

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, 2010

## TABLE OF CONTENTS

	Page
OFFICIALS	4
INDEPENDENT AUDITOR’S REPORT	5-6
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)	7-16
BASIC FINANCIAL STATEMENTS	
Exhibit	
District-Wide Financial Statements:	
A    Statement of Net Assets	18-19
B    Statement of Activities	20-23
Governmental Fund Financial Statements:	
C    Balance Sheet	24-25
D    Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	26
E    Statement of Revenues, Expenditures and Changes in Fund Balances	27-28
F    Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	29-30
Proprietary Fund Financial Statements:	
G    Statement of Net Assets	31
H    Statement of Revenues, Expenses and Changes in Net Assets	32
I    Statement of Cash Flows	33-34
Fiduciary Fund Financial Statements:	
J    Statement of Fiduciary Assets and Liabilities	35
K    Statement of Changes in Fiduciary Net Assets	36
Notes to Financial Statements	37-55
REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances – Budget and Actual – All Governmental Funds and Proprietary Funds	58
Notes to Required Supplementary Information – Budgetary Reporting	59
Schedule of Funding Progress for the Retiree Health Plan	60
OTHER SUPPLEMENTARY INFORMATION:	
Schedule	
Nonmajor Governmental Funds:	
1    Combining Balance Sheet	62
2    Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	63-64
3    Schedule of Changes in Special Revenue Fund, Student Activity Accounts	65-67
4    Schedule of Changes in Fiduciary Assets and Liabilities – Agency Fund	68
5    Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	70-71
6    Schedule of Expenditures of Federal Awards	72-73
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	74-75

TABLE OF CONTENTS  
(continued)

	Page
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	76-77
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	78-83

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
(Before September 2009 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>Board of Education</u>		
(After September 2009 Election)		
Mike Duytschaver	President	2011
Kevin Minor	Vice President	2013
Priscilla Haessig	Board Member	2011
Claire LeMay	Board Member	2011
Rhea Allen	Board Member	2013
<u>School Officials</u>		
Robert Mata	Superintendent	2010
Tom Anderson	District Secretary/Treasurer	2010
Brian Gruhn	Attorney	2010
Bill Tharp	Attorney	2010

## 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, 2010, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District 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 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, 2010. 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, 2010, 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 our report dated December 2, 2010 on our consideration of West Liberty Community School District's internal control over financial reporting and 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, Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 58 through 60 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 two years ended June 30, 2009 (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 6, 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 is the responsibility of District management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This 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 as a whole.

Oskaloosa, Iowa  
December 2, 2010

---

---

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

---

West Liberty Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2010 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$10,363,305 in fiscal 2009 to \$11,164,523 in fiscal 2010, while General Fund expenditures increased from \$10,941,176 in fiscal 2009 to \$12,034,825 in fiscal 2010. The District's General Fund balance decreased from \$520,725 in fiscal 2009 to -\$347,709 in fiscal 2010, a 67% decrease.
- In October 2009, the district received a 10% across the board cut. This amounted to \$579,458 in lost state aid revenue in mid-year. Without the loss of this revenue, the district's General Fund balance would have been \$231,749.
- The increase in expenditures was due primarily to negotiated salary and benefits with the West liberty Education Association as well as increases in expenditures funded by grants received by the District.
- 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.

The 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.

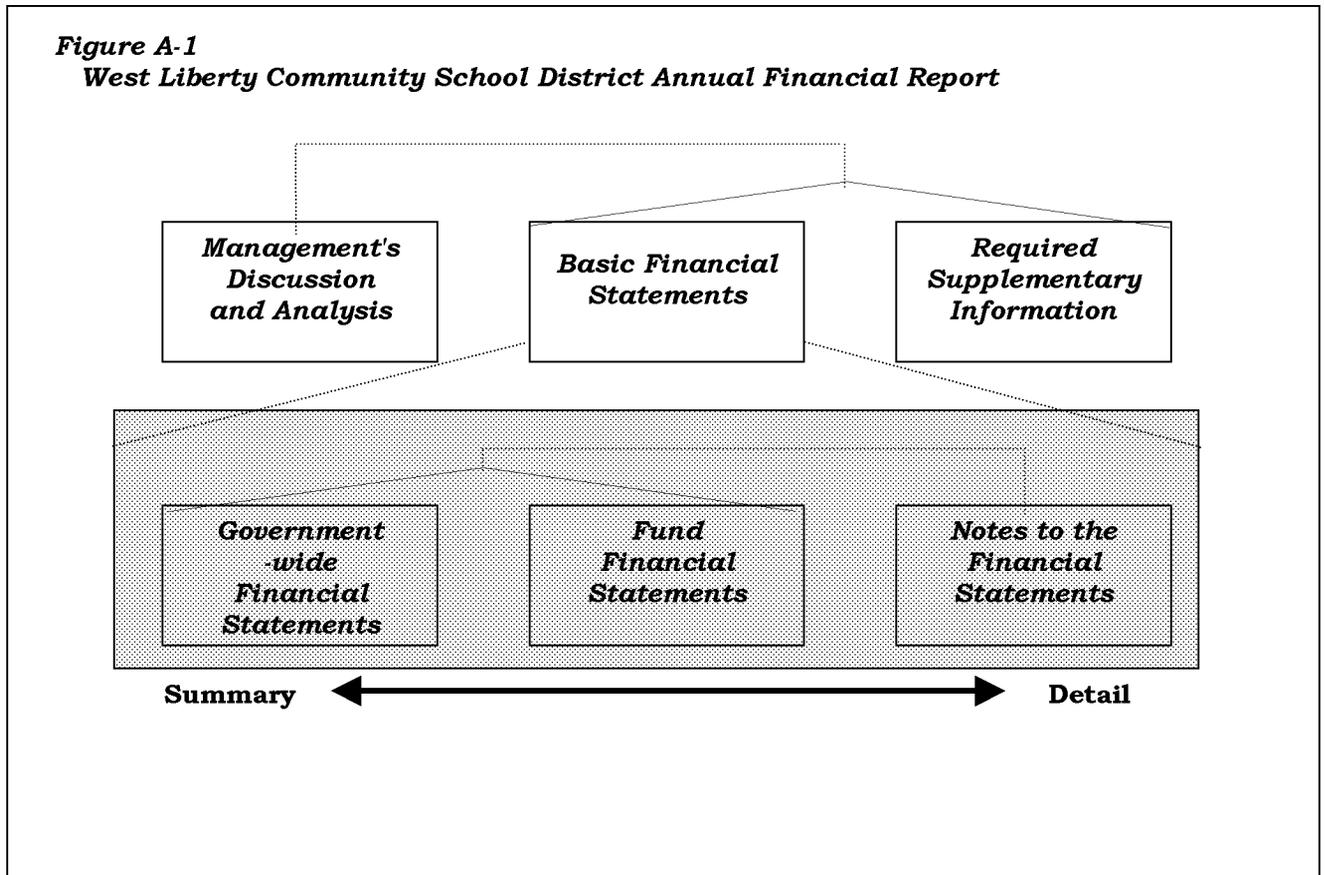


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

<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.

---

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

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

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

#### *Fund Financial Statements*

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

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

The District has three kinds of funds:

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

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

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

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

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

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

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

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

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District’s net assets at June 30, 2010 compared to June 30, 2009.

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2010	2009	2010	2009	2010	2009	2009-2010
	Current and other assets	\$ 6,621,249	\$ 8,077,688	\$ 129,532	\$ 93,681	\$ 6,750,781	\$ 8,171,369
Capital assets	18,852,126	16,575,021	164,674	54,735	19,016,800	16,629,756	14.35%
Total assets	25,473,375	24,652,709	294,206	148,416	25,767,581	24,801,125	3.90%
Long-term obligations	10,714,307	9,918,153	-	-	10,714,307	9,918,153	8.03%
Other liabilities	5,128,318	4,424,245	96,898	64,099	5,225,216	4,488,344	16.42%
Total liabilities	15,842,625	14,342,398	96,898	64,099	15,939,523	14,406,497	10.64%
Net assets							
Invested in capital assets,							
net of related debt	8,332,126	7,131,683	164,974	54,735	8,497,100	7,186,418	18.24%
Restricted	1,548,015	2,405,642	-	-	1,548,015	2,405,642	-35.65%
Unrestricted	(249,391)	772,986	32,334	29,582	(217,057)	802,568	-127.05%
Total net assets	\$ 9,630,750	\$ 10,310,311	\$ 197,308	\$ 84,317	\$ 9,828,058	\$10,394,628	-5.45%

The District's combined net assets decreased by approximately 5.45%, or \$566,570 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 decreased \$857,627, or approximately 36% from the prior year. The decrease was primarily a result of PPEL and Local Option Sales Tax revenue projects completed in 2009.

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 \$1,019,625. The decrease was impacted by Governor Culver's 10% Across the Board Cut in October 2009 which amounted to \$579,458.

Figure A-4 shows the change in net assets for the year ended June 30, 2010 compared to the year ended June 30, 2009.

Figure A-4  
Change in Net Assets

	Governmental Activities		Business Type Activities		Total District		Total Change
	2010	2009	2010	2009	2010	2009	2009-2010
<b>Revenues</b>							
Program revenues							
Charges for service and sales	\$ 316,075	\$ 345,948	\$ 192,374	\$ 430,557	\$ 508,449	\$ 776,505	-34.52%
Operating grants	2,679,010	2,170,380	507,944	295,586	3,186,954	2,465,966	29.24%
General revenues							
Property tax	3,347,042	3,240,066	-	-	3,347,042	3,240,066	3.30%
Income Surtax	656,921	651,829	-	-	656,921	651,829	0.78%
Sales and services tax	733,446	808,057	-	-	733,446	808,057	-9.23%
Unrestricted state grants	5,140,290	4,921,783	-	-	5,140,290	4,921,783	4.44%
Unrestricted investment earnings	30,319	134,690	341	191	30,660	134,881	-77.27%
Other	141,404	37,748	-	-	141,404	37,748	274.60%
<b>Total revenues</b>	<b>13,044,507</b>	<b>12,310,501</b>	<b>700,659</b>	<b>726,334</b>	<b>13,745,166</b>	<b>13,036,835</b>	<b>5.43%</b>
<b>Program expenses</b>							
Governmental activities							
Instruction	8,621,847	7,711,709	-	-	8,621,847	7,711,709	11.80%
Support services	3,490,095	3,206,954	29,138	47,524	3,519,233	3,254,478	8.14%
Non-instructional programs	14,754	1,784	558,530	677,110	573,284	678,894	-15.56%
Other expenses	1,597,372	1,358,619	-	-	1,597,372	1,358,619	17.57%
Loss on disposal of capital assets	-	-	-	-	-	-	0.00%
<b>Total expenses</b>	<b>13,724,068</b>	<b>12,279,066</b>	<b>587,668</b>	<b>724,634</b>	<b>14,311,736</b>	<b>13,003,700</b>	<b>10.06%</b>
<b>Change in net assets before transfers</b>	<b>(679,561)</b>	<b>31,435</b>	<b>112,991</b>	<b>1,700</b>	<b>(566,570)</b>	<b>33,135</b>	<b>-1809.88%</b>
<b>Transfers</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.00%</b>
<b>Change in net assets</b>	<b>\$ (679,561)</b>	<b>\$ 31,435</b>	<b>\$ 112,991</b>	<b>\$ 1,700</b>	<b>\$ (566,570)</b>	<b>\$ 33,135</b>	<b>-1809.88%</b>

In fiscal 2010, property tax and unrestricted state grants account for 65% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.9% of the revenue from business type activities.

The District's total revenues were \$13,745,166 of which \$13,044,507 was for governmental activities and \$700,659 was for business type activities. Actual revenues were lower than budgeted due to Governor Culver's 10% Across the Board Cut in October 2009.

### Governmental Activities

Revenues for governmental activities were \$13,044,507 and expenses were \$13,724,068.

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		
	2010	2009	Change 2009-2010	2010	2009	Change 2009-2010
Instruction	\$ 8,621,847	\$ 7,711,709	11.8%	\$ 6,228,515	\$ 5,658,042	10.1%
Support services	3,490,095	3,206,954	8.8%	3,438,607	3,157,842	8.9%
Non-instructional programs	14,754	1,784	727.0%	14,754	1,784	727.0%
Other expenses	<u>1,597,372</u>	<u>1,358,619</u>	17.6%	<u>1,047,107</u>	<u>945,070</u>	10.8%
Total expenses	<u>\$ 13,724,068</u>	<u>\$ 12,279,066</u>	11.8%	<u>\$ 10,728,983</u>	<u>\$ 9,762,738</u>	9.9%

- The cost financed by users of the District's programs (Charges for Services) was \$316,075, a decrease of 8% from 2009.
- Federal and state governments subsidized certain programs with operating grants and contributions totaling \$2,679,010, an increase of 23% from 2009.
- The net cost of governmental activities was financed with \$4,737,409 in property and other taxes and \$5,140,290 in unrestricted state grants, an increase of .7% and 4.4%, respectively, from 2009.

### Business Type Activities

Revenues for business type activities were \$700,659 representing a 3.5% decrease from the prior year while expenses totaled \$587,668, a 19% decrease over the prior year. The District's business type activities include the School Nutrition Fund and Student Construction Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, and investment income. The School Nutrition Fund included a Capital Contribution in the amount of \$114,565 for equipment purchased for the new middle school kitchen. The 2008-09 student built home, a remodel home, 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.

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 \$899,614, below last year's ending fund balances of \$3,046,729. The fluctuation in the District's governmental funds is the product of many factors. In late 2009 the district completed a major addition 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. Expenditures exceeded revenues primarily because of across the board cuts from the state, as mentioned throughout this report, and increase in negotiated salaries and benefits with unions.

### **Governmental Fund Highlights**

- The General Fund balance decreased from \$520,725 to (\$347,709) due to Governor Culver's 10% Across the Board Cut in the amount of \$579,458 in October 2009. Cuts in State funding came after the district had issued certified staff contracts for 2009-2010.
- The Capital Projects Fund balance decreased by \$998,259 due to the major renovations/addition project started in June 2008 and completed during 2009-2010.

### **Proprietary Fund Highlights**

Proprietary Fund net assets increased from \$84,317 at June 30, 2009 to \$197,308 at June 30, 2010, representing an increase of 134%. 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's Capital Contribution in the amount of \$114,565 for food service equipment purchased with Sales Tax Bond proceeds for a new middle school kitchen. The 2008-09 student built home, a remodel home, was still for sale as of the release of this audit report.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, West Liberty Community School District amended its annual budget one time by \$2,362,430 to reflect Federal ARRA and other miscellaneous grant expenditures, and construction project expenditures.

The District's revenues were \$107,315 less than budgeted revenues, a variance of less than 1.0%.

Total expenditures were \$436,929 less than budgeted. It is the District's practice to budget the anticipated revenues and expenditures on a yearly basis, always over estimating expenditures. Only the functional category of Total Other Expenditures were not estimated high enough because of the timing of construction related expenditures.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2010, the District had invested \$19 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 14% 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 \$563,121.

The original cost of the District's capital assets was \$27.6 million. Governmental funds account for \$27.2 million, with the remainder of \$374,231 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred because of the completion of 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.

Figure A-6

Capital Assets, Net of Depreciation							
Asset Category	Governmental		Business-type		Total		Total
	Activities		Activities		School District		Change
	2010	2009	2010	2009	2010	2009	2009-2010
Land	\$ 462,833	\$ 462,833	\$ -	\$ -	\$ 462,833	\$ 462,833	0.00%
Construction in progress	77,070	4,219,476	-	-	77,070	4,219,476	-98.17%
Buildings and improvements	16,840,694	10,397,914	-	-	16,840,694	10,397,914	61.96%
Improvements, other than buildings	957,190	1,053,130	-	-	957,190	1,053,130	-9.11%
Furniture and equipment	514,339	441,668	164,974	54,735	679,313	496,403	36.85%
Totals	\$ 18,852,126	\$ 16,575,021	\$ 164,974	\$ 54,735	\$ 19,017,100	\$ 16,629,756	14.36%

### Long-Term Debt

At June 30, 2010, the District had \$10,714,307 in general obligation, revenue and other long-term debt outstanding. This represents a increase of approximately 8% 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.

The Revenue Bond Anticipation Notes were issued for the completion of the Middle School Addition/Renovations and Administration/Early Learning Center Renovations Projects. This was a lessor expensive alternative to issuing Revenue Bonds. Cash flow projections for Sales Tax Revenue show the BANs being paid off in July, 2012.

Figure A-7

	Outstanding Long-term Obligations		
	Total		Total
	School District		Change
	2010	2009	2009-2010
General obligation bonds	\$ 4,815,000	\$ 5,105,000	-5.68%
Revenue bonds	4,420,000	4,705,000	-6.06%
Bond Anticipation Notes	1,285,000	-	
Early retirement	74,419	64,413	15.53%
Compensated absences	47,888	43,740	9.48%
Net OPEB liability	72,000	-	
Total	\$ 10,714,307	\$ 9,918,153	8.03%

---

## **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 already depleted the cash reserves the District accumulated.
- The deficit spending in the General Fund has been addressed in a variety of methods while still maintaining an environment for student learning and achievement. A class size guideline was established by the Board resulting in 4 sections in K, 2<sup>nd</sup>, 3<sup>rd</sup>, and 4<sup>th</sup> grade being eliminated, reducing the District Translator position to part-time, coaching positions being reduced, not replacing staff who retire, and several other reductions total approximately \$577,000.
- The District will negotiate a new agreement during fiscal 2011 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. During fiscal year 2010 the Board and WLEA agreed on changing insurance limits by increasing deductibles, co-pays, and prescription drug plan in order to save on increasing insurance costs.
- While regular education positions were reduced, 3 special education positions were added in order to comply with case load requirements for special education students. 2 pre-kindergarten positions were added in order to move to all day pre-kindergarten to serve our district’s four-year olds.
- 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, 2010

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Foundation
<b>Assets</b>				
Cash and pooled investments	\$ 1,922,055	\$ 32,438	\$ 1,954,493	\$ 299,111
Investments	-	-	-	349,219
Receivables:				
Property tax:				
Current year	49,330	-	49,330	-
Succeeding year	3,583,344	-	3,583,344	-
Income surtax	594,368	-	594,368	-
Accounts	138,601	42	138,643	-
Due from other governments	329,521	5,569	335,090	-
Inventories	-	91,183	91,183	-
Prepaid expenses	4,030	-	4,030	-
Capital assets, net of accumulated depreciation (note 5)	18,852,126	164,974	19,017,100	-
<b>Total assets</b>	<b>25,473,375</b>	<b>294,206</b>	<b>25,767,581</b>	<b>648,330</b>
<b>Liabilities</b>				
Accounts payable	288,142	7,631	295,773	70,401
Salaries and benefits payable	963,267	5,655	968,922	-
Accrued interest payable	138,334	1,136	139,470	-
Loans payable (note 6)	-	71,087	71,087	-
Deferred revenue:				
Succeeding year property tax	3,583,344	-	3,583,344	-
Other	155,231	11,389	166,620	-
Long-term liabilities (notes 7 and 8):				
Portion due within one year:				
Early retirement	41,085	-	41,085	-
Bonds payable	600,000	-	600,000	-
Compensated absences	47,888	-	47,888	-
Portion due after one year:				
Early retirement	33,334	-	33,334	-
Bonds payable	8,635,000	-	8,635,000	-
Notes payable	1,285,000	-	1,285,000	-
Net OPEB liability	72,000	-	72,000	-
<b>Total liabilities</b>	<b>15,842,625</b>	<b>96,898</b>	<b>15,939,523</b>	<b>70,401</b>

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS  
June 30, 2010

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Foundation
Net Assets				
Invested in capital assets, net of related debt	\$ 8,332,126	\$ 164,974	\$ 8,497,100	\$ -
Restricted for:				
Categorical funding (note 12)	211,986	-	211,986	-
Physical plant and equipment levy	442,016	-	442,016	-
Other special revenue purposes	46,540	-	46,540	-
Debt service	698,143	-	698,143	-
Capital projects	149,330	-	149,330	-
Unrestricted	(249,391)	32,334	(217,057)	577,929
Total net assets	\$ 9,630,750	\$ 197,308	\$ 9,828,058	\$ 577,929

See notes to financial statements.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2010

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				
Instruction	\$ 8,621,847	\$ 298,945	\$ 2,094,387	\$ -
Support services:				
Student services	222,043	-	-	-
Instructional staff services	750,004	6,845	32,121	-
Administration services	1,183,940	-	1,500	-
Operation and maintenance of plant services	888,773	7,070	-	-
Transportation services	445,335	3,215	737	-
	<u>3,490,095</u>	<u>17,130</u>	<u>34,358</u>	<u>-</u>
Non-instructional programs	<u>14,754</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	220,451	-	-	77,070
Long-term debt interest and fiscal charges	467,387	-	-	-
AEA flowthrough	473,195	-	473,195	-
Depreciation (unallocated) *	436,339	-	-	-
	<u>1,597,372</u>	<u>-</u>	<u>473,195</u>	<u>77,070</u>
Total governmental activities	<u>13,724,068</u>	<u>316,075</u>	<u>2,601,940</u>	<u>77,070</u>
<b>Business-Type Activities:</b>				
Support services:				
Administration services	1,169	-	-	-
Operation and maintenance of plant services	27,969	-	-	-
	<u>29,138</u>	<u>-</u>	<u>-</u>	<u>-</u>

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Foundation
\$ (6,228,515)	\$ -	\$ (6,228,515)	\$ -
(222,043)	-	(222,043)	-
(711,038)	-	(711,038)	-
(1,182,440)	-	(1,182,440)	-
(881,703)	-	(881,703)	-
(441,383)	-	(441,383)	-
<u>(3,438,607)</u>	<u>-</u>	<u>(3,438,607)</u>	<u>-</u>
<u>(14,754)</u>	<u>-</u>	<u>(14,754)</u>	<u>-</u>
(143,381)	-	(143,381)	-
(467,387)	-	(467,387)	-
-	-	-	-
(436,339)	-	(436,339)	-
<u>(1,047,107)</u>	<u>-</u>	<u>(1,047,107)</u>	<u>-</u>
<u>(10,728,983)</u>	<u>-</u>	<u>(10,728,983)</u>	<u>-</u>
-	(1,169)	(1,169)	-
-	(27,969)	(27,969)	-
<u>-</u>	<u>(29,138)</u>	<u>(29,138)</u>	<u>-</u>

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2010

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Business-Type Activities (continued):				
Non-instructional programs:				
Food service operations	\$ 558,530	\$ 192,374	\$ 374,292	\$ 120,084
Student construction operations	-	-	13,568	-
	<u>558,530</u>	<u>192,374</u>	<u>387,860</u>	<u>120,084</u>
Total business-type activities	<u>587,668</u>	<u>192,374</u>	<u>387,860</u>	<u>120,084</u>
Total primary government	<u>\$ 14,311,736</u>	<u>\$ 508,449</u>	<u>\$ 2,989,800</u>	<u>\$ 197,154</u>

Component Unit:

Foundation	\$ <u>307,370</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
------------	-------------------	-------------	-------------	-------------

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
- Increase 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 Unit
Governmental Activities	Business-Type Activities	Total	Foundation
\$ -	\$ 128,220	\$ 128,220	\$ -
-	13,568	13,568	-
-	141,788	141,788	-
-	112,650	112,650	-
(10,728,983)	112,650	(10,616,333)	-
-	-	-	(307,370)
\$ 3,000,927	\$ -	\$ 3,000,927	\$ -
260,803	-	260,803	-
85,312	-	85,312	-
656,921	-	656,921	-
733,446	-	733,446	-
5,140,290	-	5,140,290	-
30,319	341	30,660	4,341
-	-	-	94,640
141,404	-	141,404	-
-	-	-	27,594
10,049,422	341	10,049,763	126,575
(679,561)	112,991	(566,570)	(180,795)
10,310,311	84,317	10,394,628	758,724
\$ 9,630,750	\$ 197,308	\$ 9,828,058	\$ 577,929

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2010

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Assets				
Cash and pooled investments	\$ 608,179	\$ 871,392	\$ 284,929	\$ 1,764,500
Receivables:				
Property tax:				
Current year	41,537	-	7,793	49,330
Succeeding year	3,038,934	-	544,410	3,583,344
Income surtax	297,184	-	297,184	594,368
Interfund receivable (note 4)	50,272	-	-	50,272
Accounts	107,720	30,000	881	138,601
Due from other governments	201,680	127,841	-	329,521
Prepaid expenses	1,711	-	2,319	4,030
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 4,347,217</u>	<u>\$ 1,029,233</u>	<u>\$ 1,137,516</u>	<u>\$ 6,513,966</u>

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2010

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 240,469	\$ 22,092	\$ 25,581	\$ 288,142
Salaries and benefits payable	963,108	-	159	963,267
Interfund payable (note 4)	-	30,000	-	30,000
<b>Deferred revenue:</b>				
Succeeding year property tax	3,038,934	-	544,410	3,583,344
Other	452,415	-	297,184	749,599
Total liabilities	<u>4,694,926</u>	<u>52,092</u>	<u>867,334</u>	<u>5,614,352</u>
<b>Fund balances:</b>				
<b>Reserved for:</b>				
Categorical funding (note 12)	211,986	-	-	211,986
Prepaid expenses	1,711	-	2,319	4,030
Debt service	-	-	8,666	8,666
Revenue bonds sinking fund	-	180,575	-	180,575
Revenue bonds	-	622,500	-	622,500
<b>Unreserved:</b>				
Designated for Run for Schools	-	-	12,825	12,825
<b>Undesignated, reported in:</b>				
General fund	(561,406)	-	-	(561,406)
Special revenue funds	-	-	246,372	246,372
Capital projects fund	-	174,066	-	174,066
Total fund balances	<u>(347,709)</u>	<u>977,141</u>	<u>270,182</u>	<u>899,614</u>
<b>Total liabilities and fund balances</b>	<u>\$ 4,347,217</u>	<u>\$ 1,029,233</u>	<u>\$ 1,137,516</u>	<u>\$ 6,513,966</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, 2010

Total fund balances of governmental funds	\$	899,614
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.		18,852,126
Other long-term assets, including income surtax receivable, are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.		594,368
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 therefore included in governmental activities.		137,283
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.		(138,334)
Long-term liabilities, including early retirement, bonds and notes payable, compensated absences, and net OPEB liability, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(10,714,307)</u>
Net assets of governmental activities	\$	<u><u>9,630,750</u></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, 2010

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 3,162,162	\$ 733,446	\$ 825,201	\$ 4,720,809
Tuition	142,207	-	-	142,207
Other	403,964	150,086	151,767	705,817
State sources	6,176,498	-	221	6,176,719
Federal sources	1,279,692	-	-	1,279,692
Total revenues	<u>11,164,523</u>	<u>883,532</u>	<u>977,189</u>	<u>13,025,244</u>
Expenditures:				
Current:				
Instruction	<u>8,274,026</u>	-	213,915	<u>8,487,941</u>
Support services:				
Student services	221,057	-	790	221,847
Instructional staff services	733,313	-	11,796	745,109
Administration services	1,151,650	9,407	23,662	1,184,719
Operation and maintenance of plant services	784,900	-	109,654	894,554
Transportation services	382,775	-	100,508	483,283
	<u>3,273,695</u>	<u>9,407</u>	<u>246,410</u>	<u>3,529,512</u>
Non-instructional programs	<u>13,909</u>	-	846	<u>14,755</u>
Other expenditures:				
Facilities acquisition	-	2,813,650	116,065	2,929,715
Long term debt:				
Principal	-	-	575,000	575,000
Interest and fiscal charges	-	-	451,186	451,186
AEA flowthrough	473,195	-	-	473,195
	<u>473,195</u>	<u>2,813,650</u>	<u>1,142,251</u>	<u>4,429,096</u>
Total expenditures	<u>12,034,825</u>	<u>2,823,057</u>	<u>1,603,422</u>	<u>16,461,304</u>
Deficiency of revenues under expenditures	<u>(870,302)</u>	<u>(1,939,525)</u>	<u>(626,233)</u>	<u>(3,436,060)</u>

WEST LIBERTY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2010

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Other financing sources (uses):				
Disposal of equipment	\$ 1,478	\$ -	\$ 2,077	\$ 3,555
Compensation for loss of capital assets	390	-	-	390
Interfund transfers in (note 3)	-	267,809	766,288	1,034,097
Interfund transfers out (note 3)	-	(611,543)	(422,554)	(1,034,097)
Revenue bond anticipation notes issued	-	1,285,000	-	1,285,000
Total other financing sources (uses)	<u>1,868</u>	<u>941,266</u>	<u>345,811</u>	<u>1,288,945</u>
Net change in fund balances	(868,434)	(998,259)	(280,422)	(2,147,115)
Fund balances beginning of year	<u>520,725</u>	<u>1,975,400</u>	<u>550,604</u>	<u>3,046,729</u>
Fund balances end of year	<u>\$ (347,709)</u>	<u>\$ 977,141</u>	<u>\$ 270,182</u>	<u>\$ 899,614</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, 2010

Net change in fund balances - total governmental funds \$ (2,147,115)

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	\$ 2,822,234	
Depreciation expense	<u>(545,129)</u>	2,277,105

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. 15,198

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. (12,394)

Proceeds from issuing long-term liabilities provide current financial resources  
to governmental funds but issuing debt increases long-term liabilities in the  
Statement of Net Assets and does not affect the Statement of Activities. (1,285,000)

Repayment of long-term liabilities is an expenditure in the governmental  
funds, but it reduces long-term liabilities in the Statement of Net Assets. 575,000

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. (16,201)

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, 2010

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	\$	(10,006)	
	Compensated absences		(4,148)	
	Net OPEB liability		<u>(72,000)</u>	\$ <u>(86,154)</u>
Change in net assets of governmental activities				\$ <u><u>(679,561)</u></u>

See notes to financial statements.

## WEST LIBERTY COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
June 30, 2010

	Enterprise			Internal Service
	School Nutrition	Nonmajor	Total	
<b>Assets</b>				
Cash and cash equivalents	\$ 52,710	\$ -	\$ 52,710	\$ 137,283
Accounts receivable	42	-	42	-
Due from other governments	5,569	-	5,569	-
Inventories	12,219	78,964	91,183	-
Capital assets, net of accumulated depreciation (note 5)	164,974	-	164,974	-
<b>Total assets</b>	<b>235,514</b>	<b>78,964</b>	<b>314,478</b>	<b>137,283</b>
<b>Liabilities</b>				
Accounts payable	7,631	-	7,631	-
Salaries and benefits payable	5,655	-	5,655	-
Interfund payable (note 4)	13,376	6,896	20,272	-
Interest payable	-	1,136	1,136	-
Loans payable (note 6)	-	71,087	71,087	-
Deferred revenue	11,389	-	11,389	-
<b>Total liabilities</b>	<b>38,051</b>	<b>79,119</b>	<b>117,170</b>	<b>-</b>
<b>Net Assets</b>				
Invested in capital assets	164,974	-	164,974	-
Unrestricted:				
Food services	32,489	-	32,489	-
Student construction	-	(155)	(155)	-
Partial self-funded insurance plan	-	-	-	120,246
Flex benefits	-	-	-	17,037
<b>Total net assets</b>	<b>\$ 197,463</b>	<b>\$ (155)</b>	<b>\$ 197,308</b>	<b>\$ 137,283</b>

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, 2010

	Enterprise			Internal Service
	School Nutrition	Nonmajor	Total	
Operating revenues:				
Local sources:				
Charges for services	\$ 192,374	\$ -	\$ 192,374	\$ 192,701
Operating expenses:				
Support services:				
Administration services	1,169	-	1,169	-
Operation and maintenance of plant services	27,969	-	27,969	-
Non-instructional programs	558,530	-	558,530	205,215
	587,668	-	587,668	205,215
Operating loss	(395,294)	-	(395,294)	(12,514)
Non-operating revenues:				
Interest on investments	341	-	341	120
Contributions	-	13,568	13,568	-
Capital contributions	114,565	-	114,565	-
State sources	5,307	-	5,307	-
Federal sources	374,504	-	374,504	-
Total non-operating revenues	494,717	13,568	508,285	120
Change in net assets	99,423	13,568	112,991	(12,394)
Net assets beginning of year	98,040	(13,723)	84,317	149,677
Net assets end of year	\$ 197,463	\$ (155)	\$ 197,308	\$ 137,283

See notes to financial statements.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended June 30, 2010

	Enterprise			Internal Service
	School Nutrition	Nonmajor	Total	
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 197,395	\$ -	\$ 197,395	\$ -
Cash received from miscellaneous operating activities	1,988	-	1,988	192,701
Cash payments to employees for services	(287,384)	-	(287,384)	(205,215)
Cash payments to suppliers for goods or services	(227,207)	(32,934)	(260,141)	-
Net cash used by operating activities	<u>(315,208)</u>	<u>(32,934)</u>	<u>(348,142)</u>	<u>(12,514)</u>
Cash flows from non-capital financing activities:				
State grants received	5,307	-	5,307	-
Federal grants received	325,272	-	325,272	-
Contributions received	-	13,568	13,568	-
Operating loan proceeds	-	12,480	12,480	-
Net cash provided by non-capital financing activities	<u>330,579</u>	<u>26,048</u>	<u>356,627</u>	<u>-</u>
Cash flows from capital and related financing activities:				
Acquisition of capital assets	<u>(14,415)</u>	-	<u>(14,415)</u>	<u>-</u>
Cash flows from investing activities:				
Interest on investments	<u>341</u>	-	<u>341</u>	<u>120</u>
Net increase (decrease) in cash and cash equivalents	1,297	(6,886)	(5,589)	(12,394)
Cash and cash equivalents beginning of year	<u>38,037</u>	<u>(10)</u>	<u>38,027</u>	<u>149,677</u>
Cash and cash equivalents end of year	<u>\$ 39,334</u>	<u>\$ (6,896)</u>	<u>\$ 32,438</u>	<u>\$ 137,283</u>

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended June 30, 2010

	Enterprise			Internal Service
	School Nutrition	Nonmajor	Total	
Reconciliation of operating loss to net cash used by operating activities:				
Operating loss	\$ (395,294)	\$ -	\$ (395,294)	\$ (12,514)
Adjustments to reconcile operating loss to net cash used by operating activities:				
Depreciation	17,992	-	17,992	-
Commodities used	50,324	-	50,324	-
(Increase) in accounts receivable	(42)	-	(42)	-
Decrease in due from other governments	372	-	372	-
(Increase) in inventories	(4,818)	(32,865)	(37,683)	-
Increase (decrease) in accounts payable	7,381	(361)	7,020	-
Increase in salaries and benefits payable	1,618	-	1,618	-
Increase in interest payable	-	292	292	-
Increase in deferred revenue	6,679	-	6,679	-
Loss on disposal of equipment	580	-	580	-
Net cash used by operating activities	<u>\$ (315,208)</u>	<u>\$ (32,934)</u>	<u>\$ (348,142)</u>	<u>\$ (12,514)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2010, the District received \$50,324 of federal commodities and \$114,565 of capital contributions.

See notes to financial statements.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
FIDUCIARY FUNDS  
June 30, 2010

	<u>Agency</u>
Assets:	
Cash	\$ 5,341
Accounts receivable	<u>17</u>
Total assets	<u>\$ 5,358</u>
Liabilities:	
Other payables	<u>\$ 5,358</u>

See notes to financial statements.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 Year Ended June 30, 2010

		Private Purpose Trust
		<u>Scholarship</u>
Additions:		
Local sources:		
Gifts and contributions	\$	<u>3,000</u>
Deductions:		
Instruction:		
Scholarships awarded		<u>3,000</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, 2010

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.

The 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, 2010

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, 2010

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

The District reports the following major proprietary fund:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

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.

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.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

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.

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

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2009.

Income Surtax Receivable – Income surtax budgeted for the fiscal year ended June 30, 2010 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, 2010, 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.

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.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Asset Class	Amount
Land	\$ 2,500
Buildings	25,000
Improvements other than buildings	25,000
Intangibles	50,000
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 – Payroll and related expenses for teachers with annual contracts corresponding to the current school year, which are payable in July and August, 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 in the governmental funds consists of unspent grant proceeds, the succeeding year property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets for governmental activities 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.

Deferred revenue for proprietary funds and business-type activities consists of unspent grant proceeds and unearned meal revenues.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

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 accumulate a limited amount of earned but unused vacation for subsequent use or for payment 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, 2010. 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 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, 2010 consists of \$1,548,015.

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, expenditures in the other expenditures function exceeded the amount budgeted prior to the amendment of the budget and at year end.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2010 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.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
June 30, 2010

Note 2. Cash and Pooled Investments (continued)

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, 2010, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Diversified Portfolio	\$ 93,886

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

Credit Risk – The investment in the Iowa Schools Joint Investment Trust was rated Aaa by Moody’s Investors Service.

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

	Fair Value
Mutual Funds	\$ 349,219

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 611,543
	Special Revenue:	
	Physical Plant and Equipment Levy	154,745
Capital Projects		267,809
Total		\$ 1,034,097

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, 2010

Note 4. Interfund Receivables and Payables

At June 30, 2010, interfund receivables and payables consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Interfund balances between governmental funds:		
Pooled cash balances:		
General	Capital Projects	\$ <u>30,000</u>
Interfund balances between governmental and proprietary funds:		
Pooled cash balances:		
General	Enterprise - School Nutrition	13,376
	Enterprise - Student Construction	<u>6,896</u>
		<u>20,272</u>
Total		\$ <u><u>50,272</u></u>

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

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 5. Capital Assets

Capital assets activity for the year ended June 30, 2010 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 462,833	\$ -	\$ -	\$ 462,833
Construction in progress	4,219,476	2,625,404	6,767,810	77,070
Total capital assets not being depreciated	<u>4,682,309</u>	<u>2,625,404</u>	<u>6,767,810</u>	<u>539,903</u>
Capital assets being depreciated:				
Buildings	16,798,806	6,767,810	22,772	23,543,844
Improvements other than buildings	1,471,267	-	-	1,471,267
Furniture and equipment	1,480,559	196,830	40,419	1,636,970
Total capital assets being depreciated	<u>19,750,632</u>	<u>6,964,640</u>	<u>63,191</u>	<u>26,652,081</u>
Less accumulated depreciation for:				
Buildings	6,400,892	325,030	22,772	6,703,150
Improvements other than buildings	418,137	95,940	-	514,077
Furniture and equipment	1,038,891	124,159	40,419	1,122,631
Total accumulated depreciation	<u>7,857,920</u>	<u>545,129</u>	<u>63,191</u>	<u>8,339,858</u>
Total capital assets being depreciated, net	<u>11,892,712</u>	<u>6,419,511</u>	<u>-</u>	<u>18,312,223</u>
Governmental activities capital assets, net	<u>\$ 16,575,021</u>	<u>\$ 9,044,915</u>	<u>\$ 6,767,810</u>	<u>\$ 18,852,126</u>
Business-type activities:				
Furniture and equipment	\$ 249,246	\$ 128,980	\$ 3,995	\$ 374,231
Less accumulated depreciation	<u>194,511</u>	<u>17,992</u>	<u>3,246</u>	<u>209,257</u>
Business-type activities capital assets, net	<u>\$ 54,735</u>	<u>\$ 110,988</u>	<u>\$ 749</u>	<u>\$ 164,974</u>

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 5. Capital Assets (continued)

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

Governmental activities:

Instruction	\$ 61,588
Support services:	
Student support	196
Instructional staff	548
Administration	1,585
Operation and maintenance of plant services	4,102
Transportation	<u>40,771</u>
	108,790
Unallocated depreciation	<u>436,339</u>
 Total governmental activities depreciation expense	 <u>\$ 545,129</u>

Business-type activities:

Food service operations	<u>\$ 17,992</u>
-------------------------	------------------

Note 6. Short-Term Loans Payable

During the year ended June 30, 2010, the District had two outstanding short-term bank loans for the Enterprise, Student Construction Fund. The loans were necessary to provide temporary financing during periods of low cash flows. One loan was for \$36,087 entered into on November 11, 2008. This loan was due in November 2009 but was extended until September 30, 2010 and includes interest at 3.25%. The other 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 and the balance of \$12,480 in the year ended June 30, 2010. The line of credit includes interest at 3.25%.

A summary of the short-term loans activity for the year ended June 30, 2010 is as follows:

	Balance Beginning of Year	Loans Received	Loans Repaid	Balance End of Year
Bank loans	\$ <u>58,607</u>	\$ <u>12,480</u>	\$ <u>-</u>	\$ <u>71,087</u>

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 7. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2010 is as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Early retirement	\$ 64,413	\$ 50,000	\$ 39,994	\$ 74,419	\$ 41,085
General obligation bonds	5,105,000	-	290,000	4,815,000	305,000
Revenue bonds	4,705,000	-	285,000	4,420,000	295,000
Revenue bond anticipation notes	-	1,285,000	-	1,285,000	-
Compensated absences	43,740	47,888	43,740	47,888	47,888
Net OPEB liability	-	72,000	-	72,000	-
<b>Total</b>	<b>\$ 9,918,153</b>	<b>\$ 1,454,888</b>	<b>\$ 658,734</b>	<b>\$ 10,714,307</b>	<b>\$ 688,973</b>

Early Retirement

The District offered a voluntary early retirement plan to its certified employees in prior years. 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 employee 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 was equal to a percentage of 50% of the employee's base salary paid in three equal annual installments and 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

For the year ended June 30, 2010 only, the District offered a one-time retirement plan to all certified employees with at least 20 years of service to the District. The early retirement benefit is equal to 50% of the employee's base salary subject to a maximum of \$25,000 per individual. Early retirement benefits will be paid in three equal annual installments beginning January 2011 into a 401(a)/403(b) plan.

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.

At June 30, 2010, the District has obligations to five participants with a total liability of \$74,419. Actual early retirement expenditures for the year ended June 30, 2010 totaled \$39,994. 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, 2010

Note 7. Long-Term Liabilities (continued)

General Obligation Bonds

Details of the District's June 30, 2010 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
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	-	-	-	4.20	375,000	158,365
2016-2020	-	-	-	4.30-4.70	2,120,000	534,045
2021-2022	-	-	-	4.75-4.80	985,000	71,280
		<u>\$ 415,000</u>	<u>\$ 31,500</u>		<u>\$ 4,400,000</u>	<u>\$ 1,510,590</u>

Year Ending June 30,	Total		
	Principal	Interest	Total
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	375,000	158,365	533,365
2016-2020	2,120,000	534,045	2,654,045
2021-2022	985,000	71,280	1,056,280
	<u>\$ 4,815,000</u>	<u>\$ 1,542,090</u>	<u>\$ 6,357,090</u>

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 7. Long-Term Liabilities (continued)

Local Option Sales and Services Tax Revenue Bonds

Details of the District's June 30, 2010 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
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	-	-	-	4.50	390,000	119,251
2016-2020	-	-	-	4.00-4.50	2,170,000	326,114
2021	-	-	-	4.00	490,000	9,800
		<u>\$ 295,000</u>	<u>\$ 7,375</u>		<u>\$ 4,125,000</u>	<u>\$ 1,089,104</u>

Year Ending June 30,	Total		
	Principal	Interest	Total
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	390,000	119,251	509,251
2016-2020	2,170,000	326,114	2,496,114
2021	490,000	9,800	499,800
	<u>\$ 4,420,000</u>	<u>\$ 1,096,479</u>	<u>\$ 5,516,479</u>

The District pledged future local option (statewide) sales and services tax revenues to repay the \$2,100,000 bonds issued in November 2002, the \$4,125,000 bonds issued in June 2008, and the \$1,285,000 revenue bond anticipation notes issued in August 2009. The bonds and notes 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 notes are payable solely from the proceeds of the statewide sales and services tax revenues received by the District and any future issuances of school infrastructure sales, services and use tax revenue bonds and are payable through 2012. The bonds and notes are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds and notes are expected to require approximately 70 percent to 250 percent the year the notes are due of the local option (statewide) sales and services tax revenues. The total principal and interest remaining to be paid on the bonds and notes is \$6,925,161. For the current year, \$503,761 of principal and interest was paid on the bonds and notes and total statewide sales and services tax revenues were \$733,446.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
June 30, 2010

Note 7. Long-Term Liabilities (continued)

Local Option Sales and Services Tax Revenue Bonds (continued)

The resolutions 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.

School Infrastructure Sales, Services and Use Tax Revenue Bond Anticipation Project Notes

Details of the District's June 30, 2010 revenue bond anticipation notes indebtedness are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2011	- %	\$ -	\$ 49,473	\$ 49,473
2012	-	-	49,473	49,473
2013	3.85	1,285,000	24,736	1,309,736
		<u>\$ 1,285,000</u>	<u>\$ 123,682</u>	<u>\$ 1,408,682</u>

Note 8. Other Postemployment Benefits (OPEB)

The District prospectively implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions during the year ended June 30, 2010.

Plan Description – The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 149 active and 11 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
June 30, 2010

Note 8. Other Postemployment Benefits (OPEB) (continued)

Funding Policy – The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The District’s annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District’s annual OPEB cost for the year ended June 30, 2010, the amount actually contributed to the plan and changes in the District’s net OPEB obligation:

Annual required contribution	\$ 81,000
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	<u>81,000</u>
Contributions made	<u>9,000</u>
Increase in net OPEB obligation	72,000
Net OPEB obligation beginning of year	<u>-</u>
Net OPEB obligation end of year	<u><u>\$ 72,000</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

For the year ended June 30, 2010, the District contributed \$9,000 to the medical plan.

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2010 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2010	\$ 81,000	11.1%	\$ 72,000

Funded Status and Funding Progress – As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$453,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$453,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$7,348,000, and the ratio of the UAAL to covered payroll was 6.2%. As of June 30, 2010, there were no trust fund assets.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 8. Other Postemployment Benefits (OPEB) (continued)

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future.

Examples include assumptions about future employment, mortality and the health care cost trend.

Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%. The aging cost assumption is 3% annually and is in addition to trend costs.

Mortality rates are from the 94 Group Annuity Mortality Table projected to 2000. The UAAL is being amortized as a level dollar cost over service of the group on a closed basis over 30 years.

Note 9. 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 4.30% of their annual covered salary and the District is required to contribute 6.65% of annual covered payroll for the year ended June 30, 2010. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2010, 2009, and 2008 were \$416,102, \$416,981, and \$376,207, respectively, equal to the required contributions for each year.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 10. Risk Management

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

Partial Self-funded Health Insurance

The District utilizes a partial self-funded/partial fully funded health insurance plan. The District purchases a base plan from Wellmark with 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, 2010, the District had accumulated \$120,246 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, 2010. The District is contingently liable for any claims in excess of funds available at June 30, 2010.

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 11. 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 \$473,195 for the year ended June 30, 2010 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 12. Categorical Funding

The District's fund balance reserved for categorical funding at June 30, 2010 is comprised of the following programs:

Program	Amount
Gifted and talented	\$ 12,915
Four-year-old preschool state aid	160,526
Beginning teacher mentoring and induction	5,083
Professional development for model core curriculum	4,558
Professional development	27,943
Reading instruction pilot project grant Spanish reading	961
Total	\$ 211,986

Note 13. Subsequent Events

In June 2010, the District approved the issuance of up to \$2,000,000 in anticipatory warrants to be drawn down as needed. The anticipatory warrants will be used to cover the cumulative cash flow deficit in the General Fund in order to pay when due the legal obligations of the District. The District has drawn down a total of \$1,415,000 in July, August, and September 2010. The warrants are due on July 12, 2011 and include interest at 5%.

On September 1, 2010, the District issued \$4,430,000 of general obligation bonds. Proceeds from the issuance will be used to refund the outstanding 2002 general obligation bonds. The bonds will be paid over eleven years with interest rates ranging from 1.0% to 3.2%.

This page intentionally left blank

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, 2010

	Governmental Funds - Actual	Proprietary Funds - Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
<b>REVENUES:</b>						
Local sources	\$ 5,568,833	\$ 320,848	\$ 5,889,681	\$ 5,558,648	\$ 5,558,648	\$ 331,033
State sources	6,176,719	5,307	6,182,026	7,611,308	7,611,308	(1,429,282)
Federal sources	1,279,692	374,504	1,654,196	663,262	663,262	990,934
<b>Total revenues</b>	<b>13,025,244</b>	<b>700,659</b>	<b>13,725,903</b>	<b>13,833,218</b>	<b>13,833,218</b>	<b>(107,315)</b>
<b>EXPENDITURES/EXPENSES:</b>						
Instruction	8,487,941	-	8,487,941	8,391,464	8,611,200	123,259
Support services	3,529,512	29,138	3,558,650	3,480,189	3,824,128	265,478
Non-instructional programs	14,755	558,530	573,285	654,713	654,713	81,428
Other expenditures	4,429,096	-	4,429,096	2,597,105	4,395,860	(33,236)
<b>Total expenditures/expenses</b>	<b>16,461,304</b>	<b>587,668</b>	<b>17,048,972</b>	<b>15,123,471</b>	<b>17,485,901</b>	<b>436,929</b>
Excess (deficiency) of revenues over (under) expenditures/ expenses	(3,436,060)	112,991	(3,323,069)	(1,290,253)	(3,652,683)	329,614
Other financing sources, net	1,288,945	-	1,288,945	730,000	730,000	558,945
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses	(2,147,115)	112,991	(2,034,124)	(560,253)	(2,922,683)	888,559
Balance beginning of year	3,046,729	84,317	3,131,046	1,301,769	1,301,769	1,829,277
Balance end of year	\$ <u>899,614</u>	\$ <u>197,308</u>	\$ <u>1,096,922</u>	\$ <u>741,516</u>	\$ <u>(1,620,914)</u>	\$ <u>2,717,836</u>

See accompanying independent auditor's report.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2010

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 \$2,362,430.

During the year ended June 30, 2010, expenditures in the other expenditures function exceeded the amount budgeted prior to the amendment of the budget and at year end.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN

(In Thousands)

Required Supplementary Information

Year Ended June 30, 2010

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets ( a )	Actuarial Accrued Liability (AAL) ( b )	Unfunded AAL (UAAL) ( b-a )	Funded Ratio ( a/b )	Covered Payroll ( c )	UAAL as a Percentage of Covered Payroll ( (b-a)/c )
2010	July 1, 2009	\$ -	\$ 453	\$ 453	0.0%	\$ 7,348	6.2%

See note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

Other Supplementary Information

## WEST LIBERTY COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2010

	Special Revenue				
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service	Total
Assets					
Cash and pooled investments	\$ 67,487	\$ 66,042	\$ 146,604	\$ 4,796	\$ 284,929
Receivables:					
Property tax:					
Current year	2,657	-	1,266	3,870	7,793
Succeeding year	184,000	-	95,384	265,026	544,410
Income surtax	-	-	297,184	-	297,184
Accounts	-	881	-	-	881
Prepaid expenses	-	-	2,319	-	2,319
Total assets	\$ <u>254,144</u>	\$ <u>66,923</u>	\$ <u>542,757</u>	\$ <u>273,692</u>	\$ <u>1,137,516</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ -	\$ 20,224	\$ 5,357	\$ -	\$ 25,581
Salaries and benefits payable	-	159	-	-	159
Deferred revenue:					
Succeeding year property tax	184,000	-	95,384	265,026	544,410
Other	-	-	297,184	-	297,184
Total liabilities	184,000	20,383	397,925	265,026	867,334
Fund balances:					
Reserved for:					
Prepaid expenses	-	-	2,319	-	2,319
Debt service	-	-	-	8,666	8,666
Unreserved:					
Designated for Run for Schools	-	-	12,825	-	12,825
Undesignated	70,144	46,540	129,688	-	246,372
Total fund balances	70,144	46,540	144,832	8,666	270,182
Total liabilities and fund balances	\$ <u>254,144</u>	\$ <u>66,923</u>	\$ <u>542,757</u>	\$ <u>273,692</u>	\$ <u>1,137,516</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, 2010

	Special Revenue				Total
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service	
Revenues:					
Local sources:					
Local tax	\$ 179,762	\$ -	\$ 384,746	\$ 260,693	\$ 825,201
Other	16,417	130,466	3,685	1,199	151,767
State sources	75	-	36	110	221
Total revenues	196,254	130,466	388,467	262,002	977,189
Expenditures:					
Current:					
Instruction	58,485	155,430	-	-	213,915
Support services:					
Student services	790	-	-	-	790
Instructional staff services	9,360	2,436	-	-	11,796
Administration services	2,449	396	20,817	-	23,662
Operation and maintenance of plant services	81,920	419	27,315	-	109,654
Transportation services	17,403	421	82,684	-	100,508
Non instructional programs	846	-	-	-	846
Other expenditures:					
Facilities acquisition	-	-	116,065	-	116,065
Long term debt:					
Principal	-	-	-	575,000	575,000
Interest and fiscal charges	-	-	-	451,186	451,186
Total expenditures	171,253	159,102	246,881	1,026,186	1,603,422
Excess (deficiency) of revenues over (under) expenditures	25,001	(28,636)	141,586	(764,184)	(626,233)
Other financing sources (uses):					
Disposal of equipment	-	-	2,077	-	2,077
Interfund transfers in	-	-	-	766,288	766,288
Interfund transfers out	-	-	(422,554)	-	(422,554)
Total other financing sources (uses)	-	-	(420,477)	766,288	345,811

WEST LIBERTY COMMUNITY SCHOOL DISTRICT  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
Year Ended June 30, 2010

	Special Revenue				Total
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service	
Net change in fund balances	\$ 25,001	\$ (28,636)	\$ (278,891)	\$ 2,104	\$ (280,422)
Fund balances beginning of year	45,143	75,176	423,723	6,562	550,604
Fund balances end of year	\$ 70,144	\$ 46,540	\$ 144,832	\$ 8,666	\$ 270,182

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, 2010

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
District Wide:				
Interest	\$ 1,018	\$ 950	\$ 1,968	\$ -
Miscellaneous	65	4,023	4,088	-
Adult Activity Tickets	2,470	1,760	4,230	-
Student Pictures	1,127	1,072	2,199	-
Booster Club Reimbursement	-	2,734	2,734	-
Fine Arts Booster Donation	-	962	962	-
Elementary:				
Activity Tickets	175	560	735	-
Middle School:				
Activity Tickets	2,135	1,470	3,605	-
Junior High:				
Athletics	(60)	60	-	-
Boys' Basketball	(1,458)	2,437	979	-
Cross Country	(28)	28	-	-
Football	(714)	1,321	607	-
Boys' Track	682	779	1,461	-
Boys' Track Resale Fund	-	315	315	-
Wrestling	(336)	776	440	-
Girls' Basketball	(1,532)	2,887	1,355	-
Girls' Volleyball	(409)	1,324	915	-
Girls' Track	(207)	1,246	818	221
Softball	(275)	919	644	-
Eighth Grade	800	600	-	1,400
Seventh Grade	-	600	-	600
Student Council	1,129	3,034	2,491	1,672
High School:				
Drama	10,198	5,536	6,354	9,380
Vocal Music	22	11	33	-
Band	(112)	112	-	-
High School FB, BB, WR Fundraiser	2,152	8,006	9,547	611
Athletics	461	555	9,735	(8,719)
Activity Tickets	2,662	2,416	5,078	-
Cross Country	(570)	1,555	985	-
Cross Country Fundraiser	-	530	530	-
Cross Country Resale Fund	(21)	1,784	1,763	-
HS Cheerleading	964	3,145	3,594	515
Dance Team Fund	177	51	32	196
Boys' Basketball	(820)	4,119	3,299	-
Boys' Basketball Fundraiser	3,517	3,941	4,901	2,557
Football	(3,291)	9,143	5,852	-

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
Year Ended June 30, 2010

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
High School (continued):				
Football Fundraiser	\$ 1,452	\$ 8,033	\$ 7,799	\$ 1,686
Boys' Soccer	(907)	3,300	2,393	-
Boys' Soccer Fundraiser	584	126	-	710
Baseball	(1,114)	4,880	3,766	-
Baseball Fundraiser	1,430	1,647	1,655	1,422
Boys' Track	(764)	5,310	4,546	-
KRNA/Boys' Track Fundraiser	271	353	129	495
Boys' Track Resale	(14)	751	737	-
Boys' Golf	(953)	1,934	1,057	(76)
Wrestling	(787)	3,667	3,151	(271)
Wrestling Fundraiser	2,781	4,260	5,568	1,473
Wrestling/Weight Room	7,707	208	-	7,915
Girls' Basketball	(289)	4,190	3,901	-
Girls' Basketball Fundraiser	781	2,012	2,026	767
Volleyball	1,877	2,566	4,443	-
Volleyball Fundraiser	4	-	-	4
Girls' Soccer	(410)	5,321	4,649	262
Softball	126	3,629	3,755	-
Softball Fundraiser	111	1,712	1,477	346
Girls' Track	1,501	2,288	3,789	-
Girls' Track Resale	-	1,500	1,519	(19)
Girls' Golf	(705)	1,390	685	-
Girls' Golf Fundraiser	530	3,580	2,746	1,364
Seniors	-	214	104	110
Juniors	455	2,727	3,182	-
Sophomore	1,442	159	74	1,527
Freshmen	1,600	-	73	1,527
FHA	935	-	167	768
FFA	22,343	16,574	15,379	23,538
Greenhouse Fund	3,080	5,088	2,337	5,831
Color Guard	180	-	-	180
Anime Fund	65	-	-	65
Journalism	561	2,346	1,832	1,075
IT Club	-	492	391	101

WEST LIBERTY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
Year Ended June 30, 2010

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
High School (continued):				
National Honor Society	\$ 2,033	\$ 244	\$ 205	\$ 2,072
Student Council	1,849	711	1,678	882
Yearbook #2	7,500	16,953	40,100	(15,647)
Intrafund Transfers	-	(48,460)	(48,460)	-
Total	<u>\$ 75,176</u>	<u>\$ 130,466</u>	<u>\$ 159,102</u>	<u>\$ 46,540</u>

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, 2010

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash	\$ 5,273	\$ 84,636	\$ 84,568	\$ 5,341
Accounts receivable	172	17	172	17
Total assets	<u>\$ 5,445</u>	<u>\$ 84,653</u>	<u>\$ 84,740</u>	<u>\$ 5,358</u>
Liabilities				
Other payables	<u>\$ 5,445</u>	<u>\$ 84,653</u>	<u>\$ 84,740</u>	<u>\$ 5,358</u>

See accompanying independent auditor's report.

This page intentionally left blank

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS  
FOR THE LAST SIX YEARS

	Modified Accrual Basis			
	Years Ended June 30,			
	2010	2009	2008	2007
<b>Revenues:</b>				
Local sources:				
Local tax	\$ 4,720,809	\$ 4,686,294	\$ 4,383,660	\$ 4,122,480
Tuition	142,207	164,003	183,998	97,217
Other	705,817	434,483	414,123	401,798
State sources	6,176,719	6,452,519	6,567,602	6,058,991
Federal sources	1,279,692	556,461	475,743	455,182
<b>Total revenues</b>	<b>\$ 13,025,244</b>	<b>\$ 12,293,760</b>	<b>\$ 12,025,126</b>	<b>\$ 11,135,668</b>
<b>Expenditures:</b>				
Instruction	\$ 8,487,941	\$ 7,725,626	\$ 7,045,643	\$ 6,787,865
Support services:				
Student services	221,847	326,200	261,395	203,932
Instructional staff services	745,109	511,892	497,392	501,013
Administration services	1,184,719	1,130,992	1,117,851	967,867
Operation and maintenance of plant services	894,554	824,556	839,878	753,719
Transportation services	483,283	362,809	378,165	408,584
Non-instructional programs	14,755	1,784	8,543	3,453
Other expenditures:				
Facilities acquisition	2,929,715	3,887,559	577,412	469,248
Long-term debt:				
Principal	575,000	555,000	535,000	510,000
Interest and fiscal charges	451,186	371,496	304,478	327,028
AEA flowthrough	473,195	413,549	404,516	383,857
<b>Total expenditures</b>	<b>\$ 16,461,304</b>	<b>\$ 16,111,463</b>	<b>\$ 11,970,273</b>	<b>\$ 11,316,566</b>

See accompanying independent auditor's report.

<u>2006</u>	<u>2005</u>
\$ 3,947,341	\$ 3,672,741
87,345	113,168
329,952	2,378,613
5,449,822	5,131,990
555,366	1,020,523
<u>\$ 10,369,826</u>	<u>\$ 12,317,035</u>
\$ 6,433,053	\$ 6,197,702
190,986	216,691
568,994	394,044
933,439	824,547
734,840	624,595
367,395	329,810
-	-
466,161	5,687,846
500,000	505,744
348,842	372,421
346,184	324,503
<u>\$ 10,889,894</u>	<u>\$ 15,477,903</u>

WEST LIBERTY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2010

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 10	\$ 36,422
National School Lunch Program	10.555	FY 10	265,054
National School Lunch Program (non-cash)	10.555	FY 10	50,324
Summer Food Service Program for Children	10.559	FY 10	17,185
			368,985
 ARRA - Child Nutrition Discretionary Grants	 10.579	 FY 10	 <u>5,519</u>
 U. S. Department of the Interior:			
Iowa Department of Natural Resources:			
Sport Fish Restoration Program	15.605	FY 10	<u>344</u>
 U. S. Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster Programs:			
Title I Grants to Local Educational Agencies	84.010	1003G	87,000
Title I Grants to Local Educational Agencies	84.010	6975G	184,883
Title I Grants to Local Educational Agencies	84.010	SINA FY 09	8,463
Title I Grants to Local Educational Agencies	84.010	SINA FY 10	16,500
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY 09	20,434
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY 10	37,615
			354,895
Safe and Drug-Free Schools and Communities - State Grants	84.186	FY 10	<u>7,336</u>
Advanced Placement Program	84.330	FY 10	<u>544</u>
Improving Teacher Quality State Grants	84.367	FY 10	<u>41,053</u>
Grants for State Assessments and Related Activities	84.369	FY 09	755
Grants for State Assessments and Related Activities	84.369	FY 10	7,378
			8,133
ARRA - State Fiscal Stabilization Fund - Education State Grants, Recovery Act	84.394	FY 10	<u>553,879</u>

WEST LIBERTY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2010

Grantor / Program	CFDA Number	Grant Number	Expenditures
Indirect (continued):			
U. S. Department of Education (continued):			
Mississippi Bend Area Education Agency:			
Special Education Cluster Programs:			
Special Education - Grants to States	84.027	FY 10	\$ 66,004
ARRA - Special Education - Grants to States, Recovery Act	84.391	FY 09	36,096
ARRA - Special Education - Grants to States, Recovery Act	84.391	FY 10	55,328
			<u>157,428</u>
Career and Technical Education - Basic Grants to States	84.048	FY 09	718
Career and Technical Education - Basic Grants to States	84.048	FY 10	2,574
			<u>3,292</u>
Reading First State Grants	84.357	FY 08	<u>1,451</u>
English Language Acquisition Grants	84.365	FY 10	<u>29,059</u>
U. S. Department of Health and Human Services:			
Community Action of Eastern Iowa:			
Head Start	93.600	FY 09	398
Head Start	93.600	FY 10	61,155
			<u>61,553</u>
Iowa Department of Education:			
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	93.938	FY 10	<u>250</u>
Total			<u>\$ 1,593,721</u>

Basis of Presentation –

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

See accompanying independent auditor's report.

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of West Liberty Community School District as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated December 2, 2010. 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 U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a deficiency in internal control over financial reporting we consider to be a significant deficiency.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-B-10 to be a significant deficiency.

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 a material instance of noncompliance described as II-A-10 in the accompanying Schedule of Findings and Questioned Costs and 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, 2010 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 2, 2010

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, 2010. 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 U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that 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, 2010.

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 was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified.

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. 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 2, 2010

WEST LIBERTY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2010

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 disclosed an instance of 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 84.394 – ARRA – State Fiscal Stabilization Fund – Education State Grants, Recovery Act
  - Clustered programs:
    - CFDA Number 84.010 – Title I Grants to Local Educational Agencies
    - CFDA Number 84.389 – ARRA – Title I Grants to Local Educational Agencies, Recovery Act
  - Clustered programs:
    - CFDA Number 84.027 – Special Education – Grants to States
    - CFDA Number 84.391 – ARRA – Special Education – Grants to States, Recovery Act
- (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, 2010

Part II: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

II-A-10 Financial Condition – At June 30, 2010, the General Fund had an unreserved, undesignated deficit fund balance of \$561,406 and a total deficit fund balance of \$347,709. In addition, the District’s governmental activities had an unrestricted net assets deficit of \$249,391.

Recommendation – The District should investigate alternatives to eliminate these deficits and return the General Fund and the governmental activities to sound financial conditions.

Response – For fiscal year 2011, we increased our cash reserve levy and also implemented budget cuts of approximately \$500,000.

Conclusion – Response accepted.

Internal Control Deficiencies:

II-B-10 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. We also noted a fundraiser where the District actually lost money since the group could not sell all of the cards purchased and could not return unsold cards for a refund.

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. In addition, student group sponsors should better plan fundraisers to ensure that a profit is made.

Response – We implemented new fundraiser procedures for the year ended June 30, 2010. Some but not all of the clubs used the reconciliation forms for fiscal year 2010. We expect more clubs will be using the form next year when required. We will also emphasize to the applicable sponsor the need for better fundraiser planning to ensure a profit.

Conclusion – Response accepted.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2010

Part III: Findings and Questioned Costs for Federal Awards

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiency:

No matters were reported.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2010

Part IV: Other Findings Related to Statutory Reporting:

IV-A-10 Certified Budget – Expenditures for the year ended June 30, 2010, exceeded the amount budgeted in the other expenditures function prior to the amendment of the budget and at year end.

Recommendation – The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response – We will amend our budget before expenditures exceed the budget in the future.

Conclusion – Response accepted.

IV-B-10 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-10 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-10 Business Transactions – No business transactions between the District and District officials or employees were noted.

IV-E-10 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-10 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.

IV-G-10 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.

IV-H-10 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

IV-I-10 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-J-10 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-K-10 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, 2010

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

IV-L-10 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, 2010, the District's financial activity and other required information for the statewide sales and services tax revenue are as follows:

Beginning balance	\$	808,057
Statewide sales and services tax revenue		733,446
Expenditures/transfers out:		
School infrastructure:		
Buildings	\$	575,319
Debt service for school infrastructure:		
General obligation debt		105,882
Revenue debt		505,661
		1,186,862
Ending balance	\$	354,641

The statewide sales, services and use tax revenue received during the year ended June 30, 2010 is equivalent to a reduction in the following levies:

	Per \$1,000 of Taxable Valuation		Property Tax Dollars
Debt service levy	\$ 2.73272	\$	611,543
Physical plant and equipment levy	0.54473		121,903

IV-M-10 Deficit Balances – The nonmajor Enterprise, Student Construction Fund had a deficit net assets balance of \$155 at June 30, 2010. In addition, the nonmajor Special Revenue, Student Activity Fund had five deficit balances within the group of single activity accounts.

Recommendation – The District should continue to investigate alternatives to eliminate the deficit in the Student Construction Fund. The District also needs to monitor the activity accounts more closely and investigate alternatives to eliminate the deficit balances.

Response – During the year, the District transferred money to the Student Construction Fund to cover the prior year's loss on the sale of the house. The remaining deficit is due to the 08/09 house that has not been sold yet at year end. We will also continue to monitor the Student Activity Fund accounts and work to eliminate the deficit balances.

Conclusion – Response accepted.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2010

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

IV-N-10 Sale of Equipment – The District sold a bus during the year and recorded the revenue in the Special Revenue, Physical Plant and Equipment Levy (PPEL) Fund. Chapter 297.22 of the Code of Iowa requires that proceeds from the sale of equipment be recorded in the General Fund.

Recommendation – All sales of equipment should be recorded in the General Fund. The PPEL Fund should reimburse the General Fund \$1,527 for the equipment sale proceeds.

Response – We will properly record any future equipment sales in the General Fund and we will transfer \$1,527 from the PPEL Fund to the General Fund.

Conclusion – Response accepted.