

WEST LIBERTY COMMUNITY SCHOOL DISTRICT  
WEST LIBERTY, IOWA

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

JUNE 30, 2009

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WEST LIBERTY COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
(Before September 2008 Election)		
Bill Laughlin	President	2008
Mike Duytschaver	Vice President	2008
Tim Buysee	Board Member	2009
Kevin Minor	Board Member	2009
Priscilla Haessig	Board Member	2011
<u>Board of Education</u>		
(After September 2008 Election)		
Mike Duytschaver	President	2011
Priscilla Haessig	Vice President	2011
Tim Buysee	Board Member	2009
Kevin Minor	Board Member	2009
Claire LeMay	Board Member	2011
<u>School Officials</u>		
Robert Mata	Superintendent	2010
Tom Anderson	District Secretary/Treasurer	2009
Brian Gruhn	Attorney	2009
Bill Tharp	Attorney	2009

## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of West Liberty Community School District, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of the District's officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

Because the Foundation's financial statements have not been audited, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statements of the discretely presented component unit of the West Liberty Community School District, as of and for the year ended June 30, 2009. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of West Liberty Community School District at June 30, 2009, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 4, 2009 on our consideration of West Liberty Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and Budgetary Comparison Information on pages 7 through 16 and 54 through 55 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise West Liberty Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2008 (which are not presented herein). We disclaimed an opinion on the discretely presented component unit and expressed unqualified opinions on the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information. The financial statements for the three years ended June 30, 2007 (which are not presented herein) were audited by other auditors who disclaimed an opinion on the discretely presented component unit and expressed unqualified opinions on the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information. Other supplementary information included in Schedules 1 through 9, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in 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.

Oskaloosa, Iowa  
December 4, 2009

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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West Liberty Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2009 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$10,296,960 in fiscal 2008 to \$10,363,305 in fiscal 2009, while General Fund expenditures increased from \$10,201,705 in fiscal 2008 to \$10,941,176 in fiscal 2009. The District's General Fund balance decreased from \$1,096,135 in fiscal 2008 to \$520,725 in fiscal 2009, a 52% decrease.
- The district incurred a small increase in General Fund revenues; however the district incurred a 1.5% across the board reduction from the State of Iowa in the amount of \$78,297.
- The increase in expenditures was due primarily to staffing costs and settlements with the West liberty Education Association. Certified staffing increased by 3.0 FTE in 2008-09. In addition, the state legislature increased the amount of teacher quality salary improvement from FY08 to FY09. This amounted to an increase of \$159,000 additional revenue and expense for teacher salaries and benefits. The district also increased the Instructional Support Levy.
- The District had to use any carryover balance to meet financial obligations and as a result the General Fund balance decreased.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of West Liberty Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report West Liberty Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which West Liberty Community School District acts solely as an agent or custodian for the benefit of those outside of District government.

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

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

Other Supplementary Information provides detailed information about the non-major Governmental Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

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

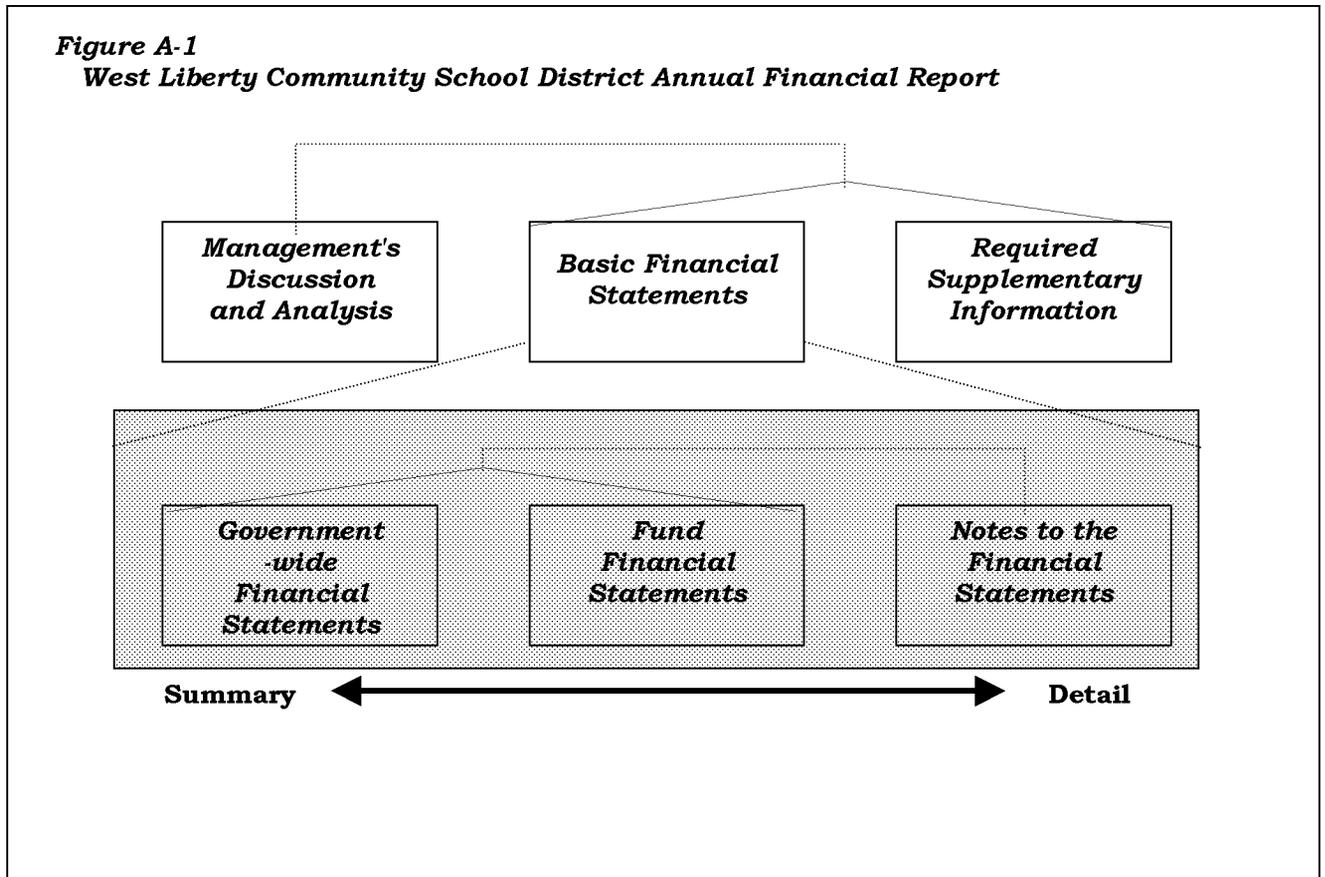


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

<b>Figure A-2 Major Features of the Government-wide and Fund Financial Statements</b>				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses such as food services and student construction programs	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in fund net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## **REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statements*

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

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

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

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.
- *Component Unit:* This includes the activities of the West Liberty Community School District Foundation. The District receives significant financial benefits from the Foundation although they are legally separate entities.

#### *Fund Financial Statements*

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

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

The District has three kinds of funds:

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

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

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

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and the Student Construction Fund. Internal Service Funds, the other type of proprietary fund, are optional and available to report activities that provide supplies and services for other

District programs and activities. The District currently has two Internal Service Funds, the employee partial self-funding health insurance fund and flex-benefit fund.

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

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency Funds.

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Funds – These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for past district employee’s on the district’s Group Health Insurance Program and related expenditures.

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District’s net assets at June 30, 2009 compared to June 30, 2008.

Figure A-3  
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change <u>2008-</u> <u>2009</u>
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	
Current and other assets	\$ 8,077,688	\$ 11,173,995	\$ 93,681	\$ 201,855	\$ 8,171,369	\$ 11,375,850	-28.17%
Capital assets	<u>16,575,021</u>	<u>13,271,615</u>	<u>54,735</u>	<u>62,346</u>	<u>16,629,756</u>	<u>13,333,961</u>	24.72%
Total assets	<u>24,652,709</u>	<u>24,445,610</u>	<u>148,416</u>	<u>264,201</u>	<u>24,801,125</u>	<u>24,709,811</u>	0.37%
Long-term obligations	9,918,153	10,534,774	-	-	9,918,153	10,534,774	-5.85%
Other liabilities	<u>4,424,245</u>	<u>3,631,960</u>	<u>64,099</u>	<u>181,584</u>	<u>4,488,344</u>	<u>3,813,544</u>	17.69%
Total liabilities	<u>14,342,398</u>	<u>14,166,734</u>	<u>64,099</u>	<u>181,584</u>	<u>14,406,497</u>	<u>14,348,318</u>	0.41%
Net assets							
Invested in capital assets, net of related debt	7,131,683	7,045,359	54,735	62,346	7,186,418	7,107,705	1.11%
Restricted	2,405,642	1,914,198	-	-	2,405,642	1,914,198	25.67%
Unrestricted	<u>772,986</u>	<u>1,319,319</u>	<u>29,582</u>	<u>20,271</u>	<u>802,568</u>	<u>1,339,590</u>	-40.09%
Total net assets	<u>\$ 10,310,311</u>	<u>\$ 10,278,876</u>	<u>\$ 84,317</u>	<u>\$ 82,617</u>	<u>\$ 10,394,628</u>	<u>\$ 10,361,493</u>	0.32%

The District's combined net assets increased by approximately .32%, or \$33,135 over the prior year. The largest portion of the District's net assets is the investment in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$491,444, or approximately 26% over the prior year. The increase was primarily a result of PPEL and Local Option Sales Tax revenue savings for larger projects in the future, mainly the 2008 Additions/Renovations.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately \$537,022, or 40%.

Figure A-4 shows the change in net assets for the year ended June 30, 2009 compared to the year ended June 30, 2008.

Figure A-4

Change in Net Assets

	Governmental Activities		Business Type Activities		Total District		Total Change 2008- 2009
	2009	2008	2009	2008	2009	2008	
Revenues							
Program revenues							
Charges for service and sales	\$ 345,948	\$ 304,653	\$ 430,557	\$ 230,017	\$ 776,505	\$ 534,670	45.23%
Operating grants	2,170,380	1,873,364	295,586	269,886	2,465,966	2,143,250	15.06%
General revenues							
Property tax	3,240,066	3,188,508	-	-	3,240,066	3,188,508	1.62%
Income Surtax	651,829	583,925	-	-	651,829	583,925	11.63%
Sales and services tax	808,057	770,506	-	-	808,057	770,506	4.87%
Unrestricted state grants	4,921,783	5,289,285	-	-	4,921,783	5,289,285	-6.95%
Unrestricted investment earnings	134,690	135,399	191	144	134,881	135,543	-0.49%
Other	<u>37,748</u>	<u>43,513</u>	<u>-</u>	<u>-</u>	<u>37,748</u>	<u>43,513</u>	-13.25%
Total revenues	<u>12,310,501</u>	<u>12,189,153</u>	<u>726,334</u>	<u>500,047</u>	<u>13,036,835</u>	<u>12,689,200</u>	2.74%
Program expenses							
Governmental activities							
Instruction	7,711,709	7,085,488	-	-	7,711,709	7,085,488	8.84%
Support services	3,206,954	3,093,724	47,524	27,730	3,254,478	3,121,454	4.26%
Non-instructional programs	1,784	8,543	677,110	479,585	678,894	488,128	39.08%
Other expenses	1,358,619	1,073,732	-	-	1,358,619	1,073,732	26.53%
Loss on disposal of capital assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	0.00%
Total expenses	<u>12,279,066</u>	<u>11,261,487</u>	<u>724,634</u>	<u>507,315</u>	<u>13,003,700</u>	<u>11,768,802</u>	10.49%
Change in net assets before transfers	31,435	927,666	1,700	(7,268)	33,135	920,398	-96.40%
Transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	0.00%
Change in net assets	<u>\$ 31,435</u>	<u>\$ 927,666</u>	<u>\$ 1,700</u>	<u>\$ (7,268)</u>	<u>\$ 33,135</u>	<u>\$ 920,398</u>	-96.40%

In fiscal 2009, property tax and unrestricted state grants account for 66% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99% of the revenue from business type activities.

The District's total revenues were \$13,036,835 of which \$12,310,501 was for governmental activities and \$726,334 was for business type activities.

### Governmental Activities

Revenues for governmental activities were \$12,310,501 and expenses were \$12,279,066.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5

	Total and Net Cost of Governmental Activities					
	Total Cost of Services			Net Cost of Services		
	<u>2009</u>	<u>2008</u>	<u>Change</u> <u>2008-2009</u>	<u>2009</u>	<u>2008</u>	<u>Change</u> <u>2008-2009</u>
Instruction	\$ 7,711,709	\$ 7,085,488	8.8%	\$ 5,658,042	\$ 5,378,973	5.2%
Support services	3,206,954	3,093,724	3.7%	3,157,842	3,026,738	4.3%
Non-instructional programs	1,784	8,543	-79.1%	1,784	8,543	-79.1%
Other expenses	<u>1,358,619</u>	<u>1,073,732</u>	26.5%	<u>945,070</u>	<u>669,216</u>	41.2%
Total expenses	<u>\$ 12,279,066</u>	<u>\$ 11,261,487</u>	9.0%	<u>\$ 9,762,738</u>	<u>\$ 9,083,470</u>	7.5%

- The cost financed by users of the District's programs (Charges for Services) was \$345,948, an increase of 14% from 2008.
- Federal and state governments subsidized certain programs with operating grants and contributions totaling \$2,170,380, an increase of 15% from 2008.
- The net cost of governmental activities was financed with \$4,699,952 in property and other taxes and \$4,921,783 in unrestricted state grants, an increase of 3.45% and decrease of 6.9%, respectively, from 2008.

### Business Type Activities

Revenues for business type activities were \$726,334 representing a 45% increase from the prior year while expenses totaled \$724,634, a 43% increase over the prior year. The District's business type activities include the School Nutrition Fund and Student Construction Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, and investment income. The 2007-08 student built home sold in April, 2009, accounting for the large increase in revenue for the business type activities. The 2008-09 student built home, a remodel, was still for sale as of the release of this audit report.

### INDIVIDUAL FUND ANALYSIS

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

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The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$3,046,729, below last year's ending fund balances of \$6,861,761. The primary reason for the decrease in combined fund balances in fiscal 2009 is due to the construction/renovation project started in June 2008. The district added an addition to and renovation of the Administrative/Early Childhood Center for a 6-8 grade Middle School and renovation of the elementary school for an Administrative/Early Childhood Center. The renovations were completed in August 2009 and the addition in October 2009.

### **Governmental Fund Highlights**

- The General Fund balance decreased from \$1,096,135 to \$520,725 due to the district using their carry over balance to meet financial obligations.
- A fifth section of 4<sup>th</sup> grade was added. Two new positions were added mid-year 2008 to help with English as a Second Language (ESL) students.
- The Capital Projects Fund balance decreased by \$3,366,035 due to the major renovations/addition project started in June 2008.

### **Proprietary Fund Highlights**

Enterprise Fund net assets increased from \$82,617 at June 30, 2008 to \$84,317 at June 30, 2009, representing an increase of 2%. Proprietary Funds included the School Nutrition Fund and Student Built Home Construction Fund. The increase in Enterprise Fund net assets was attributed to the District increasing school lunch prices to finance needed changes in the food service program. The increase in Inventories is related to the district still owning the student built home constructed during the 2008-09 school year. The 2007-08 student built home was sold in April 2009.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, West Liberty Community School District amended its annual budget one time by \$1,583,265 to reflect a curriculum cycle budget adjustment, miscellaneous grant expenditures, and construction project expenditures.

The District's revenues were \$79,430 less than budgeted revenues, a variance of less than 1.0%.

Total expenditures were \$3,375,146 less than budgeted. It is the District's practice to budget the anticipated revenues and expenditures on a yearly basis, always over estimating expenditures. All actual functional expense categories were less than budgeted. Timing of construction related expenditures were over estimated.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2009, the District had invested \$16.6 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This

represents a net increase of 25% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$515,762.

The original cost of the District's capital assets was \$24.7 million. Governmental funds account for \$24.4 million, with the remainder of \$249,246 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the Construction in Progress category. The District was in the process of completing a major addition and renovation project to the Administrative/Early Childhood Center for a 6-8 Middle School and renovations to what was the K-2 Elementary School for an Administrative/Early Learning Center. These renovations were completed in August 2009 and the addition was completed in October 2009.

Asset Category	Capital Assets, Net of Depreciation							Total Change <u>2008-</u> <u>2009</u>
	Governmental Activities		Business-type Activities		Total School District			
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>		
Land	\$ 462,833	\$ 462,833	\$ -	\$ -	\$ 462,833	\$ 462,833	0.00%	
Construction in progress	4,219,476	421,800	-	-	4,219,476	421,800	900.35%	
Buildings and improvements	10,397,914	10,693,131	-	-	10,397,914	10,693,131	-2.76%	
Improvements, other than buildings	1,053,130	1,149,070	-	-	1,053,130	1,149,070	-8.35%	
Furniture and equipment	<u>441,668</u>	<u>544,781</u>	<u>54,735</u>	<u>62,346</u>	<u>496,403</u>	<u>607,127</u>	-18.24%	
Totals	<u>\$16,575,021</u>	<u>\$13,271,615</u>	<u>\$ 54,735</u>	<u>\$ 62,346</u>	<u>\$ 16,629,756</u>	<u>\$13,333,961</u>	24.72%	

### Long-Term Debt

At June 30, 2009, the District had \$9,918,153 in general obligation, revenue and other long-term debt outstanding. This represents a decrease of approximately 6% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 7 to the financial statements.

Figure A-7  
Outstanding Long-term Obligations

	Total School District		Total Change
	<u>2008</u>	<u>2009</u>	<u>2008-</u> <u>2009</u>
	General obligation bonds	\$ 5,105,000	\$ 5,385,000
Revenue bonds	4,705,000	4,980,000	-5.52%
Early retirement	64,413	135,590	-52.49%
Compensated absences	<u>43,740</u>	<u>34,184</u>	27.95%
Total	<u>\$ 9,918,153</u>	<u>\$10,534,774</u>	-5.85%

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## **ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Based on the current economy, the District is anticipating reduced funding from the State of Iowa for the upcoming school years. The reduced funding will put a strain on the cash reserve the District has accumulated.
- Another 100+ kindergarten class registered for 2009-10, five sections of kindergarten were continued for the start of the school year and a new section of 5<sup>th</sup> grade was added due to 5 sections of kindergarten, first, second, third and fourth grade in 2008-09. Class sizes will be scrutinized for 2010-11 as some 100+ kindergarten classes have dropped over the course of the years.
- The District will negotiate a new agreement during fiscal 2010 with the West Liberty Education Association (WLEA). Settlements in excess of "new money" or allowable growth in state funding will have an adverse effect on the District's General Fund budget and related fund balance.
- Our student data continues to show a growth in Hispanic population that will significantly impact the need for increased remedial programs for reading, At-Risk, and ESL/Dual Language.
- The District completed a major renovation/construction project in the fall of 2009. Revenue Bonds to help finance adding on to the old Administrative Center for a 6-8 middle school, converting the middle school into a 1-5 elementary building, and move the Administrative/Early Childhood PK-K to the old elementary. Utility costs for the added square footage will be monitored as the 6-8 middle school is also air conditioned.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Tom Anderson, Business Manager and Board Secretary/Treasurer, West Liberty Community School District, 111 W 7<sup>th</sup> St, West Liberty, Iowa, 52776.

## Basic Financial Statements

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS  
June 30, 2009

	Primary Government			Component
	Governmental Activities	Business-type Activities	Total	Unit Foundation
<b>Assets</b>				
Cash and pooled investments	\$ 3,800,906	\$ 38,027	\$ 3,838,933	\$ 437,098
Investments	-	-	-	321,626
Receivables:				
Property tax:				
Current year	50,371	-	50,371	-
Succeeding year	3,344,010	-	3,344,010	-
Income surtax	579,170	-	579,170	-
Accounts	4,622	-	4,622	-
Due from other governments	297,729	2,154	299,883	-
Inventories	-	53,500	53,500	-
Prepaid expenses	880	-	880	-
Capital assets, net of accumulated depreciation (note 5)	16,575,021	54,735	16,629,756	-
<b>Total assets</b>	<b>24,652,709</b>	<b>148,416</b>	<b>24,801,125</b>	<b>758,724</b>
<b>Liabilities</b>				
Accounts payable	744,163	611	744,774	-
Salaries and benefits payable	70,522	4,037	74,559	-
Due to other governments	83,170	-	83,170	-
Accrued interest payable	122,133	844	122,977	-
Loans payable (note 6)	-	58,607	58,607	-
Deferred revenue:				
Succeeding year property tax	3,344,010	-	3,344,010	-
Other	60,247	-	60,247	-
Long-term liabilities (note 7):				
Portion due within one year:				
Early retirement	39,994	-	39,994	-
Bonds payable	575,000	-	575,000	-
Compensated absences	43,740	-	43,740	-
Portion due after one year:				
Early retirement	24,419	-	24,419	-
Bonds payable	9,235,000	-	9,235,000	-
<b>Total liabilities</b>	<b>14,342,398</b>	<b>64,099</b>	<b>14,406,497</b>	<b>-</b>

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS  
June 30, 2009

	Primary Government			Component
	Governmental Activities	Business-type Activities	Total	Unit Foundation
Net Assets				
Invested in capital assets, net of related debt	\$ 7,131,683	\$ 54,735	\$ 7,186,418	\$ -
Restricted for:				
Categorical funding	143,297	-	143,297	-
Physical plant and equipment levy	694,002	-	694,002	-
Other special revenue purposes	75,176	-	75,176	-
Debt service	894,914	-	894,914	-
Capital projects	598,253	-	598,253	-
Unrestricted	772,986	29,582	802,568	758,724
Total net assets	\$ <u>10,310,311</u>	\$ <u>84,317</u>	\$ <u>10,394,628</u>	\$ <u>758,724</u>

See notes to financial statements.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2009

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
<b>Governmental Activities:</b>			
Instruction	\$ 7,711,709	\$ 322,706	\$ 1,730,961
Support services:			
Student services	326,535	-	-
Instructional staff services	512,543	10,206	25,139
Administration services	1,140,317	64	-
Operation and maintenance of plant services	827,398	10,000	-
Transportation services	400,161	2,972	731
	<u>3,206,954</u>	<u>23,242</u>	<u>25,870</u>
Non-instructional programs	<u>1,784</u>	<u>-</u>	<u>-</u>
Other expenditures:			
Facilities acquisition	89,883	-	-
Long-term debt interest and fiscal charges	449,668	-	-
AEA flowthrough	413,549	-	413,549
Depreciation (unallocated) *	405,519	-	-
	<u>1,358,619</u>	<u>-</u>	<u>413,549</u>
Total governmental activities	<u>12,279,066</u>	<u>345,948</u>	<u>2,170,380</u>
<b>Business-Type Activities:</b>			
Support services:			
Administration services	41,550	-	-
Operation and maintenance of plant services	5,974	-	-
	<u>47,524</u>	<u>-</u>	<u>-</u>

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Foundation
\$ (5,658,042)	\$ -	\$ (5,658,042)	\$ -
(326,535)	-	(326,535)	-
(477,198)	-	(477,198)	-
(1,140,253)	-	(1,140,253)	-
(817,398)	-	(817,398)	-
(396,458)	-	(396,458)	-
(3,157,842)	-	(3,157,842)	-
(1,784)	-	(1,784)	-
(89,883)	-	(89,883)	-
(449,668)	-	(449,668)	-
-	-	-	-
(405,519)	-	(405,519)	-
(945,070)	-	(945,070)	-
(9,762,738)	-	(9,762,738)	-
-	(41,550)	(41,550)	-
-	(5,974)	(5,974)	-
-	(47,524)	(47,524)	-

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2009

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Business-Type Activities:			
Non-instructional programs:			
Food service operations	\$ 479,765	\$ 235,657	\$ 295,586
Student construction operations	197,345	194,900	-
	677,110	430,557	295,586
Total business-type activities	724,634	430,557	295,586
Total primary government	\$ 13,003,700	\$ 776,505	\$ 2,465,966
Component Unit:			
Foundation	\$ 64,437	\$ -	\$ -

General Revenues:

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

Total general revenues

Change in net assets

Net assets beginning of year

Net assets end of year

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

See notes to financial statements.

Net (Expense) Revenue  
and Changes in Net Assets

Primary Government			Component
Governmental	Business-Type	Total	Unit
Activities	Activities		Foundation
\$ -	\$ 51,478	\$ 51,478	\$ -
-	(2,445)	(2,445)	-
-	49,033	49,033	-
-	1,509	1,509	-
(9,762,738)	1,509	(9,761,229)	-
-	-	-	(64,437)
\$ 2,890,997	\$ -	\$ 2,890,997	\$ -
251,385	-	251,385	-
97,684	-	97,684	-
651,829	-	651,829	-
808,057	-	808,057	-
4,921,783	-	4,921,783	-
134,690	191	134,881	4,788
-	-	-	269,282
37,748	-	37,748	-
-	-	-	(76,403)
9,794,173	191	9,794,364	197,667
31,435	1,700	33,135	133,230
10,278,876	82,617	10,361,493	625,494
\$ 10,310,311	\$ 84,317	\$ 10,394,628	\$ 758,724

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2009

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Cash and pooled investments	\$ 600,442	\$ 2,501,341	\$ 549,436	\$ 3,651,219
Receivables:				
Property tax:				
Current year	42,067	-	8,304	50,371
Succeeding year	2,817,582	-	526,428	3,344,010
Income surtax	308,891	-	270,279	579,170
Interfund receivable (note 4)	10	-	-	10
Accounts	922	-	3,700	4,622
Due from other governments	177,238	120,491	-	297,729
Prepaid expenses	-	-	880	880
	<hr/>			
Total assets	<u>\$ 3,947,152</u>	<u>\$ 2,621,832</u>	<u>\$ 1,359,027</u>	<u>\$ 7,928,011</u>

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2009

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 86,015	\$ 646,432	\$ 11,716	\$ 744,163
Salaries and benefits payable	70,522	-	-	70,522
Due to other governments	83,170	-	-	83,170
Deferred revenue:				
Succeeding year property tax	2,817,582	-	526,428	3,344,010
Other	369,138	-	270,279	639,417
<b>Total liabilities</b>	<u>3,426,427</u>	<u>646,432</u>	<u>808,423</u>	<u>4,881,282</u>
<b>Fund balances:</b>				
Reserved for:				
Categorical funding	143,297	-	-	143,297
Prepaid expenses	-	-	880	880
Debt service	-	-	6,562	6,562
Revenue bonds sinking fund	-	387,985	-	387,985
Revenue bonds	-	622,500	-	622,500
Unreserved:				
Designated for:				
Student programs	51,039	-	-	51,039
Run for Schools	-	-	12,348	12,348
Undesignated, reported in:				
General fund	326,389	-	-	326,389
Special revenue funds	-	-	530,814	530,814
Capital projects fund	-	964,915	-	964,915
<b>Total fund balances</b>	<u>520,725</u>	<u>1,975,400</u>	<u>550,604</u>	<u>3,046,729</u>
<b>Total liabilities and fund balances</b>	<u>\$ 3,947,152</u>	<u>\$ 2,621,832</u>	<u>\$ 1,359,027</u>	<u>\$ 7,928,011</u>

See notes to financial statements.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 June 30, 2009

Total fund balances of governmental funds	\$ 3,046,729
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	16,575,021
Other long-term assets, including income surtax receivable, are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	579,170
The Internal Service Fund is used to charge the costs of the flexible benefits plan and the partial self-funded insurance plan to the governmental funds and is thus included in governmental activities.	149,677
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.	(122,133)
Long-term liabilities, including early retirement, bonds payable and compensated absences, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(9,918,153)</u>
Net assets of governmental activities	<u>\$ 10,310,311</u>

See notes to financial statements.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2009

	General	Capital Projects	Nonmajor Governmental Funds	Total
Revenues:				
Local sources:				
Local tax	\$ 3,043,202	\$ 808,057	\$ 835,035	\$ 4,686,294
Tuition	164,003	-	-	164,003
Other	147,362	105,190	181,931	434,483
State sources	6,452,277	-	242	6,452,519
Federal sources	556,461	-	-	556,461
Total revenues	<u>10,363,305</u>	<u>913,247</u>	<u>1,017,208</u>	<u>12,293,760</u>
Expenditures:				
Current:				
Instruction	7,505,214	-	220,412	7,725,626
Support services:				
Student services	325,605	-	595	326,200
Instructional staff services	500,572	-	11,320	511,892
Administration services	1,118,185	-	12,807	1,130,992
Operation and maintenance of plant services	737,290	-	87,266	824,556
Transportation services	340,761	-	22,048	362,809
	<u>3,022,413</u>	<u>-</u>	<u>134,036</u>	<u>3,156,449</u>
Non-instructional programs	-	-	1,784	1,784
Other expenditures:				
Facilities acquisition	-	3,772,047	115,512	3,887,559
Long term debt:				
Principal	-	-	555,000	555,000
Interest and fiscal charges	-	500	370,996	371,496
AEA flowthrough	413,549	-	-	413,549
	<u>413,549</u>	<u>3,772,547</u>	<u>1,041,508</u>	<u>5,227,604</u>
Total expenditures	<u>10,941,176</u>	<u>3,772,547</u>	<u>1,397,740</u>	<u>16,111,463</u>
Deficiency of revenues under expenditures	<u>(577,871)</u>	<u>(2,859,300)</u>	<u>(380,532)</u>	<u>(3,817,703)</u>

WEST LIBERTY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2009

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Other financing sources (uses):				
Sale of equipment	\$ 4	\$ -	\$ -	\$ 4
Compensation for loss of capital assets	2,667	-	-	2,667
Interfund transfers in (note 3)	-	-	669,661	669,661
Interfund transfers out (note 3)	(210)	(506,735)	(162,716)	(669,661)
Total other financing sources (uses)	<u>2,461</u>	<u>(506,735)</u>	<u>506,945</u>	<u>2,671</u>
Net change in fund balances	(575,410)	(3,366,035)	126,413	(3,815,032)
Fund balances beginning of year	<u>1,096,135</u>	<u>5,341,435</u>	<u>424,191</u>	<u>6,861,761</u>
Fund balances end of year	<u>\$ 520,725</u>	<u>\$ 1,975,400</u>	<u>\$ 550,604</u>	<u>\$ 3,046,729</u>

See notes to financial statements.

## WEST LIBERTY COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2009

Net change in fund balances - total governmental funds \$ (3,815,032)

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

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

Expenditures for capital assets	\$ 3,811,557	
Depreciation expense	<u>(508,151)</u>	3,303,406

Income surtax revenue not received until several months after the District's fiscal year end is not considered available revenue in the governmental funds and is deferred. It is, however, recorded as revenue in the Statement of Activities. 12,194

The change in net assets of the Internal Service Fund is included in governmental activities due to the integral nature of these activities to the governmental funds. (7,582)

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 555,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. (78,172)

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

Early retirement	71,177	
Compensated absences	<u>(9,556)</u>	<u>61,621</u>

Change in net assets of governmental activities \$ 31,435

See notes to financial statements.

## WEST LIBERTY COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
June 30, 2009

	Business-Type Activities <u>Nonmajor Enterprise</u>	Governmental Activities <u>Internal Service</u>
Assets		
Cash and cash equivalents	\$ 38,037	\$ 149,677
Due from other governments	2,154	-
Inventories	53,500	-
Capital assets, net of accumulated depreciation (note 5)	<u>54,735</u>	<u>-</u>
Total assets	<u>148,426</u>	<u>149,677</u>
Liabilities		
Accounts payable	611	-
Salaries and benefits payable	4,037	-
Interfund payable (note 4)	10	-
Interest payable	844	-
Loans payable (note 6)	<u>58,607</u>	<u>-</u>
Total liabilities	<u>64,109</u>	<u>-</u>
Net Assets		
Invested in capital assets	54,735	-
Unrestricted:		
Food services	43,305	-
Student construction	(13,723)	-
Partial self-funded insurance plan	-	127,649
Flex benefits	<u>-</u>	<u>22,028</u>
Total net assets	<u>\$ 84,317</u>	<u>\$ 149,677</u>

See notes to financial statements.

## WEST LIBERTY COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
Year Ended June 30, 2009

	Business-Type Activities <u>Nonmajor Enterprise</u>	Governmental Activities <u>Internal Service</u>
Operating revenues:		
Local sources:		
Charges for services	\$ 430,557	\$ 199,088
Operating expenses:		
Support services:		
Salaries	13,326	-
Benefits	4,482	-
Purchased services	4,200	-
Supplies	3,778	-
Other	21,738	-
	<u>47,524</u>	<u>-</u>
Non-instructional programs:		
Salaries	166,914	-
Benefits	67,640	208,546
Purchased services	119,369	-
Supplies	315,576	-
Depreciation	7,611	-
	<u>677,110</u>	<u>208,546</u>
	<u>724,634</u>	<u>208,546</u>
Operating loss	(294,077)	(9,458)
Non-operating revenues:		
Interest on investments	191	1,876
State sources	6,053	-
Federal sources	289,533	-
Total non-operating revenues	<u>295,777</u>	<u>1,876</u>
Change in net assets	1,700	(7,582)
Net assets beginning of year	<u>82,617</u>	<u>157,259</u>
Net assets end of year	<u>\$ 84,317</u>	<u>\$ 149,677</u>

See notes to financial statements.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended June 30, 2009

	<u>Business-Type Activities Nonmajor Enterprise</u>	<u>Governmental Activities Internal Service</u>
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 235,438	\$ -
Cash received from other operating activities	195,067	199,088
Cash payments to employees for services	(248,640)	(208,546)
Cash payments to suppliers for goods or services	<u>(296,056)</u>	<u>-</u>
Net cash used by operating activities	<u>(114,191)</u>	<u>(9,458)</u>
Cash flows from non-capital financing activities:		
State grants received	6,053	-
Federal grants received	260,755	-
Operating loan proceeds	77,536	-
Operating loan payments	<u>(194,698)</u>	<u>-</u>
Net cash provided by non-capital financing activities	<u>149,646</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	<u>191</u>	<u>1,876</u>
Net increase (decrease) in cash and cash equivalents	35,646	(7,582)
Cash and cash equivalents beginning of year	<u>2,381</u>	<u>157,259</u>
Cash and cash equivalents end of year	<u>\$ 38,027</u>	<u>\$ 149,677</u>

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended June 30, 2009

	<u>Business-Type Activities Nonmajor Enterprise</u>	<u>Governmental Activities Internal Service</u>
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	\$ (294,077)	\$ (9,458)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation	7,611	-
Commodities used	27,288	-
Decrease in accounts receivable	321	-
(Increase) in due from other governments	(373)	-
Decrease in inventories	145,362	-
Increase in accounts payable	462	-
Increase in salaries and benefits payable	3,722	-
(Decrease) in interest payable	<u>(4,507)</u>	<u>-</u>
Net cash used by operating activities	<u>\$ (114,191)</u>	<u>\$ (9,458)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2009, the District received \$27,288 of federal commodities.

See notes to financial statements.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
FIDUCIARY FUNDS  
June 30, 2009

	<u>Agency</u>
Assets:	
Cash	\$ 5,273
Accounts receivable	<u>172</u>
Total assets	<u>\$ 5,445</u>
Liabilities:	
Other payables	<u>\$ 5,445</u>

See notes to financial statements.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 Year Ended June 30, 2009

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

See notes to financial statements.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 1. Summary of Significant Accounting Policies

West Liberty Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades pre-kindergarten through twelve. The geographic area served includes the Cities of West Liberty, Atalissa, and Nichols, Iowa, and agricultural territory in Muscatine, Cedar, and Johnson Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, West Liberty Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. West Liberty Community School District has one component unit which meets the Governmental Accounting Standards Board criteria.

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

Discretely Presented Component Unit

The West Liberty Community School District Foundation was created to raise money through contributions and fundraisers to benefit the District. The Foundation is a separate legal entity with its own accounting records and board of trustees. The Foundation does not produce separately prepared financial statements. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Foundation meets the definition of a component unit which should be discretely presented. The Foundation financial statements are shown on the Statement of Net Assets and the Statement of Activities in separate columns. As explained in the Independent Auditor's Report, the Foundation financial statements have not been audited.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Muscatine and Cedar County Assessor's Conference Boards.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation

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

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

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

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the District-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The District reports the following major governmental funds:

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

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

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

The District reports the following proprietary funds:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District. The Enterprise, Student Construction Fund is used to account for the student built house operations of the District. The Internal Service Fund is used to account for the flexible benefits plan and the partial self-funding of employee health insurance benefits.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements with restrictions of income earned to be used to benefit individuals through scholarship awards.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

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

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

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

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

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

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

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2008.

Income Surtax Receivable – Income surtax budgeted for the fiscal year ended June 30, 2009 will not be received by the District until several months after the fiscal year end. Accordingly, income surtax is recorded as a receivable and included in deferred revenue on the modified accrual basis for the governmental funds. For the District-wide statements, on the Statement of Activities the income surtax revenue is recognized.

Interfund Receivables and Payables – During the course of its operations, the District may have certain transactions between funds or pooled cash balances. To the extent that these transactions between funds had not been paid or received as of June 30, 2009, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Capital Assets – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the District-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

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

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

Asset Class	Estimated Useful Lives
Buildings	20-50 years
Improvements other than buildings	15 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable – Teacher contracts are paid at June 30. However, the benefits on these payments are not paid until July. Also, the payroll for hourly employees up to June 30 was not paid until July. Therefore, these salaries and benefits have been accrued as liabilities.

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

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

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Deferred revenue in the Statement of Net Assets consists of unspent grant proceeds and the 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 District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Compensated Absences – District employees receive a specified amount of vacation benefits annually, to be used by the end of the fiscal year. Vacation benefits do not accumulate from year to year. However, the benefits are payable upon termination, death or retirement. A liability is recorded when incurred in the District-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2009. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

Designated Fund Balance – The District has designated a portion of its General Fund fund balance for specific student programs. The District has also designated a portion of its Special Revenue, Physical Plant and Equipment Levy Fund fund balance for the Run for Schools playground project.

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

Restricted Net Assets – In the District-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Net assets restricted through enabling legislation as of June 30, 2009 consists of \$2,405,642.

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, expenditures did not exceed the amounts budgeted.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
June 30, 2009

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2009 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2009, the District had the following investments:

	Fair Value
Goldman Sachs Financial Square Money	
Market Mutual Fund	\$ 502,132

The investments in the money market mutual fund are stated at fair value.

Credit Risk – The investments in the Goldman Sachs money market mutual fund were rated Aaa by Moody's Investors Service.

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

	Fair Value
Mutual Funds	\$ 321,626

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2009 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 506,735
	Special Revenue:	
	Physical Plant and Equipment Levy	162,716
Special Revenue:		
Student Activity	General	210
Total		\$ 669,661

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

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 4. Interfund Receivables and Payables

At June 30, 2009, the interfund receivables and payables consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Pooled cash balances:		
General	Enterprise - Student Construction	\$ <u>10</u>

Pooled cash balances are temporary financing between funds which is necessary due to the timing of expected revenues from the sale of the student built house and the related expenses. These balances are not included on the District-wide Statement of Net Assets.

Note 5. Capital Assets

Capital assets activity for the year ended June 30, 2009 is as follows:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 462,833	\$ -	\$ -	\$ 462,833
Construction in progress	421,800	3,797,676	-	4,219,476
Total capital assets not being depreciated	<u>884,633</u>	<u>3,797,676</u>	<u>-</u>	<u>4,682,309</u>
Capital assets being depreciated:				
Buildings	16,798,806	-	-	16,798,806
Improvements other than buildings	1,471,267	-	-	1,471,267
Furniture and equipment	1,466,678	13,881	-	1,480,559
Total capital assets being depreciated	<u>19,736,751</u>	<u>13,881</u>	<u>-</u>	<u>19,750,632</u>
Less accumulated depreciation for:				
Buildings	6,105,675	295,217	-	6,400,892
Improvements other than buildings	322,197	95,940	-	418,137
Furniture and equipment	921,897	116,994	-	1,038,891
Total accumulated depreciation	<u>7,349,769</u>	<u>508,151</u>	<u>-</u>	<u>7,857,920</u>
Total capital assets being depreciated, net	<u>12,386,982</u>	<u>(494,270)</u>	<u>-</u>	<u>11,892,712</u>
Governmental activities capital assets, net	<u>\$ 13,271,615</u>	<u>\$ 3,303,406</u>	<u>\$ -</u>	<u>\$ 16,575,021</u>

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 5. Capital Assets (continued)

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Furniture and equipment	\$ 250,787	\$ -	\$ 1,541	\$ 249,246
Less accumulated depreciation	188,441	7,611	1,541	194,511
Business-type activities capital assets, net	<u>\$ 62,346</u>	<u>\$ (7,611)</u>	<u>\$ -</u>	<u>\$ 54,735</u>

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

Governmental activities:	
Instruction	\$ 60,353
Support services:	
Student support	335
Instructional staff	548
Administration	2,285
Operation and maintenance of plant services	2,346
Transportation	36,765
	<u>102,632</u>
Unallocated depreciation	<u>405,519</u>
	<u>\$ 508,151</u>
Business-type activities:	
Food service operations	<u>\$ 7,611</u>

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 6. Short-Term Loans Payable

During the year ended June 30, 2009, the District entered into three short-term bank loans for the Enterprise, Student Construction Fund. The loans were necessary to provide temporary financing during periods of low cash flows. The first loan was rewritten on September 25, 2008 for \$185,426. The loan was repaid by June 30 and included interest at 6%. The second loan was for \$36,087 on November 11, 2008. This loan is due in November 2009 and includes interest at a variable rate equal to the U.S. prime rate. The third loan is a line of credit with a maximum possible principal of \$35,000, of which \$22,520 was advanced during the year ended June 30, 2009. The line of credit is available until November 2009 and includes interest at a variable rate equal to the U.S. prime rate.

During the year ended June 30, 2009, the District also entered into a short-term loan from the General Fund to the Enterprise, Student Construction Fund to provide additional cash flows for the student built house construction.

A summary of the short-term loans activity for the year ended June 30, 2009 is as follows:

	Balance Beginning of Year	Loans Received	Loans Repaid	Balance End of Year
Bank loans	\$ 175,769	\$ 68,264	\$ 185,426	\$ 58,607
Interfund loan	-	9,272	9,272	-
	\$ 175,769	\$ 77,536	\$ 194,698	\$ 58,607

Note 7. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2009 is as follows:

	Early Retirement	General Obligation Bonds	Local Option Sales and Services Tax Revenue Bonds	Compensated Absences	Total
Balance beginning of year	\$ 135,590	\$ 5,385,000	\$ 4,980,000	\$ 34,184	\$ 10,534,774
Additions	-	-	-	43,740	43,740
Reductions	71,177	280,000	275,000	34,184	660,361
Balance end of year	\$ 64,413	\$ 5,105,000	\$ 4,705,000	\$ 43,740	\$ 9,918,153
Due within one year	\$ 39,994	\$ 290,000	\$ 285,000	\$ 43,740	\$ 658,734

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 7. Long-Term Liabilities (continued)

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. A certified District employee is eligible for this program if at June 30, 2008 a) the sum of his/her total years of teaching and age equals eighty-eight with at least twelve years of continuous service to the District or b) the employees is fifty-five or older with at least twelve years of continuous service to the District. Employees must complete an application by March 1<sup>st</sup> of the retirement year which is required to be approved by the Board of Education.

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

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

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

At June 30, 2009, the District has obligations to five participants with a total liability of \$64,413. Actual early retirement expenditures for the year ended June 30, 2009 totaled \$71,177. Early retirement is recorded as a long-term liability of the Governmental Activities in the District-wide financial statements.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 7. Long-Term Liabilities (continued)

General Obligation Bonds

Details of the District's June 30, 2009 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Issue dated October 1, 1997			Issue dated December 1, 2002		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2010	5.00 %	\$ 190,000	\$ 30,250	4.00 %	\$ 100,000	\$ 199,525
2011	5.00	200,000	20,750	4.00	105,000	195,525
2012	5.00	215,000	10,750	4.00	110,000	191,325
2013	-	-	-	4.00	345,000	186,925
2014	-	-	-	4.10	360,000	173,125
2015-2019	-	-	-	4.20-4.60	2,035,000	623,750
2020-2022	-	-	-	4.70-4.80	1,445,000	139,940
		<u>\$ 605,000</u>	<u>\$ 61,750</u>		<u>\$ 4,500,000</u>	<u>\$ 1,710,115</u>

Year Ending June 30,	Total		
	Principal	Interest	Total
2010	\$ 290,000	\$ 229,775	\$ 519,775
2011	305,000	216,275	521,275
2012	325,000	202,075	527,075
2013	345,000	186,925	531,925
2014	360,000	173,125	533,125
2015-2019	2,035,000	623,750	2,658,750
2020-2022	1,445,000	139,940	1,584,940
	<u>\$ 5,105,000</u>	<u>\$ 1,771,865</u>	<u>\$ 6,876,865</u>

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 7. Long-Term Liabilities (continued)

Local Option Sales and Services Tax Revenue Bonds

Details of the District's June 30, 2009 revenue bonded indebtedness are as follows:

Year Ending June 30,	Issue dated November 1, 2002			Issue dated June 26, 2008		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2010	5.20 %	\$ 285,000	\$ 22,160	4.50 %	- \$	176,400
2011	5.00	295,000	7,375	4.50	-	176,400
2012	-	-	-	4.50	350,000	168,525
2013	-	-	-	4.50	355,000	152,663
2014	-	-	-	4.50	370,000	136,351
2015-2019	-	-	-	4.00-4.50	2,090,000	416,365
2020-2021	-	-	-	4.00	960,000	38,800
		<u>\$ 580,000</u>	<u>\$ 29,535</u>		<u>\$ 4,125,000</u>	<u>\$ 1,265,504</u>
	<u>Total</u>					
Year Ending June 30,	Principal	Interest	Total			
2010	\$ 285,000	\$ 198,560	\$ 483,560			
2011	295,000	183,775	478,775			
2012	350,000	168,525	518,525			
2013	355,000	152,663	507,663			
2014	370,000	136,351	506,351			
2015-2019	2,090,000	416,365	2,506,365			
2020-2021	960,000	38,800	998,800			
	<u>\$ 4,705,000</u>	<u>\$ 1,295,039</u>	<u>\$ 6,000,039</u>			

The District pledged future local option (statewide) sales and services tax revenues to repay the \$2,100,000 bonds issued in November 2002 and the \$4,125,000 bonds issued in June 2008. The bonds were issued for the purpose of financing a portion of the costs of various school infrastructure projects. The bonds are payable solely from the proceeds of the local option (statewide) sales and services tax revenues received by the District and are payable through 2011 and 2021, respectively. The bonds are not a general obligation of the District and the debt is not subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require approximately 60 percent of the local option (statewide) sales and services tax revenues. The total principal and interest remaining to be paid on the notes is \$6,000,039. For the current year, \$401,751 of principal and interest was paid on the bonds and total statewide sales and services tax revenues were \$808,057.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 7. Long-Term Liabilities (continued)

Local Option Sales and Services Tax Revenue Bonds (continued)

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

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

Note 8. Pension and Retirement Benefits

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

Plan members are required to contribute 4.10% of their annual covered salary and the District is required to contribute 6.35% of annual covered payroll for the year ended June 30, 2009. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2009, 2008, and 2007 were \$416,981, \$376,207, and \$342,829, respectively, equal to the required contributions for each year.

Note 9. Risk Management

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

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 9. Risk Management (continued)

Partial Self-funded Health Insurance

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

At June 30, 2009, the District had accumulated \$127,649 in its Internal Service Fund to cover employee health care claims. Also, the District continues to fund this plan by depositing premiums into the account on a monthly basis. All submitted claims had been paid or accrued at June 30, 2009. The District is contingently liable for any claims in excess of funds available at June 30, 2009.

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

Note 10. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$413,549 for the year ended June 30, 2009 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 11. Deficit Balance

The Student Construction Fund within the nonmajor enterprise funds had a deficit net asset balance of \$13,723 at June 30, 2009.

Note 12. Construction Commitments

The District has entered into various contracts totaling \$5,159,343 for renovations to a middle and an elementary school buildings. As of June 30, 2009, costs of \$3,076,237 had been incurred against the contracts. The balance of \$2,083,106 remaining at June 30, 2009 will be paid as work on the projects progresses.

Note 13. Subsequent Event

On August 4, 2009, the District issued \$1,285,000 of school infrastructure sales and services tax revenue bond anticipation project notes. Proceeds from the issuance will be used to finance the middle and elementary school buildings renovations. The notes are due on July 1, 2012 and include semiannual interest payments at 3.85%.

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Required Supplementary Information

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances –  
Budget and Actual – All Governmental Funds  
and Proprietary Funds  
Required Supplementary Information  
Year Ended June 30, 2009

	Governmental Funds - Actual	Proprietary Funds - Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
<b>REVENUES:</b>						
Local sources	\$ 5,284,780	\$ 430,748	\$ 5,715,528	\$ 5,489,871	\$ 5,489,871	\$ 225,657
State sources	6,452,519	6,053	6,458,572	6,892,795	6,892,795	(434,223)
Federal sources	556,461	289,533	845,994	716,858	716,858	129,136
<b>Total revenues</b>	<b>12,293,760</b>	<b>726,334</b>	<b>13,020,094</b>	<b>13,099,524</b>	<b>13,099,524</b>	<b>(79,430)</b>
<b>EXPENDITURES/EXPENSES:</b>						
Instruction	7,725,626	-	7,725,626	7,369,295	7,884,130	158,504
Support services	3,156,449	47,524	3,203,973	3,733,260	3,733,260	529,287
Non-instructional programs	1,784	677,110	678,894	703,206	703,206	24,312
Other expenditures	5,227,604	-	5,227,604	6,822,217	7,890,647	2,663,043
<b>Total expenditures/expenses</b>	<b>16,111,463</b>	<b>724,634</b>	<b>16,836,097</b>	<b>18,627,978</b>	<b>20,211,243</b>	<b>3,375,146</b>
Excess (deficiency) of revenues over (under) expenditures/ expenses	(3,817,703)	1,700	(3,816,003)	(5,528,454)	(7,111,719)	3,295,716
Other financing sources, net	2,671	-	2,671	4,177,358	4,177,358	(4,174,687)
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses	(3,815,032)	1,700	(3,813,332)	(1,351,096)	(2,934,361)	(878,971)
Balance beginning of year	6,861,761	82,617	6,944,378	2,593,540	2,593,540	4,350,838
Balance end of year	\$ <u>3,046,729</u>	\$ <u>84,317</u>	\$ <u>3,131,046</u>	\$ <u>1,242,444</u>	\$ <u>(340,821)</u>	\$ <u>3,471,867</u>

See accompanying independent auditor's report.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2009

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except internal service, private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the accrual basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$1,583,265.

During the year ended June 30, 2009, expenditures did not exceed the amounts budgeted.

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## Other Supplementary Information

## WEST LIBERTY COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2009

	Special Revenue				
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service	Total
Assets					
Cash and pooled investments	\$ 42,258	\$ 81,394	\$ 423,125	\$ 2,659	\$ 549,436
Receivables:					
Property tax:					
Current year	2,885	-	1,516	3,903	8,304
Succeeding year	180,000	-	85,389	261,039	526,428
Income surtax	-	-	270,279	-	270,279
Accounts	-	-	3,700	-	3,700
Prepaid expenses	-	-	880	-	880
Total assets	\$ <u>225,143</u>	\$ <u>81,394</u>	\$ <u>784,889</u>	\$ <u>267,601</u>	\$ <u>1,359,027</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ -	\$ 6,218	\$ 5,498	\$ -	\$ 11,716
Deferred revenue:					
Succeeding year property tax	180,000	-	85,389	261,039	526,428
Other	-	-	270,279	-	270,279
Total liabilities	180,000	6,218	361,166	261,039	808,423
Fund balances:					
Reserved for:					
Prepaid expenses	-	-	880	-	880
Debt service	-	-	-	6,562	6,562
Unreserved:					
Designated for Run for Schools	-	-	12,348	-	12,348
Undesignated	45,143	75,176	410,495	-	530,814
Total fund balances	45,143	75,176	423,723	6,562	550,604
Total liabilities and fund balances	\$ <u>225,143</u>	\$ <u>81,394</u>	\$ <u>784,889</u>	\$ <u>267,601</u>	\$ <u>1,359,027</u>

See accompanying independent auditor's report.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
Year Ended June 30, 2009

	Special Revenue				Total
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service	
Revenues:					
Local sources:					
Local tax	\$ 185,496	\$ -	\$ 398,268	\$ 251,271	\$ 835,035
Other	17,752	151,257	8,705	4,217	181,931
State sources	83	-	44	115	242
Total revenues	203,331	151,257	407,017	255,603	1,017,208
Expenditures:					
Current:					
Instruction	77,818	142,594	-	-	220,412
Support services:					
Student services	595	-	-	-	595
Instructional staff services	9,165	2,155	-	-	11,320
Administration services	1,785	462	10,560	-	12,807
Operation and maintenance of plant services	76,894	1,323	9,049	-	87,266
Transportation services	17,103	-	4,945	-	22,048
Non instructional programs	1,784	-	-	-	1,784
Other expenditures:					
Facilities acquisition	-	-	115,512	-	115,512
Long term debt:					
Principal	-	-	-	555,000	555,000
Interest and fiscal charges	-	-	-	370,996	370,996
Total expenditures	185,144	146,534	140,066	925,996	1,397,740
Excess (deficiency) of revenues over (under) expenditures	18,187	4,723	266,951	(670,393)	(380,532)
Other financing sources (uses):					
Interfund transfers in	-	210	-	669,451	669,661
Interfund transfers out	-	-	(162,716)	-	(162,716)
Total other financing sources (uses)	-	210	(162,716)	669,451	506,945

WEST LIBERTY COMMUNITY SCHOOL DISTRICT  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
Year Ended June 30, 2009

	Special Revenue				Total
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service	
Net change in fund balances	\$ 18,187	\$ 4,933	\$ 104,235	\$ (942)	\$ 126,413
Fund balances beginning of year	26,956	70,243	319,488	7,504	424,191
Fund balances end of year	\$ 45,143	\$ 75,176	\$ 423,723	\$ 6,562	\$ 550,604

See accompanying independent auditor's report.

## WEST LIBERTY COMMUNITY SCHOOL DISTRICT

 COMBINING SCHEDULE OF NET ASSETS  
 NONMAJOR ENTERPRISE FUNDS  
 June 30, 2009

	<u>School Nutrition</u>	<u>Student Construction</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 38,037	\$ -	\$ 38,037
Due from other governments	2,154	-	2,154
Inventories	7,401	46,099	53,500
Capital assets, net of accumulated depreciation	54,735	-	54,735
Total assets	<u>102,327</u>	<u>46,099</u>	<u>148,426</u>
Liabilities			
Accounts payable	250	361	611
Salaries and benefits payable	4,037	-	4,037
Interfund payable	-	10	10
Interest payable	-	844	844
Loans payable	-	58,607	58,607
Total liabilities	<u>4,287</u>	<u>59,822</u>	<u>64,109</u>
Net Assets			
Invested in capital assets	54,735	-	54,735
Unrestricted	43,305	(13,723)	29,582
Total net assets	<u>\$ 98,040</u>	<u>\$ (13,723)</u>	<u>\$ 84,317</u>

See accompanying independent auditor's report.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
 NONMAJOR ENTERPRISE FUNDS  
 Year Ended June 30, 2009

	<u>School Nutrition</u>	<u>Student Construction</u>	<u>Total</u>
Operating revenues:			
Local sources:			
Charges for services	\$ 235,657	\$ 194,900	\$ 430,557
Operating expenses:			
Support services:			
Salaries	13,326	-	13,326
Benefits	4,482	-	4,482
Purchased services	3,375	825	4,200
Supplies	3,778	-	3,778
Other	-	21,738	21,738
	<u>24,961</u>	<u>22,563</u>	<u>47,524</u>
Non-instructional programs:			
Salaries	166,914	-	166,914
Benefits	67,640	-	67,640
Purchased services	-	119,369	119,369
Supplies	237,600	77,976	315,576
Depreciation	7,611	-	7,611
	<u>479,765</u>	<u>197,345</u>	<u>677,110</u>
Total operating expenses	<u>504,726</u>	<u>219,908</u>	<u>724,634</u>
Operating loss	(269,069)	(25,008)	(294,077)
Non-operating revenues:			
Interest on investments	191	-	191
State sources	6,053	-	6,053
Federal sources	289,533	-	289,533
Total non-operating revenues	<u>295,777</u>	<u>-</u>	<u>295,777</u>
Change in net assets	26,708	(25,008)	1,700
Net assets beginning of year	<u>71,332</u>	<u>11,285</u>	<u>82,617</u>
Net assets end of year	<u>\$ 98,040</u>	<u>\$ (13,723)</u>	<u>\$ 84,317</u>

See accompanying independent auditor's report.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF CASH FLOWS  
NONMAJOR ENTERPRISE FUNDS  
Year Ended June 30, 2009

	School Nutrition	Student Construction	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 235,438	\$ -	\$ 235,438
Cash received from other operating activities	167	194,900	195,067
Cash payments to employees for services	(248,640)	-	(248,640)
Cash payments to suppliers for goods or services	(218,308)	(77,748)	(296,056)
Net cash provided by (used by) operating activities	<u>(231,343)</u>	<u>117,152</u>	<u>(114,191)</u>
Cash flows from non-capital financing activities:			
State grants received	6,053	-	6,053
Federal grants received	260,755	-	260,755
Operating loan proceeds	-	77,536	77,536
Operating loan payments	-	(194,698)	(194,698)
Net cash provided by (used by) non-capital financing activities	<u>266,808</u>	<u>(117,162)</u>	<u>149,646</u>
Cash flows from investing activities:			
Interest on investments	<u>191</u>	<u>-</u>	<u>191</u>
Net increase (decrease) in cash and cash equivalents	35,656	(10)	35,646
Cash and cash equivalents beginning of year	<u>2,381</u>	<u>-</u>	<u>2,381</u>
Cash and cash equivalents end of year	<u>\$ 38,037</u>	<u>\$ (10)</u>	<u>\$ 38,027</u>

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF CASH FLOWS  
NONMAJOR ENTERPRISE FUNDS  
Year Ended June 30, 2009

	<u>School Nutrition</u>	<u>Student Construction</u>	<u>Total</u>
Reconciliation of operating loss to net cash provided by (used by) operating activities:			
Operating loss	\$ (269,069)	\$ (25,008)	\$ (294,077)
Adjustments to reconcile operating loss to net cash provided by (used by) operating activities:			
Depreciation	7,611	-	7,611
Commodities used	27,288	-	27,288
Decrease in accounts receivable	321	-	321
(Increase) in due from other governments	(373)	-	(373)
(Increase) decrease in inventories	(946)	146,308	145,362
Increase in accounts payable	103	359	462
Increase in salaries and benefits payable	3,722	-	3,722
(Decrease) in interest payable	-	(4,507)	(4,507)
	<hr/>	<hr/>	<hr/>
Net cash provided by (used by) operating activities	<u>\$ (231,343)</u>	<u>\$ 117,152</u>	<u>\$ (114,191)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2009, the District received \$27,288 of federal commodities.

See accompanying independent auditor's report.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
Year Ended June 30, 2009

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
District Wide:				
Interest	\$ 3,018	\$ 1,018	\$ 3,018	\$ 1,018
Miscellaneous	65	934	934	65
Adult Activity Tickets	2,502	2,480	2,512	2,470
Student Pictures	1,438	1,127	1,438	1,127
Booster Club Reimbursement	-	20,928	20,928	-
Fine Arts Booster Donation	-	392	392	-
Elementary:				
Activity Tickets	175	175	175	175
Middle School:				
Activity Tickets	1,820	2,135	1,820	2,135
Junior High:				
Athletics	(10)	10	60	(60)
Boys' Basketball	(1,048)	1,048	1,458	(1,458)
Cross Country	20	-	48	(28)
Football	(452)	452	714	(714)
Boys' Track	876	1,061	1,255	682
Boys' Track Resale Fund	-	224	224	-
Wrestling	(220)	220	336	(336)
Girls' Basketball	(943)	943	1,532	(1,532)
Girls' Volleyball	(359)	820	870	(409)
Girls' Track	437	444	1,088	(207)
Softball	(275)	275	275	(275)
Eighth Grade	800	-	-	800
Student Council	449	1,964	1,284	1,129
High School:				
Drama	4,316	9,071	3,189	10,198
Musical Fund	4,953	-	4,953	-
Forensic Fund	240	-	240	-
Vocal Music	216	2,544	2,738	22
Band	(18)	1,380	1,474	(112)
High School FB, BB, WR Fundraiser	1,730	10,201	9,779	2,152
Athletics	1,413	299	1,251	461
Activity Tickets	2,145	2,735	2,218	2,662
Cross Country	(776)	1,156	950	(570)
Cross Country Fundraiser	720	711	1,431	-
Cross Country Resale Fund	-	295	316	(21)
HS Cheerleading	(163)	3,069	1,942	964
Dance Team Fund	18	359	200	177
Boys' Basketball	500	4,368	5,688	(820)
Boys' Basketball Fundraiser	1,934	5,234	3,651	3,517
Football	4,988	11,560	19,839	(3,291)

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
Year Ended June 30, 2009

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
High School (continued):				
Football Fundraiser	\$ 1,361	\$ 6,598	\$ 6,507	\$ 1,452
Football Resale	1,080	26	1,106	-
Boys' Soccer	(566)	1,895	2,236	(907)
Boys' Soccer Fundraiser	718	664	798	584
Baseball	(2,557)	4,849	3,406	(1,114)
Baseball Fundraiser	3,614	2,655	4,839	1,430
Boys' Track	(3,722)	7,432	4,474	(764)
KRNA/Boys' Track Fundraiser	970	453	1,152	271
Boys' Track Resale	-	661	675	(14)
Boys' Golf	(446)	801	1,308	(953)
Wrestling	(1,350)	4,894	4,331	(787)
Wrestling Fundraiser	1,014	2,793	1,026	2,781
Wrestling/Weight Room	6,361	1,346	-	7,707
Girls' Basketball	1,249	3,651	5,189	(289)
Girls' Basketball Fundraiser	643	780	642	781
Volleyball	(111)	4,527	2,539	1,877
Volleyball Fundraiser	4	-	-	4
Girls' Soccer	(981)	2,861	2,290	(410)
Softball	386	2,257	2,517	126
Softball Fundraiser	448	-	337	111
Girls' Track	(1,462)	5,219	2,256	1,501
Girls' Track Resale	-	396	396	-
Girls' Golf	(615)	615	705	(705)
Girls' Golf Fundraiser	458	455	383	530
Seniors	871	-	871	-
Juniors	(107)	3,790	3,228	455
Sophomore	1,382	156	96	1,442
Freshmen	1,537	63	-	1,600
FHA	1,220	85	370	935
FFA	23,053	18,449	19,159	22,343
Greenhouse Fund	1,130	4,716	2,766	3,080
Color Guard	180	-	-	180
Anime Fund	65	-	-	65
Journalism	-	1,645	1,084	561
National Honor Society	1,761	440	168	2,033
Student Council	2,379	797	1,327	1,849
Yearbook #2	(233)	8,285	552	7,500
Intrafund Transfers	-	(32,419)	(32,419)	-
<b>Total</b>	<b>\$ 70,243</b>	<b>\$ 151,467</b>	<b>\$ 146,534</b>	<b>\$ 75,176</b>

See accompanying independent auditor's report.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
 AGENCY FUND  
 Year Ended June 30, 2009

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash	\$ 5,584	\$ 76,613	\$ 76,924	\$ 5,273
Accounts receivable	-	172	-	172
Total assets	<u>\$ 5,584</u>	<u>\$ 76,785</u>	<u>\$ 76,924</u>	<u>\$ 5,445</u>
Liabilities				
Other payables	<u>\$ 5,584</u>	<u>\$ 76,785</u>	<u>\$ 76,924</u>	<u>\$ 5,445</u>

See accompanying independent auditor's report.

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

ALL GOVERNMENTAL FUNDS  
FOR THE LAST FIVE YEARS

	Modified Accrual Basis Years Ended June 30,				
	2009	2008	2007	2006	2005
<b>Revenues:</b>					
Local sources:					
Local tax	\$ 4,686,294	\$ 4,383,660	\$ 4,122,480	\$ 3,947,341	\$ 3,672,741
Tuition	164,003	183,998	97,217	87,345	113,168
Other	434,483	414,123	401,798	329,952	2,378,613
State sources	6,452,519	6,567,602	6,058,991	5,449,822	5,131,990
Federal sources	556,461	475,743	455,182	555,366	1,020,523
<b>Total revenues</b>	<b>\$ 12,293,760</b>	<b>\$ 12,025,126</b>	<b>\$ 11,135,668</b>	<b>\$ 10,369,826</b>	<b>\$ 12,317,035</b>
<b>Expenditures:</b>					
Instruction	\$ 7,725,626	\$ 7,045,643	\$ 6,787,865	\$ 6,433,053	\$ 6,197,702
Support services:					
Student services	326,200	261,395	203,932	190,986	216,691
Instructional staff services	511,892	497,392	501,013	568,994	394,044
Administration services	1,130,992	1,117,851	967,867	933,439	824,547
Operation and maintenance					
of plant services	824,556	839,878	753,719	734,840	624,595
Transportation services	362,809	378,165	408,584	367,395	329,810
Non-instructional programs	1,784	8,543	3,453	-	-
Other expenditures:					
Facilities acquisition	3,887,559	577,412	469,248	466,161	5,687,846
Long-term debt:					
Principal	555,000	535,000	510,000	500,000	505,744
Interest and fiscal charges	371,496	304,478	327,028	348,842	372,421
AEA flowthrough	413,549	404,516	383,857	346,184	324,503
<b>Total expenditures</b>	<b>\$ 16,111,463</b>	<b>\$ 11,970,273</b>	<b>\$ 11,316,566</b>	<b>\$ 10,889,894</b>	<b>\$ 15,477,903</b>

See accompanying independent auditor's report.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2009

Grantor / Program	CFDA Number	Grant Number	Expenditures
Indirect:			
U. S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY 09	\$ 36,755
National School Lunch Program	10.555	FY 09	221,509
National School Lunch Program (non-cash)	10.555	FY 09	27,288
Summer Food Service Program for Children	10.559	FY 09	3,982
			<u>289,534</u>
U. S. Department of Education:			
Iowa Department of Education:			
Title 1 Grants to Local Educational Agencies	84.010	6975GC	20,895
Title 1 Grants to Local Educational Agencies	84.010	6975G	145,172
Title 1 Grants to Local Educational Agencies	84.010	SINA	66,537
			<u>232,604</u>
Special Education - Grants to States	84.027	FY 09	<u>600</u>
Safe and Drug-Free Schools and Communities - State Grants	84.186	FY 09	<u>2,211</u>
Advanced Placement Program	84.330	FY 09	<u>352</u>
Improving Teacher Quality State Grants	84.367	FY 09	<u>40,425</u>
Grants for State Assessments and Related Activities	84.369	FY 08	755
Grants for State Assessments and Related Activities	84.369	FY 09	6,046
			<u>6,801</u>
State Fiscal Stabilization Fund - Education State Grants, Recovery Act	84.394	FY 09	<u>98,077</u>
Mississippi Bend Area Education Agency:			
Special Education - Grants to States	84.027	FY 09	<u>64,739</u>
Career and Technical Education - Basic Grants to States	84.048	FY 08	1,253
Career and Technical Education - Basic Grants to States	84.048	FY 09	2,055
			<u>3,308</u>
Reading First State Grants	84.357	FY 08	<u>1,049</u>
English Language Acquisition Grants	84.365	FY 09	<u>25,672</u>

WEST LIBERTY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2009

Grantor / Program	CFDA Number	Grant Number	Expenditures
Indirect (continued):			
U. S. Department of Health and Human Services:			
Community Action of Eastern Iowa:			
Head Start	93.600	FY 08	\$ 42
Head Start	93.600	FY 09	60,757
			60,799
Total			\$ 826,171

Basis of Presentation –

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

See accompanying independent auditor's report.

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of West Liberty Community School District as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated December 4, 2009. We disclaimed an opinion on the discretely presented component unit and expressed unqualified opinions on the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects West Liberty Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood a misstatement of West Liberty Community School District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We noted no matters involving the internal control over financial reporting that we consider to be material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether West Liberty Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about West Liberty Community School District's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

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

Oskaloosa, Iowa  
December 4, 2009

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE  
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of West Liberty Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2009. West Liberty Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of West Liberty Community School District's management. Our responsibility is to express an opinion on West Liberty Community School District's compliance based on our audit.

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

In our opinion, West Liberty Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

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

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

A control deficiency in a District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

Oskaloosa, Iowa  
December 4, 2009

WEST LIBERTY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2009

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

- (a) We disclaimed an opinion on the discretely presented component unit and issued unqualified opinions on the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information.
- (b) A significant deficiency in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - CFDA Number 84.010 – Title I Grants to Local Educational Agencies
  - Clustered programs:
    - CFDA Number 10.553 – School Breakfast Program
    - CFDA Number 10.555 – National School Lunch Program
    - CFDA Number 10.559 – Summer Food Service Program for Children
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) West Liberty Community School District did not qualify as a low-risk auditee.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2009

Part II: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Significant Deficiencies:

II-A-09 Fundraisers – We noted that the control procedures over fundraising activities are very lax and a reconciliation of fundraiser revenues to the related deposits and fundraiser costs is not always prepared.

Recommendation – An accounting of the estimated and actual profit or loss of each activity should be prepared by the student organization and submitted with the money collected to the appropriate office personnel. The office personnel should be responsible for keeping track of the ongoing fundraisers and ensuring that the collected funds are remitted to the office and deposited on a timely basis.

Response – We will be reviewing and possibly implementing new fundraiser procedures for the year ending June 30, 2010.

Conclusion – Response accepted.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2009

Part III: Findings and Questioned Costs for Federal Awards

Instances of Non-Compliance:

No matters were reported.

Significant Deficiencies:

No matters were reported.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2009

Part IV: Other Findings Related to Statutory Reporting:

- IV-A-09 Certified Budget – Expenditures for the year ended June 30, 2009, did not exceed the amounts budgeted.
- IV-B-09 Questionable Expenditures – No expenditures were noted that we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.
- IV-C-09 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- IV-D-09 Business Transactions – No business transactions between the District and District officials or employees were noted.
- IV-E-09 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- IV-F-09 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- IV-G-09 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.
- IV-H-09 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.
- IV-I-09 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely and we noted no significant deficiencies in the amounts reported.
- IV-J-09 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2009

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

IV-K-09 Statewide Sales and Services Tax – No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2009, the District's financial activity and other required information for the statewide sales and services tax are as follows:

Beginning balance	\$	-
Statewide sales and services tax revenue		808,057
Expenditures/transfers out:		
None		-
Ending balance	\$	808,057

IV-L-09 Enterprise Fund, School Nutrition – The District accounts for all nutrition revenues by recording receipts into the lunch revenue account and making year end adjustments to the other meal revenue accounts to categorize the various meal revenue types. All cash received is recognized as earned revenue. However, part of the cash received is unearned revenue and is being held by the District in individual student accounts.

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

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

Conclusion – Response accepted.

IV-M-09 Deficit Balance – The Nonmajor Enterprise, Student Construction Fund had a deficit net assets balance of \$13,723 at June 30, 2009.

Recommendation – The District should continue to investigate alternatives to eliminate the deficit in the Student Construction Fund.

Response – The District is continuing to investigate alternatives to eliminate the deficit in the student construction fund. The main reason for the deficit is that the house had not been sold yet at year end.

Conclusion – Response accepted.