

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, 2014

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WEST LIBERTY COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
(Before September 2013 election)		
Mike Duytschaver	President	2015
David Millage	Vice President	2015
Rhea Allen	Board Member	2013
Kevin Minor	Board Member	2013
Lynne Sasmazer	Board Member	2015
(After September 2013 election)		
Mike Duytschaver	President	2015
Lynne Sasmazer	Vice President	2015
David Millage	Board Member	2015
Emily Geertz	Board Member	2017
Jose Zacarias	Board Member	2017
<u>School Officials</u>		
Steve Hanson	Superintendent	2014
Tom Anderson	District Secretary/Treasurer and Business Manager	2014
Brian Gruhn	Attorney	2014
Bill Tharp	Attorney	2014

DOUGLAS T. HUNT, CPA  
DONALD D. KAIN  
CHUCK C. CONVERSE, CPA  
RUSSELL S. TERPSTRA, CPA  
MICHAEL G. STANLEY, CPA  
DEE A.A. HOKE, CPA

**HUNT & ASSOCIATES, P.C.**  
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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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, West Liberty Iowa, as of and for the year ended June 30, 2014 and the related notes to financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and Chapter 11 of the Code of Iowa. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Disclaimer of Opinion on Discretely Presented Component Unit

The financial statements of the West Liberty Community School District Foundation (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 activities are included in the District's basic financial statements as a discretely presented component unit.

Disclaimer of Opinion on Discretely Presented Component Unit

Because the Foundation's financial statements have not been audited, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the discretely presented component unit. Accordingly, 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, 2014.

Opinions

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 as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other*Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 8 through 17 and 56 through 58 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Supplementary Information*

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 third paragraph of this report, the financial statements for the six years ended June 30, 2013 (which are not presented herein). We disclaimed an opinion on the discretely presented component unit and expressed unmodified 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 unmodified opinions on the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information. The supplementary information included in Schedules 1 through 8, including the Schedule of Expenditures and 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.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financials statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 10, 2014 on our consideration of West Liberty Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering West Liberty Community School District's internal control over financial reporting and compliance.

Oskaloosa, Iowa  
November 10, 2014

*Hunt + Associates, P.C.*

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

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West Liberty Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2014 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$12,389,292 in fiscal 2013 to \$12,930,922 in fiscal 2014, while General Fund expenditures increased from \$12,167,795 in fiscal 2013 to \$12,197,509 in fiscal 2014. The District's General Fund balance increased from \$165,615 in fiscal 2013 to \$900,816 in fiscal 2014, a 444% increase.
- The increase in revenues was due primarily to increased state resources because of increased budget enrollment and the State Legislature granting 2% more per child from FY2013 and a one-time state aid supplement of \$143,880.
- The small increase in expenditures was due primarily to salary and benefit costs for staffing, and minimizing the increase through reduction in special education staffing, not replacing staff that left the district, and delaying a textbook cycle adoption by one year.
- Through a combination of increased budget enrollment, additional state revenue sources, increase in our cash reserve levy, the District did not have to use any carryover balance to meet financial obligations and as a result the General Fund balance increased 444%.

### **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 Position 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.

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.

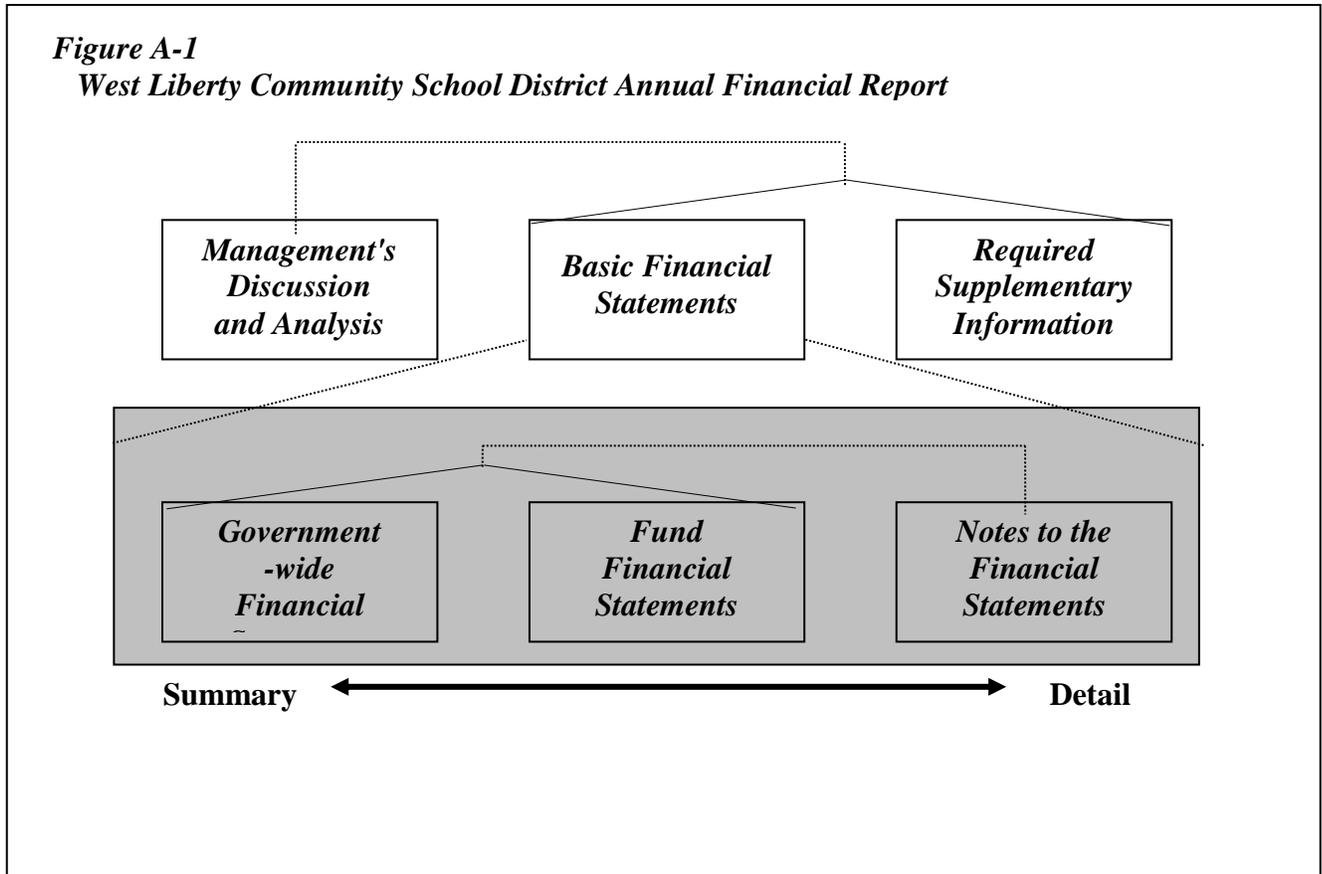


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

<b>Figure A-2</b>				
<b>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 position</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 position</li> <li>• Statement of revenues, expenses and changes in fund net position</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> <li>• Statement of changes in fiduciary net position</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 Position 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 position and how they have changed. Net position – 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 position 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 position 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 include a statement of fiduciary net position and a statement of changes in fiduciary net position.

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 position at June 30, 2014 compared to June 30, 2013.

<u>Figure A-3</u>							
<u>Condensed Statement of Net Position</u>							
	<u>Governmental</u>		<u>Business-type</u>		<u>Total</u>		<u>Total</u>
	<u>Activities</u>		<u>Activities</u>		<u>School District</u>		<u>Change</u>
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2013-2014</u>
Current and other assets	\$ 9,893,162	\$ 8,732,398	\$ 155,460	\$ 135,545	\$ 10,048,622	\$ 8,867,943	13.31%
Capital assets	<u>17,701,121</u>	<u>18,054,632</u>	<u>98,890</u>	<u>113,741</u>	<u>17,800,011</u>	<u>18,168,373</u>	-2.03%
Total assets	<u>27,594,283</u>	<u>26,787,030</u>	<u>254,350</u>	<u>249,286</u>	<u>27,848,633</u>	<u>27,036,316</u>	3.00%
Long-term obligations	8,292,593	9,124,426	67,346	68,284	8,359,939	9,192,710	-9.06%
Other liabilities	<u>1,575,645</u>	<u>1,441,222</u>	<u>21,814</u>	<u>15,377</u>	<u>1,597,459</u>	<u>1,456,599</u>	9.67%
Total liabilities	<u>9,868,238</u>	<u>10,565,648</u>	<u>89,160</u>	<u>83,661</u>	<u>9,957,398</u>	<u>10,649,309</u>	-6.50%
Deferred Inflows of Resources	<u>4,409,126</u>	<u>4,208,122</u>	-	-	<u>4,409,126</u>	<u>4,208,122</u>	4.78%
Net position							
Net Investment in capital assets	9,846,121	9,284,632	98,890	113,741	9,945,011	9,398,373	5.82%
Restricted	2,603,812	2,662,721	-	-	2,603,812	2,662,721	-2.21%
Unrestricted	<u>866,986</u>	<u>65,907</u>	<u>66,300</u>	<u>51,884</u>	<u>933,286</u>	<u>117,791</u>	692.32%
Total net position	<u>\$ 13,316,919</u>	<u>\$ 12,013,260</u>	<u>\$ 165,190</u>	<u>\$ 165,625</u>	<u>\$ 13,482,109</u>	<u>\$ 12,178,885</u>	10.70%

The District's combined net position increased by approximately 11%, or \$1,303,224 over the prior year. The largest portion of the District's net position 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 position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased \$58,909, or approximately (2%) from the prior year.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$815,495 or approximately 692%.

Figure A-4 shows the change in net position for the year ended June 30, 2014 compared to the year ended June 30, 2013.

<u>Figure A-4</u>							
<u>Change in Net Position</u>							
	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Total District</u>		<u>Total Change</u>
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2013-2014</u>
Revenues							
Program revenues							
Charges for service and sales	\$ 408,129	\$ 387,570	\$ 211,780	\$ 208,536	\$ 619,909	\$ 596,106	3.99%
Operating grants	2,454,590	3,036,848	493,328	464,645	2,947,918	3,501,493	-15.81%
General revenues							
Property tax	4,215,814	3,965,379	-	-	4,215,814	3,965,379	6.32%
Income Surtax	881,421	734,865	-	-	881,421	734,865	19.94%
Sales and services tax	1,054,274	1,027,536	-	-	1,054,274	1,027,536	2.60%
Unrestricted state grants	6,205,126	6,162,159	-	-	6,205,126	6,162,159	0.70%
Unrestricted investment earnings	15,618	16,150	4,980	5,034	20,598	21,184	-2.77%
Other	65,534	70,533	-	-	65,534	70,533	-7.09%
Total revenues	<u>15,300,506</u>	<u>15,401,040</u>	<u>710,088</u>	<u>678,215</u>	<u>16,010,594</u>	<u>16,079,255</u>	-0.43%
Program expenses							
Governmental activities							
Instruction	8,597,108	8,720,687	-	-	8,597,108	8,720,687	-1.42%
Support services	3,722,363	3,518,939	25,715	26,448	3,748,078	3,545,387	5.72%
Non-instructional programs	1,601	1,513	684,808	661,297	686,409	662,810	3.56%
Other expenses	1,675,775	1,686,143	-	-	1,675,775	1,686,143	-0.61%
Loss on disposal of capital assets	-	-	-	-	-	-	0.00%
Total expenses	<u>13,996,847</u>	<u>13,927,282</u>	<u>710,523</u>	<u>687,745</u>	<u>14,707,370</u>	<u>14,615,027</u>	0.63%
Change in net position before transfers	1,303,659	1,473,758	(435)	(9,530)	1,303,224	1,464,228	-11.00%
Transfers	-	-	-	-	-	-	0.00%
Change in net position	<u>\$ 1,303,659</u>	<u>\$ 1,473,758</u>	<u>\$ (435)</u>	<u>\$ (9,530)</u>	<u>\$ 1,303,224</u>	<u>\$ 1,464,228</u>	-11.00%

In fiscal 2014, property tax and unrestricted state grants account for 68% of the revenue from governmental activities while charges for service and sales and operating grants account for 99.3% of the revenue from business type activities.

The District's total revenues were \$16,010,594 of which \$15,300,506 was for governmental activities and \$710,088 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a (.43%) decrease in revenues and a .63% increase in expenses. The increase in expenses is primarily related to increases in negotiated salaries and benefits.

**Governmental Activities**

Revenues for governmental activities were \$15,300,506 and expenses were \$13,996,847.

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.

<u>Figure A-5</u>						
<u>Total and Net Cost of Governmental Activities</u>						
	<u>Total Cost of Services</u>			<u>Net Cost of Services</u>		
	<u>2014</u>	<u>2013</u>	<u>Change</u> <u>2013-2014</u>	<u>2014</u>	<u>2013</u>	<u>Change</u> <u>2013-2014</u>
Instruction	\$ 8,597,108	\$ 8,720,687	-1.4%	\$ 6,262,179	\$ 6,657,600	-5.9%
Support services	3,722,363	3,518,939	5.8%	3,669,576	3,476,974	5.5%
Non-instructional programs	1,601	1,513	5.8%	1,601	1,513	5.8%
Other expenses	<u>1,675,775</u>	<u>1,686,143</u>	-0.6%	<u>1,200,772</u>	<u>366,777</u>	227.4%
Total expenses	<u>\$ 13,996,847</u>	<u>\$ 13,927,282</u>	0.5%	<u>\$ 11,134,128</u>	<u>\$ 10,502,864</u>	6.0%

- The cost financed by users of the District's programs (Charges for Services) was \$408,129, an increase of 5% from 2013.
- Federal and state governments subsidized certain programs with operating and capital grants and contributions totaling \$2,454,590, a decrease of 19.2% from 2013.
- The net cost of governmental activities was financed with \$6,151,509 in property and other taxes and \$6,205,126 in unrestricted state grants, an increase of 7.4% and .7%, respectively, from 2013.

**Business Type Activities**

Revenues for business type activities were \$710,088 representing a 4.7% increase from the prior year while expenses totaled \$710,523, a 3.3% increase from 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 2008-09 student built home, a remodel home, was sold on contract during February, 2011 for \$71,000. The district receives monthly principal and interest payments from the buyer at 7% interest. A balloon payment is due in March, 2016.

## **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 \$3,219,445, higher than last year's ending fund balances of \$2,469,498. The fluctuation in the District's governmental funds is the product of many factors.

### **Governmental Fund Highlights**

- The General Fund balance increased from \$165,615 to \$900,816. State Aid increased due to the fact that an increase in budget enrollment was experienced for FY14, 2% more per child was granted by the State above FY13, and a one-time Supplemental State Aid of \$143,880 was received. Expenditures were curbed by reducing staff by attrition or replacing retiring staff with new teachers.
- The Capital Projects Fund balance decreased by \$44,438. During FY14 Phase I of an air conditioning project at the elementary school was completed and Phase II was started which will complete air conditioning in all district buildings

### **Proprietary Fund Highlights**

Proprietary Fund net position decreased from \$165,625 at June 30, 2013 to \$165,190 at June 30, 2014, representing a decrease of -.26%. Proprietary Funds included the School Nutrition Fund and Student Built Home Construction Fund. The 2008-09 student built home, a remodel home, was sold on contract in February, 2011.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, West Liberty Community School District did not amend its annual budget. One area of expenditures were over spent, Non-instructional Programs, by the amount of depreciation expense in the School Nutrition fund that was not budgeted.

The District's revenues were \$699,572 more than budgeted. It is the District's practice to budget the anticipated revenues and expenditures on a yearly basis, always under estimating revenues.

Total expenditures were \$1,448,886 less than budgeted. It is the District's practice to budget the anticipated revenues and expenditures on a yearly basis, always over estimating expenditures.

## **Capital Assets and Debt Administration**

### **Capital Assets**

At June 30, 2014, the District had invested \$17.8 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 decrease from last year of approximately -2.0%. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$892,049.

The original cost of the District's capital assets was \$29.4 million. Governmental funds account for approximately \$29 million, with the remainder of \$377,669 accounted for in the Proprietary, School Nutrition Fund.

At the end fiscal year 2014, the District started a Phase II construction project, Air Conditioning the Elementary School and Early Learning Center.

Figure A-6  
Capital Assets, Net of Depreciation

<u>Asset Category</u>	<u>Governmental</u>		<u>Business-type</u>		<u>Total</u>		<u>Total Change</u>
	<u>Activities</u>		<u>Activities</u>		<u>School District</u>		
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	
Land	\$ 462,833	\$ 462,833	\$ -	\$ -	\$ 462,833	\$ 462,833	0.00%
Construction in progress	238,512	132,432	-	-	238,512	132,432	80.10%
Buildings and improvements	15,730,278	16,179,711	-	-	15,730,278	16,179,711	-2.78%
Improvements, other than buildings	638,002	669,370	-	-	638,002	669,370	-4.69%
Furniture and equipment	631,496	610,286	98,890	113,741	730,386	724,027	0.88%
Totals	<u>\$ 17,701,121</u>	<u>\$ 18,054,632</u>	<u>\$ 98,890</u>	<u>\$ 113,741</u>	<u>\$ 17,800,011</u>	<u>\$ 18,168,373</u>	-2.03%

### Long-Term Debt

At June 30, 2014 the District's governmental activities had \$8,292,593 in general obligation, revenue and other long-term debt outstanding. This represents a decrease of approximately 9% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Notes 7 and 8 to the financial statements.

Figure A-7  
Outstanding Long-term Obligations

	<u>Total</u>		<u>Total Change</u>
	<u>School District</u>		
	<u>2014</u>	<u>2013</u>	
General obligation bonds	\$ 3,490,000	\$ 3,885,000	-10.17%
Revenue bonds	4,365,000	4,885,000	-10.64%
Early retirement	-	-	0.00%
Compensated absences	48,593	48,426	0.34%
Net OPEB liability	389,000	306,000	27.12%
Total	<u>\$ 8,292,593</u>	<u>\$ 9,124,426</u>	-9.12%

## **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:

- The West Liberty CSD will see an enrollment decrease for FY2015 budgeting and show a slight increase in FY2016. Projections for enrollment are steady to increasing through 2019. The kindergarten class was in the high 90's and a graduation class in the 60's. Our budget enrollment averages out to be 1,200 over the last 5-10 years.
- The deficit spending in the General Fund was addressed in a variety of methods while still maintaining an environment for student learning and achievement. Reduction by attrition will provides savings in 2015 and monitoring special education staffing.
- The District operates an all-day, five-day per week pre-kindergarten and must continue to monitor closely the cost/benefit advantages for operating the program.
- 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.

### **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, School Business Official and Board Secretary/Treasurer, West Liberty Community School District, 111 W 7<sup>th</sup> St, West Liberty, Iowa, 52776.

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## Basic Financial Statements

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2014

	Primary Government			Component
	Governmental Activities	Business-type Activities	Total	Unit Foundation
<b>Assets</b>				
Cash and pooled investments	\$ 4,172,565	\$ 73,645	\$ 4,246,210	\$ 174,239
Investments	-	-	-	579,559
Receivables:				
Property tax:				
Current year	51,730	-	51,730	-
Succeeding year	4,409,126	-	4,409,126	-
Income surtax	766,671	-	766,671	-
Accounts	10,607	-	10,607	-
Due from other governments	479,369	3,485	482,854	-
Inventories	-	9,943	9,943	-
Prepaid expenses	3,094	-	3,094	-
Contract receivable (note 4)	-	68,387	68,387	-
Capital assets, net of accumulated depreciation (note 5)	17,701,121	98,890	17,800,011	-
<b>Total assets</b>	<b>27,594,283</b>	<b>254,350</b>	<b>27,848,633</b>	<b>753,798</b>
<b>Liabilities</b>				
Accounts payable	427,820	6,406	434,226	-
Due to other governments	9,362	-	9,362	-
Salaries and benefits payable	1,053,787	8,387	1,062,174	-
Unearned revenue	-	7,021	7,021	-
Accrued interest payable	84,676	-	84,676	-
Long-term liabilities (note 7):				
Portion due within one year:				
Bonds payable	965,000	-	965,000	-
Compensated absences	48,593	-	48,593	-
Promissory note payable	-	1,219	1,219	-
Portion due after one year:				
Bonds payable	6,890,000	-	6,890,000	-
Net OPEB liability	389,000	-	389,000	-
Promissory note payable	-	66,127	66,127	-
<b>Total liabilities</b>	<b>9,868,238</b>	<b>89,160</b>	<b>9,957,398</b>	<b>-</b>
<b>Deferred Inflows of Resources</b>				
Unavailable property tax revenue	4,409,126	-	4,409,126	-

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2014

	Primary Government			Component
	Governmental	Business-type	Total	Unit
	Activities	Activities		Foundation
Net Position				
Net investment in capital assets	\$ 9,846,121	\$ 98,890	\$ 9,945,011	\$ -
Restricted for:				
Categorical funding	54,171	-	54,171	-
Debt service	1,119,418	-	1,119,418	-
Capital projects	357,814	-	357,814	-
Physical plant and equipment levy purposes	794,352	-	794,352	-
Management levy purposes	179,193	-	179,193	-
Student activities	98,864	-	98,864	-
Unrestricted	866,986	66,300	933,286	753,798
Total net position	\$ <u>13,316,919</u>	\$ <u>165,190</u>	\$ <u>13,482,109</u>	\$ <u>753,798</u>

See notes to financial statements.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Governmental Activities:			
Instruction	\$ 8,597,108	\$ 386,460	\$ 1,948,469
Support services:			
Student	314,448	-	-
Instructional staff	654,480	8,068	30,264
Administration	1,399,632	-	-
Operation and maintenance of plant	984,360	7,735	-
Transportation	369,443	5,866	854
	<u>3,722,363</u>	<u>21,669</u>	<u>31,118</u>
Non-instructional programs	<u>1,601</u>	<u>-</u>	<u>-</u>
Other expenditures:			
Facilities acquisition	135,774	-	-
Long-term debt interest and fiscal charges	256,248	-	-
AEA flowthrough	475,003	-	475,003
Depreciation (unallocated) *	808,750	-	-
	<u>1,675,775</u>	<u>-</u>	<u>475,003</u>
Total governmental activities	<u>13,996,847</u>	<u>408,129</u>	<u>2,454,590</u>
Business-Type Activities:			
Support services:			
Administration	10,889	-	-
Operation and maintenance of plant	14,826	-	-
	<u>25,715</u>	<u>-</u>	<u>-</u>

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Foundation
\$ (6,262,179)	\$ -	\$ (6,262,179)	\$ -
(314,448)	-	(314,448)	-
(616,148)	-	(616,148)	-
(1,399,632)	-	(1,399,632)	-
(976,625)	-	(976,625)	-
(362,723)	-	(362,723)	-
<u>(3,669,576)</u>	<u>-</u>	<u>(3,669,576)</u>	<u>-</u>
<u>(1,601)</u>	<u>-</u>	<u>(1,601)</u>	<u>-</u>
(135,774)	-	(135,774)	-
(256,248)	-	(256,248)	-
-	-	-	-
<u>(808,750)</u>	<u>-</u>	<u>(808,750)</u>	<u>-</u>
<u>(1,200,772)</u>	<u>-</u>	<u>(1,200,772)</u>	<u>-</u>
<u>(11,134,128)</u>	<u>-</u>	<u>(11,134,128)</u>	<u>-</u>
-	(10,889)	(10,889)	-
-	(14,826)	(14,826)	-
<u>-</u>	<u>(25,715)</u>	<u>(25,715)</u>	<u>-</u>

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Business-Type Activities (continued):			
Non-instructional programs:			
Food service operations	\$ 684,808	\$ 211,780	\$ 493,328
Total business-type activities	<u>710,523</u>	<u>211,780</u>	<u>493,328</u>
Total primary government	<u>\$ 14,707,370</u>	<u>\$ 619,909</u>	<u>\$ 2,947,918</u>
Component Unit:			
Foundation	<u>\$ 76,125</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:

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

Total general revenues

Change in net position

Net position beginning of year

Net position 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 Position			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Foundation
\$ -	\$ 20,300	\$ 20,300	\$ -
-	(5,415)	(5,415)	-
(11,134,128)	(5,415)	(11,139,543)	-
-	-	-	(76,125)
\$ 3,756,132	\$ -	\$ 3,756,132	\$ -
341,599	-	341,599	-
118,083	-	118,083	-
881,421	-	881,421	-
1,054,274	-	1,054,274	-
6,205,126	-	6,205,126	-
15,618	4,980	20,598	702
-	-	-	55,650
65,534	-	65,534	-
-	-	-	79,960
12,437,787	4,980	12,442,767	136,312
1,303,659	(435)	1,303,224	60,187
12,013,260	165,625	12,178,885	693,611
\$ 13,316,919	\$ 165,190	\$ 13,482,109	\$ 753,798

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2014

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Assets					
Cash and pooled investments	\$ 1,940,553	\$ 640,893	\$ 1,299,496	\$ 284,672	\$ 4,165,614
Receivables:					
Property tax:					
Current year	44,099	4,201	1,452	1,978	51,730
Succeeding year	3,798,772	345,650	94,704	170,000	4,409,126
Income surtax	450,983	-	315,688	-	766,671
Accounts	4,315	-	-	6,292	10,607
Due from other governments	168,042	-	310,562	765	479,369
Prepaid expenses	1,544	-	1,550	-	3,094
	<hr/>				
Total assets	<u>\$ 6,408,308</u>	<u>\$ 990,744</u>	<u>\$ 2,023,452</u>	<u>\$ 463,707</u>	<u>\$ 9,886,211</u>

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2014

	General	Debt Service	Capital Projects	Nonmajor	Total
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	\$ 194,588	\$ -	\$ 217,582	\$ 15,650	\$ 427,820
Due to other governments	9,362	-	-	-	9,362
Salaries and benefits payable	1,053,787	-	-	-	1,053,787
Total liabilities	<u>1,257,737</u>	<u>-</u>	<u>217,582</u>	<u>15,650</u>	<u>1,490,969</u>
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	3,798,772	345,650	94,704	170,000	4,409,126
Other	450,983	-	315,688	-	766,671
Total deferred inflows of resources	<u>4,249,755</u>	<u>345,650</u>	<u>410,392</u>	<u>170,000</u>	<u>5,175,797</u>
Fund balances:					
Nonspendable:					
Prepaid expenses	1,544	-	1,550	-	3,094
Restricted for:					
Categorical funding (note 12)	54,171	-	-	-	54,171
Revenue bonds	-	-	559,000	-	559,000
Revenue bonds sinking fund	-	637,163	-	-	637,163
Debt service	-	7,931	-	-	7,931
School infrastructure	-	-	357,814	-	357,814
Physical plant and equipment	-	-	477,114	-	477,114
Management levy purposes	-	-	-	179,193	179,193
Student activities	-	-	-	98,864	98,864
Assigned for special purposes	46,276	-	-	-	46,276
Unassigned	798,825	-	-	-	798,825
Total fund balances	<u>900,816</u>	<u>645,094</u>	<u>1,395,478</u>	<u>278,057</u>	<u>3,219,445</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 6,408,308</u>	<u>\$ 990,744</u>	<u>\$ 2,023,452</u>	<u>\$ 463,707</u>	<u>\$ 9,886,211</u>

See notes to financial statements.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET POSITION  
 June 30, 2014

Total fund balances of governmental funds	\$ 3,219,445
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	17,701,121
Other long-term assets, including income surtax receivable, are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.	766,671
The Internal Service Fund is used to charge the costs of the flexible benefits plan to the governmental funds and is therefore included in the governmental activities.	6,951
Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds.	(84,676)
Long-term liabilities, including bonds payable, compensated absences, and net OPEB liability, are not due and payable in the current year and, therefore, are not reported in the governmental funds.	<u>(8,292,593)</u>
Net position of governmental activities	<u>\$ 13,316,919</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, 2014

	General	Debt Service	Capital Projects	Nonmajor	Total
<b>Revenues:</b>					
Local sources:					
Local tax	\$ 4,051,295	\$ 341,487	\$ 473,199	\$ 160,240	\$ 5,026,221
Tuition	152,447	-	-	-	152,447
Other	205,299	401	11,667	256,668	474,035
State sources	7,916,559	112	1,054,313	52	8,971,036
Federal sources	605,322	-	-	-	605,322
Total revenues	<u>12,930,922</u>	<u>342,000</u>	<u>1,539,179</u>	<u>416,960</u>	<u>15,229,061</u>
<b>Expenditures:</b>					
Current:					
Instruction	<u>8,264,585</u>	-	<u>25,637</u>	<u>237,089</u>	<u>8,527,311</u>
Support services:					
Student	310,450	-	-	949	311,399
Instructional staff	644,978	-	-	5,921	650,899
Administration	1,357,277	-	27,616	2,240	1,387,133
Operation and maintenance of plant	846,858	-	23,039	115,355	985,252
Transportation	296,757	-	106,210	27,336	430,303
	<u>3,456,320</u>	-	<u>156,865</u>	<u>151,801</u>	<u>3,764,986</u>
Non-instructional programs	<u>1,601</u>	-	-	-	<u>1,601</u>
Other expenditures:					
Facilities acquisition	-	-	533,869	-	533,869
Long term debt:					
Principal	-	915,000	-	-	915,000
Interest and fiscal charges	-	263,132	-	-	263,132
AEA flowthrough	475,003	-	-	-	475,003
	<u>475,003</u>	<u>1,178,132</u>	<u>533,869</u>	-	<u>2,187,004</u>
Total expenditures	<u>12,197,509</u>	<u>1,178,132</u>	<u>716,371</u>	<u>388,890</u>	<u>14,480,902</u>
Excess (deficiency) of revenues over (under) expenditures	<u>733,413</u>	<u>(836,132)</u>	<u>822,808</u>	<u>28,070</u>	<u>748,159</u>

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2014

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Other financing sources (uses):					
Sale of equipment	\$ 1,300	\$ -	\$ -	\$ -	\$ 1,300
Compensation for loss of capital assets	488	-	-	-	488
Interfund transfers in (note 3)	-	867,246	-	-	867,246
Interfund transfers out (note 3)	-	-	(867,246)	-	(867,246)
Total other financing sources (uses)	<u>1,788</u>	<u>867,246</u>	<u>(867,246)</u>	<u>-</u>	<u>1,788</u>
Net change in fund balances	735,201	31,114	(44,438)	28,070	749,947
Fund balances beginning of year	<u>165,615</u>	<u>613,980</u>	<u>1,439,916</u>	<u>249,987</u>	<u>2,469,498</u>
Fund balances end of year	<u>\$ 900,816</u>	<u>\$ 645,094</u>	<u>\$ 1,395,478</u>	<u>\$ 278,057</u>	<u>\$ 3,219,445</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, 2014

Net change in fund balances - total governmental funds \$ 749,947

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 Activities 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 current year are as follows:

Capital outlays	\$ 519,827	
Depreciation expense	<u>(873,338)</u>	(353,511)

The change in net position of the Internal Service Fund is included in governmental activities due to the integral nature of these activities to the governmental funds. (1,132)

Income surtax revenue not received until several months after the District's fiscal year end is not considered available revenue and is recognized as deferred inflows of resources in the governmental funds. 69,638

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position. 915,000

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 governmental funds when due. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. 6,884

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:

Compensated absences	(167)	
Net OPEB liability	<u>(83,000)</u>	<u>(83,167)</u>

Change in net position of governmental activities \$ 1,303,659

See notes to financial statements.

## WEST LIBERTY COMMUNITY SCHOOL DISTRICT

STATEMENT OF FUND NET POSITION  
PROPRIETARY FUNDS

June 30, 2014

	Enterprise			Internal Service
	School Nutrition	Nonmajor	Total	
<b>Assets</b>				
Cash and cash equivalents	\$ 71,070	\$ 2,575	\$ 73,645	\$ 6,951
Due from other governments	3,485	-	3,485	-
Inventories	9,943	-	9,943	-
Contract receivable (note 4)	-	68,387	68,387	-
Capital assets, net of accumulated depreciation (note 5)	98,890	-	98,890	-
<b>Total assets</b>	<b>183,388</b>	<b>70,962</b>	<b>254,350</b>	<b>6,951</b>
<b>Liabilities</b>				
Accounts payable	6,406	-	6,406	-
Salaries and benefits payable	8,387	-	8,387	-
Unearned revenue	7,021	-	7,021	-
Promissory note payable (note 7)	-	67,346	67,346	-
<b>Total liabilities</b>	<b>21,814</b>	<b>67,346</b>	<b>89,160</b>	<b>-</b>
<b>Fund Net Position</b>				
Net investment in capital assets	98,890	-	98,890	-
Unrestricted:				
Food services	62,684	-	62,684	-
Student construction	-	3,616	3,616	-
Flex benefits	-	-	-	6,951
<b>Total fund net position</b>	<b>\$ 161,574</b>	<b>\$ 3,616</b>	<b>\$ 165,190</b>	<b>\$ 6,951</b>

See notes to financial statements.

## WEST LIBERTY COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
Year Ended June 30, 2014

	Enterprise			Internal Service
	School Nutrition	Nonmajor	Total	
Operating revenues:				
Local sources:				
Charges for services	\$ 211,780	\$ -	\$ 211,780	\$ 845
Operating expenses:				
Support services:				
Administration	7,221	3,668	10,889	-
Operation and maintenance of plant	14,826	-	14,826	-
Non-instructional programs	684,808	-	684,808	1,996
Total operating expenses	706,855	3,668	710,523	1,996
Operating loss	(495,075)	(3,668)	(498,743)	(1,151)
Non-operating revenues:				
Interest on investments	155	4,825	4,980	19
State sources	6,369	-	6,369	-
Federal sources	486,959	-	486,959	-
Total non-operating revenues	493,483	4,825	498,308	19
Change in fund net position	(1,592)	1,157	(435)	(1,132)
Fund net position beginning of year	163,166	2,459	165,625	8,083
Fund net position end of year	\$ 161,574	\$ 3,616	\$ 165,190	\$ 6,951

See notes to financial statements.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended June 30, 2014

	Enterprise			Internal Service
	School Nutrition	Nonmajor	Total	
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 212,123	\$ -	\$ 212,123	\$ -
Cash received from miscellaneous operating activities	415	849	1,264	845
Cash payments to employees for services	(329,921)	-	(329,921)	-
Cash payments to suppliers for goods or services	(316,953)	(3,668)	(320,621)	(1,996)
Net cash used by operating activities	<u>(434,336)</u>	<u>(2,819)</u>	<u>(437,155)</u>	<u>(1,151)</u>
Cash flows from non-capital financing activities:				
State grants received	6,369	-	6,369	-
Federal grants received	451,534	-	451,534	-
Promissory note repayments	-	(938)	(938)	-
Net cash provided by (used by) non-capital financing activities	<u>457,903</u>	<u>(938)</u>	<u>456,965</u>	<u>-</u>
Cash flows from capital and related financing activities:				
Acquisition of capital assets	<u>(3,860)</u>	-	<u>(3,860)</u>	<u>-</u>
Cash flows from investing activities:				
Interest on investments	<u>155</u>	<u>4,825</u>	<u>4,980</u>	<u>19</u>
Net increase (decrease) in cash and cash equivalents	19,862	1,068	20,930	(1,132)
Cash and cash equivalents beginning of year	<u>51,208</u>	<u>1,507</u>	<u>52,715</u>	<u>8,083</u>
Cash and cash equivalents end of year	<u>\$ 71,070</u>	<u>\$ 2,575</u>	<u>\$ 73,645</u>	<u>\$ 6,951</u>

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended June 30, 2014

	Enterprise			Internal Service
	School Nutrition	Nonmajor	Total	
Reconciliation of operating loss to net cash used by operating activities:				
Operating loss	\$ (495,075)	\$ (3,668)	\$ (498,743)	\$ (1,151)
Adjustments to reconcile operating loss to net cash used by operating activities:				
Depreciation	18,711	-	18,711	-
Commodities used	32,219	-	32,219	-
Decrease in inventories	3,372	-	3,372	-
Decrease in contract receivable	-	849	849	-
Increase in accounts payable	3,988	-	3,988	-
Increase in salaries and benefits payable	1,691	-	1,691	-
Increase in unearned revenue	758	-	758	-
Net cash used by operating activities	<u>\$ (434,336)</u>	<u>\$ (2,819)</u>	<u>\$ (437,155)</u>	<u>\$ (1,151)</u>

Non-cash financing activities:

During the year ended June 30, 2014, the District received \$32,219 of federal commodities.

See notes to financial statements.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
 FIDUCIARY FUNDS  
 June 30, 2014

	<u>Agency</u>
<b>Assets:</b>	
Cash	\$ 4,497
Accounts receivable	1,176
Total assets	\$ 5,673
<b>Liabilities:</b>	
Other payables	\$ 5,673

See notes to financial statements.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
 Year Ended June 30, 2014

	<u>Private Purpose Trust</u>	
	<u>Scholarship</u>	
Additions:		
Local sources:		
Gifts and contributions	\$	<u>500</u>
Deductions:		
Instruction:		
Scholarships awarded		<u>500</u>
Change in fiduciary net position		-
Fiduciary net position beginning of year		<u>-</u>
Fiduciary net position end of year	\$	<u><u>-</u></u>
See notes to financial statements.		

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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 kindergarten through twelve and pre-kindergarten. 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 Position 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, 2014

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation

District-wide Financial Statements – The Statement of Net Position 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 Position presents the District's nonfiduciary assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Net position is reported in three categories:

Net investment in capital assets 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 position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

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

The District reports the following major governmental funds:

The General Fund is the main 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.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

The Debt Service Fund is used to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

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

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 position and changes in net position. 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 government-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 District 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.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

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 the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position 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.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances, in that order.

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 funds are 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, Deferred Inflows of Resources 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 non-negotiable certificates of deposit, which are stated at cost.

For purposes of the statement of cash flows, all short-term 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.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Equity (continued)

Property Tax Receivable – Property tax receivable is recognized in the governmental 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 government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2013.

Income Surtax Receivable – Income surtax budgeted for the fiscal year ended June 30, 2014 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 inflows of resources on the modified accrual basis for the governmental funds. For the government-wide statements, on the Statement of Activities the income surtax revenue is recognized.

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Equity (continued)

Capital Assets – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Position. Purchased capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair 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 one year.

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

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

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 government-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, 2014. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Equity (continued)

Deferred Inflows of Resources – Although certain revenues are measurable, they are not available.

Available means collectible within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent 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 year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consists of the succeeding year property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consist of the succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the Board of Education intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

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

During the year ended June 30, 2014, expenditures/expenses exceeded the amount budgeted in the non-instructional programs function.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2014 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 ensure there will be no loss of public funds.

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

WEST LIBERTY COMMUNITY SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2014

Note 2. Cash and Pooled Investments (continued)

At June 30, 2014, the District had investments as follows:

	<u>Fair Value</u>
Money Market Mutual Fund	\$ <u>643,399</u>

The investments are valued at fair value.

Credit Risk – The investment in the money market mutual fund was rated AAAM by Standard & Poor’s Financial Services.

Component Unit Investments – At June 30, 2014, the Foundation had investments as follows:

	<u>Fair Value</u>
Mutual Funds	\$ <u>579,559</u>

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ <u>867,246</u>

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

Note 4. Contract Receivable

At June 30, 2014, the District has a long-term contract receivable for the sale of the student construction house. The contract requires monthly payments of \$472.36 and includes interest at 7%. A summary of the payment schedule is as follows:

Year Ending				
<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2015	\$ 910	\$ 4,758	\$ 5,668	
2016	<u>67,477</u>	<u>3,526</u>	<u>71,003</u>	
	<u>\$ 68,387</u>	<u>\$ 8,284</u>	<u>\$ 76,671</u>	

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 5. Capital Assets

Capital assets activity for the year ended June 30, 2014 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 462,833	\$ -	\$ -	\$ 462,833
Construction in progress	132,432	324,336	218,256	238,512
Total capital assets not being depreciated	<u>595,265</u>	<u>324,336</u>	<u>218,256</u>	<u>701,345</u>
Capital assets being depreciated:				
Buildings	24,795,156	218,256	-	25,013,412
Improvements other than buildings	1,471,267	68,783	-	1,540,050
Furniture and equipment	1,786,409	126,708	150,259	1,762,858
Total capital assets being depreciated	<u>28,052,832</u>	<u>413,747</u>	<u>150,259</u>	<u>28,316,320</u>
Less accumulated depreciation for:				
Buildings	8,615,445	667,689	-	9,283,134
Improvements other than buildings	801,897	100,151	-	902,048
Furniture and equipment	1,176,123	105,498	150,259	1,131,362
Total accumulated depreciation	<u>10,593,465</u>	<u>873,338</u>	<u>150,259</u>	<u>11,316,544</u>
Total capital assets being depreciated, net	<u>17,459,367</u>	<u>(459,591)</u>	<u>-</u>	<u>16,999,776</u>
Governmental activities capital assets, net	<u>\$ 18,054,632</u>	<u>\$ (135,255)</u>	<u>\$ 218,256</u>	<u>\$ 17,701,121</u>
<b>Business-type activities:</b>				
Furniture and equipment	\$ 375,938	\$ 3,860	\$ 2,129	\$ 377,669
Less accumulated depreciation	262,197	18,711	2,129	278,779
Business-type activities capital assets, net	<u>\$ 113,741</u>	<u>\$ (14,851)</u>	<u>\$ -</u>	<u>\$ 98,890</u>

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 5. Capital Assets (continued)

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction	\$ 20,353
Support services:	
Administration	1,156
Operation and maintenance of plant	5,123
Transportation	37,956
	64,588
Unallocated depreciation	808,750
 Total depreciation expense - governmental activities	 \$ 873,338

Business-type activities:

Food service operations	\$ 18,711
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Note 6. Short-Term Liabilities

During the year ended June 30, 2014, the District issued \$350,000 of anticipatory warrants. The anticipatory warrants were necessary to provide temporary financing during periods of low cash flows in the General Fund and included interest at 3.5%.

A summary of the short-term debt activity for the year ended June 30, 2014 is as follows:

	Balance Beginning of Year	Loans Received	Loans Repaid	Balance End of Year
Anticipatory warrants	\$ -	\$ 350,000	\$ 350,000	\$ -

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 7. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2014 is as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 3,885,000	\$ -	\$ 395,000	\$ 3,490,000	\$ 405,000
Revenue bonds	4,885,000	-	520,000	4,365,000	560,000
Compensated absences	48,426	48,593	48,426	48,593	48,593
Net OPEB liability	306,000	83,000	-	389,000	-
Total	<u>\$ 9,124,426</u>	<u>\$ 131,593</u>	<u>\$ 963,426</u>	<u>\$ 8,292,593</u>	<u>\$ 1,013,593</u>
Business-type activities:					
Promissory note	<u>\$ 68,284</u>	<u>\$ -</u>	<u>\$ 938</u>	<u>\$ 67,346</u>	<u>\$ 1,219</u>

General Obligation Bonds

Details of the District's June 30, 2014 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Issue dated September 1, 2010				
	Interest Rates	Principal	Interest	Total	
2015	1.70 %	\$ 405,000	\$ 90,150	\$ 495,150	
2016	2.00	410,000	83,265	493,265	
2017	2.25	420,000	75,065	495,065	
2018	2.50	430,000	65,615	495,615	
2019	2.70	435,000	54,865	489,865	
2020-2022	3.00-3.20	1,390,000	88,100	1,478,100	
		<u>\$ 3,490,000</u>	<u>\$ 457,060</u>	<u>\$ 3,947,060</u>	

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 7. Long-Term Liabilities (continued)

Revenue Bonds

Details of the District's June 30, 2014 revenue bonded indebtedness are as follows:

Year Ending June 30,	Issue dated June 26, 2008			
	Interest Rates	Principal	Interest	Total
2015	4.50 %	\$ 390,000	\$ 119,251	\$ 509,251
2016	4.50	400,000	101,476	501,476
2017	4.50	415,000	83,138	498,138
2018	4.00	435,000	65,100	500,100
2019	4.00	450,000	47,400	497,400
2020-2021	4.00	960,000	38,800	998,800
		<u>\$ 3,050,000</u>	<u>\$ 455,165</u>	<u>\$ 3,505,165</u>

Year Ending June 30,	Issue dated April 18, 2012			
	Interest Rates	Principal	Interest	Total
2015	2.00 %	\$ 170,000	\$ 24,600	\$ 194,600
2016	2.00	175,000	21,150	196,150
2017	2.00	180,000	17,600	197,600
2018	2.00	190,000	13,900	203,900
2019	2.00	200,000	10,000	210,000
2020-2021	2.00	400,000	8,000	408,000
		<u>\$ 1,315,000</u>	<u>\$ 95,250</u>	<u>\$ 1,410,250</u>

Year Ending June 30,	Total		
	Principal	Interest	Total
2015	\$ 560,000	\$ 143,851	\$ 703,851
2016	575,000	122,626	697,626
2017	595,000	100,738	695,738
2018	625,000	79,000	704,000
2019	650,000	57,400	707,400
2020-2021	1,360,000	46,800	1,406,800
	<u>\$ 4,365,000</u>	<u>\$ 550,415</u>	<u>\$ 4,915,415</u>

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 7. Long-Term Liabilities (continued)

Revenue Bonds (continued)

The District pledged future local option (statewide) sales, services and use tax revenues to repay the \$4,125,000 and \$1,465,000 bonds issued in June 2008 and April 2012, respectively. The bonds were issued for the purpose of financing a portion of the costs of various school infrastructure projects and refunding the bond anticipation project notes. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2021. The bonds are not a general obligation of the District and the debt is not subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require approximately 67 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$4,915,415. For the current year, \$520,000 of principal and \$164,151 of interest was paid on the bonds and total statewide sales, services and use tax revenues were \$1,054,274.

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

- a) \$412,500 and \$146,500 of the proceeds from the issuance of the revenue bonds 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 Account.
- b) All proceeds from the statewide 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.

Promissory Note

In March 2011, the District entered into a promissory note agreement for \$71,087.13. The note repaid the two outstanding short-term bank loans. The note calls for monthly payments of \$383.79 and includes interest at 5% until March 5, 2016, after which time the interest rate may change. The interest rate will be adjusted to the Wall Street Journal U.S. Prime Rate plus 1.75 percent, but not less than 5%, on March 5, 2016 and every five years thereafter. Any interest rate change would also change the required monthly payment. The note is secured by a mortgage on the student construction house.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 7. Long-Term Liabilities (continued)

Promissory Note (continued)

Details of the District's June 30, 2014 promissory note indebtedness are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 1,219	\$ 3,386	\$ 4,605
2016	1,274	3,331	4,605
2017	1,349	3,256	4,605
2018	1,419	3,186	4,605
2019	1,492	3,113	4,605
2020-2024	8,688	14,340	23,028
2025-2029	11,202	11,826	23,028
2030-2034	14,427	8,601	23,028
2035-2039	18,581	4,447	23,028
2040-2041	7,695	365	8,060
	<u>\$ 67,346</u>	<u>\$ 55,851</u>	<u>\$ 123,197</u>

Note 8. Other Postemployment Benefits (OPEB)

Plan Description – The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 162 active and 4 retired members in the plan. Retired 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.

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.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2014, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$	101,000
Interest on net OPEB obligation		8,000
Adjustment to annual required contribution		<u>(20,000)</u>
Annual OPEB cost		89,000
Contributions made		<u>(6,000)</u>
Increase in net OPEB obligation		83,000
Net OPEB obligation beginning of year		<u>306,000</u>
 Net OPEB obligation end of year	 \$	 <u><u>389,000</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, 2014.

For the year ended June 30, 2014, the District contributed \$6,000 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 are summarized as follows:

<u>Year Ended</u> <u>June 30,</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net</u> <u>OPEB</u> <u>Obligation</u>
2012	\$ 90,000	11.1%	\$ 224,000
2013	87,000	5.7%	306,000
2014	89,000	6.7%	389,000

**Funded Status and Funding Progress** – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$514,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$514,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$7,808,000, and the ratio of the UAAL to covered payroll was 6.6%. As of June 30, 2014, there were no trust fund assets.

**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.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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

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, 2012 actuarial valuation date, the 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%.

Mortality rates are from the 94 Group Annuity Mortality Table projected to 2000, applied on a 2/3 female, 1/3 male basis. 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 5.95% of their annual covered salary and the District is required to contribute 8.93% of annual covered salary. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2014, 2013, and 2012 were \$677,992, \$654,146, and \$574,461, respectively, equal to the required contributions for each year.

Note 10. Risk Management

The 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.

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 \$475,003 for the year ended June 30, 2014 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, 2014

Note 12. Categorical Funding

The District's fund balance restricted for categorical funding at June 30, 2014 is comprised of the following programs:

Program	Amount
Gifted and talented programs	\$ 9,832
Returning dropouts and dropout prevention programs	16,559
Beginning teacher mentoring and induction	1,692
Successful progression for early readers	6,597
Professional development for model core curriculum	7,957
Professional development	7,445
Teacher leadership grants	4,089
Total	\$ 54,171

Note 13. Construction Commitments

The District has entered into a contract totaling \$262,977 for an elementary school air conditioning project. As of June 30, 2014, costs of \$199,239 had been incurred against the contract. The balance of \$63,738 remaining at June 30, 2014 will be paid as work on the project progresses.

Note 14. Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

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, 2014

	Governmental Funds - Actual	Proprietary Funds - Actual	Total Actual	Budgeted Amounts Original and Final	Final to Actual Variance
<b>REVENUES:</b>					
Local sources	\$ 5,652,703	\$ 216,760	\$ 5,869,463	\$ 6,757,688	\$ (888,225)
State sources	8,971,036	6,369	8,977,405	7,573,137	1,404,268
Federal sources	605,322	486,959	1,092,281	908,752	183,529
<b>Total revenues</b>	<b>15,229,061</b>	<b>710,088</b>	<b>15,939,149</b>	<b>15,239,577</b>	<b>699,572</b>
<b>EXPENDITURES/EXPENSES:</b>					
Instruction	8,527,311	-	8,527,311	9,102,188	574,877
Support services	3,764,986	25,715	3,790,701	3,938,404	147,703
Non-instructional programs	1,601	684,808	686,409	664,839	(21,570)
Other expenditures	2,187,004	-	2,187,004	2,934,880	747,876
<b>Total expenditures/expenses</b>	<b>14,480,902</b>	<b>710,523</b>	<b>15,191,425</b>	<b>16,640,311</b>	<b>1,448,886</b>
Excess (deficiency) of revenues over (under) expenditures/expenses	748,159	(435)	747,724	(1,400,734)	2,148,458
Other financing sources, net	1,788	-	1,788	1,200	588
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses	749,947	(435)	749,512	(1,399,534)	2,149,046
Balance beginning of year	2,469,498	165,625	2,635,123	1,988,981	646,142
Balance end of year	<u>\$ 3,219,445</u>	<u>\$ 165,190</u>	<u>\$ 3,384,635</u>	<u>\$ 589,447</u>	<u>\$ 2,795,188</u>

See accompanying independent auditor's report.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING  
Year Ended June 30, 2014

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 a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures/expenses 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 ended June 30, 2014, expenditures/expenses in the non-instructional programs function exceeded the amount budgeted.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN  
(In Thousands)

Required Supplementary Information  
Year Ended June 30, 2014

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%
2011	July 1, 2009	-	446	446	0.0%	7,311	6.1%
2012	July 1, 2009	-	425	425	0.0%	7,469	5.7%
2013	July 1, 2012	-	540	540	0.0%	7,767	7.0%
2014	July 1, 2012	-	514	514	0.0%	7,808	6.6%

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.

See accompanying independent auditor's report.

Supplementary Information

## WEST LIBERTY COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2014

	Special Revenue		Total
	Management Levy	Student Activity	
Assets			
Cash and pooled investments	\$ 177,215	\$ 107,457	\$ 284,672
Receivables:			
Property tax:			
Current year	1,978	-	1,978
Succeeding year	170,000	-	170,000
Accounts	-	6,292	6,292
Due from other governments	-	765	765
	\$ 349,193	\$ 114,514	\$ 463,707
Total assets			
	\$ 349,193	\$ 114,514	\$ 463,707
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ -	\$ 15,650	\$ 15,650
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	170,000	-	170,000
	170,000	-	170,000
Fund balances:			
Restricted for:			
Management levy purposes	179,193	-	179,193
Student activities	-	98,864	98,864
Total fund balances	179,193	98,864	278,057
	\$ 349,193	\$ 114,514	\$ 463,707
Total liabilities, deferred inflows of resources and fund balances			

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, 2014

	Special Revenue		Total
	Management Levy	Student Activity	
Revenues:			
Local sources:			
Local tax	\$ 160,240	\$ -	\$ 160,240
Other	10,791	245,877	256,668
State sources	52	-	52
Total revenues	171,083	245,877	416,960
Expenditures:			
Current:			
Instruction	23,398	213,691	237,089
Support services:			
Student	949	-	949
Instructional staff	584	5,337	5,921
Administration	2,227	13	2,240
Operation and maintenance of plant	104,998	10,357	115,355
Transportation	23,987	3,349	27,336
Total expenditures	156,143	232,747	388,890
Net change in fund balances	14,940	13,130	28,070
Fund balances beginning of year	164,253	85,734	249,987
Fund balances end of year	\$ 179,193	\$ 98,864	\$ 278,057

See accompanying independent auditor's report.

## WEST LIBERTY COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET  
CAPITAL PROJECTS ACCOUNTS  
June 30, 2014

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>Assets</b>			
Cash and pooled investments	\$ 682,301	\$ 617,195	\$ 1,299,496
Receivables:			
Property tax:			
Current year	-	1,452	1,452
Succeeding year	-	94,704	94,704
Income surtax	-	315,688	315,688
Due from other governments	310,562	-	310,562
Prepaid expenses	-	1,550	1,550
Total assets	\$ 992,863	\$ 1,030,589	\$ 2,023,452
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 76,049	\$ 141,533	\$ 217,582
<b>Deferred inflows of resources:</b>			
Unavailable revenues:			
Succeeding year property tax	-	94,704	94,704
Other	-	315,688	315,688
	-	410,392	410,392
<b>Fund balances:</b>			
Nonspendable:			
Prepaid expenses	-	1,550	1,550
Restricted for:			
Revenue bonds	559,000	-	559,000
School infrastructure	357,814	-	357,814
Physical plant and equipment	-	477,114	477,114
Total fund balances	916,814	478,664	1,395,478
Total liabilities, deferred inflows of resources and fund balances	\$ 992,863	\$ 1,030,589	\$ 2,023,452

See accompanying independent auditor's report.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 CAPITAL PROJECTS ACCOUNTS  
 Year Ended June 30, 2014

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Construction Projects	Total
Revenues:				
Local sources:				
Local tax	\$ -	\$ 473,199	\$ -	\$ 473,199
Other	8,333	3,330	4	11,667
State sources	1,054,274	39	-	1,054,313
Total revenues	<u>1,062,607</u>	<u>476,568</u>	4	<u>1,539,179</u>
Expenditures:				
Current:				
Instruction	-	25,637	-	25,637
Support services:				
Administration	-	27,616	-	27,616
Operation and maintenance of plant	-	23,039	-	23,039
Transportation	-	106,210		106,210
Other expenditures:				
Facilities acquisition	198,567	332,712	2,590	533,869
Total expenditures	<u>198,567</u>	<u>515,214</u>	2,590	<u>716,371</u>
Excess (deficiency) of revenues over (under) expenditures	864,040	(38,646)	(2,586)	822,808
Other financing sources (uses):				
Intrafund transfers in	-	9,978	-	9,978
Intrafund transfers out	-	-	(9,978)	(9,978)
Interfund transfers out	(867,246)	-	-	(867,246)
Total other financing sources (uses)	<u>(867,246)</u>	9,978	(9,978)	<u>(867,246)</u>
Net change in fund balances	(3,206)	(28,668)	(12,564)	(44,438)
Fund balances beginning of year	<u>920,020</u>	<u>507,332</u>	12,564	<u>1,439,916</u>
Fund balances end of year	<u>\$ 916,814</u>	<u>\$ 478,664</u>	\$ -	<u>\$ 1,395,478</u>

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, 2014

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
District Wide:				
Miscellaneous	\$ 241	\$ 7,847	\$ 7,813	\$ 275
Booster Club Reimbursement	-	4,913	4,913	-
Fine Arts Booster Donation	-	6,776	6,776	-
Interest	-	452	452	-
Elementary:				
Student Council	155	1,534	1,531	158
Junior High:				
Activity Tickets Resale	-	1,960	1,960	-
Cross Country	-	20	20	-
Boys' Track	-	1,418	1,418	-
Girls' Track	-	710	710	-
Eighth Grade	1,100	-	100	1,000
Seventh Grade	500	-	-	500
Student Council	2,055	1,770	2,090	1,735
Student Council RS Yearbook	-	1,770	1,770	-
High School:				
Drama	3,965	7,433	3,430	7,968
Show Choir Resale	209	3,971	3,986	194
Color Guard	383	-	174	209
High School FB, BB, WR Fundraiser	692	13,563	13,859	396
Athletics	112	704	5,100	(4,284)
Activity Tickets	-	3,060	3,060	-
Cross Country	-	418	418	-
Cross Country Fundraiser	525	3,500	3,470	555
HS Cheerleading	1,077	3,734	5,850	(1,039)
Dance Team Fund	1,240	6,874	5,535	2,579
Boys' Basketball	-	5,164	5,164	-
Boys' Basketball Fundraiser	1,829	3,960	4,752	1,037
Football	-	10,254	10,254	-
Football Fundraiser	11,258	10,425	8,249	13,434
Boys' Soccer	-	3,863	3,863	-
Boys' Soccer Fundraiser	163	435	360	238
Baseball	-	1,628	1,628	-
Baseball Fundraiser	908	2,796	2,459	1,245
Boys' Track	424	5,524	5,922	26
Boys' Golf	465	1,845	1,937	373
Wrestling	2,529	2,781	2,608	2,702

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
Year Ended June 30, 2014

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
High School (continued):				
Girls' Basketball	\$ -	\$ 3,927	\$ 3,927	\$ -
Girls' Basketball Fundraiser	328	2,960	2,645	643
Volleyball	-	6,419	6,419	-
Volleyball Fundraiser	1,037	6,615	4,827	2,825
Girls' Soccer	63	5,527	4,333	1,257
Softball	-	2,753	2,753	-
Softball Fundraiser	492	3,975	1,304	3,163
Girls' Track	-	3,183	3,183	-
Girls' Track Resale	1,912	794	1,070	1,636
Girls' Golf Fundraiser	1,321	4,595	4,492	1,424
Juniors	650	2,220	1,922	948
Sophomore	1,143	-	26	1,117
Freshmen	1,200	-	100	1,100
FCCLA	581	-	-	581
FFA	25,377	47,343	46,017	26,703
Greenhouse Fund	16,451	21,817	13,811	24,457
Anime Fund	65	-	-	65
IT Club	54	288	179	163
National Honor Society	2,240	140	337	2,043
Student Council	1,018	1,794	2,653	159
Trapshooting	100	-	-	100
Yearbook	1,872	10,425	11,118	1,179
Total	<u>\$ 85,734</u>	<u>\$ 245,877</u>	<u>\$ 232,747</u>	<u>\$ 98,864</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, 2014

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
Assets				
Cash	\$ 5,620	\$ 127,109	\$ 128,232	\$ 4,497
Accounts receivable	-	1,176	-	1,176
Total assets	<u>\$ 5,620</u>	<u>\$ 128,285</u>	<u>\$ 128,232</u>	<u>\$ 5,673</u>
Liabilities				
Other payables	<u>\$ 5,620</u>	<u>\$ 128,285</u>	<u>\$ 128,232</u>	<u>\$ 5,673</u>

See accompanying independent auditor's report.

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WEST LIBERTY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
ALL GOVERNMENTAL FUNDS  
FOR THE LAST TEN YEARS

	Modified Accrual Basis Years Ended June 30,			
	2014	2013	2012	2011
<b>Revenues:</b>				
Local sources:				
Local tax	\$ 5,026,221	\$ 5,713,085	\$ 5,309,282	\$ 4,979,853
Tuition	152,447	136,459	155,696	142,119
Other	474,035	830,538	526,493	487,757
State sources	8,971,036	7,757,629	7,524,929	7,111,211
Federal sources	605,322	1,022,472	897,416	864,780
	<hr/>			
Total revenues	<u>\$ 15,229,061</u>	<u>\$ 15,460,183</u>	<u>\$ 14,413,816</u>	<u>\$ 13,585,720</u>
<b>Expenditures:</b>				
Instruction	\$ 8,527,311	\$ 8,672,035	\$ 8,448,306	\$ 8,247,609
Support services:				
Student	311,399	336,271	353,792	359,987
Instructional staff	650,899	610,724	511,188	580,150
Administration	1,387,133	1,315,572	1,237,274	1,208,088
Operation and maintenance of plant	985,252	882,928	822,642	872,330
Transportation	430,303	342,649	374,515	429,857
Non-instructional programs	1,601	1,513	1,257	8,579
Other expenditures:				
Facilities acquisition	533,869	1,437,973	319,191	192,023
Long-term debt:				
Principal	915,000	745,000	2,005,000	600,000
Interest and fiscal charges	263,132	275,776	395,687	521,896
AEA flowthrough	475,003	465,507	446,757	480,501
	<hr/>			
Total expenditures	<u>\$ 14,480,902</u>	<u>\$ 15,085,948</u>	<u>\$ 14,915,609</u>	<u>\$ 13,501,020</u>

See accompanying independent auditor's report.

	2010	2009	2008	2007	2006	2005
\$	4,720,809	\$ 4,686,294	\$ 4,383,660	\$ 4,122,480	\$ 3,947,341	\$ 3,672,741
	142,207	164,003	183,998	97,217	87,345	113,168
	705,817	434,483	414,123	401,798	329,952	2,378,613
	6,176,719	6,452,519	6,567,602	6,058,991	5,449,822	5,131,990
	1,279,692	556,461	475,743	455,182	555,366	1,020,523
\$	<u>13,025,244</u>	<u>\$ 12,293,760</u>	<u>\$ 12,025,126</u>	<u>\$ 11,135,668</u>	<u>\$ 10,369,826</u>	<u>\$ 12,317,035</u>
\$	8,487,941	\$ 7,725,626	\$ 7,045,643	\$ 6,787,865	\$ 6,433,053	\$ 6,197,702
	221,847	326,200	261,395	203,932	190,986	216,691
	745,109	511,892	497,392	501,013	568,994	394,044
	1,184,719	1,130,992	1,117,851	967,867	933,439	824,547
	894,554	824,556	839,878	753,719	734,840	624,595
	483,283	362,809	378,165	408,584	367,395	329,810
	14,755	1,784	8,543	3,453	-	-
	2,929,715	3,887,559	577,412	469,248	466,161	5,687,846
	575,000	555,000	535,000	510,000	500,000	505,744
	451,186	371,496	304,478	327,028	348,842	372,421
	473,195	413,549	404,516	383,857	346,184	324,503
\$	<u>16,461,304</u>	<u>\$ 16,111,463</u>	<u>\$ 11,970,273</u>	<u>\$ 11,316,566</u>	<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, 2014

Grantor / Program	CFDA Number	Pass-through Grantor Number	Expenditures
Indirect:			
U. S. Department of Agriculture:			
Iowa Department of Education:			
Child Nutrition Cluster Programs:			
School Breakfast Program	10.553	6975-14	\$ 70,013
National School Lunch Program	10.555	6975-14	394,340 *
Summer Food Service Program for Children	10.559	6975-14	<u>22,606</u>
			<u>486,959</u>
U. S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	6975GC-14	32,764
Title I Grants to Local Educational Agencies	84.010	6975G-14	233,055
Title I Grants to Local Educational Agencies	84.010	6975SINA-14	<u>14,404</u>
			<u>280,223</u>
Career and Technical Education - Basic Grants to States	84.048	6975-14	<u>283</u> **
Advanced Placement Program	84.330	6975-14	<u>2,005</u>
Improving Teacher Quality State Grants	84.367	6975-14	<u>35,358</u>
Grants for State Assessments and Related Activities	84.369	6975-14	<u>6,259</u>
Mississippi Bend Area Education Agency:			
Special Education - Grants to States	84.027	6975-14	<u>61,145</u>
Career and Technical Education - Basic Grants to States	84.048	6975-14	<u>3,600</u> **
English Language Acquisition State Grants	84.365	6975-14	<u>19,757</u>
U. S. Department of Health and Human Services:			
Community Action of Eastern Iowa:			
Head Start	93.600	6975-14	<u>85,220</u>
Total			<u>\$ 980,809</u>

\* = Includes \$32,219 of non-cash awards.

\*\* = Total for CFDA Number 84.048 is \$3,883.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2014

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 in 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.

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DONALD D. KAIN  
CHUCK C. CONVERSE, CPA  
RUSSELL S. TERPSTRA, CPA  
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE 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 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 Chapter 11 of the Code of Iowa, the 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, 2014, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 10, 2014. We disclaimed an opinion on the discretely presented component unit and expressed unmodified opinions on the governmental activities, business-type activities, each major fund and the aggregate remaining fund information.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered West Liberty Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances 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.

A deficiency in internal control over financial reporting 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 a 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance

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, non-compliance 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 non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2014 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

West Liberty Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. West Liberty Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

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  
November 10, 2014

*Hunt & Associates, P.C.*

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited West Liberty Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2014. West Liberty Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of West Liberty Community School District's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of West Liberty Community School District's compliance.

Opinion on Each Major Federal Program

In our opinion, West Liberty Community School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

In planning and performing our audit of compliance, we considered West Liberty Community School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 West Liberty Community School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct non-compliance with a type of compliance requirement of a federal program on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material non-compliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Oskaloosa, Iowa  
November 10, 2014

*Hunt & Associates, P.C.*

WEST LIBERTY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2014

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

- (a) We disclaimed an opinion on the discretely presented component unit and issued unmodified opinions on the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information.
- (b) No material weaknesses in internal control over financial reporting were reported.
- (c) The audit did not report any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were reported.
- (e) An unmodified 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:
  - Clustered programs:
    - CFDA Number 10.553 – School Breakfast Program
    - CFDA Number 10.555 – National School Lunch Program
    - CFDA Number 10.559 – Summer Food Service Program for Children
  - CFDA Number 84.367 – Improving Teacher Quality State Grants
- (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, 2014

Part II: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiencies:

No matters were reported.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2014

Part III: Findings and Questioned Costs for Federal Awards

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiencies:

No matters were reported.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2014

Part IV: Other Findings Related to Statutory Reporting:

IV-A-14 Certified Budget – Expenditures/expenses for the year ended June 30, 2014, exceeded the amount budgeted in the non-instructional programs function.

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

Response – We will amend our budget in sufficient amounts before expenditures/expenses exceed the budget in the future.

Conclusion – Response accepted.

IV-B-14 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

IV-C-14 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-14 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Sydney Millage Spouse of Board Member	Substitute Teacher	\$3,783

In accordance with an Attorney General’s opinion dated November 9, 1976, the above transaction does not appear to represent a conflict of interest.

IV-E-14 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

IV-F-14 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.

IV-G-14 Certified Enrollment – No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

IV-H-14 Supplementary Weighting – The District’s supplementary weighting certified to the Iowa Department of Education for the fall of 2013 was understated by 0.144 due to two courses that were not included as fall start courses.

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

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

WEST LIBERTY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2014

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

IV-H-14 Supplementary Weighting (continued)

Conclusion – Response accepted.

IV-I-14 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-14 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-14 Categorical Funding – No instances of categorical funding being used to supplant rather than supplement other funds were noted.

IV-L-14 Statewide Sales, Services and Use Tax – No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in 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, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2014, the District reported the following information regarding the statewide sales, services and use tax revenue in the District’s CAR:

Beginning balance	\$	920,020
Revenues:		
Interest	\$	8,333
Statewide sales, services and use tax		<u>1,054,274</u>
		1,062,607
Expenditures/transfers out:		
School infrastructure construction		198,567
Transfers to other funds:		
Debt Service Fund		<u>867,246</u>
		<u>1,065,813</u>
Ending balance	\$	<u><u>916,814</u></u>

For the year ended June 30, 2014, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	Rate of Levy Reduction Per \$1,000 of Taxable Valuation	Property Tax Dollars Reduced
	<u>          </u>	<u>          </u>
Debt service levy	\$ 0.57263	\$ 148,664