

**WEST LYON COMMUNITY SCHOOL
DISTRICT 60**

WEST LYON COMMUNITY SCHOOL DISTRICT 60

Table of Contents

	<u>Page</u>
School District Officials	1
Independent Auditor's Report	2
Management's Discussion and Analysis	4
Basic Financial Statements	
Statement of Net Assets	A 18
Statement of Activities	B 19
Balance Sheet – Governmental Funds	C 20
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	21
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	D 22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	23
Statement of Net Assets – Proprietary Fund	E 24
Statement of Revenues, Expenditures and Changes in Net Assets – Proprietary Fund	F 25
Statement of Cash Flows – Proprietary Fund	G 26
Notes to Financial Statements	27
Required Supplementary Information	
Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances – Budget and Actual – All Governmental Funds and Proprietary Fund	40
Notes to Required Supplementary Information – Budgetary Reporting	41
Supplementary Information	
Combining Balance Sheet – Nonmajor Special Revenue Funds	43
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Special Revenue Funds	44
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	45
Schedule of Revenues by Source and Expenditures by Function	46
Independent Auditor's Report on Compliance and Other Matters and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	47
Schedule of Findings and Questioned Costs	49

West Lyon Community School District 60
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2008

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
BOARD OF EDUCATION		
(Before September 2007 Election)		
Kay Twedt	President	September 2008
Ken Kerkvliet	Vice President	September 2009
Al Hassebroek	Board Member	September 2008
Rick Mosen	Board Member	September 2010
Gib VanHill	Board Member	September 2010
(After September 2007 Election)		
Kay Twedt	President	September 2008
Ken Kerkvliet	Vice President	September 2009
Al Hassebroek	Board Member	September 2008
Rick Mosen	Board Member	September 2010
Gib VanHill	Board Member	September 2010
SCHOOL OFFICIALS		
Jim Hargens	Superintendent	-
Robert Tracy	Secretary/Business Manager	June 30, 2008
Lyle Impehoven	Treasurer	June 30, 2008
Tom Whorley	Attorney	Indefinite



CPAs & BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the School Board
West Lyon Community School District 60
Inwood, Iowa

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 the **West Lyon Community School District 60**, Inwood, 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 **West Lyon Community School District 60's** officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the **West Lyon Community School District 60** at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated November 24, 2008 on our consideration of the **West Lyon Community School District 60's** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

PEOPLE. PRINCIPLES. POSSIBILITIES.
www.eidebailly.com

Management's Discussion and Analysis and the budgetary comparison information on pages 4 through 16 and 38 through 41 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 methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise **West Lyon Community School District 60's** basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2007 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Eide Bailey LLP

Sioux Falls, South Dakota
November 24, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

West Lyon 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

- The District completed a playground renovation for the elementary school. \$60,000 in playground equipment was purchased and installed. The District also put a lift on its playground asphalt surface to repair dangerous areas...at a cost of \$40,500.
- The District bid for the replacement of part of the existing roof. Bids came in well below budget at a cost of \$84,000. The District intends to complete its re-roofing project over a period of four years.
- West Lyon CSD has students residing in both Lyon and Sioux counties. The taxpayers of both of those counties approved a ten year increase in local option sales and services taxes. The sales tax in each county was increased 1% on applicable sales in those counties. The District intends to use the proceeds of this tax to offset future obligations for the previously noted bond issue. In its legislative session for 2008, the State of Iowa passed laws providing for a 1% increase in state sales taxes to replace existing LOSST issues. The new laws will provide sales tax revenues to schools for a 20 year period, meaning West Lyon will not need to pass the sales tax referendum again in order to pay off its current bonding debt.
- The District purchased over \$100,000 in transportation vehicles for the bus fleet, driver education and special education in FY08.
- The State of Iowa made a substantial investment in teacher salaries through increases in Teacher Quality monies and Professional Development monies. Teachers received an average of \$3,500 in salaries from these programs in FY08.
- General Fund revenues increased from \$5,478,917 in FY07 to \$5,977,812 in FY08. General Fund expenditures increased from \$5,728,072 in FY07 to \$5,835,624 in FY08. The District's General Fund year end balance increased \$142,188 or approximately 22.63% in FY08.
- The increase in expenditures was due primarily to an increase in the negotiated salary and benefits for employees, unanticipated long term absences, health insurance related items, increased utility and fuel costs, and restricted grant expenditures such as "teacher quality". All of the increases in expenditures, except for the restricted grant expenditures, were under funded because student enrollment trends meant that the District was to receive little "new money" (state and local funding based on student enrollment) for

FY08. The District was forced to use local tax dollars to fund the secretary's balance to ensure that the recent trend of declining balances did not continue in FY08.

- The District has long held a substantial carryover fund balance. In the past, one positive effect of having this balance was the interest that was received from the investment of these funds. Interest rates started the year at a relatively low return on investment but finished the year much stronger. Recent trends, however, have been lower.

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 Lyon 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 Lyon 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 Lyon Community School District acts solely as an agent or custodian for the benefit of others.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor Special Revenue Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District. Because the District did not have Federal Awards of more than \$500,000 in FY08, this schedule is not included in this report.

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

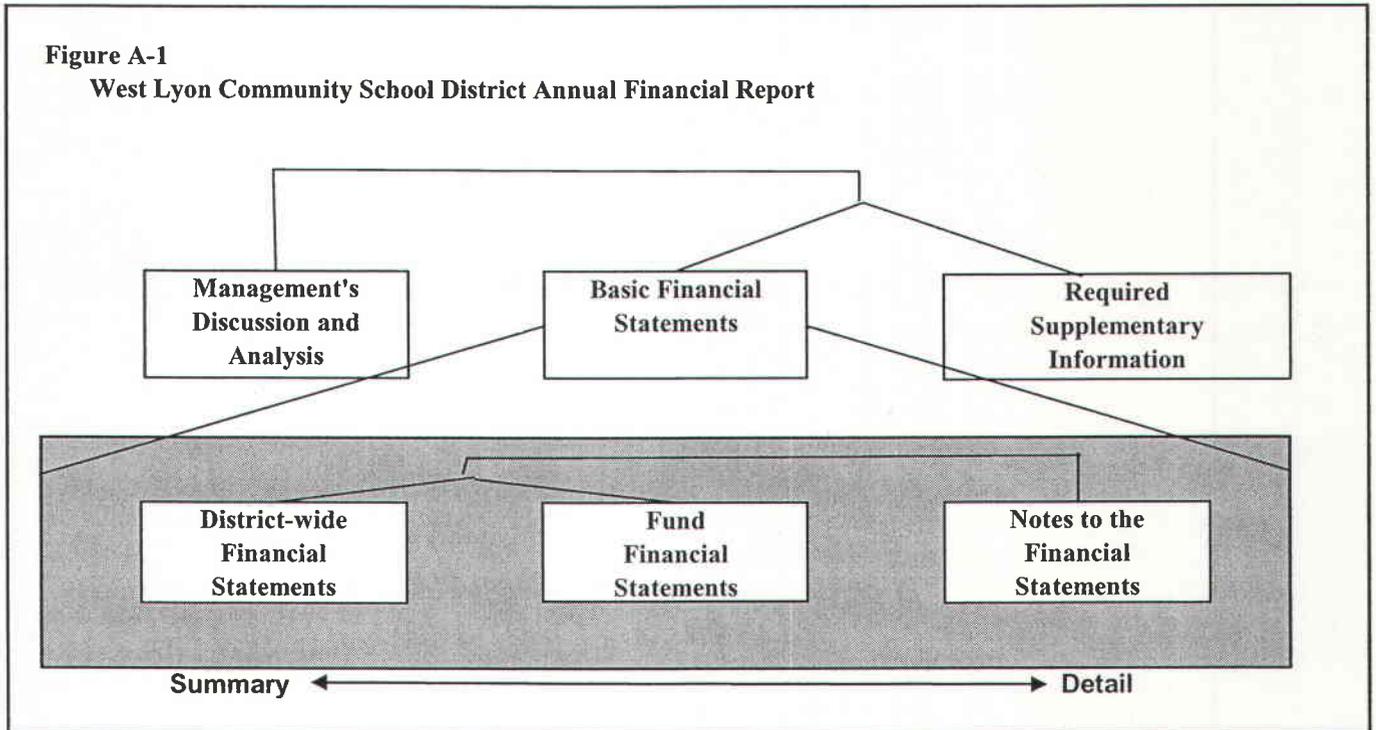


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

	Government-wide Statements	Fund Statements Government Funds	Fund Statements Proprietary Funds	Fund Statements Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	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"> • Statements of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resource 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 two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

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

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

The District has three kinds of funds:

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

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

2. *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Funds.

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

3. *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency Funds.
 - Private-Purpose Trust Funds-The District accounts for outside donations for scholarships for individual students in this fund.
 - Agency Funds-These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and 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.

Reconciliation 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.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007- 2008
Current and other assets	\$4,901,497	\$4,607,238	\$61,437	\$71,946	\$4,962,934	\$4,679,184	6.06%
Capital assets	5,151,280	5,150,222	7,038	\$8,169	5,158,318	5,158,361	-0.0%
Total assets	10,052,777	9,757,460	68,475	\$80,115	10,121,252	9,837,575	2.88%
Long-term liabilities	3,639,440	3,619,383	0	0	3,639,440	3,619,383	.55%
Other liabilities	2,999,546	2,886,096	7,267	6,695	3,006,813	2,892,791	3.94%
Total liabilities	6,638,986	6,505,479	7,267	6,695	6,646,253	6,512,174	2.06%
Net assets:							
Invested in capital assets,							
net of related debt	1,955,888	1,794,984	7,038	8,169	1,962,926	1,803,153	8.86%
Restricted	0	0	\$0	0	0	0	0.00%
Unrestricted	1,457,903	1,456,997	54,740	65,251	1,512,073	1,522,248	-0.67%
Total net assets	\$3,413,791	\$3,251,981	\$61,208	\$73,420	\$3,474,999	\$3,325,401	4.50%

This section explains the differences between the current and prior year's assets, liabilities, and changes in net assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used.

Unrestricted net assets represent the part of net assets that can be used to finance day-to-day operations without constraints established on how they can be used. As noted earlier, the District was forced to use cash reserve local property taxes to fund part of its operations in FY08. Because of this, the District was able to substantially reduce the decline in its unrestricted assets in comparison to recent years.

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

Figure A-4			
Changes in Net Assets			
	Government Activities	Business type Activities	Total District
	June 30, 2008	June 30, 2008	June 30, 2008
Revenues:			
Program revenues:			
Charges for services	\$ 118,091	\$ 170,123	\$ 288,214
Operating grants, contributions and restricted interest	609,243	100,871	710,114
Capital grants, contributions, and restricted interest	-	-	-
General Revenues:			
Property tax	2,258,854	-	2,258,854
Local option sales and service tax	721,800	-	721,800
Unrestricted state grants	2,621,290	-	2,621,290
Unrestricted investment earnings	55,680	405	56,085
Other	814,276	-	814,276
Total revenues	7,199,234	271,399	7,470,633
Program expenses:			
Government activities:			
Instruction	4,399,606	-	4,399,606
Support services	1,937,653	-	1,937,653
Other services	432,914	-	432,914
Non-instructional programs	-	283,611	283,611
Other expenses	267,251	-	267,251
Total expenses	7,037,424	283,611	7,321,035
Change in net assets	\$ 161,810	\$ -12,212	\$ 149,598

Property taxes, sales taxes and unrestricted state grants account for more than 77% of the total revenue. The District's expenses primarily relate to instruction and support services which account for more than 90% of the total expenses.

Governmental Activities

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 for the year ended June 30, 2008.

Figure A-5
Total and Net Cost of Government Activities

	Total Cost of Services	Net Cost of Services
Instruction	\$ 4,399,606	\$ 3,748,734
Support Services	1,937,653	1,861,191
Other Services	432,914	432,914
Other Expenses	267,251	267,251
Totals	<u>\$ 7,037,424</u>	<u>\$ 6,310,090</u>

- The cost financed by users of the District's programs was \$118,091.
- Federal and state grants subsidized certain programs with grants and contributions totaling \$609,243.
- The net cost of government activities was financed with \$2,982,654 in property and other local taxes and \$2,621,290 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$271,399 and expenses were \$283,611. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for services, federal and state reimbursements and investment income.

During FY08 the District did not increase meal prices. Decreased enrollment and thus meal participation dropped by about 30 students per day. This, coupled with increases in food costs and employee costs, caused the District to experience a drop in net assets for business type activities of \$(12,212).

INDIVIDUAL FUND ANALYSIS

As previously noted, West Lyon Community School District uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$1,912,343, above last year's ending fund balance of \$1,731,380. The primary reason for the increase in combined fund balances in FY08 is due to an effort on the part of the Board of Education to increase the secretary's balance by funding a cash reserve levy. It is also due in part to reserved balances that increased to \$42,066 in FY08 from \$9,780 in FY07.

Governmental Fund Highlights

- The District's General Fund financial position became much stronger due to the efforts of its Board of Education. By funding a cash reserve levy, the District was able to see its ending Fund Balance increase by 22.63% to \$770,598.
- The General Fund cash balance increased \$97,051 in FY08, due to the Board of Education's pro-active efforts.
- The Physical Plant and Equipment Levy Fund balance decreased by \$117,077, due mainly to the renovation of the elementary playground and roofing projects. Revenues decreased as well in comparison to FY07 because the District received more than \$100,000 from the State Department of Transportation for renovations in FY07. These funds were a one time revenue and not available in FY08.
- The Capital Projects Fund balance increased during the FY08 school year. The fund ended the year with a balance of \$905,618 consisting of unexpended local option sales tax revenues. This balance will be drawn down as local option sales tax revenues are used to buy down property tax obligations related to long term debt.

Proprietary Fund Highlights

School Nutrition Fund net assets decreased from \$73,420 on June 30, 2007 to \$61,208 on June 30, 2008, representing a decrease of 16.63%. The school chose not to increase meal prices in FY08, but experienced substantial increases in food costs. Increased employee costs and repairs to equipment also contributed to the drop in net assets.

BUDGETARY HIGHLIGHTS

Over the course of the year, West Lyon Community School District amended its budget one time, in May of 2008. The District did so to reflect additional revenues and expenditures associated with the daily operation of the school.

State revenues in the General Fund were more than expected because of an increase in revenues related to restricted state grants such as "Teacher Quality" and "Professional Development".

Expenditures were less than budgeted. The District chose to estimate expenses at a high level to ensure that it did not exceed its spending authority. The District, again in May, chose to amend the budget in an amount that would prevent it from exceeding its authorized budget. The certified budget was not exceeded in any functional area for fiscal year 2008.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2008, the District had invested \$5,158,318, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, A-V equipment, and transportation equipment. More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expense for the year is \$241,080.

The original cost of the District's equipment was \$10,059,288. Governmental funds accounted for \$10,003,620 of that amount and \$55,668 is accounted for in the Proprietary, School Nutrition Fund.

Figure A-6
Capital Assets, net of Depreciation

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-2008
Land	\$39,494	\$39,494	\$0	\$0	\$39,494	\$39,494	0.00%
Construction in Progress	\$0	\$0	\$0	\$0	\$0	\$0	0.00%
Buildings	\$4,615,355	\$4,729,387	\$0	\$0	\$4,615,355	\$4,729,387	-2.41%
Improvements other than buildings	\$94,241	\$64,190	\$0	\$0	\$94,241	\$64,190	46.82%
Furniture and equipment	\$402,190	\$317,151	\$7,038	\$8,169	\$409,228	\$325,320	25.79%
Totals	\$5,151,280	\$5,150,222	\$7,038	\$8,169	\$5,158,318	\$5,158,391	-0.01%

Long-term Debt

On June 30, 2008, the District had \$3,639,440 in general obligation and other long-term debt outstanding. This represents an increase from last year when the District had a total of \$3,619,383 in long-term debt. Most of the increase in debt was related to the early retirement benefits added during the fiscal year. The District increased its obligations under its early retirement policy by \$180,057 in FY08.

In December 2003, the District's voters authorized the issuance of \$3,800,000 in general obligation bonds to pay for construction of a new gymnasium, locker rooms, band rooms, student commons, restrooms, and the remodeling of a study hall, library, and current gymnasium. The debt associated with that bond issue represents the majority of the District's long term debt.

The District also has a long-term obligation for early retirement compensation of \$454,440 at the end of fiscal year 2008.

**Figure A-7
Outstanding Long-Term Obligations**

	Total District		Total Change
	June 30,		June 30,
	2008	2007	2007-2008
General Obligation Bonds	\$3,185,000	\$3,345,000	-4.78%
Early Retirement	454,440	274,383	65.62%
Totals	\$3,639,440	\$3,619,383	.55%

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 affect its financial health in the future:

- The District's recent enrollment declines have plateaued. Given funding discussions at the state legislative level, the District could see reduced revenues sometime in the short term due to decreased enrollment. But, it appears at this time that the District should, given enrollment estimates, begin to see a reversal of its downward financial spiral within a year or two and may need to increase staff rather than the current trend of reductions.
- The District negotiates salary and benefits with the West Lyon Education Association (WLEA) on an annual basis. Total package settlements with the WLEA have been at state average even though the District has seen little or no new money for several years. Because third party arbitrators rarely award compensation packages that are less than state average, it appears that the District will continue to settle at or near state average and, thus, struggle to balance its budget.
- The District has a very tenured staff. Some have indicated that retirement may be in their near future (1-5 years). If the teachers do not retire, the District may, in the short term, need to continue to reduce staff in order to make its budgets fiscally manageable. If these teachers do retire, the District probably will not replace these teachers until some time in the future and simply increase class sizes. Teachers applying for the District's early retirement plan help the General Fund in some ways, but also significantly increase the District's long term debt. In the past year, the District saw an increase of nearly 66% in its long term debt obligations related to early retirement.
- While the District was very fortunate to pass a much needed bond issue, additional pressure has been placed on the General Fund as increased costs to operate the building are included in present and future budgets.

- The District struggles with teacher master contract language that requires the school to pay full family health insurance premiums for instructors who are .80 FTE or greater. This has created a burden on the District and makes its salary schedule somewhat unattractive to new teachers.
- The District continues to look for ways to reduce expenditures. Given local and legislative pressure, the District did decrease the FTE of its Superintendent to half time beginning with the FY08 school year.
- A new bio-diesel plant was planned for construction was expected to begin operation in April of 2007. But these plans have been put on hold at this time. The plant would bring much needed jobs to our area and will give farmers added markets for their commodities.
- Land prices have seen a significant increase in the past year. Prices per acre have increased from \$3,000 to more than \$8,000. Valuations, to a lesser extent, should increase at some point in the future. But to date, they have only increased by less than 2%.
- The District did re-establish its “early retirement”, after having dropped it in FY06. The policy gives teachers a chance to retire once they reach the Rule of 88.
- Supt. James Hargens was hired and began duties on July 1, 2007.
- Patrons of Lyon County passed an issue allowing for the development of a casino to be located in the West Lyon District. Because revenues are student driven, the increase in valuations will have little effect on the school. But more than 400 jobs are expected to be created, and the school may benefit from increased enrollment and funding from the casino’s foundation.
- Legislative changes calling for the hire of librarians, guidance counselors and school nurses are having a financial impact on the school because these are unfunded mandates. The state has also mandated changes to the physical education requirements for students. Coupled with serious increases in costs for transportation, fuel and utilities, these mandates are further stretching an already exhausted school budget.

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 demonstrate the District’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact Bob Tracy, District Secretary and Business Manager, West Lyon Community School District, 1787 IA 182 Ave., Inwood, IA 51240.

Basic Financial Statements

WEST LYON COMMUNITY SCHOOL DISTRICT 60
STATEMENT OF NET ASSETS
JUNE 30, 2008

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents			
ISJIT	\$ 16,580	\$ -	\$ 16,580
Other	2,244,730	55,938	2,300,668
Receivables			
Property tax:			
Delinquent	27,391	-	27,391
Succeeding year	2,320,964	-	2,320,964
Accrued interest:			
ISJIT	18	-	18
Other	8,543	-	8,543
Due from other governments	279,800	-	279,800
Inventories	-	5,499	5,499
Capital assets, net of accumulated depreciation	5,151,280	7,038	5,158,318
TOTAL ASSETS	\$ 10,052,777	\$ 68,475	\$ 10,121,252
LIABILITIES			
Accounts payable	\$ 55,562	\$ -	\$ 55,562
Salaries and benefits payable	584,911	3,959	588,870
Unearned revenue-succeeding year property tax	2,320,964	-	2,320,964
Unearned revenue-other	-	3,308	3,308
Due to other governments	27,717	-	27,717
Accrued interest payable	10,392	-	10,392
Long-term liabilities			
Due within one year	201,309	-	201,309
Due in more than one year	3,438,131	-	3,438,131
TOTAL LIABILITIES	6,638,986	7,267	6,646,253
NET ASSETS			
Invested in capital assets, net of related debt	1,955,888	7,038	1,962,926
Unrestricted	1,457,903	54,170	1,512,073
TOTAL NET ASSETS	3,413,791	61,208	3,474,999
TOTAL LIABILITIES AND NET ASSETS	\$ 10,052,777	\$ 68,475	\$ 10,121,252

WEST LYON COMMUNITY SCHOOL DISTRICT 60
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008

<u>Functions/Programs</u>	<u>Program Revenues</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants, Contributions and Restricted Interest</u>
Governmental activities:			
Instruction:			
Regular instruction	\$ 2,837,863	\$ 40,851	\$ 371,585
Special instruction	806,060	7,384	114,099
Other instruction	755,683	69,006	47,947
	<u>4,399,606</u>	<u>117,241</u>	<u>533,631</u>
Support services:			
Student	336,054	-	32,491
Instructional staff	130,335	-	2,600
Administration	456,702	-	-
Operation and maintenance of plant	513,664	850	-
Transportation	500,898	-	40,521
	<u>1,937,653</u>	<u>850</u>	<u>75,612</u>
Other services:	<u>432,914</u>	<u>-</u>	<u>-</u>
Other expenditures:			
Long-term debt interest	124,236	-	-
Depreciation (unallocated)*	143,015	-	-
	<u>267,251</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>7,037,424</u>	<u>118,091</u>	<u>609,243</u>
Business type activities:			
Non-instructional programs:			
Food service operations	283,611	170,123	100,871
	<u>283,611</u>	<u>170,123</u>	<u>100,871</u>
Total	<u>\$ 7,321,035</u>	<u>\$ 288,214</u>	<u>\$ 710,114</u>
General revenues:			
Property tax levied for:			
General purposes			
Debt service			
Capital outlay			
Local option sale and services tax			
Unrestricted state grants			
Unrestricted investment earnings			
Other			
Total general revenues			
Change in net assets			
Net assets beginning of year			
Net assets end of year			

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

See Notes to Financial Statements

Net (Expense) Revenue and
Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (2,425,427)	\$ -	\$ (2,425,427)
(684,577)	-	(684,577)
(638,730)	-	(638,730)
<u>(3,748,734)</u>	<u>-</u>	<u>(3,748,734)</u>
(303,563)	-	(303,563)
(127,735)	-	(127,735)
(456,702)	-	(456,702)
(512,814)	-	(512,814)
(460,377)	-	(460,377)
<u>(1,861,191)</u>	<u>-</u>	<u>(1,861,191)</u>
(432,914)	-	(432,914)
(124,236)	-	(124,236)
(143,015)	-	(143,015)
<u>(267,251)</u>	<u>-</u>	<u>(267,251)</u>
(6,310,090)	-	(6,310,090)
	(12,617)	(12,617)
<u>\$ (6,310,090)</u>	<u>\$ (12,617)</u>	<u>\$ (6,322,707)</u>
\$ 1,993,909	\$ -	\$ 1,993,909
5,474	-	5,474
259,471	-	259,471
721,800	-	721,800
2,621,290	-	2,621,290
55,680	405	56,085
814,276	-	814,276
<u>6,471,900</u>	<u>405</u>	<u>6,472,305</u>
161,810	(12,212)	149,598
<u>3,251,981</u>	<u>73,420</u>	<u>3,325,401</u>
<u>\$ 3,413,791</u>	<u>\$ 61,208</u>	<u>\$ 3,474,999</u>

WEST LYON COMMUNITY SCHOOL DISTRICT 60
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

	General	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
Assets					
Cash and pooled investments:					
ISJIT	\$ 5,563	\$ -	\$ -	\$ 11,017	\$ 16,580
Other	1,231,982	10,327	750,321	252,100	2,244,730
Receivables:					
Property tax:					
Delinquent	24,121	65	-	3,205	27,391
Succeeding year	2,061,298	966	-	258,700	2,320,964
Other	2,767	-	-	704	3,471
Accrued interest:					
ISJIT	-	-	-	18	18
Other	6,503	-	2,040	-	8,543
Due from other governments	124,334	-	155,466	-	279,800
Total assets	\$ 3,456,568	\$ 11,358	\$ 907,827	\$ 525,744	\$ 4,901,497
Liabilities and fund balances					
Liabilities:					
Accounts payable	\$ 12,044	\$ -	\$ 2,209	\$ 41,309	\$ 55,562
Salaries and benefits payable	584,911	-	-	-	584,911
Due to other governments	27,717	-	-	-	27,717
Deferred revenue:					
Succeeding year property tax	2,061,298	966	-	258,700	2,320,964
Total liabilities	2,685,970	966	2,209	300,009	2,989,154
Fund Balances:					
Reserved for debt service	-	10,392	-	-	10,392
Reserved for market factor	8,607	-	-	-	8,607
Reserved for at-risk	20,749	-	-	-	20,749
Reserved for professional development	2,318	-	-	-	2,318
Unreserved	738,924	-	905,618	225,735	1,870,277
Total fund balances	770,598	10,392	905,618	225,735	1,912,343
Total liabilities and fund balances	\$ 3,456,568	\$ 11,358	\$ 907,827	\$ 525,744	\$ 4,901,497

WEST LYON COMMUNITY SCHOOL DISTRICT 60
RECONCILIATION OF THE BALANCE SHEET GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET ASSETS
JUNE 30, 2008

Total fund balances of governmental funds (page 16)	\$ 1,912,343
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	5,151,280
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.	(10,392)
Long-term liabilities, including bonds and notes payable and compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(3,639,440)</u>
Net assets of governmental activities	<u>\$ 3,413,791</u>

WEST LYON COMMUNITY SCHOOL DISTRICT 60
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2008

	General	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
Revenues:					
Local sources:					
Local tax	\$ 2,300,645	\$ 5,474	\$ 443,270	\$ 259,472	\$ 3,008,861
Other	136,948	-	-	232,944	369,892
State sources	3,359,743	3	-	159	3,359,905
Federal sources	180,476	100	-	-	180,576
Total revenues	<u>5,977,812</u>	<u>5,577</u>	<u>443,270</u>	<u>492,575</u>	<u>6,919,234</u>
Expenditures:					
Current:					
Instruction:					
Regular	2,742,536	-	-	95,327	2,837,863
Special	804,677	-	-	-	804,677
Other	527,983	-	-	227,700	755,683
	<u>4,075,196</u>	<u>-</u>	<u>-</u>	<u>323,027</u>	<u>4,398,223</u>
Support services:					
Student	155,996	-	-	-	155,996
Instructional staff	81,213	-	-	-	81,213
Administration	452,795	-	-	15,964	468,759
Operation and maintenance of plant	443,580	-	34,896	-	478,476
Transportation	368,396	-	-	-	368,396
	<u>1,501,980</u>	<u>-</u>	<u>34,896</u>	<u>15,964</u>	<u>1,552,840</u>
Other expenditures:					
Facilities acquisition	-	-	-	184,729	184,729
Management fund	-	-	-	59,066	59,066
AEA flowthrough	258,448	-	-	-	258,448
Long-term debt:					
Principal	-	160,000	-	-	160,000
Interest and fiscal charges	-	124,965	-	-	124,965
	<u>258,448</u>	<u>284,965</u>	<u>-</u>	<u>243,795</u>	<u>787,208</u>
Total expenditures	<u>5,835,624</u>	<u>284,965</u>	<u>34,896</u>	<u>582,786</u>	<u>6,738,271</u>
Excess (deficiency) of revenues over (under) expenditures	<u>142,188</u>	<u>(279,388)</u>	<u>408,374</u>	<u>(90,211)</u>	<u>180,963</u>
Other financing sources (uses):					
Sale of equipment	-	-	-	-	-
Operating transfer in	-	280,000	-	-	280,000
Operating transfer out	-	-	(280,000)	-	(280,000)
Total other financing sources (uses)	<u>-</u>	<u>280,000</u>	<u>(280,000)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	142,188	612	128,374	(90,211)	180,963
Fund balances beginning of year	628,410	9,780	777,244	315,946	1,731,380
Fund balances end of year	<u>\$ 770,598</u>	<u>\$ 10,392</u>	<u>\$ 905,618</u>	<u>\$ 225,735</u>	<u>\$ 1,912,343</u>

See Notes to Financial Statements

WEST LYON COMMUNITY SCHOOL DISTRICT 60
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT
OF ACTIVITIES
JUNE 30, 2008

Net change in fund balances - total governmental funds **\$ 180,963**

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

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

Expenditures for capital assets	\$ 242,527	
Loss on disposals	(389)	
Gain on sale	-	
Depreciation expense	<u>(241,080)</u>	1,058

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. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issues exceeded repayments, as follows:

Repaid		160,000
--------	--	---------

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, interest expense is recognized as the interest accrues, regardless of when it is due.

(153)

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 government funds, as follows:

Early retirements	<u>(180,057)</u>	
-------------------	------------------	--

Change in net assets of governmental activities **\$ 161,810**

WEST LYON COMMUNITY SCHOOL DISTRICT 60
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2008

	<u>School Nutrition</u>
Assets	
Cash and cash equivalents	\$ 55,938
Inventories	5,499
Capital assets, net of accumulated depreciation	<u>7,038</u>
Total assets	<u>68,475</u>
Liabilities	
Salaries and benefits payable	3,959
Unearned revenue	<u>3,308</u>
Total liabilities	<u>7,267</u>
Net assets	
Invested in capital assets, net of related debt	7,038
Unrestricted	<u>54,170</u>
Total net assets	<u>\$ 61,208</u>

WEST LYON COMMUNITY SCHOOL DISTRICT 60
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2008

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Sale of lunches	\$ 163,835
Miscellaneous	6,288
Total operating revenues	<u>170,123</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries and benefits	131,063
Supplies	124,926
Other	6,194
Depreciation	1,131
Federal food commodities used	20,297
Total operating expenses	<u>283,611</u>
Operating loss	<u>(113,488)</u>
Non-operating revenues:	
State sources	3,803
Federal sources	97,068
Interest income	405
Total non-operating revenues	<u>101,276</u>
Change in net assets	(12,212)
Net assets beginning of year	<u>73,420</u>
Net assets end of year	<u>\$ 61,208</u>

WEST LYON COMMUNITY SCHOOL DISTRICT 60
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2008

	School Nutrition
Cash flows used for operating activities:	
Cash received from sale of lunches and breakfasts	\$ 163,835
Cash received from miscellaneous operating activities	6,288
Cash paid to employees for services	(130,801)
Cash paid to suppliers for goods or services	(131,078)
Net cash used for operating activities	<u>(91,756)</u>
Cash flows from non-capital financing activities:	
State grants received	3,803
Federal grants received	76,772
Net cash from non-capital financing activities:	<u>80,575</u>
Cash flows from investing activities:	
Interest on investments	405
Net cash from investment activities	<u>405</u>
Net decrease in cash and cash equivalents	<u>(10,776)</u>
Cash and cash equivalents at beginning of year	<u>66,714</u>
Cash and cash equivalents at end of year	<u>\$ 55,938</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (113,488)
Adjustments to reconcile operating loss to net cash (used in) operating activities:	
Depreciation	1,131
Commodities used	19,567
Decrease in inventories	462
Increase in salaries and benefits payable	262
Increase in deferred revenue	310
Net cash used for operating activities	<u>\$ (91,756)</u>

Noncash investing, capital and financing activities:

During the year ended June 30, 2008, the District received \$20,296 of federal commodities and consumed Federal commodities of \$19,567.

WEST LYON COMMUNITY SCHOOL DISTRICT 60
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The **West Lyon Community School District 60** is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the cities of Inwood, Larchwood, Lester and Alvord, Iowa and the predominate agricultural territory surrounding such in Lyon County. 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 (GAAP) as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, **West Lyon Community School District 60** has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The **West Lyon Community School District 60** has no component units that meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation, Basis of Accounting

Government-wide Statements: The Statement of Net Assets and the Statement of Activities report information on all the nonfiduciary activities of the District. For the most part, the effect of the 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, and 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.

NOTES TO FINANCIAL STATEMENTS

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions, and interest restricted to meeting the operational or capital requirements of a particular program. 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 and proprietary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

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

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for food service operations of the District.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary 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.

NOTES TO FINANCIAL STATEMENTS

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 are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

Cash, Pooled Investments and Cash Equivalents:

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

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

NOTES TO FINANCIAL STATEMENTS

Property Tax Receivable:

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

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

Property tax revenue recognized in these funds becomes due and collectible in September and March of the current fiscal year with a 1 1/2% 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 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 government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

NOTES TO FINANCIAL STATEMENTS

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 1,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	1,000

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

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable:

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

Deferred Revenue:

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

Unearned 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.

Long-Term Liabilities:

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity:

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

NOTES TO FINANCIAL STATEMENTS

Restricted Net Assets:

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

E. Budgets and Budgetary Accounting

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

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 that there will be no loss of public funds.

As of June 30, 2008, the book balance of the District's cash deposits plus petty cash totaled \$500,668 and the bank balance totaled \$499,896.

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 investments in the Iowa Schools Joint Investment Trust (ISJIT) diversified portfolio totaling \$16,580. The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940. ISJAIT is registered with and regulated by the Securities and Exchange Commission.

At June 30, 2008, the District had investments in certificates of deposit paper totaling \$1,800,000.

Interest Rate Risk. The District's investment policy limits the investments of operating funds (funds expected to be expended in the current budget year or within fifteen months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in instruments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the District. The District did not hold any instruments with a maturity greater than 397 days during the year.

Credit risk. The District's investment policy limits investments in commercial paper and other corporate debt to the top two highest classifications. The investments in the Iowa Schools Joint Investment Trust were both rated Aaa by Moody's Investors Service.

Concentration of Credit Risk. The District's investment policy does not allow for a prime bankers' acceptance or commercial paper and other corporate debt balances to be greater than ten percent of its total deposits and investments. The policy also limits the amount that can be invested in a single issue to five percent of its total deposits and investments.

Custodial Credit Risk – Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's deposits are entirely covered by federal depository

NOTES TO FINANCIAL STATEMENTS

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.

Custodial Credit Risk – Investments. The District does not have a policy relating to custodial credit risk for investments.

The following is a reconciliation of cash and investments as shown on the financial statements:

Cash deposits and petty cash	\$	500,668
ISJIT Investments		16,580
Certificates of deposit		<u>1,800,000</u>
	\$	<u><u>2,317,248</u></u>

NOTE 3 – INTERFUND TRANSFER

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

<u>Transfer to</u>	<u>Tranfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	<u><u>\$ 280,000</u></u>

Transfers to the Debt Service Fund, a nonmajor governmental fund, are for the principal and interest payments of the general obligation bond.

NOTES TO FINANCIAL STATEMENTS

NOTE 3 - CAPITAL ASSETS

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

Governmental Activities:	Balance 07/01/07	Increases	Decreases	Balance 06/30/08
Capital assets not being depreciated:				
Land	\$ 39,494	\$ -	\$ -	\$ 39,494
Total capital assets not being depreciated	<u>39,494</u>	<u>-</u>	<u>-</u>	<u>39,494</u>
Capital assets being depreciated:				
Buildings	6,435,856	15,217	885	6,450,188
Improvements other than buildings	380,229	40,500	-	420,729
Machinery and equipment	3,054,643	186,810	108,750	3,132,703
Total capital assets being depreciated	<u>9,870,728</u>	<u>242,527</u>	<u>109,635</u>	<u>10,003,620</u>
Less accumulated depreciation for:				
Buildings	1,706,469	128,860	496	1,834,833
Improvements other than buildings	316,039	10,449	-	326,488
Machinery and equipment	2,737,492	101,771	108,750	2,730,513
Total accumulated depreciation	<u>4,760,000</u>	<u>241,080</u>	<u>109,246</u>	<u>4,891,834</u>
Total capital assets being depreciated, net	<u>5,110,728</u>	<u>1,447</u>	<u>389</u>	<u>5,111,786</u>
Governmental activities capital assets, net	<u>\$ 5,150,222</u>	<u>\$ 1,447</u>	<u>\$ 389</u>	<u>\$ 5,151,280</u>

(continued on next page)

NOTES TO FINANCIAL STATEMENTS

Business Type Activities:	Balance 07/01/07	Increases	Decreases	Balance 06/30/08
Furniture and equipment	\$ 55,668	\$ -	\$ -	\$ 55,668
Less accumulated depreciation	<u>47,499</u>	<u>1,131</u>	<u>-</u>	<u>48,630</u>
Business type activities capital assets, net	<u>\$ 8,169</u>	<u>\$ 1,131</u>	<u>\$ -</u>	<u>\$ 7,038</u>
Depreciation expense was charged to the				
Governmental activities:				
Instruction:				
Regular				\$ -
Special				1,383
Other				-
Support Services:				
Instructional staff				49,538
Administration				780
Operation and maintenance of plant				2,185
Transportation				<u>44,179</u>
				98,065
Unallocated				<u>143,015</u>
Total depreciation expense - governmental				<u>\$ 241,080</u>
Business type activities:				
Food service operations				<u>\$ 1,131</u>

NOTE 4 - LONG-TERM LIABILITIES

Changes in long-term liabilities for the year ended June 30, 2008 are summarized as follows:

	Balance 07/01/07	Increases	Decreases	Balance 06/30/08	Due in One Year
General obligation bonds	\$ 3,345,000	\$ -	\$ (160,000)	\$ 3,185,000	\$ 160,000
Early retirement	<u>274,383</u>	<u>353,853</u>	<u>(173,796)</u>	<u>454,440</u>	<u>41,309</u>
	<u>\$ 3,619,383</u>	<u>\$ 353,853</u>	<u>\$ (333,796)</u>	<u>\$ 3,639,440</u>	<u>\$ 201,309</u>

NOTES TO FINANCIAL STATEMENTS

Early Retirement Payable

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must have completed at least fifteen years of full-time service to the District and must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commences. The application for early retirement is subject to approval by the Board of Education and no more than five employees per year will be granted benefits under the policy. At June 30, 2008, the District has obligations to eleven participants with a total liability of \$454,440. Actual early retirement expenditures for the year ended June 30, 2008 totaled \$180,057.

General Obligation Bonds Payable

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

Year Ending June 30,	Bond Issue of February 1, 2004		
	Interest Rates	Principal	Interest
2009	2.75%	160,000	120,565
2010	3.00%	165,000	116,165
2011	3.25%	175,000	111,215
2012	3.35%	180,000	105,527
2013	3.35%	185,000	99,498
2014-2018	3.50-4.00%	1,035,000	394,852
2019-2023	4.05-4.40%	1,285,000	170,945
		<u>\$ 3,185,000</u>	<u>\$ 1,118,768</u>

The bonds are payable solely from the proceeds of the local option sales and services tax revenues received by the district. The bonds mature on June 1 in each of the years, in the respective principal amounts and bear interest payable semiannually. The bonds were issued by the District for the purpose of paying costs in connection with the constructing, furnishing and equipping a new gymnasium, lockers and band room, and remodeling the existing facility. The District reserves the rights to call and redeem part or all of the bonds maturing in each of the years 2013 and 2023. The bonds mature on June 1, 2023.

NOTES TO FINANCIAL STATEMENTS

NOTE 5 - PENSION AND RETIREMENT BENEFITS

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

Plan members are required to contribute 4.00% of their annual covered salary and the District is required to contribute 6.05% of annual covered payroll for the years ended June 30, 2008, 2007 and 2006. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2008, 2007, and 2006, were \$211,580, \$193,740, and \$199,425, respectively, equal to the required contributions for each year.

NOTE 6 - RISK MANAGMENT

West Lyon Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; error and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. There were no reductions in insurance coverage from the prior year. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 7 - 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 \$258,448 for the year ended June 30, 2008, and is recorded in the General Fund by making a memorandum adjusting entry to the financial statements.

NOTE 8 - NEW GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) STANDARDS

The Governmental Accounting Standards Board (GASB) has issued two statements not yet implemented by the West Lyon Community School District 60. The statements, which might impact the West Lyon Community School District 60, are as follows:

Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* issued June 2004, will be effective for the District for the fiscal year ending June 30, 2009. This statement establishes standards for the measurement, recognition, and display of (OPEB) expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers.

Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* issued November 2006, will be effective for the fiscal year ending June 30, 2009. This statement establishes standards for accounting and financial reporting for obligations to address the current or potential detrimental effects of existing pollution.

Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, issued June 2007 will be effective for the fiscal year ending June 2010. This statement requires that all intangible assets not specifically excluded by its scope be classified as capital assets.

NOTES TO FINANCIAL STATEMENTS

Statement No. 52, *Land and Other Real Estate Held as Investments by Endowment*, issued November 2007, will be effective for the fiscal year ending June 30, 2010. This statement establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities.

Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, issued June 2008, will be effective for the fiscal year ending June 30, 2011. This statements addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments.

The District's management has not yet determined the effect these statements will have on the District's financial statements.

WEST LYON COMMUNITY SCHOOL DISTRICT 60

REQUIRED SUPPLEMENTARY INFORMATION

WEST LYON COMMUNITY SCHOOL DISTRICT 60
BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN BALANCES – BUDGET AND ACTUAL – ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUND
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2008

	Governmental Funds Actual	Proprietary Fund Actual
Receipts:		
Local sources	\$ 3,378,853	\$ 170,527
State sources	3,359,905	3,803
Federal sources	180,476	97,068
Total receipts	<u>6,919,234</u>	<u>271,398</u>
Disbursements:		
Instruction	4,407,709	-
Support services	1,673,040	6,173
Non-Instructional programs	-	277,437
Other expenditures	657,522	-
Total disbursements	<u>6,738,271</u>	<u>283,610</u>
Deficiency of receipts under disbursements	180,963	(12,212)
Other financing sources (uses):		
Interfund transfer in	280,000	-
Interfund transfer out	(280,000)	-
Other	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	180,963	(12,212)
Balances beginning of year	<u>1,731,380</u>	<u>73,420</u>
Balances end of year	<u>\$ 1,912,343</u>	<u>\$ 61,208</u>

WEST LYON COMMUNITY SCHOOL DISTRICT 60
BUDGETARY COMPARISON SCHEDULE – BUDGET TO GAAP RECONCILIATION
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2008

Total Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
	Original	Final	
\$ 3,549,380	\$ 3,571,070	\$ 3,571,070	\$ (21,690)
3,363,708	3,309,168	3,309,168	54,540
277,544	321,174	321,174	(43,630)
<u>7,190,632</u>	<u>7,201,412</u>	<u>7,201,412</u>	<u>(10,780)</u>
4,407,709	4,491,987	4,792,000	384,291
1,679,213	1,624,171	1,875,000	195,787
277,437	315,000	315,000	37,563
657,522	707,745	799,000	141,478
<u>7,021,881</u>	<u>7,138,903</u>	<u>7,781,000</u>	<u>759,119</u>
168,751	62,509	(579,588)	(769,899)
280,000	280,000	280,000	-
(280,000)	(280,000)	(280,000)	-
-	500	500	(500)
<u>-</u>	<u>500</u>	<u>500</u>	<u>(500)</u>
168,751	63,009	(579,088)	(770,399)
<u>1,804,800</u>	<u>1,900,178</u>	<u>1,900,178</u>	<u>(95,378)</u>
<u>\$ 1,973,551</u>	<u>\$ 1,963,187</u>	<u>\$ 1,321,090</u>	<u>\$ (865,777)</u>

WEST LYON COMMUNITY SCHOOL DISTRICT 60
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
JUNE 30, 2008

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except 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 a GAAP basis.

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

During the year ended June 30, 2008 none of the functions exceeded the amount budgeted and the District did not exceed its General Fund unspent authorized budget.

WEST LYON COMMUNITY SCHOOL DISTRICT 60
OTHER SUPPLEMENTARY INFORMATION

WEST LYON COMMUNITY SCHOOL DISTRICT 60
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2008

	Student Activity	Management Levy	Physical Plant and Equipment Levy	Total
Assets				
Cash and pooled investments:				
ISJIT	\$ -	\$ -	\$ 11,017	\$ 11,017
Other	50,972	101,119	100,009	252,100
Receivables:				
Property tax:				
Delinquent	-	2,343	862	3,205
Succeeding year	-	191,398	67,302	258,700
Other	704	-	-	704
Accrued interest:				
ISJIT	-	-	18	18
Due from other governments	-	-	-	-
Total assets	\$ 51,676	\$ 294,860	\$ 179,208	\$ 525,744
Liabilities and fund balances				
Liabilities:				
Accounts payable	\$ -	\$ 41,309	\$ -	\$ 41,309
Deferred revenue:				
Succeeding year property tax	-	191,398	67,302	258,700
Total liabilities	-	232,707	67,302	300,009
Fund balances:				
Unreserved	51,676	62,153	111,906	225,735
Total fund balances	51,676	62,153	111,906	225,735
Total liabilities and fund balances	\$ 51,676	\$ 294,860	\$ 179,208	\$ 525,744

WEST LYON COMMUNITY SCHOOL DISTRICT 60
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2008

	Student Activity	Management Levy	Physical Plant and Equipment Levy	Total
Revenues:				
Local sources:				
Local tax	\$ -	\$ 193,651	\$ 65,821	\$ 259,472
Other	230,717	437	1,790	232,944
State sources	-	118	41	159
Total revenues	<u>230,717</u>	<u>194,206</u>	<u>67,652</u>	<u>492,575</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	-	95,327	-	95,327
Other instruction	227,700	-	-	227,700
Support services:				
Administration services	-	15,964	-	15,964
Other expenditures:				
Facilities acquisition	-	-	184,729	184,729
Management fund	-	59,066	-	59,066
Total expenditures	<u>227,700</u>	<u>170,357</u>	<u>184,729</u>	<u>582,786</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,017</u>	<u>23,849</u>	<u>(117,077)</u>	<u>(90,211)</u>
Other financing sources (uses):				
Sale of equipment	-	-	-	-
Total other financing sources (uses):	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing sources	3,017	23,849	(117,077)	(90,211)
Fund balances beginning of year	<u>48,659</u>	<u>38,304</u>	<u>228,983</u>	<u>315,946</u>
Fund balances end of year	<u>\$ 51,676</u>	<u>\$ 62,153</u>	<u>\$ 111,906</u>	<u>\$ 225,735</u>

WEST LYON COMMUNITY SCHOOL DISTRICT 60
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2008

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
System wide athletics	\$ 28,834	\$ 31,238	\$ 25,170	\$ 34,902
Softball	-	347	347	-
Track	-	5,193	5,193	-
Volleyball	325	2,883	3,208	-
Football	1,097	18,714	19,811	-
Basketball	532	15,280	15,812	-
Wrestling	-	10,538	10,299	239
Cross country	118	421	475	64
Vocal music	-	1,424	1,424	-
Student council	3,951	4,334	5,423	2,862
FFA	2,835	89,409	87,437	4,807
Annual	-	10,785	10,785	-
Class of 2008	1,489	4,252	4,828	913
Class of 2009	119	10,272	10,286	105
Class of 2010	180	41	-	221
Class of 2011	43	42	-	85
Class of 2005	607	26	-	633
Class of 2006	-	19	-	19
Class of 2007	57	-	57	-
Industrial arts	-	1,300	1,300	-
Speech	541	4,160	4,205	496
Library fund	724	624	293	1,055
National Honor Society	1,086	1,318	1,154	1,250
Band	-	6,183	6,064	119
FLA	1,629	-	-	1,629
NWIMBI	303	-	-	303
Elementary annual	4,189	11,914	14,129	1,974
	\$ 48,659	\$ 230,717	\$ 227,700	\$ 51,676

WEST LYON COMMUNITY SCHOOL DISTRICT 60
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
YEARS ENDED JUNE 30, 2008, 2007, 2006 AND 2005

	2008	2007	2006	2005
Revenues:				
Local sources:				
Local tax	\$3,008,861	\$2,857,781	\$2,706,164	\$2,228,728
Other	369,892	412,142	309,607	314,697
State sources	3,359,905	3,062,075	3,044,640	2,864,943
Federal sources	180,576	201,182	241,931	274,532
Interest	-	-	-	8,540
Total	<u><u>\$6,919,234</u></u>	<u><u>\$6,533,180</u></u>	<u><u>\$6,302,342</u></u>	<u><u>\$5,691,440</u></u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	\$2,837,863	\$2,759,490	\$2,732,543	\$3,007,316
Special instruction	804,677	856,550	768,838	641,080
Other instruction	755,683	775,827	740,274	506,805
Support services:				
Student services	155,996	159,517	150,500	144,806
Instructional staff services	81,213	68,272	48,728	41,881
Administration services	468,759	465,787	467,134	452,537
Operation and maintenance of plant services	478,476	483,195	446,219	376,261
Transportation services	368,396	346,461	337,826	313,043
Other expenditures:				
Facilities acquisition	184,729	209,135	433,145	3,239,302
Management fund	59,066	56,065	38,870	40,363
Long-term debt:				
Principal	160,000	155,000	150,000	150,000
Interest and fiscal charges	124,965	128,095	131,065	178,620
AEA flowthrough	258,448	252,449	245,586	235,998
Total	<u><u>\$6,738,271</u></u>	<u><u>\$6,715,843</u></u>	<u><u>\$6,690,728</u></u>	<u><u>\$9,328,012</u></u>



CPAs & BUSINESS ADVISORS

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

To the School Board
West Lyon Community School District 60
Inwood, Iowa

We have audited the financial statements of **West Lyon Community School District 60** as of and for the year ended June 30, 2008, and have issued our report thereon dated November 24, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered **West Lyon Community School District 60's** internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements 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 that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of 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 internal control that might be significant deficiencies or material weaknesses. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting.

PEOPLE. PRINCIPLES. POSSIBILITIES.

www.eidebailly.com

Compliance and Other Matters

As part of obtaining reasonable assurance about whether **West Lyon Community School District 60's** financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of **West Lyon Community School District 60** in a separate letter dated November 24, 2008.

West Lyon Community School District 60 response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit **West Lyon Community School District 60** and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the board of directors, management and the federal and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.



Sioux Falls, South Dakota
November 24, 2008

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

PART I: FINDINGS RELATED TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

I-A-08 One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties, which are incompatible.

In the General Fund we noted that the person receiving checks and cash also prepared the bank deposit and posted the amounts in the general ledger.

In the School Nutrition Fund we noted that the person receiving the cash also prepared the bank deposit and posted the amounts in the general ledger.

In the School Activity Fund we noted that the person receiving the cash also prepared the bank deposit and was responsible for posting amounts to a receipts listing.

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

Response We will continue to review our procedures and implement additional controls where possible.

Conclusion Response accepted.

I-B-08 Financial statements and footnotes are prepared by the auditor.

The District does not have an internal control system designed to provide for the preparation of the financial statements being audited. As auditors, we were requested to draft the financial statements, accompanying notes to the financial statements.

Recommendation It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response Ongoing finding.

Conclusion Response accepted.

PART II: OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING

II-A-07 Certified Budget

Disbursements for the year ended June 30, 2008 did not exceed the amount budgeted.

II-B-07 Questionable Disbursements

We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

II-C-07 Travel Expense

No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-07 Business Transactions

Business transactions between the District and District officials or employees are detailed as follows:

<u>Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Al Hassebroek, Board Member, employee of AB Auto	Repairs	\$ 501

In accordance with Chapter 365.5(10) of the Code of Iowa, the transaction with AB Auto does not appear to represent conflicts of interest since total transactions with the individual was less than \$1,500 during the fiscal year.

II-E-07 Bond Coverage

Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage appears adequate for current operations.

II-F-07 Board Minutes

We noted no transactions, requiring Board approval, which had not been approved by the Board.

II-G-07 Certified Enrollment

We noted no variances in the basic enrollment data certified to the Department of Education.

II-H-07 Deposits and Investments

We noted 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.

II-I-07 Certified Annual Report

The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.

II-J-07 Student Activity Fund

The Student Activity Funds had no deficit balances at June 30, 2008.



CPAs & BUSINESS ADVISORS

The Board of Education
West Lyon Community School District 60
Inwood, IA 51240

We have audited the financial statements of West Lyon Community School District 60 for the year ended June 30, 2008, and have issued our report thereon dated November 24, 2008. Professional standards require that we provide you with the following information related to our audit.

OUR RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA

As stated in our engagement letter dated June 19, 2008, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute assurance that the financial statements are free of material misstatement and are fairly presented in accordance with generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute, assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by us.

PLANNED SCOPE AND TIMING OF THE AUDIT

We performed our audit according the planned scope and timing discussed with management and in accordance with our engagement letter to you dated June 19, 2008.

SIGNIFICANT AUDIT FINDINGS AND CONSIDERATIONS

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of West Lyon Community School District 60, we considered West Lyon Community School District 60's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of West Lyon Community School District 60's internal control. Accordingly, we do not express an opinion on the effectiveness of the West Lyon Community School District 60's internal control.

Our consideration of internal control was for the limited purpose described in the above paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we noted certain deficiencies in internal control that we consider to be significant deficiencies or material weaknesses.

PEOPLE. PRINCIPLES. POSSIBILITIES.

www.eidebailly.com

200 E. 10th St., Ste. 500 ■ P.O. Box 5125 ■ Sioux Falls, SD 57117-5125 ■ Phone 605.339.1999 ■ Fax 605.339.1306 ■ EOE

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

We consider the following items to be significant deficiencies in internal control.

Preparation of Financial Statements

We were requested to draft the financial statements and accompanying notes to the financial statements. West Lyon Community School District 60 does not have an internal control system over financial reporting designed to provide for the preparation of the financial statements, including the accompanying footnotes as required by generally accepted accounting standards, on a periodic or annual basis. The guidance in Statement of Auditing Standards No. 112, *Communicating Internal Control Related Matters Identified in An Audit*, requires us to communicate this matter to those charged with governance. This circumstance is not unusual in an entity of your size. It is the responsibility of management and those charged with governance to make the decisions whether to accept the degree of risk associated with this condition because of cost or other considerations.

Limited Size of Office Staff

It is desirable, from a standpoint of good internal control, that the functions of execution of transactions, recording of transactions, and accountability for assets be performed by different individuals. We realize that, in an entity of your size, complete segregation of duties may not be possible; however, we bring this to your attention as a matter of record.

In determining how to mitigate the lack of segregation of duties, management must weigh the costs of any proposed changes against the expected benefits. In lieu of segregation of duties, another effective program to provide control is for management to be involved in the control procedures available. Management involvement through the review of reconciliation procedures is an effective control to ensure these procedures are being properly completed on a timely basis.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control. We do not believe that the significant deficiencies noted above constitute material weaknesses.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by West Lyon Community School District 60 are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2008. We noted no transactions entered into by West Lyon Community School District 60 during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Corrected And Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no misstatements considered material, individually or in the aggregate, that were detected as a result of audit procedures.

Difficulties Encountered In Performing The Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Disagreements With Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 24, 2008.

Management Consultations With Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to West Lyon Community School District 60's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

This report is intended solely for the use of the Board of Directors, management, and others within the District and is not intended to be and should not be used by anyone other than these specified parties.

We will be happy to discuss these or any other topics at your convenience. We would like to take this opportunity to express our appreciation to you and your staff for the fine cooperation we received during the course of the audit. We look forward to many years of continued service to West Lyon Community School District 60.



Sioux Falls, South Dakota
November 24, 2008