,697	62,346	70,721	7,107,705	6,482,418	9.65%
Restricted	1,914,198	1,519,910	-	-	1,914,198	1,519,910	25.94%
Unrestricted	<u>1,319,319</u>	<u>1,419,603</u>	<u>20,271</u>	<u>19,164</u>	<u>1,339,590</u>	<u>1,438,767</u>	-6.89%
Total net assets	<u>\$ 10,278,876</u>	<u>\$ 9,351,210</u>	<u>\$ 82,617</u>	<u>\$ 89,885</u>	<u>\$ 10,361,493</u>	<u>\$ 9,441,095</u>	9.75%

The District’s combined net assets increased by approximately 9.8%, or \$920,398 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 \$394,288, or approximately 26% 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, mainly the 2008 Additions/Renovations as explained in the Financial Highlights.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately \$99,177, or 7%. This small decrease in unrestricted net assets cannot be pinpointed to one significant reason.

Figure A-4 shows the change in net assets for the year ended June 30, 2008 compared to the year ended June 30, 2007.

Figure A-4

	Change in Net Assets						Total Change 2007-2008
	Governmental Activities		Business Type Activities		Total District		
	2008	2007	2008	2007	2008	2007	
Revenues							
Program revenues							
Charges for service and sales	\$ 304,653	\$ 271,898	\$ 230,017	\$ 389,661	\$ 534,670	\$ 661,559	-19.18%
Operating grants	1,873,364	1,397,639	269,886	256,019	2,143,250	1,653,658	29.61%
General revenues							
Property tax	3,188,508	3,344,223	-	-	3,188,508	3,344,223	-4.66%
Income Surtax	583,925	461,204	-	-	583,925	461,204	26.61%
Sales and services tax	770,506	727,678	-	-	770,506	727,678	5.89%
Unrestricted state grants	5,289,285	5,115,196	-	-	5,289,285	5,115,196	3.40%
Contributions and donations	8,365	59,790	-	-	8,365	59,790	-86.01%
Unrestricted investment earnings	135,399	138,932	144	1,464	135,543	140,396	-3.46%
Other	<u>35,148</u>	<u>37,103</u>	<u>-</u>	<u>-</u>	<u>35,148</u>	<u>37,103</u>	-5.27%
Total revenues	<u>12,189,153</u>	<u>11,553,663</u>	<u>500,047</u>	<u>647,144</u>	<u>12,689,200</u>	<u>12,200,807</u>	4.00%
Program expenses							
Governmental activities							
Instruction	7,085,488	6,830,449	-	-	7,085,488	6,830,449	3.73%
Support services	3,093,724	2,707,467	27,730	-	3,121,454	2,707,467	15.29%
Non-instructional programs	8,543	3,453	479,585	690,129	488,128	693,582	-29.62%
Other expenses	1,073,732	1,266,026	-	-	1,073,732	1,266,026	-15.19%
Total expenses	<u>11,261,487</u>	<u>10,807,395</u>	<u>507,315</u>	<u>690,129</u>	<u>11,768,802</u>	<u>11,497,524</u>	2.36%
Change in net assets before transfers	927,666	746,268	(7,268)	(42,985)	920,398	703,283	30.87%
Transfers	<u>-</u>	<u>(1,289)</u>	<u>-</u>	<u>1,289</u>	<u>-</u>	<u>-</u>	0.00%
Change in net assets	<u>\$ 927,666</u>	<u>\$ 744,979</u>	<u>\$ (7,268)</u>	<u>\$ (41,696)</u>	<u>\$ 920,398</u>	<u>\$ 703,283</u>	30.87%

In fiscal 2008, property tax and unrestricted state grants account for 70% 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 \$12,689,200 of which \$12,189,153 was for governmental activities and \$500,047 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 4% increase in revenues and a 2.36% increase in expenses. The major increases were to Operating Grants which include a \$150,000 increase in Teacher Quality-Salary Improvement money from the state and Income Surtax. The District's Income Surtax rate increased from 11% to 15%. Property tax revenue decreased \$155,715 as a result of property tax valuations decreasing in the district.

Governmental Activities

Revenues for governmental activities were \$12,189,153 and expenses were \$11,261,487.

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		
	2008	2007	Change 2007-2008	2008	2007	Change 2007-2008
Instruction	\$ 7,085,488	\$ 6,830,449	3.7%	\$ 5,378,973	\$ 5,559,355	-3.2%
Support services	3,093,724	2,707,467	14.3%	3,026,738	2,692,881	12.4%
Non-instructional programs	8,543	3,453	147.4%	8,543	3,453	147.4%
Other expenses	<u>1,073,732</u>	<u>1,266,026</u>	-15.2%	<u>669,216</u>	<u>882,169</u>	-24.1%
Total expenses	<u>\$ 11,261,487</u>	<u>\$ 10,807,395</u>	4.2%	<u>\$ 9,083,470</u>	<u>\$ 9,137,858</u>	-0.6%

- The cost financed by users of the District's programs was \$304,653.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,873,364.
- The net cost of governmental activities was financed with \$4,542,939 in property and other taxes and \$5,289,285 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$500,047 representing a 22% decrease from the prior year while expenses totaled \$507,315, a 26% decrease 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, and investment income. The 2007-08 student built home was still for sale as of the release of the 2008 annual report, which explains the large changes as noted.

The District did increase student and 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 \$6,861,761, well above last year's ending fund balances of \$2,564,463. The primary reason for the increase in combined fund balances in fiscal 2008 is due to the issuance of

\$4,125,000 Sales Tax Revenue Bonds to help finance the construction/renovation project started in June 2008. The district is adding an addition to and renovating the current Administrative/Early Childhood Center for a future 6-8 grade Middle School and will begin renovations in the summer of 2009 to the current elementary school for a future Administrative/PK-K Center.

Governmental Fund Highlights

- The District was able to improve slightly the financial position in the General Fund balance. Even though the District experienced a decrease in certified enrollment and 4% allowable growth the District's property tax revenue decreased only moderately.
- The General Fund balance increased from \$989,789 to \$1,096,135.
- A fifth section of 3rd grade was added but we were able to reduce a special education position at our middle school. Two new positions were added mid-year to help with English as a Second Language (ESL) students.
- The Capital Projects Fund balance increased by \$4,103,824 due to Sales Tax Revenue Bond sale closing in June 2008 to help finance the addition and renovations project.

Proprietary Fund Highlights

Enterprise Fund net assets decreased from \$89,885 at June 30, 2007 to \$82,617 at June 30, 2008, representing a decrease of 8%. Proprietary Funds included the School Nutrition Fund and Student Built Home Construction Fund. The decrease in Enterprise Fund net assets was attributed to increased food and transportation costs. The increase in Inventories is related to the district still owning the student built home constructed during the 2007-08 school year.

BUDGETARY HIGHLIGHTS

Over the course of the year, West Liberty Community School District amended its annual budget one time by \$324,964, but the amendment was not needed.

The District's revenues were \$315,496 more than budgeted revenues, a variance of approximately 2.5%. There was no significant reason why actual revenues were more than budgeted revenues.

Total expenditures were \$641,682 less than budgeted. It is the District's practice to budget the anticipated revenues and expenditures on a yearly basis, always over estimating expenditures. All actual functional expense categories were less budgeted.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2008, the District had invested \$13.3 million, net of accumulated depreciation of \$7.5 million, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 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 \$505,259.

The original cost of the District's capital assets was \$20.8 million. Governmental funds account for \$20.6 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 Improvements, other than buildings category. The District completed an additional Access Road and Practice Fields Project at the High School complex and are in the beginning stages of an addition/renovation to the current Administrative/Early Childhood Center for a future 6-8 Middle School and renovations to the current Elementary School for a future Administrative/PK-K Center.

Figure A-6

	Capital Assets, Net of Depreciation						
	Governmental		Business-type		Total		Total
	Activities		Activities		School District		Change
	2008	2007	2008	2007	2008	2007	2007- 2008
Land	\$ 462,833	\$ 462,833	\$ -	\$ -	\$ 462,833	\$ 462,833	0.00%
Construction in progress	421,800	330,338	-	-	421,800	330,338	27.69%
Buildings and improvements	10,693,131	10,941,349	-	-	10,693,131	10,941,349	-2.27%
Improvements, other than buildings	1,149,070	898,825	-	-	1,149,070	898,825	27.84%
Furniture and equipment	<u>544,781</u>	<u>553,352</u>	<u>62,346</u>	<u>70,721</u>	<u>607,127</u>	<u>624,073</u>	-2.72%
Totals	<u>\$13,271,615</u>	<u>\$13,186,697</u>	<u>\$ 62,346</u>	<u>\$ 70,721</u>	<u>\$ 13,333,961</u>	<u>\$13,257,418</u>	0.58%

Long-Term Liabilities

At June 30, 2008, the District had \$10,534,774 in general obligation and revenue bonded indebtedness and other long-term liabilities outstanding. This represents an increase of approximately 52% from last year. (See Figure A-7) The district issued \$4,125,000 in Revenue Bonds in June 2008 to help finance an addition and renovation project. Additional information about the District's long-term liabilities is presented in Note 7 to the financial statements.

Figure A-7

Outstanding Long-term Obligations

	Total		Total
	School District		Change
	<u>2008</u>	<u>2007</u>	<u>2007-2008</u>
General obligation bonds	\$ 5,385,000	\$ 5,660,000	-4.86%
Revenue bonds	4,980,000	1,115,000	346.64%
Early retirement	135,590	109,096	24.29%
Compensated absences	<u>34,184</u>	<u>29,824</u>	14.62%
Total	<u>\$10,534,774</u>	<u>\$ 6,913,920</u>	52.37%

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 Legislators have set allowable growth for 4% for 2008-2009. However, the state implemented a 2.5% across the board cut for all Iowa public schools. This amounted to \$78,297 in state aid reduction and \$10,946 in categorical reductions.
- Another 100+ kindergarten class registered for 2008-09, five sections of kindergarten were continued for the start of the school year and a new section of 4th grade was added due to 5 sections of kindergarten, first, second, and third grade in 2007-08.
- The District will negotiate a new agreement during fiscal 2009 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 ESL/Dual Language.
- The District completed the construction of 3 practice fields next to the high school and a second access road to the high school using Local Option Sales Tax revenue.
- The District renewed the Muscatine Local Option Sales and Services Tax for school infrastructure that was set to expire in 2010. It was a county-wide election and 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. This project is set to be completed in September 2009.

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, 2008

	Primary Government			Component
	Governmental Activities	Business-type Activities	Total	Unit Foundation
Assets				
Cash and pooled investments	\$ 7,033,360	\$ 2,381	\$ 7,035,741	\$ 227,466
Investments	-	-	-	398,028
Receivables:				
Property tax:				
Current year	53,009	-	53,009	-
Succeeding year	3,226,119	-	3,226,119	-
Income surtax	566,976	-	566,976	-
Accounts	17,799	321	18,120	-
Due from other governments	267,337	291	267,628	-
Inventories	-	198,862	198,862	-
Restricted ISCAP assets (note 4):				
Accrued interest receivable	5,025	-	5,025	-
Prepaid expenses	4,370	-	4,370	-
Capital assets, net of accumulated depreciation (note 5)	13,271,615	62,346	13,333,961	-
Total assets	24,445,610	264,201	24,709,811	625,494
Liabilities				
Accounts payable	219,103	149	219,252	-
Salaries and benefits payable	79,010	315	79,325	-
Due to other governments	59,217	-	59,217	-
Accrued interest payable	43,961	5,351	49,312	-
Loans payable (note 6)	-	175,769	175,769	-
Deferred revenue:				
Succeeding year property tax	3,226,119	-	3,226,119	-
Other	4,550	-	4,550	-
Long-term liabilities (note 7):				
Portion due within one year:				
Early retirement	71,177	-	71,177	-
Bonds payable	555,000	-	555,000	-
Compensated absences	34,184	-	34,184	-
Portion due after one year:				
Early retirement	64,413	-	64,413	-
Bonds payable	9,810,000	-	9,810,000	-
Total liabilities	14,166,734	181,584	14,348,318	-

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
June 30, 2008

	Primary Government			Component
	Governmental Activities	Business-type Activities	Total	Unit Foundation
Net Assets				
Invested in capital assets, net of related debt	\$ 7,045,359	\$ 62,346	\$ 7,107,705	\$ -
Restricted for:				
State grants	93,969	-	93,969	-
Physical plant and equipment levy	583,752	-	583,752	-
Other special revenue purposes	70,243	-	70,243	-
Debt service	586,043	-	586,043	-
Capital projects	580,191	-	580,191	-
Unrestricted	1,319,319	20,271	1,339,590	625,494
Total net assets	\$ <u>10,278,876</u>	\$ <u>82,617</u>	\$ <u>10,361,493</u>	\$ <u>625,494</u>

See notes to financial statements.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenues	
		Primary Government	Operating Grants, Contributions and Restricted Interest
		Charges for Services	
Governmental Activities:			
Instruction:			
Regular instruction	\$ 4,667,933	\$ 114,689	\$ 948,730
Special instruction	1,181,083	57,231	281,086
Other instruction	1,236,472	121,185	183,594
	<u>7,085,488</u>	<u>293,105</u>	<u>1,413,410</u>
Support services:			
Student services	261,594		
Instructional staff services	498,040	354	51,370
Administration services	1,109,349	2,509	-
Operation and maintenance of plant services	829,467	6,287	-
Transportation services	395,274	2,398	4,068
	<u>3,093,724</u>	<u>11,548</u>	<u>55,438</u>
Non-instructional programs	<u>8,543</u>	<u>-</u>	<u>-</u>
Other expenditures:			
Facilities acquisition	46,849	-	-
Long-term debt interest and fiscal charges	235,672	-	-
AEA flowthrough	404,516	-	404,516
Depreciation (unallocated) *	386,695	-	-
	<u>1,073,732</u>	<u>-</u>	<u>404,516</u>
Total governmental activities	<u>11,261,487</u>	<u>304,653</u>	<u>1,873,364</u>
Business-Type Activities:			
Support services:			
Food service operations	<u>27,730</u>	<u>-</u>	<u>-</u>
Non-instructional programs:			
Food service operations	479,585	229,926	269,886
Other	-	91	-
	<u>479,585</u>	<u>230,017</u>	<u>269,886</u>
Total business-type activities	<u>507,315</u>	<u>230,017</u>	<u>269,886</u>
Total	<u>\$ 11,768,802</u>	<u>\$ 534,670</u>	<u>\$ 2,143,250</u>

Net (Expense) Revenue and Changes in Net Assets			Component
Primary Government			Unit
Governmental Activities	Business-Type Activities	Total	Foundation
\$ (3,604,514)	\$ -	\$ (3,604,514)	\$ -
(842,766)	-	(842,766)	-
(931,693)	-	(931,693)	-
<u>(5,378,973)</u>	<u>-</u>	<u>(5,378,973)</u>	<u>-</u>
(261,594)	-	(261,594)	-
(446,316)	-	(446,316)	-
(1,106,840)	-	(1,106,840)	-
(823,180)	-	(823,180)	-
<u>(388,808)</u>	<u>-</u>	<u>(388,808)</u>	<u>-</u>
<u>(3,026,738)</u>	<u>-</u>	<u>(3,026,738)</u>	<u>-</u>
<u>(8,543)</u>	<u>-</u>	<u>(8,543)</u>	<u>-</u>
(46,849)	-	(46,849)	-
(235,672)	-	(235,672)	-
-	-	-	-
<u>(386,695)</u>	<u>-</u>	<u>(386,695)</u>	<u>-</u>
<u>(669,216)</u>	<u>-</u>	<u>(669,216)</u>	<u>-</u>
<u>(9,083,470)</u>	<u>-</u>	<u>(9,083,470)</u>	<u>-</u>
-	(27,730)	(27,730)	-
-	20,227	20,227	-
-	91	91	-
<u>-</u>	<u>20,318</u>	<u>20,318</u>	<u>-</u>
-	(7,412)	(7,412)	-
<u>(9,083,470)</u>	<u>(7,412)</u>	<u>(9,090,882)</u>	<u>-</u>

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2008

Functions/Programs	Expenses	Charges for Services	Program Revenues Primary Government Operating Grants, Contributions and Restricted Interest
Component Unit:			
Foundation	\$ 40,471	\$ -	\$ -

General Revenues:

- Property tax levied for:
 - General purposes
 - Debt service
 - Capital outlay
- Income surtax
- Local option sales and services tax
- Unrestricted state grants
- Unrestricted investment earnings
- Contributions and donations
- Other
- (Decrease) in fair value of investments

Total general revenues

Change in net assets

Net assets beginning of year

Net assets end of year

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

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets			Component
<u>Primary Government</u>			<u>Unit</u>
<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Foundation</u>
\$ -	\$ -	\$ -	\$ (40,471)
\$ 2,850,184	\$ -	\$ 2,850,184	\$ -
239,593	-	239,593	-
98,731	-	98,731	-
583,925	-	583,925	-
770,506	-	770,506	-
5,289,285	-	5,289,285	-
135,399	144	135,543	2,884
-	-	-	82,970
43,513	-	43,513	-
-	-	-	(36,930)
<u>10,011,136</u>	<u>144</u>	<u>10,011,280</u>	<u>48,924</u>
927,666	(7,268)	920,398	8,453
<u>9,351,210</u>	<u>89,885</u>	<u>9,441,095</u>	<u>617,041</u>
<u>\$ 10,278,876</u>	<u>\$ 82,617</u>	<u>\$ 10,361,493</u>	<u>\$ 625,494</u>

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2008

	General	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and pooled investments	\$ 1,135,062	\$ 5,307,857	\$ 433,181	\$ 6,876,100
Receivables:				
Property tax:				
Current year	45,393	-	7,617	53,010
Succeeding year	2,693,150	-	532,969	3,226,119
Income surtax	302,712	-	264,264	566,976
Accounts	13,650	-	4,149	17,799
Due from other governments	128,178	139,159	-	267,337
Restricted ISCAP assets (note 4):				
Accrued interest receivable	5,025	-	-	5,025
Prepaid expenses	3,490	-	880	4,370
Total assets	\$ 4,326,660	\$ 5,447,016	\$ 1,243,060	\$ 11,016,736
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 92,833	\$ 105,581	\$ 20,689	\$ 219,103
Salaries and benefits payable	79,010	-	-	79,010
Due to other governments	58,270	-	947	59,217
Deferred revenue:				
Succeeding year property tax	2,693,150	-	532,969	3,226,119
Other	307,262	-	264,264	571,526
Total liabilities	3,230,525	105,581	818,869	4,154,975
Fund balance:				
Reserved for:				
Prepaid expenses	3,490	-	880	4,370
State grants	93,969	-	-	93,969
Revenue bond reserve fund	-	622,500	-	622,500
Debt service	-	-	7,504	7,504
Unreserved:				
Designated for student programs	47,585	-	-	47,585
Undesignated	951,091	4,718,935	415,807	6,085,833
Total fund balances	1,096,135	5,341,435	424,191	6,861,761
Total liabilities and fund balances	\$ 4,326,660	\$ 5,447,016	\$ 1,243,060	\$ 11,016,736

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, 2008

Total fund balances of governmental funds	\$ 6,861,761
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.	13,271,615
Other long-term assets, including income surtax receivable, are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	566,976
The Internal Service Fund is used to charge the costs of the flex benefit plan and partial self-funded insurance plan to individual funds and is thus included in governmental activities due to the integral nature of the activities to the government.	157,259
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.	(43,961)
Long-term liabilities, including early retirement, bonds payable and compensated absences are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(10,534,774)</u>
Net assets of governmental activities	<u>\$ 10,278,876</u>

See notes to financial statements.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2008

	General	Capital Projects	Nonmajor Governmental Funds	Total
Revenues:				
Local sources:				
Local tax	\$ 2,880,283	\$ 770,506	\$ 732,871	\$ 4,383,660
Tuition	142,450	41,548	-	183,998
Other	231,060	-	183,063	414,123
State sources	6,567,394	-	208	6,567,602
Federal sources	475,743	-	-	475,743
Total revenues	<u>10,296,930</u>	<u>812,054</u>	<u>916,142</u>	<u>12,025,126</u>
Expenditures:				
Current:				
Instruction	6,848,107	-	197,536	7,045,643
Support services:				
Student services	260,770	-	625	261,395
Instructional staff services	495,320	-	2,072	497,392
Administration services	1,088,794	15,902	13,155	1,117,851
Operation and maintenance of plant services	736,922	-	102,956	839,878
Transportation services	358,733	-	19,432	378,165
	<u>2,940,539</u>	<u>15,902</u>	<u>138,240</u>	<u>3,094,681</u>
Non-instructional programs	8,543	-	-	8,543
Other expenditures:				
Facilities acquisition	-	476,411	101,001	577,412
Long term debt:				
Principal	-	-	535,000	535,000
Interest and fiscal charges	-	-	304,478	304,478
AEA flowthrough	404,516	-	-	404,516
	<u>404,516</u>	<u>476,411</u>	<u>940,479</u>	<u>1,821,406</u>
Total expenditures	<u>10,201,705</u>	<u>492,313</u>	<u>1,276,255</u>	<u>11,970,273</u>
Excess (deficiency) of revenues over (under) expenditures	<u>95,225</u>	<u>319,741</u>	<u>(360,113)</u>	<u>54,853</u>

WEST LIBERTY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2008

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Other financing sources (uses):				
Interfund transfers in (note 3)	\$ 8,134	\$ -	\$ 595,210	\$ 603,344
Interfund transfers out (note 3)	-	(445,775)	(157,569)	(603,344)
Compensation for loss of capital assets	2,987	-	9,600	12,587
General obligation bonds issued	-	4,229,858	-	4,229,858
Total other financing sources (uses)	<u>11,121</u>	<u>3,784,083</u>	<u>447,241</u>	<u>4,242,445</u>
Net change in fund balances	106,346	4,103,824	87,128	4,297,298
Fund balances beginning of year	<u>989,789</u>	<u>1,237,611</u>	<u>337,063</u>	<u>2,564,463</u>
Fund balances end of year	<u>\$ 1,096,135</u>	<u>\$ 5,341,435</u>	<u>\$ 424,191</u>	<u>\$ 6,861,761</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
Year Ended June 30, 2008

Net change in fund balances - total governmental funds \$ 4,297,298

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

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

Expenditures for capital assets	\$ 581,802	
Depreciation expense	<u>(496,884)</u>	84,918

Income surtax revenue not received until several months after the District's fiscal year ends is not considered available revenue in the governmental funds and is deferred. It is, however, recorded as revenue in the Statement of Activities. 157,853

The change in net assets of the Internal Service Fund is included in governmental activities due to the integral nature of these activities to the government. 3,723

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds but issuing debt increases long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities. (4,229,858)

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 535,000

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, however, interest expense is recognized as the interest accrues, regardless of when it is due and premiums are netted to debt service expense. 109,586

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. (30,854)

Change in net assets of governmental activities \$ 927,666

See notes to financial statements.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2008

	Business Type <u>Activities</u> Nonmajor <u>Enterprise</u>	Governmental <u>Activity</u> Internal <u>Service</u>
Assets		
Cash and pooled investments	\$ 2,381	\$ 157,259
Accounts receivable	321	-
Due from other governments	291	-
Inventories	198,862	-
Capital assets, net of accumulated depreciation (note 5)	<u>62,346</u>	<u>-</u>
Total assets	<u>264,201</u>	<u>157,259</u>
Liabilities		
Accounts payable	149	-
Salaries and benefits payable	315	-
Interest payable	5,351	-
Loans payable (note 6)	<u>175,769</u>	<u>-</u>
Total liabilities	<u>181,584</u>	<u>-</u>
Net Assets		
Invested in capital assets	62,346	-
Unrestricted:		
Food services	8,986	-
Student construction	11,285	-
Partial self-funded insurance plan	-	134,750
Flex benefits	<u>-</u>	<u>22,509</u>
Total net assets	<u>\$ 82,617</u>	<u>\$ 157,259</u>

See notes to financial statements.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2008

	Business Type Activities Nonmajor Enterprise	Governmental Activity Internal Service
Operating revenues:		
Local sources:		
Charges for services	\$ 229,926	\$ -
Other	91	-
Employee contributions	-	117,255
Miscellaneous	-	79,866
	<u>230,017</u>	<u>197,121</u>
Operating expenses:		
Support services:		
Benefits	14,426	-
Purchased services	4,570	-
Purchased services	5,493	-
Supplies	3,241	-
	<u>27,730</u>	<u>-</u>
Non-instructional programs:		
Salaries	158,886	-
Benefits	67,585	199,572
Supplies	244,739	-
Depreciation	8,375	-
	<u>479,585</u>	<u>199,572</u>
Total operating expenses	<u>507,315</u>	<u>199,572</u>
Operating loss	<u>(277,298)</u>	<u>(2,451)</u>
Non-operating revenues:		
Interest income	144	6,174
State sources	5,796	-
Federal sources	264,090	-
Total non-operating revenues	<u>270,030</u>	<u>6,174</u>
Change in net assets	(7,268)	3,723
Net assets beginning of year	<u>89,885</u>	<u>153,536</u>
Net assets end of year	<u>\$ 82,617</u>	<u>\$ 157,259</u>

See notes to financial statements.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2008

	<u>Business Type</u> <u>Activities</u> Nonmajor Enterprise	<u>Governmental</u> <u>Activity</u> Internal Service
Cash flows from operating activities:		
Cash received from sale of services	\$ 230,838	\$ -
Cash received from other operations	91	197,121
Cash payments to employees for services	(246,519)	(199,572)
Cash payments to suppliers for goods or services	<u>(418,546)</u>	<u>-</u>
Net cash used in operating activities	<u>(434,136)</u>	<u>(2,451)</u>
Cash flows from non-capital financing activities:		
State grants received	5,796	-
Federal grants received	<u>239,624</u>	<u>-</u>
Net cash provided by non-capital financing activities	<u>245,420</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Proceeds from loan	<u>175,769</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	<u>144</u>	<u>6,174</u>
Net increase (decrease) in cash and cash equivalents	(12,803)	3,723
Cash and cash equivalents beginning of year	<u>15,184</u>	<u>153,536</u>
Cash and cash equivalents end of year	<u>\$ 2,381</u>	<u>\$ 157,259</u>

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2008

	<u>Business Type</u> <u>Activities</u>	<u>Governmental</u> <u>Activity</u>
	Nonmajor Enterprise	Internal Service
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (277,298)	\$ (2,451)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	8,375	-
Commodities used	24,416	-
(Increase) in accounts receivable	912	-
(Increase) in inventories	(194,777)	-
(Decrease) in accounts payable	(63)	-
(Decrease) in accrued salaries and benefits	(1,052)	-
Increase in interest payable	<u>5,351</u>	<u>-</u>
Net cash used in operating activities	<u>\$ (434,136)</u>	<u>\$ (2,451)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2008, the District received \$24,416 of federal commodities.

See notes to financial statements.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
June 30, 2008

	<u>Agency</u>
Assets:	
Cash and pooled investments	\$ <u><u>5,584</u></u>
Liabilities:	
Accounts payable	\$ <u><u>5,584</u></u>

See notes to financial statements.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 Year Ended June 30, 2008

	<u>Private Purpose Trust</u> <u>Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	\$ <u>1,000</u>
Deductions:	
Support services:	
Scholarships awarded	<u>1,000</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, 2008

Note 1. Summary of Significant Accounting Policies

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 Cities of West Liberty, Atalissa, and Nichols, Iowa, and agricultural territory in Muscatine, Cedar and Johnson 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 which meets 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 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 Muscatine and Cedar County Assessor's Conference Board.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation

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

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

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

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are 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 District-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues 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 all resources used in the acquisition and construction of capital facilities.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

The District reports the following 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 the partial self-funding of employee health insurance benefits and for 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 with restrictions of 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 District-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

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

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

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

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

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

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

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

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

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

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

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

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

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2007.

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 District-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.

Asset Class	Amount
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:

Asset Class	Estimated Useful Lives
Buildings	20-50 years
Improvements other than buildings	15 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.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Loans Payable – The District uses a draw-down short-term operating loan to finance the operations of the student-built house program.

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

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

Long-term Liabilities – In the District-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.

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 accumulated 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 is recorded when incurred in the 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, 2008. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Fund Balances – 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 student programs.

Invested in capital assets, net of related debt – In the District-wide Statement of Net Assets, the net asset balance invested in capital assets, net of related debt is equal to the capital assets balances, including restricted capital assets, less accumulated depreciation and the outstanding balances of any bonds, notes, or other debt that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Assets – In the District-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Net assets restricted through enabling legislation as of June 30, 2008 consists of \$1,914,198.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 1. Summary of Significant Accounting Policies (continued)

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, expenditures did not exceed the amounts budgeted.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2008 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, 2008, the District had the following investments:

	Value
Iowa Schools Joint Investment Trust, Diversified Portfolio	\$ 167,158
Goldman Sachs Financial Square Money Market Mutual Fund	412,500
	\$ 579,658

The investments in the Iowa Schools Joint Investment Trust are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investments in the money market mutual fund are stated at fair value.

Credit Risk – The investments in the Iowa Schools Joint Investment Trusts and the Goldman Sachs money market mutual fund were rated Aaa by Moody's Investors Service.

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

Mutual Funds	\$ 398,028
--------------	------------

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
June 30, 2008

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ 445,775
	Special Revenue:	
	Physical Plant and Equipment Levy	149,435
General Fund	Student Activity	<u>8,134</u>
Total		<u>\$ 603,344</u>

Transfers generally 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. These accounts are reflected as restricted assets on the balance sheet. Bankers Trust Co. N.A. is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2008 is as follows:

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Accrued Interest Receivable</u>
2007-08A	6/27/2007	6/27/2008	\$ <u>5,025</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The District had no ISCAP advance activity in the General Fund for the year ended June 30, 2008.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 4. Iowa Schools Cash Anticipation Program (ISCAP) (continued)

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

<u>Series</u>	<u>Interest Rates on Warrants</u>	<u>Interest Rates on Investments</u>
2007-08A	4.50%	5.455%

Note 5. Capital Assets

Capital assets activity for the year ended June 30, 2008 is as follows:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 462,833	\$ -	\$ -	\$ 462,833
Construction in progress	330,338	433,843	342,381	421,800
Total capital assets not being depreciated	<u>793,171</u>	<u>433,843</u>	<u>342,381</u>	<u>884,633</u>
Capital assets being depreciated:				
Buildings	16,752,465	46,341	-	16,798,806
Improvements other than buildings	1,128,886	342,381	-	1,471,267
Furniture and equipment	1,373,283	101,618	8,223	1,466,678
Total capital assets being depreciated	<u>19,254,634</u>	<u>490,340</u>	<u>8,223</u>	<u>19,736,751</u>
Less accumulated depreciation for:				
Buildings	5,811,116	294,559	-	6,105,675
Improvements other than buildings	230,061	92,136	-	322,197
Furniture and equipment	819,931	110,189	8,223	921,897
Total accumulated depreciation	<u>6,861,108</u>	<u>496,884</u>	<u>8,223</u>	<u>7,349,769</u>
Total capital assets being depreciated, net	<u>12,393,526</u>	<u>(6,544)</u>	<u>-</u>	<u>12,386,982</u>
Governmental activities capital assets, net	<u>\$ 13,186,697</u>	<u>\$ 427,299</u>	<u>\$ 342,381</u>	<u>\$ 13,271,615</u>

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 5. Capital Assets (continued)

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Business-type activities:				
Furniture and equipment	\$ 250,787	\$ -	\$ -	\$ 250,787
Less accumulated depreciation	180,066	8,375	-	188,441
Business-type activities capital assets, net	<u>\$ 70,721</u>	<u>\$ (8,375)</u>	<u>\$ -</u>	<u>\$ 62,346</u>

Depreciation expense was charged by the District to the following functions:

Governmental activities:		
Instruction		\$ 71,058
Support services:		
Student support		196
Instructional staff		648
Administration		2,385
Operation and maintenance of plant services		2,112
Transportation		33,790
		<u>110,189</u>
Unallocated depreciation		<u>386,695</u>
Total governmental activities depreciation expense		<u>\$ 496,884</u>
Business-type activities:		
Food service operations		<u>\$ 8,375</u>

Note 6. Short-term Loan Payable

The District's Enterprise Fund, Student Construction received a \$180,000 draw-down loan from Iowa State Bank and Trust Company on September 21, 2007, of which \$175,769 was advanced during the year ended June 30, 2008. Proceeds of the loan were used to construct a student-built house as part of a school program. The house was not sold by June 30, 2008. Proceeds of the sale will be used to repay the bank loan. The following is a summary of the loan activity for the year:

<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance End of Year</u>
\$ -	\$ 175,769	\$ -	\$ 175,769

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 7. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2008 is as follows:

	Early Retirement	General Obligation Bonds	Local Option Sales and Services Tax Revenue Bonds	Compensated Absences	Total
Balance beginning of year	\$ 109,096	\$ 5,660,000	\$ 1,115,000	\$ 29,824	\$ 6,913,920
Additions	73,255	-	4,125,000	34,184	4,232,439
Reductions	46,761	275,000	260,000	29,824	611,585
Balance end of year	<u>\$ 135,590</u>	<u>\$ 5,385,000</u>	<u>\$ 4,980,000</u>	<u>\$ 34,184</u>	<u>\$ 10,534,774</u>
Due within one year	<u>\$ 71,177</u>	<u>\$ 280,000</u>	<u>\$ 275,000</u>	<u>\$ 34,184</u>	<u>\$ 660,361</u>

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. A certified District employee is eligible for this program when a) the sum of 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. Employees must complete an application by March 1st of the retirement year which is required to be approved by the Board of Education.

The early retirement benefit for each eligible employee is equal to a percentage of 50% of the employee's base salary calculated on the following scale:

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

Early retirees may also continue participation in the District's health care plan at the employee's own expense as long as the employee qualifies to be covered by the District's carrier. Early retirement benefits will be paid in three equal annual installments beginning in July following the start of retirement.

At June 30, 2008, the District has obligations to nine participants with a total liability of \$135,590. Actual early retirement expenditures for the year ended June 30, 2008 totaled \$46,761. Early retirement is recorded as a long-term liability of the Governmental Activities in the District-wide financial statements.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 7. Long-Term Liabilities (continued)

General Obligation Bonds

Details of the District's June 30, 2008 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Issue dated October 1, 1997			Issue dated December 1, 2002		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2009	4.90 %	\$ 180,000	\$ 39,070	3.75 %	\$ 100,000	\$ 203,275
2010	5.00	190,000	30,250	4.00	100,000	199,525
2011	5.00	200,000	20,750	4.00	105,000	195,525
2012	5.00	215,000	10,750	4.00	110,000	191,325
2013	-	-	-	4.00	345,000	186,925
2014-2018	-	-	-	4.10-4.50	1,955,000	707,975
2019-2022	-	-	-	4.60-4.80	1,885,000	228,840
		<u>\$ 785,000</u>	<u>\$ 100,820</u>		<u>\$ 4,600,000</u>	<u>\$ 1,913,390</u>

Year Ending June 30,	Total		
	Principal	Interest	Total
2009	\$ 280,000	\$ 242,345	\$ 522,345
2010	290,000	229,775	519,775
2011	305,000	216,275	521,275
2012	325,000	202,075	527,075
2013	345,000	186,925	531,925
2014-2018	1,955,000	707,975	2,662,975
2019-2022	1,885,000	228,840	2,113,840
	<u>\$ 5,385,000</u>	<u>\$ 2,014,210</u>	<u>\$ 7,399,210</u>

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 7. Long-Term Liabilities (continued)

Local Option Sales and Services Tax Revenue Bonds

During the year ended June 30, 2008, the District issued \$4,125,000 in School Infrastructure Local Option Sales and Services Tax Revenue Bonds. The bonds have interest rates ranging from 4.00 percent to 4.50 percent and are payable through the year ending June 30, 2021. The proceeds will be used for renovations to various District buildings.

Details of the District's June 30, 2008 revenue bonded indebtedness are as follows:

Year Ending June 30,	Issue dated November 1, 2002			Issue dated June 26, 2008		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2009	4.75 %	\$ 275,000	\$ 36,101	4.50 %	\$ -	\$ 90,650
2010	5.20	285,000	22,160	4.50	-	176,400
2011	5.00	295,000	7,375	4.50	-	176,400
2012	-	-	-	4.50	350,000	168,525
2013	-	-	-	4.50	355,000	152,663
2014-2018	-	-	-	4.00-4.50	2,010,000	505,316
2019-2021	-	-	-	4.00	1,410,000	86,200
		<u>\$ 855,000</u>	<u>\$ 65,636</u>		<u>\$ 4,125,000</u>	<u>\$ 1,356,154</u>
	<u>Total</u>					
Year Ending June 30,	Principal	Interest	Total			
2009	\$ 275,000	\$ 126,751	\$ 401,751			
2010	285,000	198,560	483,560			
2011	295,000	183,775	478,775			
2012	350,000	168,525	518,525			
2013	355,000	152,663	507,663			
2014-2018	2,010,000	505,316	2,515,316			
2019-2022	1,410,000	86,200	1,496,200			
	<u>\$ 4,980,000</u>	<u>\$ 1,421,790</u>	<u>\$ 6,401,790</u>			

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 7. Long-Term Liabilities (continued)

Local Option Sales and Services Tax Revenue Bonds (continued)

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.

The resolution providing for the issuance of the local option sales and services tax revenue bonds and school infrastructure local option sales and services tax revenue bonds include the following provisions:

- a) \$210,000 and \$412,500 of the proceeds from the issuances of the revenue bonds dated November 1, 2002 and June 26, 2008, respectively, shall be deposited to the Reserve Account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Accounts. The balance of the proceeds shall be deposited in the Project Accounts.
- b) All proceeds from the local option sales and services tax shall be placed in a Revenue Account.
- c) Sufficient monthly deposits amounting to one twelfth of the next principal and one sixth of the next interest payment shall be made to the Local Option Sales and Services Tax Revenue Bond and Interest Sinking Fund for the purpose of making the bond principal and interest payments when due.
- d) Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

The District did not comply with all of the revenue bond provisions during the year ended June 30, 2008. Monthly transfers were not made to the Sinking Account as required. Transfers were only made semi annually when the bond payment was made.

The District pledged future local option sales and services tax revenues to repay the \$2,100,000 bonds issued in 2002 and \$4,125,000 bonds issued in 2008. The bonds were issued for the purpose of financing a portion of the costs of a new school. The bonds are payable solely from the proceeds of the local option sales and services tax revenues received by the District and are payable through 2011 and 2021, respectively. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require approximately 65 percent of the local option sales and services tax revenues. The total principal and interest remaining to be paid on revenue bonds is \$6,401,790. For the current year, \$308,808 of principal and interest were paid on the bonds and total local option sales and services tax revenues were \$770,506

Note 8. Pension and Retirement Benefits

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

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 8. Pension and Retirement Benefits (continued)

Plan members are required to contribute 3.90% of their annual covered salary and the District is required to contribute 6.05% of annual covered payroll for the year ended June 30, 2008. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2008, 2007, and 2006 were \$376,207, \$342,829, and \$322,505, respectively, equal to the required contributions for each year.

Note 9. Risk Management

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

Partial Self-funded Health Insurance

The District utilizes a partial self-funded/partial fully funded health insurance plan. The District purchases a base plan from Wellmark with \$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 the premiums and deposits into the Internal Service Fund are made monthly for the self-funded portion. The self-funded plan 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, 2008, the District had accumulated \$134,750 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, 2008. The District is contingently liable for any claims in excess of funds available at June 30, 2008.

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 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, 2008 or June 30, 2007.

Note 10. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$404,516 for the year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 11. Construction Commitments

The District has entered into a contract totaling \$151,698 for land preparation for renovations to a middle and an elementary school. As of June 30, 2008, costs of \$7,585 had been incurred against the contract. The balance of \$144,113 remaining at June 30, 2008 will be paid as work on the project progresses.

Note 12. Subsequent Event

In September, October and November 2008, the District approved various contracts totaling \$5,081,793 for middle school and elementary school building renovations. The projects will be financed with the local option sales and services tax revenue bonds issued June 26, 2008 and future local option sales and services tax revenues.

Required Supplementary Information

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances –
 Budget and Actual – All Governmental Funds
 and Proprietary Fund
 Required Supplementary Information
 Year Ended June 30, 2008

	Governmental Funds - Actual	Proprietary Fund - Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
REVENUES:						
Local sources	\$ 4,981,781	\$ 230,161	\$ 5,211,942	\$ 5,110,753	\$ 5,110,753	\$ 101,189
State sources	6,567,602	5,796	6,573,398	6,329,967	6,329,967	243,431
Federal sources	475,743	264,090	739,833	768,957	768,957	(29,124)
Total revenues	12,025,126	500,047	12,525,173	12,209,677	12,209,677	315,496
EXPENDITURES/EXPENSES:						
Instruction	7,045,643	-	7,045,643	7,094,291	7,234,291	188,648
Support services	3,094,681	27,730	3,122,411	3,129,952	3,270,320	147,909
Non-instructional programs	8,543	479,585	488,128	633,459	678,055	189,927
Other expenditures	1,821,406	-	1,821,406	1,936,604	1,936,604	115,198
Total expenditures/expenses	11,970,273	507,315	12,477,588	12,794,306	13,119,270	641,682
Excess (deficiency) of revenues over (under) expenditures/ expenses	54,853	(7,268)	47,585	(584,629)	(909,593)	957,178
Other financing sources, net	4,242,445	-	4,242,445	10,600	10,600	4,231,845
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses	4,297,298	(7,268)	4,290,030	(574,029)	(898,993)	5,189,023
Balance beginning of year	2,564,463	89,885	2,654,348	2,201,410	2,201,410	452,938
Balance end of year	<u>\$ 6,861,761</u>	<u>\$ 82,617</u>	<u>\$ 6,944,378</u>	<u>\$ 1,627,381</u>	<u>\$ 1,302,417</u>	<u>\$ 5,641,961</u>

See accompanying independent auditor's report.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
June 30, 2008

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, private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the accrual basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$324,964.

During the year ended June 30, 2008, expenditures did not exceed the amounts budgeted.

This page intentionally left blank

Other Supplementary Information

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2008

	Special Revenue				
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service	Total
Assets					
Cash and pooled investments	\$ 24,917	\$ 72,520	\$ 332,190	\$ 3,554	\$ 433,181
Receivables:					
Property tax:					
Current year	2,039	-	1,628	3,950	7,617
Succeeding year	185,000	-	97,376	250,593	532,969
Income surtax	-	-	264,264	-	264,264
Accounts	-	4,149	-	-	4,149
Prepaid expense	-	-	880	-	880
Total assets	\$ <u>211,956</u>	\$ <u>76,669</u>	\$ <u>696,338</u>	\$ <u>258,097</u>	\$ <u>1,243,060</u>
Liabilities and Fund Equity					
Liabilities:					
Accounts payable	\$ -	\$ 6,426	\$ 14,263	\$ -	\$ 20,689
Due to other governments	-	-	947	-	947
Deferred revenue:					
Succeeding year property tax	185,000	-	97,376	250,593	532,969
Other	-	-	264,264	-	264,264
Total liabilities	185,000	6,426	376,850	250,593	818,869
Fund equity:					
Fund balances:					
Reserved for:					
Prepaid expenses	-	-	880	-	880
Debt service	-	-	-	7,504	7,504
Unreserved:					
Undesignated	26,956	70,243	318,608	-	415,807
Total fund equity	26,956	70,243	319,488	7,504	424,191
Total liabilities and fund equity	\$ <u>211,956</u>	\$ <u>76,669</u>	\$ <u>696,338</u>	\$ <u>258,097</u>	\$ <u>1,243,060</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
Year Ended June 30, 2008

	Special Revenue				Total
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service	
Revenues:					
Local sources:					
Local tax	\$ 122,421	\$ -	\$ 370,965	\$ 239,485	\$ 732,871
Other	15,502	140,950	23,626	2,985	183,063
State sources	55	-	45	108	208
Total revenues	137,978	140,950	394,636	242,578	916,142
Expenditures:					
Current:					
Instruction	58,506	139,030	-	-	197,536
Support services:					
Student services	625	-	-	-	625
Instructional staff services	500	1,572	-	-	2,072
Administration services	2,189	406	10,560	-	13,155
Operation and maintenance of plant services	79,332	2,632	20,992	-	102,956
Transportation services	15,440	-	3,992	-	19,432
Other expenditures:					
Facilities acquisition	-	-	101,001	-	101,001
Long term debt:					
Principal	-	-	-	535,000	535,000
Interest and fiscal charges	-	-	-	304,478	304,478
Total expenditures	156,592	143,640	136,545	839,478	1,276,255
Excess (deficiency) of revenues over (under) expenditures	(18,614)	(2,690)	258,091	(596,900)	(360,113)
Other financing sources (uses):					
Interfund transfers in	-	-	-	595,210	595,210
Interfund transfers out	-	(8,134)	(149,435)	-	(157,569)
Compensation for loss of capital assets	-	-	9,600	-	9,600
Total other financing sources (uses)	-	(8,134)	(139,835)	595,210	447,241

WEST LIBERTY COMMUNITY SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2008

	Special Revenue				Total
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service	
Net change in fund balances	\$ (18,614)	\$ (10,824)	\$ 118,256	\$ (1,690)	\$ 87,128
Fund balances beginning of year	45,570	81,067	201,232	9,194	337,063
Fund balances end of year	\$ 26,956	\$ 70,243	\$ 319,488	\$ 7,504	\$ 424,191

See accompanying independent auditor's report.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

COMBINING STATEMENT OF NET ASSETS
NONMAJOR ENTERPRISE FUNDS
June 30, 2008

	School Nutrition	Student Construction	Total
Assets			
Cash and cash equivalents	\$ 2,381	\$ -	\$ 2,381
Accounts receivable	321	-	321
Due from other governments	291	-	291
Inventories	6,455	192,407	198,862
Capital assets, net of accumulated depreciation	62,346	-	62,346
Total assets	71,794	192,407	264,201
Liabilities			
Accounts payable	147	2	149
Salaries and benefits payable	315	-	315
Interest payable	-	5,351	5,351
Loans payable	-	175,769	175,769
Total liabilities	462	181,122	181,584
Net Assets			
Invested in capital assets	62,346	-	62,346
Unrestricted	8,986	11,285	20,271
Total net assets	\$ 71,332	\$ 11,285	\$ 82,617

See accompanying independent auditor's report.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS
 NONMAJOR PROPRIETARY FUNDS
 Year Ended June 30, 2008

	School Nutrition	Student Construction	Total
Operating revenues:			
Local sources:			
Charges for services	\$ 229,926	\$ -	\$ 229,926
Other	-	91	91
	<u>229,926</u>	<u>91</u>	<u>230,017</u>
Operating expenses:			
Support services:			
Salaries	14,426	-	14,426
Benefits	4,570	-	4,570
Purchased services	5,493	-	5,493
Supplies	3,241	-	3,241
	<u>27,730</u>	<u>-</u>	<u>27,730</u>
Non-instructional programs:			
Salaries	158,886	-	158,886
Benefits	67,585	-	67,585
Supplies	244,739	-	244,739
Depreciation	8,375	-	8,375
	<u>479,585</u>	<u>-</u>	<u>479,585</u>
Total operating expenses	<u>507,315</u>	<u>-</u>	<u>507,315</u>
Operating income (loss)	<u>(277,389)</u>	91	<u>(277,298)</u>
Non-operating revenues:			
Interest income	136	8	144
State sources	5,796	-	5,796
Federal sources	264,090	-	264,090
Total non-operating revenues	<u>270,022</u>	<u>8</u>	<u>270,030</u>
Change in net assets	(7,367)	99	(7,268)
Net assets beginning of year	<u>78,699</u>	<u>11,186</u>	<u>89,885</u>
Net assets end of year	<u>\$ 71,332</u>	<u>\$ 11,285</u>	<u>\$ 82,617</u>

See accompanying independent auditor's report.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

 COMBINING STATEMENT OF CASH FLOWS
 NONMAJOR ENTERPRISE FUNDS
 Year Ended June 30, 2008

	School Nutrition	Student Construction	Total
Cash flows from operating activities:			
Cash received from sale of services	\$ 230,838	\$	\$ 230,838
Cash received from other operations	-	91	91
Cash payments to employees for services	(246,519)	-	(246,519)
Cash payments to suppliers for goods or services	(231,492)	(187,054)	(418,546)
Net cash used in operating activities	<u>(247,173)</u>	<u>(186,963)</u>	<u>(434,136)</u>
Cash flows from non-capital financing activities:			
State grants received	5,796	-	5,796
Federal grants received	239,624	-	239,624
Net cash provided by non-capital financing activities	<u>245,420</u>	<u>-</u>	<u>245,420</u>
Cash flows from capital and related financing activities:			
Proceeds from loan	-	175,769	175,769
Cash flows from investing activities:			
Interest on investments	136	8	144
Net decrease in cash and cash equivalents	(1,617)	(11,186)	(12,803)
Cash and cash equivalents at beginning of year	<u>3,998</u>	<u>11,186</u>	<u>15,184</u>
Cash and cash equivalents at end of year	<u>\$ 2,381</u>	<u>\$ -</u>	<u>\$ 2,381</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ (277,389)	\$ 91	\$ (277,298)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	8,375	-	8,375
Commodities used	24,416	-	24,416
(Increase) in accounts receivable	912	-	912
(Increase) in inventories	(2,370)	(192,407)	(194,777)
Increase (decrease) in accounts payable	(65)	2	(63)
(Decrease) in salaries and benefits payable	(1,052)	-	(1,052)
Increase in interest payable	-	5,351	5,351
Net cash provided by (used in) operating activities	<u>\$ (247,173)</u>	<u>\$ (186,963)</u>	<u>\$ (434,136)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2008, the District received \$24,416 of federal commodities.

See accompanying independent auditor's report.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2008

Account	Balance Beginning of Year	Revenues	Expenditures and Interfund Transfers Out	Balance End of Year
District Wide:				
Interest	\$ 3,784	\$ 3,019	\$ 3,785	\$ 3,018
Miscellaneous	147	611	693	65
Adult Activity Tickets	2,051	2,502	2,051	2,502
Student Pictures	1,477	1,438	1,477	1,438
Student Transportation Fees	-	1,928	1,928	-
Cultural Diversity Fund	872	-	872	-
Booster Club Reimbursement	-	18,890	18,890	-
Fine Arts Booster Donation	-	2,060	2,060	-
Elementary:				
Activity Tickets	140	175	140	175
Miscellaneous/Gardner	3,327	-	3,327	-
Middle School:				
Activity Tickets	1,502	1,820	1,502	1,820
MS Miscellaneous	1,254	-	1,254	-
Junior High:				
Band	64	-	64	-
Honor Band	50	-	50	-
Athletics	(10)	10	10	(10)
Boys' Basketball	(1,855)	1,855	1,048	(1,048)
Cross Country	-	20	-	20
Football	(982)	982	452	(452)
Boys' Track	383	1,289	796	876
Boys' Track Resale Fund	-	232	232	-
Wrestling	(220)	220	220	(220)
Girls' Basketball	(858)	858	943	(943)
Girls' Volleyball	(450)	690	599	(359)
Girls' Track	147	1,004	714	437
Softball	(251)	251	275	(275)
Eighth Grade	-	800	-	800
Magazines	346	-	346	-
Student Council	653	1,128	1,332	449
Science Club	28	-	28	-
High School:				
Drama	3,491	6,781	5,956	4,316
Musical Fund	1,933	5,714	2,694	4,953
Forensic Fund	440	-	200	240
Vocal Music	363	1,599	1,746	216
Band	15	1,632	1,665	(18)

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2008

Account	Balance Beginning of Year	Revenues	Expenditures and Interfund Transfers Out	Balance End of Year
High School (continued):				
High School FB, BB, WR Fundraiser	\$ -	\$ 1,730	\$ -	\$ 1,730
Athletics	(2,247)	9,697	6,037	1,413
Activity Tickets	2,455	2,205	2,515	2,145
Cross Country	(581)	915	1,110	(776)
Cross Country Fundraiser	1,055	279	614	720
Cross Country Resale Fund	-	260	260	-
HS Cheerleading	1,659	5,140	6,962	(163)
Dance Team Fund	18	-	-	18
Boys' Basketball	2,902	5,041	7,443	500
Boys' Basketball Fundraiser	1,009	3,111	2,186	1,934
Football	4,948	11,361	11,321	4,988
Football Fundraiser	1,483	1,255	1,377	1,361
Football Resale	378	3,042	2,340	1,080
Boys' Soccer	(325)	2,273	2,514	(566)
Boys' Soccer Fundraiser	718	-	-	718
Baseball	(2,624)	4,969	4,902	(2,557)
Baseball Fundraiser	4,250	323	959	3,614
Boys' Track	(1,624)	3,232	5,330	(3,722)
KRNA/Boys' Track Fundraiser	1,044	729	803	970
Boys' Track Resale	-	168	168	-
Boys' Golf	(555)	835	726	(446)
Wrestling	787	1,729	3,866	(1,350)
Wrestling Fundraiser	1,782	307	1,075	1,014
Wrestling/Weight Room	5,004	1,357	-	6,361
Girls' Basketball	1,757	4,687	5,195	1,249
Girls' Basketball Fundraiser	219	1,371	947	643
Volleyball	1,197	2,680	3,988	(111)
Volleyball Fundraiser	517	-	513	4
Girls' Soccer	(279)	1,449	2,151	(981)
Softball	1,107	3,529	4,250	386
Softball Fundraiser	448	-	-	448
Girls' Track	(690)	2,321	3,093	(1,462)
Girls' Track Resale	-	215	215	-
Girls' Golf	(252)	252	615	(615)
Girls' Golf Fundraiser	261	455	258	458

WEST LIBERTY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2008

Account	Balance Beginning of Year	Revenues	Expenditures and Interfund Transfers Out	Balance End of Year
High School (continued):				
Seniors	\$ 1,055	\$ -	\$ 184	\$ 871
Juniors	903	2,502	3,512	(107)
Sophomore	650	839	107	1,382
Freshmen	688	911	62	1,537
FHA	1,025	337	142	1,220
FFA	21,914	18,270	17,131	23,053
FFA Resale	235	484	719	-
FHA/FCCLA	-	-	-	-
Greenhouse Fund	466	3,634	2,970	1,130
Color Guard	180	-	-	180
Anime Fund	65	-	-	65
National Honor Society	1,713	320	272	1,761
Student Council	2,259	1,003	883	2,379
Yearbook #2	4,279	4,227	8,739	(233)
Video Productions	74	-	74	-
Students in Need of Assistance	966	-	966	-
Academic Letters	933	-	933	-
Intrafund Transfers	-	(26,002)	(26,002)	-
Total	\$ 81,067	\$ 140,950	\$ 151,774	\$ 70,243

See accompanying independent auditor's report.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUND
 Year Ended June 30, 2008

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash	\$ <u>6,817</u>	\$ <u>70,787</u>	\$ <u>72,020</u>	\$ <u>5,584</u>
Liabilities				
Other payables	\$ <u>6,817</u>	\$ <u>70,787</u>	\$ <u>72,020</u>	\$ <u>5,584</u>

See accompanying independent auditor's report.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST FOUR YEARS

	Modified Accrual Basis Years Ended June 30,			
	2008	2007	2006	2005
Revenues:				
Local sources:				
Local tax	\$ 4,383,660	\$ 4,122,480	\$ 3,947,341	\$ 3,672,741
Tuition	183,998	97,217	87,345	113,168
Other	414,123	401,798	329,952	2,378,613
State sources	6,567,602	6,058,991	5,449,822	5,131,990
Federal sources	475,743	455,182	555,366	1,020,523
Total revenues	\$ 12,025,126	\$ 11,135,668	\$ 10,369,826	\$ 12,317,035
Expenditures:				
Instruction	\$ 7,045,643	\$ 6,787,865	\$ 6,433,053	\$ 6,197,702
Support services:				
Student services	261,395	203,932	190,986	216,691
Instructional staff services	497,392	501,013	568,994	394,044
Administration services	1,117,851	967,867	933,439	824,547
Operation and maintenance of plant services	839,878	753,719	734,840	624,595
Transportation services	378,165	408,584	367,395	329,810
Non-instructional programs	8,543	3,453	-	-
Other expenditures:				
Facilities acquisition	577,412	469,248	466,161	5,687,846
Long-term debt:				
Principal	535,000	510,000	500,000	505,744
Interest and fiscal charges	304,478	327,028	348,842	372,421
AEA flowthrough	404,516	383,857	346,184	324,503
Total expenditures	\$ 11,970,273	\$ 11,316,566	\$ 10,889,894	\$ 15,477,903

See accompanying independent auditor's report.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2008

Grantor / Program	CFDA Number	Grant Number	Expenditures
Indirect:			
U. S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY 08	\$ 27,071
National School Lunch Program	10.555	FY 08	212,312
National School Lunch Program (non-cash)	10.555	FY 08	24,416
			<u>263,799</u>
U. S. Department of Education:			
Iowa Department of Education:			
Title 1 Grants to Local Educational Agencies	84.010	6975GC	20,953
Title 1 Grants to Local Educational Agencies	84.010	6975G	118,406
			<u>139,359</u>
Migrant Education - Basic State Grants Program	84.011	FY 07	8,468
Migrant Education - Basic State Grants Program	84.011	FY 08	22,140
			<u>30,608</u>
Fund for the Improvement of Education	84.215	FY 08	<u>50,000</u>
Innovative Education Program Strategies	84.298	FY 08	<u>3,352</u>
Grants for State Assessments and Related Activities	84.369	FY 07	5,010
Grants for State Assessments and Related Activities	84.369	FY 08	7,092
			<u>12,102</u>
Safe and Drug-Free Schools and Communities - State Grants	84.186	FY 08	<u>5,104</u>
Improving Teacher Quality State Grants	84.367	FY 08	<u>40,269</u>
Mississippi Bend Area Education Agency:			
Career and Technical Education	84.048	FY 08	<u>1,966</u>
Advanced Placement Fee Program	84.330	FY 08	<u>432</u>
Rural Education Achievement Program	84.358	FY 08	<u>2,724</u>
English Language Acquisition Grants	84.365	FY 08	<u>21,807</u>
Special Education - Grants to States	84.027	FY 08	<u>65,541</u>

WEST LIBERTY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2008

<u>Grantor / Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
Indirect (continued):			
National Endowment for the Arts:			
University of Iowa:			
Promotion of the Humanities Federal/State Partnership	45.129	FY 08	\$ <u>5,000</u>
U. S. Department of Health and Human Services:			
Community Action of Eastern Iowa:			
Head Start	93.600	FY 08	<u>62,113</u>
Total			\$ <u><u>704,176</u></u>

Basis of Presentation –

The Schedule of Expenditures of Federal Awards includes the federal grant activity of West Liberty Community School District and is presented on 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.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Board of Education of
West Liberty Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of West Liberty Community School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated December 30, 2008. We disclaimed an opinion on the discretely presented component unit and issued unqualified opinions on the governmental activities, business-type activities, each major fund and the aggregate remaining fund information. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. We were not engaged to audit nor did we do any procedures related to the discretely presented component unit.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered West Liberty Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of West Liberty Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of West Liberty Community School District's internal control over financial reporting.

Our 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 the internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, including deficiencies we 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 accounting principles generally accepted in the United States of America 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 the District's internal control. We 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.

Our 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. We noted no material weaknesses in internal control over financial reporting during the course of our audit.

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, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance 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 West Liberty Community School District's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

West Liberty Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit West Liberty Community School District's responses and, accordingly, we 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.

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

Oskaloosa, Iowa
December 30, 2008

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 of
West Liberty Community School District:

Compliance

We have audited the compliance of West Liberty Community School District with the types of compliance requirements described in 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, 2008. 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. Our responsibility is to express an opinion on West Liberty Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, 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 we 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 we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on West Liberty Community School District's compliance with those requirements.

In our 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, 2008.

Internal Control Over Compliance

The management of West Liberty Community School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we 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 our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

Our 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 a 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 that 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.

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 entity's internal control. We noted no material weaknesses in internal control over compliance during the course of our audit.

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.

Oskaloosa, Iowa
December 30, 2008

WEST LIBERTY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2008

Part I: Summary of the Independent Auditor's Results:

- (a) We disclaimed an opinion on the discreetly presented component unit and issued unqualified opinions on the governmental activities, business type activities, each major fund, and the aggregate remaining fund information.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) 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
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) West Liberty Community School District did not qualify as a low-risk auditee.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2008

Part II: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Significant Deficiencies:

II-A-08 Fundraisers – We noted that fundraisers of student organizations are not approved by the administration. Also, the control procedures over fundraising activities are very lax and a reconciliation of fundraiser revenues to the related deposits and fundraiser costs is not always prepared.

Recommendation – The District should ensure that all fundraisers are reviewed and approved by the appropriate member of the administration before the event occurs. Also, a listing of the ongoing fundraising activities should be provided to the appropriate accounting personnel. An accounting of the estimated and actual profit or loss of each activity should be prepared by the student organization and submitted with the money collected to the appropriate office personnel. The office personnel should be responsible for keeping track of the ongoing fundraisers and ensuring that the collected funds are remitted to the office and deposited on a timely basis.

Response – We will be reviewing and possibly implementing new fundraiser procedures for the year ending June 30, 2009.

Conclusion – Response accepted.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2008

Part III: Findings and Questioned Costs for Federal Awards

Instances of Non-Compliance:

No matters were reported.

Significant Deficiency:

No matters were reported.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2008

Part IV: Other Findings Related to Statutory Reporting:

- IV-A-08 Certified Budget – Expenditures for the year ended June 30, 2008, did not exceed the amounts budgeted.
- IV-B-08 Questionable Expenditures – No expenditures were noted that we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.
- IV-C-08 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.
- IV-D-08 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Tim Buysse, Board Member Owner of Zephyr Graphx Headwear	School supplies	\$ 301

In accordance with Chapter 279.7A of the Code of Iowa, the transaction does not appear to represent a conflict of interest since the cumulative amount was less than \$2,500 for the fiscal year.

- IV-E-08 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.
- IV-F-08 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- IV-G-08 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.
- IV-H-08 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.
- IV-I-08 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely and we noted no significant deficiencies in the amounts reported.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2008

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

IV-J-08 Enterprise Fund, School Nutrition – The District accounts for all nutrition revenues by recording receipts into the lunch revenue account and making year end adjustments to the other meal revenue accounts to categorize the various meal revenue types. All cash received is recognized as earned revenue. However, part of the cash received is unearned revenue and is being held by the District in individual student accounts.

Recommendation – The District should record cash receipts from students in a deferred revenue account, then make monthly entries to record the different classifications of revenues as they are earned. The balance sheet would properly reflect the deferred revenue held in student accounts at year end and the income statement would properly reflect earned revenues at any point in the year.

Response – We will look into what would be required to set up this revenue recognition procedure and make any necessary changes in the future.

Conclusion – Response accepted.

IV-K-08 Revenue Bonds – The required monthly transfers from the LOSST Revenue Account to the Debt Service Sinking Account were not made by the District. The District only made semiannual transfers when the bond payments were due.

Recommendation – The District should make the monthly transfers to the Debt Service Sinking Account as required by the bond resolution.

Response – We will be making monthly transfers to the Debt Service Sinking Account in fiscal year 2009.

Conclusion – Response accepted.