

WEST LYON COMMUNITY SCHOOL
DISTRICT 60

WEST LYON COMMUNITY SCHOOL DISTRICT 60

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West Lyon Community School District 60
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2009

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
BOARD OF EDUCATION (Before September 2008 Election)		
Kay Twedt	President	September 2009
Ken Kerkvliet	Vice President	September 2009
Al Hassebroek	Board Member	September 2009
Rick Moser	Board Member	September 2011
Gib VanHill	Board Member	September 2011
(After September 2008 Election)		
Kay Twedt	President	September 2008
Ken Kerkvliet	Vice President	September 2009
Al Hassebroek	Board Member	September 2008
Rick Moser	Board Member	September 2010
Gib VanHill	Board Member	September 2010
SCHOOL OFFICIALS		
Jim Hargens	Superintendent	-
Robert Tracy	Secretary/Business Manager	June 30, 2009
Lyle Impehoven	Treasurer	June 30, 2009
Tom Whorley	Attorney	Indefinite

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the **West Lyon Community School District 60**, Inwood, Iowa as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of the **West Lyon Community School District 60's** officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the **West Lyon Community School District 60** at June 30, 2009, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 29, 2010 on our consideration of the **West Lyon Community School District 60's** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

Management's Discussion and Analysis and the budgetary comparison information on pages 4 through 17 and 39 through 40 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise **West Lyon Community School District 60's** basic financial statements. The Other Supplementary Information 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. The listing of School District Officials has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

A handwritten signature in black ink that reads "Eide Bailey LLP". The signature is written in a cursive, flowing style.

Sioux Falls, South Dakota
January 29, 2010

Basic Financial Statements

WEST LYON COMMUNITY SCHOOL DISTRICT 60
STATEMENT OF NET ASSETS
JUNE 30, 2009

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
Cash and cash equivalents	\$ 2,498,949	\$ 74,791	\$ 2,573,740
Investment in ISJIT	16,788	-	16,788
Receivables			
Property tax:			
Delinquent	32,793	-	32,793
Succeeding year	2,511,193	-	2,511,193
Income surtax	305,654	-	305,654
Other	-	289	289
Accounts	2,496	-	2,496
Accrued interest:			
ISJIT	2	-	2
Other	1,170	-	1,170
Due from other governments	200,342	-	200,342
Inventories	-	5,859	5,859
Capital assets, non depreciable	39,494	-	39,494
Capital assets, net of accumulated depreciation	5,121,523	5,907	5,127,430
TOTAL ASSETS	\$ 10,730,404	\$ 86,846	\$ 10,817,250
LIABILITIES			
Accounts payable	\$ 80,601	\$ 246	\$ 80,847
Salaries and benefits payable	624,608	4,106	628,714
Deferred revenue-succeeding year property tax	2,511,193	-	2,511,193
Deferred revenue-income surtax	305,654	-	305,654
Deferred revenue-other	85,587	3,731	89,318
Due to other governments	27,480	-	27,480
Accrued interest payable	10,474	-	10,474
Noncurrent liabilities			
Due within one year	215,814	-	215,814
Due in more than one year	3,283,784	-	3,283,784
TOTAL LIABILITIES	7,145,195	8,083	7,153,278
NET ASSETS			
Invested in capital assets, net of related debt	2,125,543	5,907	2,131,450
Unrestricted	1,459,666	72,856	1,532,522
TOTAL NET ASSETS	\$ 3,585,209	\$ 78,763	\$ 3,663,972

WEST LYON COMMUNITY SCHOOL DISTRICT 60
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2009

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants, Contributions and Restricted Interest
Governmental activities:			
Instruction:			
Regular instruction	\$ 2,948,239	\$ 63,235	\$ 458,078
Special instruction	768,410	7,680	106,266
Other instruction	843,121	73,055	61,124
	<u>4,559,770</u>	<u>143,970</u>	<u>625,468</u>
Support services:			
Student	186,213	-	33,031
Instructional staff	122,516	-	6,500
Administration	479,486	-	-
Operation and maintenance of plant	478,787	625	-
Transportation	430,194	-	34,939
	<u>1,697,196</u>	<u>625</u>	<u>74,470</u>
Other services:	<u>572,579</u>	-	-
Other expenditures:			
Long-term debt interest	120,204	-	-
Depreciation (unallocated)*	145,931	-	-
	<u>266,135</u>	<u>-</u>	<u>-</u>
Total governmental activities	7,095,680	144,595	699,938
Business type activities:			
Non-instructional programs:			
Food service operations	282,171	186,176	113,138
Total	<u>\$ 7,377,851</u>	<u>\$ 330,771</u>	<u>\$ 813,076</u>
General revenues:			
Property tax levied for:			
General purposes			
Debt service			
Capital outlay			
Local option sale and services tax			
Unrestricted state grants			
Unrestricted investment earnings			
Other			
Total general revenues			
Change in net assets			
Net assets beginning of year			
Net assets end of year			

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

Net (Expense) Revenue and
Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (2,426,926)	\$ -	\$ (2,426,926)
(654,464)	-	(654,464)
(708,942)	-	(708,942)
<u>(3,790,332)</u>	<u>-</u>	<u>(3,790,332)</u>
(153,182)	-	(153,182)
(116,016)	-	(116,016)
(479,486)	-	(479,486)
(478,162)	-	(478,162)
(395,255)	-	(395,255)
<u>(1,622,101)</u>	<u>-</u>	<u>(1,622,101)</u>
<u>(572,579)</u>	<u>-</u>	<u>(572,579)</u>
(120,204)	-	(120,204)
(145,931)	-	(145,931)
<u>(266,135)</u>	<u>-</u>	<u>(266,135)</u>
(6,251,147)	-	(6,251,147)
	<u>17,143</u>	<u>17,143</u>
<u>\$ (6,251,147)</u>	<u>\$ 17,143</u>	<u>\$ (6,234,004)</u>
\$ 2,061,295	\$ -	\$ 2,061,295
965	-	965
258,755	-	258,755
735,472	-	735,472
2,507,815	-	2,507,815
37,093	412	37,505
821,170	-	821,170
<u>6,422,565</u>	<u>412</u>	<u>6,422,977</u>
171,418	17,555	188,973
<u>3,413,791</u>	<u>61,208</u>	<u>3,474,999</u>
<u>\$ 3,585,209</u>	<u>\$ 78,763</u>	<u>\$ 3,663,972</u>

WEST LYON COMMUNITY SCHOOL DISTRICT 60
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009

	General	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
Assets					
Cash and cash equivalents	\$ 1,501,509	\$ 10,460	\$ 685,458	\$ 301,522	\$ 2,498,949
Investment in ISJIT	5,633	-	-	11,155	16,788
Receivables:					
Property tax:					
Delinquent	29,130	15	-	3,648	32,793
Succeeding year	2,242,538	1,565	-	267,090	2,511,193
Income surtax receivable	305,654	-	-	-	305,654
Accounts	2,496	-	-	-	2,496
Accrued interest:					
Cash and cash equivalents	-	-	-	2	2
Other	-	-	1,170	-	1,170
Due from other governments	81,333	-	119,009	-	200,342
Total assets	\$ 4,168,293	\$ 12,040	\$ 805,637	\$ 583,417	\$ 5,569,387
Liabilities and fund balances					
Liabilities:					
Accounts payable	\$ 17,620	\$ -	\$ 11,747	\$ 51,234	\$ 80,601
Salaries and benefits payable	624,608	-	-	-	624,608
Due to other governments	27,480	-	-	-	27,480
Deferred revenue:					
Succeeding year property tax	2,242,538	1,565	-	267,090	2,511,193
Income surtax	305,654	-	-	-	305,654
Other	85,587	-	-	-	85,587
Total liabilities	3,303,487	1,565	11,747	318,324	3,635,123
Fund Balances:					
Reserved for debt service	-	10,475	-	-	10,475
Reserved for market factor	3,479	-	-	-	3,479
Reserved for at-risk	83,130	-	-	-	83,130
Reserved for core curriculum	11,697	-	-	-	11,697
Unreserved	766,500	-	793,890	265,093	1,825,483
Total fund balances	864,806	10,475	793,890	265,093	1,934,264
Total liabilities and fund balances	\$ 4,168,293	\$ 12,040	\$ 805,637	\$ 583,417	\$ 5,569,387

WEST LYON COMMUNITY SCHOOL DISTRICT 60
RECONCILIATION OF THE BALANCE SHEET GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET ASSETS
JUNE 30, 2009

Total fund balances of governmental funds (page 9) \$ 1,934,264

*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. 5,161,017

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. funds. (10,474)

Long-term liabilities, including bonds and notes payable and compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds. (3,499,598)

Net assets of governmental activities \$ 3,585,209

WEST LYON COMMUNITY SCHOOL DISTRICT 60
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2009

	General	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
Revenues:					
Local sources:					
Local tax	\$ 2,386,602	\$ 965	\$ 427,175	\$ 258,755	\$ 3,073,497
Other	136,155	-	-	261,845	398,000
State sources	3,347,976	1	-	153	3,348,130
Federal sources	166,892	82	-	-	166,974
Total revenues	<u>6,037,625</u>	<u>1,048</u>	<u>427,175</u>	<u>520,753</u>	<u>6,986,601</u>
Expenditures:					
Current:					
Instruction:					
Regular	2,803,118	-	-	145,121	2,948,239
Special	767,931	-	-	-	767,931
Other	565,583	-	-	277,538	843,121
	<u>4,136,632</u>	<u>-</u>	<u>-</u>	<u>422,659</u>	<u>4,559,291</u>
Support services:					
Student	166,055	-	-	-	166,055
Instructional staff	71,468	-	12,601	-	84,069
Administration	471,969	-	-	13,449	485,418
Operation and maintenance of plant	455,628	-	246,302	-	701,930
Transportation	378,316	-	-	-	378,316
	<u>1,543,436</u>	<u>-</u>	<u>258,903</u>	<u>13,449</u>	<u>1,815,788</u>
Other expenditures:					
Facilities acquisition	-	-	-	4,800	4,800
Management fund	-	-	-	40,487	40,487
AEA flowthrough	263,849	-	-	-	263,849
Long-term debt:					
Principal	-	160,000	-	-	160,000
Interest and fiscal charges	-	120,965	-	-	120,965
	<u>263,849</u>	<u>280,965</u>	<u>-</u>	<u>45,287</u>	<u>590,101</u>
Total expenditures	<u>5,943,917</u>	<u>280,965</u>	<u>258,903</u>	<u>481,395</u>	<u>6,965,180</u>
Excess (deficiency) of revenues over (under) expenditures	<u>93,708</u>	<u>(279,917)</u>	<u>168,272</u>	<u>39,358</u>	<u>21,421</u>
Other financing sources (uses):					
Sale of equipment	500	-	-	-	500
Transfer in	-	280,000	-	-	280,000
Transfer out	-	-	(280,000)	-	(280,000)
Total other financing sources (uses)	<u>500</u>	<u>280,000</u>	<u>(280,000)</u>	<u>-</u>	<u>500</u>
Net change in fund balances	94,208	83	(111,728)	39,358	21,921
Fund balances beginning of year	770,598	10,392	905,618	225,735	1,912,343
Fund balances end of year	<u>\$ 864,806</u>	<u>\$ 10,475</u>	<u>\$ 793,890</u>	<u>\$ 265,093</u>	<u>\$ 1,934,264</u>

WEST LYON COMMUNITY SCHOOL DISTRICT 60
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT
OF ACTIVITIES
YEAR ENDED JUNE 30, 2009

Net change in fund balances - total governmental funds \$ 21,921

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

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

Expenditures for capital assets	\$ 245,468	
Depreciation expense	<u>(235,731)</u>	9,737

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issues exceeded repayments, as follows:

Repaid		160,000
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Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

(81)

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

Early retirements		<u>(20,158)</u>
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Change in net assets of governmental activities \$ 171,418

WEST LYON COMMUNITY SCHOOL DISTRICT 60
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2009

	School Nutrition
Assets	
Cash and cash equivalents	\$ 74,791
Accounts receivable	289
Inventories	5,859
Capital assets, net of accumulated depreciation	5,907
Total assets	86,846
 Liabilities	
Accounts payable	246
Salaries and benefits payable	4,106
Unearned revenue	3,731
Total liabilities	8,083
 Net assets	
Invested in capital assets, net of related debt	5,907
Unrestricted	72,856
Total net assets	\$ 78,763

WEST LYON COMMUNITY SCHOOL DISTRICT 60
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2009

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Sale of lunches	\$ 179,567
Miscellaneous	6,609
Total operating revenues	<u>186,176</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries and benefits	135,400
Supplies	123,135
Other	2,220
Depreciation	1,131
Federal food commodities used	20,285
Total operating expenses	<u>282,171</u>
Operating loss	<u>(95,995)</u>
Non-operating revenues:	
State sources	3,990
Federal sources	109,148
Interest income	412
Total non-operating revenues	<u>113,550</u>
Change in net assets	17,555
Net assets beginning of year	<u>61,208</u>
Net assets end of year	<u>\$ 78,763</u>

WEST LYON COMMUNITY SCHOOL DISTRICT 60
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2009

	School Nutrition
Cash flows used for operating activities:	
Cash received from sale of lunches and breakfasts	\$ 179,990
Cash received from miscellaneous operating activities	6,320
Cash paid to employees for services	(135,253)
Cash paid to suppliers for goods or services	(125,469)
Net cash used for operating activities	<u>(74,412)</u>
Cash flows from non-capital financing activities:	
State grants received	3,990
Federal grants received	88,863
Net cash from non-capital financing activities:	<u>92,853</u>
Cash flows from investing activities:	
Interest on investments	<u>412</u>
Net increase in cash and cash equivalents	<u>18,853</u>
Cash and cash equivalents at beginning of year	<u>55,938</u>
Cash and cash equivalents at end of year	<u>\$ 74,791</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (95,995)
Adjustments to reconcile operating loss to net cash (used in) operating activities:	
Depreciation	1,131
Increase in accounts receivable	(289)
Commodities used	20,110
Increase in inventories	(184)
Increase in accounts payable	245
Increase in salaries and benefits payable	147
Increase in deferred revenue	423
Net cash used for operating activities	<u>\$ (74,412)</u>

Noncash investing, capital and financing activities:

During the year ended June 30, 2009, the District received \$20,285 of federal commodities and consumed Federal commodities of \$20,110.

WEST LYON COMMUNITY SCHOOL DISTRICT 60
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The **West Lyon Community School District 60** (District) is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the cities of Inwood, Larchwood, Lester and Alford, Iowa and the predominate agricultural territory surrounding such in Lyon County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

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

B. Government-wide and Fund Financial Statements

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

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

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

Fund Financial Statements: Separate financial statements are provided for governmental and proprietary funds. 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 financial resources and expenditures that are not allocated by law or contractual agreement to some other fund are accounted for in this fund.

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

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

The District reports the following major proprietary fund:

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

C. Measurement Focus and Basis of Accounting

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

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

NOTES TO FINANCIAL STATEMENTS

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for the enterprise fund 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 and have a maturity date no longer than three months.

NOTES TO FINANCIAL STATEMENTS

Property Tax Receivable:

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

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

Property tax revenue recognized in these funds becomes due and collectible in September and March of the current fiscal year with a 1 1/2% per month penalty for delinquent payments; is based on January 1, 2007, assessed property valuations; is for the tax accrual period July 1, 2008, through June 30, 2009, and reflects tax asking contained in the budget certified to the County Board of Supervisors in April 2008.

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 the proprietary fund are recorded as expenses when consumed rather than when purchased or received.

Capital Assets:

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

NOTES TO FINANCIAL STATEMENTS

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

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

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

Salaries and Benefits Payable:

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

Deferred Revenue:

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

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

Long-Term Liabilities:

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

Fund Equity:

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

NOTES TO FINANCIAL STATEMENTS

Restricted Net Assets:

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

E. Budgets and Budgetary Accounting

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

NOTE 2 - CASH AND POOLED INVESTMENTS

The District's deposits in banks at June 30, 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 that there will be no loss of public funds.

As of June 30, 2009, the book balance of the District's cash deposits plus petty cash totaled \$773,740 and the bank balance totaled \$794,857.

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 investments in the Iowa Schools Joint Investment Trust (ISJIT) diversified portfolio totaling \$16,788. The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940. ISJIT is registered with and regulated by the Securities and Exchange Commission.

At June 30, 2009, the District had investments in certificates of deposit paper totaling \$1,800,000.

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

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

Cash deposits and petty cash	\$ 773,740
Certificates of deposit	<u>1,800,000</u>
Cash and cash equivalents	2,573,740
Investment in ISJIT	<u>16,788</u>
	<u><u>\$ 2,590,528</u></u>

NOTE 3 – INTERFUND TRANSFER

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

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 3 - CAPITAL ASSETS

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

Governmental Activities:	Balance 07/01/08	Increases	Decreases	Balance 06/30/09
Capital assets not being depreciated:				
Land	\$ 39,494	\$ -	\$ -	\$ 39,494
Capital assets being depreciated:				
Buildings	6,450,188	196,707	-	6,646,895
Improvements other than buildings	420,729	25,651	-	446,380
Machinery and equipment	3,132,703	23,110	83,198	3,072,615
Total capital assets being depreciated	<u>10,003,620</u>	<u>245,468</u>	<u>83,198</u>	<u>10,165,890</u>
Less accumulated depreciation for:				
Buildings	1,834,833	130,971	-	1,965,804
Improvements other than buildings	326,488	12,102	-	338,590
Machinery and equipment	2,730,513	92,658	83,198	2,739,973
Total accumulated depreciation	<u>4,891,834</u>	<u>235,731</u>	<u>83,198</u>	<u>5,044,367</u>
Total capital assets being depreciated, net	<u>5,111,786</u>	<u>9,737</u>	<u>-</u>	<u>5,121,523</u>
Governmental activities capital assets, net	<u>\$ 5,151,280</u>	<u>\$ 9,737</u>	<u>\$ -</u>	<u>\$ 5,161,017</u>

NOTES TO FINANCIAL STATEMENTS

Business Type Activities:	Balance 07/01/08	Increases	Decreases	Balance 06/30/09
Furniture and equipment	\$ 55,668	\$ -	\$ -	\$ 55,668
Less accumulated depreciation	<u>48,630</u>	<u>1,131</u>	<u>-</u>	<u>49,761</u>
Business type activities capital assets, net	<u>\$ 7,038</u>	<u>\$ 1,131</u>	<u>\$ -</u>	<u>\$ 5,907</u>
Depreciation expense was charged to the				
Governmental activities:				
Instruction:				
Regular				\$ -
Special				479
Other				-
Support Services:				
Instructional staff				48,005
Administration				645
Operation and maintenance of plant				2,242
Transportation				<u>38,429</u>
				89,800
Unallocated				<u>145,931</u>
Total depreciation expense - governmental				<u>\$ 235,731</u>
Business type activities:				
Food service operations				<u>\$ 1,131</u>

NOTE 4 - LONG-TERM LIABILITIES

Changes in long-term liabilities for the year ended June 30, 2009 are summarized as follows:

	Balance 07/01/08	Increases	Decreases	Balance 06/30/09	Due in One Year
General obligation bonds	\$ 3,185,000	\$ -	\$ (160,000)	\$ 3,025,000	\$ 165,000
Early retirement	<u>454,440</u>	<u>126,115</u>	<u>(105,957)</u>	<u>474,598</u>	<u>50,814</u>
	<u>\$ 3,639,440</u>	<u>\$ 126,115</u>	<u>\$ (265,957)</u>	<u>\$ 3,499,598</u>	<u>\$ 215,814</u>

NOTES TO FINANCIAL STATEMENTS

Early Retirement Payable

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must have completed at least fifteen years of full-time service to the District and must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commences. The application for early retirement is subject to approval by the Board of Education and no more than five employees per year will be granted benefits under the policy. At June 30, 2009, the District has obligations to eleven participants with a total liability of \$474,598. Actual early retirement expenditures for the year ended June 30, 2009 totaled \$105,957.

General Obligation Bonds Payable

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

Year Ending June 30,	Bond Issue of February 1, 2004		
	Interest Rates	Principal	Interest
2010	3.00%	\$ 165,000	\$ 116,165
2011	3.25%	175,000	111,215
2012	3.35%	180,000	105,527
2013	3.35%	185,000	99,497
2014	3.50%	190,000	93,300
2015-2019	3.60-4.05%	1,080,000	356,140
2020-2023	4.15-4.40%	1,050,000	116,357
		<u>\$ 3,025,000</u>	<u>\$ 998,202</u>

The bonds are payable solely from the proceeds of the local option sales and services tax revenues received by the district. The bonds mature on June 1 in each of the years, in the respective principal amounts and bear interest payable semiannually. The bonds were issued on February 9, 2004 in the amount of \$3,800,000 by the District for the purpose of paying costs in connection with the constructing, furnishing and equipping a new gymnasium, lockers and band room, and remodeling the existing facility. The District reserves the rights to call and redeem part or all of the bonds maturing in each of the years 2013 and 2023. The bonds mature on June 1, 2023.

NOTES TO FINANCIAL STATEMENTS

NOTE 5 - PENSION AND RETIREMENT BENEFITS

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

Plan members are required to contribute 4.10% of their annual covered salary and the District is required to contribute 6.35% of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2009, 2008, and 2007, were \$226,513, \$211,580, and \$193,740, respectively, equal to the required contributions for each year.

NOTE 6 - RISK MANAGEMENT

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

NOTE 7 - AREA EDUCATION AGENCY

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$263,849 for the year ended June 30, 2009, and is recorded in the General Fund by making a memorandum adjusting entry to the financial statements.

WEST LYON COMMUNITY SCHOOL DISTRICT 60
REQUIRED SUPPLEMENTARY INFORMATION

WEST LYON COMMUNITY SCHOOL DISTRICT 60
BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN BALANCES – BUDGET AND ACTUAL – ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUND
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2009

	Governmental Funds Actual	Proprietary Fund Actual
Revenues:		
Local sources	\$ 3,471,577	\$ 186,587
State sources	3,348,130	3,990
Federal sources	166,892	109,148
Total	<u>6,986,599</u>	<u>299,725</u>
Expenditures:		
Instruction	4,571,891	-
Support services	1,602,621	2,220
Non-Instructional programs	-	279,950
Other expenditures	790,666	-
Total	<u>6,965,178</u>	<u>282,170</u>
Excess (deficiency) of revenue over (under) expenditures	21,421	17,555
Other financing sources (uses):		
Interfund transfer in	280,000	-
Interfund transfer out	(280,000)	-
Other	500	-
Total other financing sources (uses)	<u>500</u>	<u>-</u>
Net change in fund equity	21,921	17,555
Balances beginning of year	<u>1,912,343</u>	<u>61,208</u>
Balances end of year	<u>\$ 1,934,264</u>	<u>\$ 78,763</u>

Total Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
	Original	Final	
\$ 3,658,164	\$ 3,700,117	\$ 3,700,117	\$ (41,953)
3,352,120	3,379,456	3,379,456	(27,336)
276,040	293,849	293,849	(17,809)
<u>7,286,324</u>	<u>7,373,422</u>	<u>7,373,422</u>	<u>(87,098)</u>
4,571,891	4,670,399	4,842,325	270,434
1,604,841	1,625,727	1,855,771	250,930
279,950	330,750	330,750	50,800
790,666	739,115	976,956	186,290
<u>7,247,348</u>	<u>7,365,991</u>	<u>8,005,802</u>	<u>758,454</u>
38,976	7,431	(632,380)	(845,552)
280,000	405,000	405,000	(125,000)
(280,000)	(405,000)	(405,000)	125,000
500	500	500	-
<u>500</u>	<u>500</u>	<u>500</u>	<u>-</u>
39,476	7,931	(631,880)	(845,552)
<u>1,973,551</u>	<u>1,869,009</u>	<u>1,869,009</u>	<u>104,542</u>
<u>\$ 2,013,027</u>	<u>\$ 1,876,940</u>	<u>\$ 1,237,129</u>	<u>\$ (741,010)</u>

WEST LYON COMMUNITY SCHOOL DISTRICT 60
NOTES TO BUDGETARY COMPARISON SCHEDULE
JUNE 30, 2009

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

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

During the year ended June 30, 2009 none of the functions exceeded the amount budgeted and the District did not exceed its General Fund unspent authorized budget.

WEST LYON COMMUNITY SCHOOL DISTRICT 60
OTHER SUPPLEMENTARY INFORMATION

WEST LYON COMMUNITY SCHOOL DISTRICT 60
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2009

	Student Activity	Management Levy	Physical Plant and Equipment Levy	Total
Assets				
Cash and cash equivalents	\$ 44,234	\$ 103,257	\$ 154,031	\$ 301,522
Investment in ISJIT	-	-	11,155	11,155
Receivables:				
Property tax:				
Delinquent	-	2,705	943	3,648
Succeeding year	-	195,346	71,744	267,090
Accrued interest:				
Investment in ISJIT	-	-	2	2
Total assets	<u>\$ 44,234</u>	<u>\$ 301,308</u>	<u>\$ 237,875</u>	<u>\$ 583,417</u>
Liabilities and fund balances				
Liabilities:				
Accounts payable	\$ 421	\$ 50,813	\$ -	\$ 51,234
Deferred revenue:				
Succeeding year property tax	-	195,346	71,744	267,090
Total liabilities	<u>421</u>	<u>246,159</u>	<u>71,744</u>	<u>318,324</u>
Fund balances:				
Unreserved	43,813	55,149	166,131	265,093
Total fund balances	<u>43,813</u>	<u>55,149</u>	<u>166,131</u>	<u>265,093</u>
Total liabilities and fund balances	<u>\$ 44,234</u>	<u>\$ 301,308</u>	<u>\$ 237,875</u>	<u>\$ 583,417</u>

WEST LYON COMMUNITY SCHOOL DISTRICT 60
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2009

	Student Activity	Management Levy	Physical Plant and Equipment Levy	Total
Revenues:				
Local sources:				
Local tax	\$ -	\$ 191,398	\$ 67,357	\$ 258,755
Other	260,646	542	657	261,845
State sources	-	113	40	153
Total revenues	<u>260,646</u>	<u>192,053</u>	<u>68,054</u>	<u>520,753</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	-	145,121	-	145,121
Other instruction	268,509	-	9,029	277,538
Support services:				
Administration services	-	13,449	-	13,449
Other expenditures:				
Facilities acquisition	-	-	4,800	4,800
Management fund	-	40,487	-	40,487
Total expenditures	<u>268,509</u>	<u>199,057</u>	<u>13,829</u>	<u>481,395</u>
Excess (deficiency) of revenues over (under) expenditures	(7,863)	(7,004)	54,225	39,358
Fund balances beginning of year	<u>51,676</u>	<u>62,153</u>	<u>111,906</u>	<u>225,735</u>
Fund balances end of year	<u>\$ 43,813</u>	<u>\$ 55,149</u>	<u>\$ 166,131</u>	<u>\$ 265,093</u>

WEST LYON COMMUNITY SCHOOL DISTRICT 60
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
System wide athletics	\$ 34,902	\$ 30,836	\$ 34,771	\$ 30,967
Softball	-	504	504	-
Golf	-	119	119	-
Track	-	6,165	6,165	-
Volleyball	-	2,747	2,747	-
Football	-	39,654	39,654	-
Basketball	-	14,765	14,765	-
Wrestling	239	5,014	5,253	-
Cross country	64	522	510	76
Vocal music	-	1,001	853	148
Student council	2,862	5,747	8,609	-
FFA	4,807	102,012	106,445	374
Annual	-	10,458	8,158	2,300
Class of 2008	913	-	-	913
Class of 2009	105	1,922	1,807	220
Class of 2010	221	9,366	9,460	127
Class of 2011	85	41	-	126
Class of 2005	633	336	30	939
Class of 2006	19	104	84	39
Class of 2007	-	21	-	21
Industrial arts	-	500	500	-
Speech	496	5,660	4,847	1,309
Library fund	1,055	1,015	970	1,100
National Honor Society	1,250	574	464	1,360
Band	119	4,539	4,658	-
FLA	1,629	-	906	723
NWIMBI	303	-	303	-
Elementary annual	1,974	17,024	15,927	3,071
	\$ 51,676	\$ 260,646	\$ 268,509	\$ 43,813

WEST LYON COMMUNITY SCHOOL DISTRICT 60
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES
BY FUNCTION – GOVERNMENTAL FUNDS
YEARS ENDED JUNE 30, 2009, 2008, 2007 AND 2006

	2009	2008	2007	2006
Revenues:				
Local sources:				
Local tax	\$3,073,497	\$3,008,861	\$2,857,781	\$ 2,706,164
Other	398,000	369,892	412,142	309,607
State sources	3,348,130	3,359,905	3,062,075	3,044,640
Federal sources	166,974	180,576	201,182	241,931
Interest	-	-	-	-
 Total	<u>\$6,986,601</u>	<u>\$6,919,234</u>	<u>\$6,533,180</u>	<u>\$ 6,302,342</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	\$2,948,239	\$2,837,863	\$2,759,490	\$ 2,732,543
Special instruction	767,931	804,677	856,550	768,838
Other instruction	843,121	755,683	775,827	740,274
Support services:				
Student services	166,055	155,996	159,517	150,500
Instructional staff services	84,069	81,213	68,272	48,728
Administration services	485,418	468,759	465,787	467,134
Operation and maintenance of plant services	701,930	478,476	483,195	446,219
Transportation services	378,316	368,396	346,461	337,826
Other expenditures:				
Facilities acquisition	4,800	184,729	209,135	433,145
Management fund	40,487	59,066	56,065	38,870
Long-term debt:				
Principal	160,000	160,000	155,000	150,000
Interest and fiscal charges	120,965	124,965	128,095	131,065
AEA flowthrough	263,849	258,448	252,449	245,586
 Total	<u>\$6,965,180</u>	<u>\$6,738,271</u>	<u>\$6,715,843</u>	<u>\$ 6,690,728</u>

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

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

We have audited the financial statements of **West Lyon Community School District 60** as of and for the year ended June 30, 2009, and have issued our report thereon dated January 29, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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 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.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider I-A-09 and I-B-09 described in the accompanying schedule of audit findings 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 that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we believe the significant deficiencies described above are not material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether **West Lyon Community School District 60's** financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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

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

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Sioux Falls, South Dakota
January 29, 2010

WEST LYON COMMUNITY SCHOOL DISTRICT 60
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2009

PART I: FINDINGS RELATED TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

I-A-08 Segregation of Duties

Condition: The District does not have enough staff to adequately separate duties in cash receipts, cash disbursements, accounts payable and purchasing, payroll and related liabilities, and general ledger maintenance and reconciliation.

Criteria: A good system of internal control requires an adequate segregation of duties so that no one individual has incompatible responsibilities. No one person should have more than one duty relating to the authorization (approval), custody of assets (check signers), record keeping and reconciliation functions.

Effect: Inadequate segregation of duties could adversely affect the District's ability to detect misstatements in amounts that would be material in relation to the financial statements in a timely period by employees in the normal course of performing their assigned functions.

Cause: There is a limited amount of office employees involved in the internal control process.

Recommendation While we realize that your staff may not be large enough to permit complete segregation of duties in all material respects for an effective system of internal control, the functions should be reviewed to determine if additional segregation of duties is feasible and to improve the efficiency and effectiveness of financial management and financial statement accuracy for the District. Segregation of authorization, custody of assets, record keeping and reconciliation functions would assist in mitigating the risk of fraud or misstatements to the financial statements.

Corrective Action Plan (CAP)

1. *Actions Planned in Response to the Finding:* The District feels that the costs of hiring additional staff would not be significantly beneficial. The District does currently mitigate this situation through the approval of all checks by action of the School Board and direct deposit of State funds. The District will continue to look for further opportunities to segregate duties.
2. *Explanation of Disagreement:* There is no disagreement with the audit finding.
3. *Official Responsible for Ensuring Corrective Action:* Jim Hargens, Superintendent
4. *Planned Completion Date for the Corrective Action:* Ongoing.
5. *Plan to Monitor Completion of Corrective Action:* Jim Hargens, Superintendent, will monitor the review of various accounting functions.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS – pg 2

I-B-09 Preparation of Financial Statements

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

Criteria A good system of internal accounting control contemplates an adequate system for internally preparing the District's financial statements.

Effect: The disclosures in the financial statements could be incomplete.

Cause: The District does not have an internal control system designed to provide for the preparation of the financial statements being audited.

Recommendation: This circumstance is not unusual in a District of your size. It is the responsibility of management and those charged with governance to make the decisions whether to accept the degree of risk associated with this condition because of cost or other considerations.

Corrective Action Plan (CAP)

1. *Actions Planned in Response to the Finding:* The District will continue to have the auditors prepare the financial statements; however, the District has established an internal control policy to document the annual review of the financial statements by the School Board and management.
2. *Explanation of Disagreement:* There is no disagreement with the audit finding.
3. *Official Responsible for Ensuring Corrective Action:* Jim Hargens, Superintendent.
4. *Planned Completion Date for the Corrective Action:* Ongoing.
5. *Plan to monitor Completion of Corrective Action:* Jim Hargens, Superintendent, will monitor the review of the financial statements with the School Board and management.

PART II: OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING

II-A-09 Certified Budget

Disbursements for the year ended June 30, 2009 did not exceed the amount budgeted.

II-B-09 Questionable Disbursements

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS – pg 2

II-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.

II-D-09 Business Transactions

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

<u>Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Al Hassebroek, Board Member, employee of AB Auto	Repairs	\$ 390

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

II-E-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 ensure the coverage is adequate for current operations.

II-F-09 Board Minutes

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

II-G-09 Certified Enrollment

The number of basic resident students reported to the Iowa Department of Education on line 7 of the Certified Enrollment Certification Form for October 2008 was overstated. The District's certified enrollment count included seven nonresident students in line 1 which were also included in line 8 as open enrolled in nonresident students, and excluded three resident students participating in community college special education programs required by Individual Education Plan (IEP). This resulted in overstating the total actual enrollment at line 7 by four students.

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

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

Conclusion: Response accepted.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS – pg 3

II-H-09 Deposits and Investments

We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

II-I-09 Certified Annual Report

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

II-J-09 Student Activity Fund

The Student Activity Funds had no deficit balances at June 30, 2009.



CPAs & BUSINESS ADVISORS

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of West Lyon Community School District 60 for the year ended June 30, 2009, and have issued our report thereon dated January 29, 2010. Professional standards require that we provide you with the following information about our responsibilities under generally accepted auditing standards.

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

As stated in our engagement letter dated July 7, 2009, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute assurance that the financial statements are free of material misstatement and are fairly presented in accordance with generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute, assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by us.

As part of our audit, we considered the internal control of the District. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed test of the District's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

PLANNED SCOPE AND TIMING OF THE AUDIT

We performed our audit according the planned scope and timing discussed with management and in accordance with our engagement letter to you dated July 7, 2009.

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SIGNIFICANT AUDIT FINDINGS AND CONSIDERATIONS

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by West Lyon Community School District 60 are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2009. We noted no transactions entered into by West Lyon Community School District 60 during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future event. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Depreciation – The District has recorded depreciation based on the estimated useful life of the individual units of property and equipment.

We evaluated the key factors and assumptions used to develop these estimates in determining that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered In Performing The Audit

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

Corrected And Uncorrected Misstatements

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

Disagreements With Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 29, 2010.

Management Consultations With Other Independent Accountants

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

OTHER AUDIT FINDINGS OR ISSUES

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Issued But Not-Effective Accounting Pronouncement

The Governmental Accounting Standards Board (GASB) has issued statement No. 45 "Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pensions" and statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions."

Statement No. 45 provides that post-employment benefits offered to employees are to be measured and recognized on the full accrual basis of accounting over a period that approximates an employee's years of service. This statement will be implemented at the District in the year ending June 30, 2010.

Statement No. 54 establishes criteria for classifying fund balances into specifically defined classifications and clarifies definitions for governmental fund types. This statement will be implemented at the District in the year ending June 30, 2011.

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

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



Sioux Falls, South Dakota
January 29, 2010