

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, 2015

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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> |  |                     |
| 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                                       | 2015                |
| Tom Anderson              | District Secretary/Treasurer<br>and Business Manager | 2015                |
| Brian Gruhn               | Attorney   | 2015                |
| Bill Tharp                | Attorney   | 2015                |

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.**  
CERTIFIED PUBLIC ACCOUNTANTS  
INDEPENDENT AUDITOR'S REPORT

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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, 2015 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, 2015.

### 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, 2015, 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.

### Emphasis of Matter

As discussed in Note 12 to the financial statements, West Liberty Community School District adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

### Other

#### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 8 through 18 and 62 through 70 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 seven years ended June 30, 2014 (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 two 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 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 financial 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 13, 2015 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.

*Hunt & Associates, P.C.*

Oskaloosa, Iowa  
November 13, 2015

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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, 2015. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### 2015 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$12,930,922 in fiscal 2014 to \$13,228,032 in fiscal 2015, while General Fund expenditures increased from \$12,197,509 in fiscal 2014 to \$12,519,048 in fiscal 2015. The District's General Fund balance increased from \$900,816 in fiscal 2014 to \$1,620,795 in fiscal 2015, an 80% increase.
- The increase in General Fund revenues was due primarily to increased local and federal resources and because of increased budget enrollment with the State Legislature granting 4% more per child from FY2014.
- The increase in General Fund expenditures was due primarily to increases in instruction and support services expenditures. Specifically salary, benefits, instructional supplies, technology, and operations and maintenance.
- Through the combination of increased budget enrollment, additional local and federal 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 79.9%.

### 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.

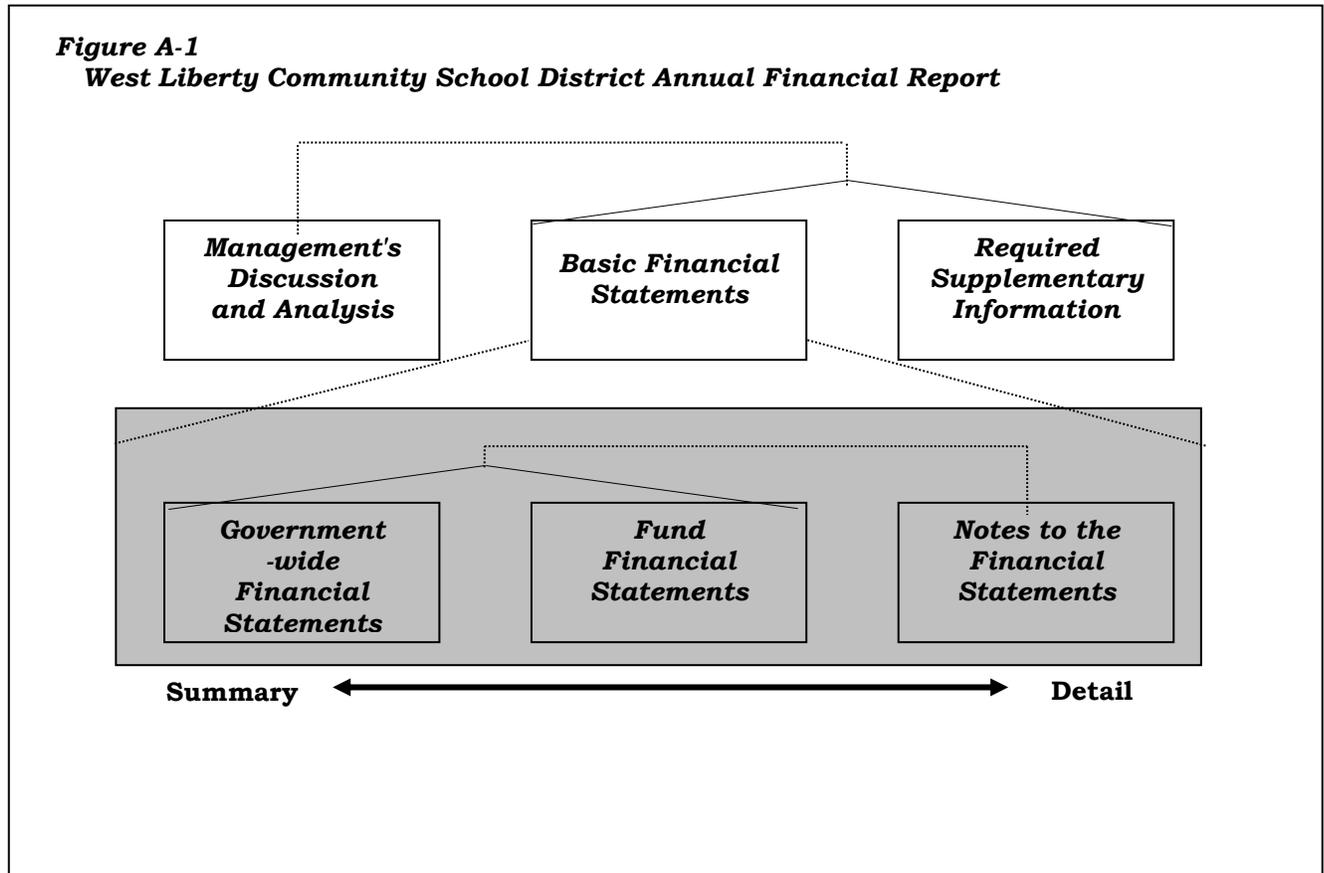


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

| <b>Figure A-2<br/>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 deferred outflow/inflow information   | Consumption/acquisition of net position that is applicable to a future reporting period                          | Consumption/acquisition of net position that is applicable to a future reporting period  | Consumption/acquisition of net position that is applicable to a future reporting period  | Consumption/acquisition of net position that is applicable to a future reporting period   |
| 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 one Internal Service Fund, the 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, 2015 compared to June 30, 2014.

| Figure A-3                          |                     |                      |                  |                      |                     |                      |                 |
|-------------------------------------|---------------------|----------------------|------------------|----------------------|---------------------|----------------------|-----------------|
| Condensed Statement of Net Position |                     |                      |                  |                      |                     |                      |                 |
|                                     | Governmental        |                      | Business-type    |                      | Total               |                      | Total<br>Change |
|                                     | Activities          |                      | Activities       |                      | School District     |                      |                 |
|                                     | 2015                | Not Restated<br>2014 | 2015             | Not Restated<br>2014 | 2015                | Not Restated<br>2014 | 2014-2015       |
| Current and other assets            | \$ 11,051,514       | \$ 9,893,162         | \$ 179,378       | \$ 155,460           | \$ 11,230,892       | \$ 10,048,622        | 11.77%          |
| Capital assets                      | 17,033,686          | 17,701,121           | 94,800           | 98,890               | 17,128,486          | 17,800,011           | -3.77%          |
| Total assets                        | <u>28,085,200</u>   | <u>27,594,283</u>    | <u>274,178</u>   | <u>254,350</u>       | <u>28,359,378</u>   | <u>27,848,633</u>    | 1.83%           |
| Deferred Outflows of Resources      | 923,198             | -                    | 27,845           | -                    | 951,043             | -                    |                 |
| Long-term obligations               | 11,891,801          | 8,292,593            | 200,812          | 67,346               | 12,092,613          | 8,359,939            | 44.65%          |
| Other liabilities                   | 1,424,728           | 1,575,645            | 20,763           | 21,814               | 1,445,491           | 1,597,459            | -9.51%          |
| Total liabilities                   | <u>13,316,529</u>   | <u>9,868,238</u>     | <u>221,575</u>   | <u>89,160</u>        | <u>13,538,104</u>   | <u>9,957,398</u>     | 35.96%          |
| Deferred Inflows of Resources       | 6,357,680           | 4,409,126            | 55,374           | -                    | 6,413,054           | 4,409,126            | 45.45%          |
| Net position                        |                     |                      |                  |                      |                     |                      |                 |
| Net Investment in capital assets    | 10,143,686          | 9,846,121            | 94,800           | 98,890               | 10,238,486          | 9,945,011            | 2.95%           |
| Restricted                          | 3,054,553           | 2,603,812            | -                | -                    | 3,054,553           | 2,603,812            | 17.31%          |
| Unrestricted                        | <u>(3,864,050)</u>  | <u>866,986</u>       | <u>(69,726)</u>  | <u>66,300</u>        | <u>(3,933,776)</u>  | <u>933,286</u>       | -521.50%        |
| Total net position                  | <u>\$ 9,334,189</u> | <u>\$ 13,316,919</u> | <u>\$ 25,074</u> | <u>\$ 165,190</u>    | <u>\$ 9,359,263</u> | <u>\$ 13,482,109</u> | -30.58%         |

The District's combined net position decreased by approximately 31%, or \$4,122,846 under the prior year. A 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. The government-wide statements also includes \$12,092,613 in long-term liabilities (see Note 6, page 49), including general obligation bonds, revenue bonds, compensated absences, net pension liability, and net OPEB liability.

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 increased \$450,741, or approximately 17% 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 decreased \$4,867,062 or approximately (521.5)%.

Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* – an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities were restated by \$5,755,639 and \$171,514, respectively, to retroactively report the net pension

liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

Figure A-4 shows the change in net position for the year ended June 30, 2015 compared to the year ended June 30, 2014.

|   | <u>Governmental Activities</u> |                                    | <u>Business Type Activities</u> |                                    | <u>Total District</u> |                                    | <u>Total Change</u><br><u>2014-2015</u> |
|---|--------------------------------|------------------------------------|---------------------------------|------------------------------------|-----------------------|------------------------------------|---|
|   | <u>2015</u>                    | <u>Not Restated</u><br><u>2014</u> | <u>2015</u>                     | <u>Not Restated</u><br><u>2014</u> | <u>2015</u>           | <u>Not Restated</u><br><u>2014</u> |   |
| Revenues                                |                                |                                    |                                 |                                    |                       |                                    |   |
| Program revenues                        |                                |                                    |                                 |                                    |                       |                                    |   |
| Charges for service and sales           | \$ 399,726                     | \$ 408,129                         | \$ 226,522                      | \$ 211,780                         | \$ 626,248            | \$ 619,909                         | 1.02%                                   |
| Operating grants                        | 2,492,454                      | 2,454,590                          | 521,121                         | 493,328                            | 3,013,575             | 2,947,918                          | 2.23%                                   |
| General revenues                        |                                |                                    |                                 |                                    |                       |                                    |   |
| Property tax                            | 4,439,478                      | 4,215,814                          | -                               | -                                  | 4,439,478             | 4,215,814                          | 5.31%                                   |
| Income Surtax                           | 902,059                        | 881,421                            | -                               | -                                  | 902,059               | 881,421                            | 2.34%                                   |
| Sales and services tax                  | 1,141,642                      | 1,054,274                          | -                               | -                                  | 1,141,642             | 1,054,274                          | 8.29%                                   |
| Unrestricted state grants               | 6,198,490                      | 6,205,126                          | -                               | -                                  | 6,198,490             | 6,205,126                          | -0.11%                                  |
| Unrestricted investment earnings        | 18,874                         | 15,618                             | 4,973                           | 4,980                              | 23,847                | 20,598                             | 15.77%                                  |
| Other                                   | 88,910                         | 65,534                             | -                               | -                                  | 88,910                | 65,534                             | 35.67%                                  |
| Total revenues                          | <u>15,681,633</u>              | <u>15,300,506</u>                  | <u>752,616</u>                  | <u>710,088</u>                     | <u>16,434,249</u>     | <u>16,010,594</u>                  | 2.65%                                   |
| Program expenses                        |                                |                                    |                                 |                                    |                       |                                    |   |
| Governmental activities                 |                                |                                    |                                 |                                    |                       |                                    |   |
| Instruction                             | 8,574,546                      | 8,597,108                          | -                               | -                                  | 8,574,546             | 8,597,108                          | -0.26%                                  |
| Support services                        | 3,710,160                      | 3,722,363                          | 18,084                          | 25,715                             | 3,728,244             | 3,748,078                          | -0.53%                                  |
| Non-instructional programs              | 1,786                          | 1,601                              | 703,134                         | 684,808                            | 704,920               | 686,409                            | 2.70%                                   |
| Other expenses                          | 1,622,232                      | 1,675,775                          | -                               | -                                  | 1,622,232             | 1,675,775                          | -3.20%                                  |
| Loss on disposal of capital assets      | -                              | -                                  | -                               | -                                  | -                     | -                                  | 0.00%                                   |
| Total expenses                          | <u>13,908,724</u>              | <u>13,996,847</u>                  | <u>721,218</u>                  | <u>710,523</u>                     | <u>14,629,942</u>     | <u>14,707,370</u>                  | -0.53%                                  |
| Change in net position before transfers | 1,772,909                      | 1,303,659                          | 31,398                          | (435)                              | 1,804,307             | 1,303,224                          | 38.45%                                  |
| Transfers                               | -                              | -                                  | -                               | -                                  | -                     | -                                  | 0.00%                                   |
| Change in net position                  | <u>\$ 1,772,909</u>            | <u>\$ 1,303,659</u>                | <u>\$ 31,398</u>                | <u>\$ (435)</u>                    | <u>\$ 1,804,307</u>   | <u>\$ 1,303,224</u>                | 38.45%                                  |

In fiscal 2015, 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 \$16,434,249 of which \$15,681,633 was for governmental activities and \$752,616 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 2.65% increase in revenues and a (.53%) decrease in expenses.

**Governmental Activities**

Revenues for governmental activities were \$15,681,633 and expenses were \$13,908,724. 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> |                      |                  |
|  |                               | Not Restated         | Change           |                             | Not Restated         | Change           |
|  | <u>2015</u>                   | <u>2014</u>          | <u>2014-2015</u> | <u>2015</u>                 | <u>2014</u>          | <u>2014-2015</u> |
| Instruction  | \$ 8,574,546                  | \$ 8,597,108         | -0.3%            | \$ 6,214,833                | \$ 6,262,179         | -0.8%            |
| Support services                                     | 3,710,160                     | 3,722,363            | -0.3%            | 3,669,117                   | 3,669,576            | 0.0%             |
| Non-instructional programs                           | 1,786                         | 1,601                | 11.6%            | 1,786                       | 1,601                | 11.6%            |
| Other expenses                                       | <u>1,622,232</u>              | <u>1,675,775</u>     | -3.2%            | <u>1,130,808</u>            | <u>1,200,772</u>     | -5.8%            |
| Total expenses                                       | <u>\$ 13,908,724</u>          | <u>\$ 13,996,847</u> | -0.6%            | <u>\$ 11,016,544</u>        | <u>\$ 11,134,128</u> | -1.1%            |

- The cost financed by users of the District’s programs (Charges for Services) was \$399,726, a decrease of 2.1% from 2014.
- Federal and state governments subsidized certain programs with operating and capital grants and contributions totaling \$2,492,454, an increase of 1.5% from 2014.
- The net cost of governmental activities was financed with \$6,483,179 in property and other taxes and \$6,198,490 in unrestricted state grants, an increase of 5.4% and decrease of .1%, respectively, from 2014.

**Business Type Activities**

Revenues for business type activities were \$752,616 representing a 5.9% increase from the prior year while expenses totaled \$721,218, a 1.5% 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 \$4,362,266, higher than last year's ending fund balances of \$3,219,445.

### **Governmental Fund Highlights**

- The General Fund balance increased from \$900,816 to \$1,620,795. State Aid increased due to the fact that an increase in budget enrollment was experienced for FY15, 4% more per child was granted by the State above FY14. The district continued a large cash reserve levy to resolve a negative fund balance from FY10 through FY12.
- The Debt Service Fund balance increased from \$645,094 in FY14 to \$650,393 in FY15. This is due primarily to principal and interest payments.
- The Capital Projects Fund balance increased from \$1,395,478 in FY14 to \$1,735,368 in FY15. During FY15 Phase II of an air conditioning project at the Elementary and Early Learning Schools was completed. In addition, the Board anticipates completing a facilities study during FY16 and monitor capital projects with cash flow as opposed to borrowing.

### **Proprietary Fund Highlights**

Proprietary Fund net position decreased from \$165,190 at June 30, 2014 to \$25,074 at June 30, 2015, representing a decrease of -84.8%. 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 and a balloon payment is due March 1, 2016. The greatest impact on the School Nutrition Fund was recording a net pension liability in accordance with GASB 68.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, West Liberty Community School District did not amend its annual budget. One area of expenditures was over spent, Non-instructional Programs, by underestimating the recording of net pension expense in the School Nutrition Fund.

The District's revenues were \$280,471 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 \$2,003,726 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, 2015, the District had invested \$17.1 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 -3.8%. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$907,252.

The original cost of the District's capital assets was \$29.5 million. Governmental funds account for approximately \$29.1 million, with the remainder of \$374,745 accounted for in the Proprietary, School Nutrition Fund.

At the end fiscal year 2015, the District completed a Phase II construction project, Air Conditioning the Elementary School and Early Learning Center and began a security door entrance project at the Elementary School.

**Figure A-6**  
**Capital Assets, Net of Depreciation**

| Asset<br>Category                  | Governmental         |                      | Business-type    |                  | Total                |                      | Total<br>Change<br>2014-2015 |
|------------------------------------|----------------------|----------------------|------------------|------------------|----------------------|----------------------|------------------------------|
|                                    | Activities           |                      | Activities       |                  | School District      |                      |                              |
|                                    | 2015                 | 2014                 | 2015             | 2014             | 2015                 | 2014                 |                              |
| Land                               | \$ 462,833           | \$ 462,833           | \$ -             | \$ -             | \$ 462,833           | \$ 462,833           | 0.00%                        |
| Construction in progress           | 51,574               | 238,512              | -                | -                | 51,574               | 238,512              | -78.38%                      |
| Buildings and improvements         | 15,372,129           | 15,730,278           | -                | -                | 15,372,129           | 15,730,278           | -2.28%                       |
| Improvements, other than buildings | 538,227              | 638,002              | -                | -                | 538,227              | 638,002              | -15.64%                      |
| Furniture and equipment            | 608,923              | 631,496              | 94,800           | 98,890           | 703,723              | 730,386              | -3.65%                       |
| Totals                             | <u>\$ 17,033,686</u> | <u>\$ 17,701,121</u> | <u>\$ 94,800</u> | <u>\$ 98,890</u> | <u>\$ 17,128,486</u> | <u>\$ 17,800,011</u> | -3.77%                       |

### Long-Term Debt

At June 30, 2015 the District's governmental activities had \$11,891,801 in general obligation, revenue and other long-term debt outstanding. This represents a decrease of approximately 19% from last year. (See Figure A-7) The bonded indebtedness decreased \$965,000 or 12.3% from June 30, 2014. Additional information about the District's long-term debt is presented in Notes 6, 7 and 8 to the financial statements.

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

|                          | Governmental         |                      | Total<br>Change<br>2014-2015 |
|--------------------------|----------------------|----------------------|------------------------------|
|                          | Activities           |                      |                              |
|                          | 2015                 | 2014                 |                              |
| General obligation bonds | \$ 3,085,000         | \$ 3,490,000         | -11.60%                      |
| Revenue bonds            | 3,805,000            | 4,365,000            | -12.83%                      |
| Early retirement         | -                    | -                    | 0.00%                        |
| Compensated absences     | 55,012               | 48,593               | 13.21%                       |
| Net pension liability    | 4,466,789            | 6,414,012            | -30.36%                      |
| Net OPEB liability       | 480,000              | 389,000              | 23.39%                       |
| Total                    | <u>\$ 11,891,801</u> | <u>\$ 14,706,605</u> | -19.14%                      |

## **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 a budget enrollment increase for FY2016 of 23 students and show an increase in FY2017 of 33 students. Projections for enrollment are increasing through 2018 then holding steady. The kindergarten class was in the low 100's and a graduation class in the 70's. Our budget enrollment averages out to be 1,213 over the last 10 years.
- The District continues to be under funded at the State level which assigns the burden of financial stability to be on the tax payers.
- The deficit spending in the General Fund was addressed in a variety of methods while still maintaining an environment for student learning and achievement. Continuing a cash reserve levy to maintain a solvency ratio of 12-18%.
- The District operates an all-day, five-day per week pre-school/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.
- The district increased certified staff teaching positions by 6.0 FTE to meet needs of a growing ESL population and larger class sizes in the high school for English and Science.

## **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.

## Basic Financial Statements

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2015

|   | Primary Government |                |                   | Component      |
|---|--------------------|----------------|-------------------|----------------|
|   | Governmental       | Business-type  | Total             | Unit           |
|   | Activities         | Activities     |                   | Foundation     |
| <b>Assets</b>   |                    |                |                   |                |
| Cash and pooled investments                                 | \$ 5,363,551       | \$ 92,778      | \$ 5,456,329      | \$ 265,927     |
| Investments   | -                  | -              | -                 | 592,376        |
| Receivables:  |                    |                |                   |                |
| Property tax:   |                    |                |                   |                |
| Current year  | 55,221             | -              | 55,221            | -              |
| Succeeding year   | 4,521,766          | -              | 4,521,766         | -              |
| Income surtax   | 811,492            | -              | 811,492           | -              |
| Accounts  | 2,210              | 4,165          | 6,375             | -              |
| Due from other governments                                  | 292,954            | -              | 292,954           | -              |
| Inventories   | -                  | 14,958         | 14,958            | -              |
| Prepaid expenses  | 4,320              | -              | 4,320             | -              |
| Contract receivable (note 4)                                | -                  | 67,477         | 67,477            | -              |
| Capital assets, net of accumulated depreciation<br>(note 5) | 17,033,686         | 94,800         | 17,128,486        | -              |
| <b>Total assets</b>   | <b>28,085,200</b>  | <b>274,178</b> | <b>28,359,378</b> | <b>858,303</b> |
| <b>Deferred Outflows of Resources</b>                       |                    |                |                   |                |
| Pension related deferred outflows                           | 923,198            | 27,845         | 951,043           | -              |
| <b>Liabilities</b>  |                    |                |                   |                |
| Accounts payable  | 124,363            | 4,021          | 128,384           | -              |
| Due to other governments                                    | 125,722            | -              | 125,722           | -              |
| Salaries and benefits payable                               | 1,101,016          | 8,389          | 1,109,405         | -              |
| Advances from grantors                                      | -                  | 4,417          | 4,417             | -              |
| Unearned revenue  | -                  | 3,936          | 3,936             | -              |
| Accrued interest payable                                    | 73,627             | -              | 73,627            | -              |
| Long-term liabilities (note 6):                             |                    |                |                   |                |
| Portion due within one year:                                |                    |                |                   |                |
| Bonds payable   | 985,000            | -              | 985,000           | -              |
| Compensated absences  | 55,012             | -              | 55,012            | -              |
| Promissory note payable                                     | -                  | 1,274          | 1,274             | -              |

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2015

|  | Primary Government  |                  |                     | Component         |
|--|---------------------|------------------|---------------------|-------------------|
|  | Governmental        | Business-type    | Total               | Unit              |
|  | Activities          | Activities       | Total               | Foundation        |
| Liabilities (continued)                    |                     |                  |                     |                   |
| Portion due after one year:                |                     |                  |                     |                   |
| Bonds payable                              | \$ 5,905,000        | \$ -             | \$ 5,905,000        | \$ -              |
| Net pension liability                      | 4,466,789           | 134,723          | 4,601,512           | -                 |
| Net OPEB liability                         | 480,000             | -                | 480,000             | -                 |
| Promissory note payable                    | -                   | 64,815           | 64,815              | -                 |
| Total liabilities                          | <u>13,316,529</u>   | <u>221,575</u>   | <u>13,538,104</u>   | <u>-</u>          |
| Deferred Inflows of Resources              |                     |                  |                     |                   |
| Unavailable property tax revenue           | 4,521,766           | -                | 4,521,766           | -                 |
| Pension related deferred inflows           | 1,835,914           | 55,374           | 1,891,288           | -                 |
| Total deferred inflows of resources        | <u>6,357,680</u>    | <u>55,374</u>    | <u>6,413,054</u>    | <u>-</u>          |
| Net Position                               |                     |                  |                     |                   |
| Net investment in capital assets           | 10,143,686          | 94,800           | 10,238,486          | -                 |
| Restricted for:                            |                     |                  |                     |                   |
| Categorical funding                        | 31,681              | -                | 31,681              | -                 |
| Debt service                               | 1,135,766           | -                | 1,135,766           | -                 |
| Capital projects                           | 542,323             | -                | 542,323             | -                 |
| Physical plant and equipment levy purposes | 989,073             | -                | 989,073             | -                 |
| Management levy purposes                   | 244,469             | -                | 244,469             | -                 |
| Student activities                         | 111,241             | -                | 111,241             | -                 |
| Unrestricted                               | <u>(3,864,050)</u>  | <u>(69,726)</u>  | <u>(3,933,776)</u>  | <u>858,303</u>    |
| Total net position                         | <u>\$ 9,334,189</u> | <u>\$ 25,074</u> | <u>\$ 9,359,263</u> | <u>\$ 858,303</u> |

See notes to financial statements.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2015

| Functions/Programs                         | Expenses          | Program Revenues     |                                    |
|--|-------------------|----------------------|------------------------------------|
|  |                   | Charges for Services | Operating Grants and Contributions |
| Governmental Activities:                   |                   |                      |                                    |
| Instruction                                | \$ 8,574,546      | \$ 377,995           | \$ 1,981,718                       |
| Support services:                          |                   |                      |                                    |
| Student                                    | 284,434           | -                    | -                                  |
| Instructional staff                        | 670,712           | 9,457                | 18,444                             |
| Administration                             | 1,396,687         | -                    | -                                  |
| Operation and maintenance of plant         | 992,890           | 4,287                | -                                  |
| Transportation                             | 365,437           | 7,987                | 868                                |
|  | <u>3,710,160</u>  | <u>21,731</u>        | <u>19,312</u>                      |
| Non-instructional programs                 | <u>1,786</u>      | <u>-</u>             | <u>-</u>                           |
| Other expenditures:                        |                   |                      |                                    |
| Facilities acquisition                     | 88,280            | -                    | -                                  |
| Long-term debt interest and fiscal charges | 226,451           | -                    | -                                  |
| AEA flowthrough                            | 491,424           | -                    | 491,424                            |
| Depreciation (unallocated) *               | 816,077           | -                    | -                                  |
|  | <u>1,622,232</u>  | <u>-</u>             | <u>491,424</u>                     |
| Total governmental activities              | <u>13,908,724</u> | <u>399,726</u>       | <u>2,492,454</u>                   |
| Business-type Activities:                  |                   |                      |                                    |
| Support services:                          |                   |                      |                                    |
| Administration                             | 9,053             | -                    | -                                  |
| Operation and maintenance of plant         | 9,031             | -                    | -                                  |
|  | <u>18,084</u>     | <u>-</u>             | <u>-</u>                           |

| Net (Expense) Revenue<br>and Changes in Net Position |                             |                |                   |
|--|-----------------------------|----------------|-------------------|
| Primary Government                                   |                             |                | Component<br>Unit |
| Governmental<br>Activities                           | Business-Type<br>Activities | Total          | Foundation        |
| \$ (6,214,833)                                       | \$ -                        | \$ (6,214,833) | \$ -              |
| (284,434)  | -                           | (284,434)      | -                 |
| (642,811)  | -                           | (642,811)      | -                 |
| (1,396,687)  | -                           | (1,396,687)    | -                 |
| (988,603)  | -                           | (988,603)      | -                 |
| (356,582)  | -                           | (356,582)      | -                 |
| (3,669,117)  | -                           | (3,669,117)    | -                 |
| (1,786)  | -                           | (1,786)        | -                 |
| (88,280)   | -                           | (88,280)       | -                 |
| (226,451)  | -                           | (226,451)      | -                 |
| -  | -                           | -              | -                 |
| (816,077)  | -                           | (816,077)      | -                 |
| (1,130,808)  | -                           | (1,130,808)    | -                 |
| (11,016,544)   | -                           | (11,016,544)   | -                 |
| -  | (9,053)                     | (9,053)        | -                 |
| -  | (9,031)                     | (9,031)        | -                 |
| -  | (18,084)                    | (18,084)       | -                 |

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2015

| Functions/Programs                    | Expenses             | Program Revenues     |                                    |
|---------------------------------------|----------------------|----------------------|------------------------------------|
|                                       |                      | Charges for Services | Operating Grants and Contributions |
| Business-type Activities (continued): |                      |                      |                                    |
| Non-instructional programs:           |                      |                      |                                    |
| Food service operations               | \$ 703,134           | \$ 226,522           | \$ 521,121                         |
| Total business-type activities        | <u>721,218</u>       | <u>226,522</u>       | <u>521,121</u>                     |
| Total primary government              | <u>\$ 14,629,942</u> | <u>\$ 626,248</u>    | <u>\$ 3,013,575</u>                |
| Component Unit:                       |                      |                      |                                    |
| Foundation                            | <u>\$ 66,275</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, as restated

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<br>and Changes in Net Position |                             |              |                   |
|--|-----------------------------|--------------|-------------------|
| Primary Government                                   |                             |              | Component<br>Unit |
| Governmental<br>Activities                           | Business-Type<br>Activities | Total        | Foundation        |
| \$ -   | \$ 44,509                   | \$ 44,509    | \$ -              |
| -  | 26,425                      | 26,425       | -                 |
| (11,016,544)   | 26,425                      | (10,990,119) | -                 |
| -  | -                           | -            | (66,275)          |
| \$ 3,995,231   | \$ -                        | \$ 3,995,231 | \$ -              |
| 348,001  | -                           | 348,001      | -                 |
| 96,246   | -                           | 96,246       | -                 |
| 902,059  | -                           | 902,059      | -                 |
| 1,141,642  | -                           | 1,141,642    | -                 |
| 6,198,490  | -                           | 6,198,490    | -                 |
| 18,874   | 4,973                       | 23,847       | 702               |
| -  | -                           | -            | 157,260           |
| 88,910   | -                           | 88,910       | -                 |
| -  | -                           | -            | 12,818            |
| 12,789,453   | 4,973                       | 12,794,426   | 170,780           |
| 1,772,909  | 31,398                      | 1,804,307    | 104,505           |
| 7,561,280  | (6,324)                     | 7,554,956    | 753,798           |
| \$ 9,334,189   | \$ 25,074                   | \$ 9,359,263 | \$ 858,303        |

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2015

|                             | <u>General</u>      | <u>Debt<br/>Service</u> | <u>Capital<br/>Projects</u> | <u>Nonmajor</u>   | <u>Total</u>         |
|-----------------------------|---------------------|-------------------------|-----------------------------|-------------------|----------------------|
| Assets                      |                     |                         |                             |                   |                      |
| Cash and pooled investments | \$ 2,731,935        | \$ 646,055              | \$ 1,623,734                | \$ 356,938        | \$ 5,358,662         |
| Receivables:                |                     |                         |                             |                   |                      |
| Property tax:               |                     |                         |                             |                   |                      |
| Current year                | 47,560              | 4,338                   | 1,188                       | 2,135             | 55,221               |
| Succeeding year             | 3,835,225           | 494,765                 | 106,776                     | 85,000            | 4,521,766            |
| Income surtax               | 456,464             | -                       | 355,028                     | -                 | 811,492              |
| Accounts                    | 1,193               | -                       | -                           | 1,017             | 2,210                |
| Due from other governments  | 115,516             | -                       | 177,083                     | 355               | 292,954              |
| Prepaid expenses            | 2,445               | -                       | -                           | 1,875             | 4,320                |
|                             | <hr/>               |                         |                             |                   |                      |
| Total assets                | <u>\$ 7,190,338</u> | <u>\$ 1,145,158</u>     | <u>\$ 2,263,809</u>         | <u>\$ 447,320</u> | <u>\$ 11,046,625</u> |

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2015

|   | General             | Debt<br>Service     | Capital<br>Projects | Nonmajor          | Total                |
|---|---------------------|---------------------|---------------------|-------------------|----------------------|
| Liabilities, Deferred Inflows of Resources and Fund Balances        |                     |                     |                     |                   |                      |
| Liabilities:  |                     |                     |                     |                   |                      |
| Accounts payable  | \$ 51,116           | \$ -                | \$ 66,637           | \$ 6,610          | \$ 124,363           |
| Due to other governments  | 125,722             | -                   | -                   | -                 | 125,722              |
| Salaries and benefits payable                                       | 1,101,016           | -                   | -                   | -                 | 1,101,016            |
| Total liabilities   | <u>1,277,854</u>    | <u>-</u>            | <u>66,637</u>       | <u>6,610</u>      | <u>1,351,101</u>     |
| Deferred inflows of resources:                                      |                     |                     |                     |                   |                      |
| Unavailable revenues:   |                     |                     |                     |                   |                      |
| Succeeding year property tax  | 3,835,225           | 494,765             | 106,776             | 85,000            | 4,521,766            |
| Other   | 456,464             | -                   | 355,028             | -                 | 811,492              |
| Total deferred inflows of resources                                 | <u>4,291,689</u>    | <u>494,765</u>      | <u>461,804</u>      | <u>85,000</u>     | <u>5,333,258</u>     |
| Fund balances:  |                     |                     |                     |                   |                      |
| Nonspendable:   |                     |                     |                     |                   |                      |
| Prepaid expenses  | 2,445               | -                   | -                   | 1,875             | 4,320                |
| Restricted for:   |                     |                     |                     |                   |                      |
| Categorical funding (note 11)                                       | 31,681              | -                   | -                   | -                 | 31,681               |
| Revenue bonds   | -                   | -                   | 559,000             | -                 | 559,000              |
| Revenue bonds sinking fund  | -                   | 642,361             | -                   | -                 | 642,361              |
| Debt service  | -                   | 8,032               | -                   | -                 | 8,032                |
| School infrastructure   | -                   | -                   | 542,323             | -                 | 542,323              |
| Physical plant and equipment  | -                   | -                   | 634,045             | -                 | 634,045              |
| Management levy purposes  | -                   | -                   | -                   | 244,469           | 244,469              |
| Student activities  | -                   | -                   | -                   | 109,366           | 109,366              |
| Assigned for special purposes                                       | 53,975              | -                   | -                   | -                 | 53,975               |
| Unassigned  | 1,532,694           | -                   | -                   | -                 | 1,532,694            |
| Total fund balances   | <u>1,620,795</u>    | <u>650,393</u>      | <u>1,735,368</u>    | <u>355,710</u>    | <u>4,362,266</u>     |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 7,190,338</u> | <u>\$ 1,145,158</u> | <u>\$ 2,263,809</u> | <u>\$ 447,320</u> | <u>\$ 11,046,625</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, 2015

|   |                                |                    |                         |
|---|--------------------------------|--------------------|-------------------------|
| Total fund balances of governmental funds   |                                | \$                 | 4,362,266               |
| 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.  |                                |                    | 17,033,686              |
| 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.                   |                                |                    | 811,492                 |
| 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.   |                                |                    | 4,889                   |
| 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.  |                                |                    | (73,627)                |
| Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:                        |                                |                    |                         |
|   | Deferred outflows of resources | \$                 | 923,198                 |
|   | Deferred inflows of resources  | <u>(1,835,914)</u> | (912,716)               |
| Long-term liabilities, including bonds payable, compensated absences, net pension liability and net OPEB liability, are not due and payable in the current year and, therefore, are not reported in the governmental funds. |                                |                    | <u>(11,891,801)</u>     |
| Net position of governmental activities   |                                | \$                 | <u><u>9,334,189</u></u> |

See notes to financial statements.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2015

|  | General           | Debt<br>Service  | Capital<br>Projects | Nonmajor       | Total             |
|--|-------------------|------------------|---------------------|----------------|-------------------|
| Revenues:  |                   |                  |                     |                |                   |
| Local sources:   |                   |                  |                     |                |                   |
| Local tax  | \$ 4,327,152      | \$ 347,894       | \$ 449,197          | \$ 171,119     | \$ 5,295,362      |
| Tuition  | 140,536           | -                | -                   | -              | 140,536           |
| Other  | 236,446           | 406              | 16,082              | 271,242        | 524,176           |
| State sources  | 7,902,498         | 107              | 1,141,671           | 52             | 9,044,328         |
| Federal sources  | 621,400           | -                | -                   | -              | 621,400           |
| Total revenues   | <u>13,228,032</u> | <u>348,407</u>   | <u>1,606,950</u>    | <u>442,413</u> | <u>15,625,802</u> |
| Expenditures:  |                   |                  |                     |                |                   |
| Current:   |                   |                  |                     |                |                   |
| Instruction  | 8,473,509         | -                | 31,799              | 263,968        | 8,769,276         |
| Support services:  |                   |                  |                     |                |                   |
| Student  | 290,728           | -                | -                   | 1,043          | 291,771           |
| Instructional staff  | 663,797           | -                | 21,034              | 3,508          | 688,339           |
| Administration   | 1,386,654         | -                | 39,063              | 4,334          | 1,430,051         |
| Operation and maintenance of plant                           | 919,051           | -                | 6,200               | 69,414         | 994,665           |
| Transportation   | 292,099           | -                | 91,177              | 22,493         | 405,769           |
|  | <u>3,552,329</u>  | <u>-</u>         | <u>157,474</u>      | <u>100,792</u> | <u>3,810,595</u>  |
| Non-instructional programs                                   | 1,786             | -                | -                   | -              | 1,786             |
| Other expenditures:  |                   |                  |                     |                |                   |
| Facilities acquisition                                       | -                 | -                | 218,395             | -              | 218,395           |
| Long term debt:  |                   |                  |                     |                |                   |
| Principal  | -                 | 965,000          | -                   | -              | 965,000           |
| Interest and fiscal charges                                  | -                 | 237,500          | -                   | -              | 237,500           |
| AEA flowthrough  | 491,424           | -                | -                   | -              | 491,424           |
|  | <u>491,424</u>    | <u>1,202,500</u> | <u>218,395</u>      | <u>-</u>       | <u>1,912,319</u>  |
| Total expenditures   | <u>12,519,048</u> | <u>1,202,500</u> | <u>407,668</u>      | <u>364,760</u> | <u>14,493,976</u> |
| Excess (deficiency) of revenues<br>over (under) expenditures | <u>708,984</u>    | <u>(854,093)</u> | <u>1,199,282</u>    | <u>77,653</u>  | <u>1,131,826</u>  |

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2015

|   | <u>General</u>      | <u>Debt<br/>Service</u> | <u>Capital<br/>Projects</u> | <u>Nonmajor</u>   | <u>Total</u>        |
|---|---------------------|-------------------------|-----------------------------|-------------------|---------------------|
| Other financing sources (uses):         |                     |                         |                             |                   |                     |
| Compensation for loss of capital assets | \$ 10,995           | \$ -                    | \$ -                        | \$ -              | \$ 10,995           |
| Interfund transfers in (note 3)         | -                   | 859,392                 | -                           | -                 | 859,392             |
| Interfund transfers out (note 3)        | -                   | -                       | (859,392)                   | -                 | (859,392)           |
| Total other financing sources (uses)    | <u>10,995</u>       | <u>859,392</u>          | <u>(859,392)</u>            | <u>-</u>          | <u>10,995</u>       |
| Net change in fund balances             | 719,979             | 5,299                   | 339,890                     | 77,653            | 1,142,821           |
| Fund balances beginning of year         | <u>900,816</u>      | <u>645,094</u>          | <u>1,395,478</u>            | <u>278,057</u>    | <u>3,219,445</u>    |
| Fund balances end of year               | <u>\$ 1,620,795</u> | <u>\$ 650,393</u>       | <u>\$ 1,735,368</u>         | <u>\$ 355,710</u> | <u>\$ 4,362,266</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, 2015

Net change in fund balances - total governmental funds \$ 1,142,821

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      | \$ 220,585       |           |
| Depreciation expense | <u>(888,020)</u> | (667,435) |

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. (2,062)

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. 44,821

Repayment of long-term liabilities is an expenditure in the governmental  
funds, but it reduces long-term liabilities in the Statement of Net Position. 965,000

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. 11,049

The current year District employer share of IPERS contributions are reported  
as expenditures in the governmental funds, but are reported as a deferred  
outflow of resources in the Statement of Net Position. 19,150

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, 2015

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 | \$ | (6,419)         |                            |
|   | Pension expense      |    | 356,984         |                            |
|   | Net OPEB liability   |    | <u>(91,000)</u> | \$ <u>259,565</u>          |
| Change in net position of governmental activities |                      |    |                 | \$ <u><u>1,772,909</u></u> |

See notes to financial statements.

## WEST LIBERTY COMMUNITY SCHOOL DISTRICT

STATEMENT OF FUND NET POSITION  
PROPRIETARY FUNDS

June 30, 2015

|   | Enterprise          |                 |                  | Internal<br>Service |
|---|---------------------|-----------------|------------------|---------------------|
|   | School<br>Nutrition | Nonmajor        | Total            |                     |
| <b>Assets</b>   |                     |                 |                  |                     |
| Cash and cash equivalents                                   | \$ 89,141           | \$ 3,637        | \$ 92,778        | \$ 4,889            |
| Accounts receivable   | 4,165               | -               | 4,165            | -                   |
| Inventories   | 14,958              | -               | 14,958           | -                   |
| Contract receivable (note 4)                                | -                   | 67,477          | 67,477           | -                   |
| Capital assets, net of accumulated depreciation<br>(note 5) | 94,800              | -               | 94,800           | -                   |
| Total assets  | <u>203,064</u>      | <u>71,114</u>   | <u>274,178</u>   | <u>4,889</u>        |
| <b>Deferred Outflows of Resources</b>                       |                     |                 |                  |                     |
| Pension related deferred outflows                           | <u>27,845</u>       | -               | <u>27,845</u>    | -                   |
| <b>Liabilities</b>  |                     |                 |                  |                     |
| Accounts payable  | 4,021               | -               | 4,021            | -                   |
| Salaries and benefits payable                               | 8,389               | -               | 8,389            | -                   |
| Advances from grantors                                      | 4,417               | -               | 4,417            | -                   |
| Unearned revenue  | 3,936               | -               | 3,936            | -                   |
| Promissory note payable                                     | -                   | 66,089          | 66,089           | -                   |
| Net pension liability                                       | 134,723             | -               | 134,723          | -                   |
| Total liabilities   | <u>155,486</u>      | <u>66,089</u>   | <u>221,575</u>   | -                   |
| <b>Deferred Inflows of Resources</b>                        |                     |                 |                  |                     |
| Pension related deferred inflows                            | <u>55,374</u>       | -               | <u>55,374</u>    | -                   |
| <b>Fund Net Position</b>                                    |                     |                 |                  |                     |
| Net investment in capital assets                            | 94,800              | -               | 94,800           | -                   |
| Unrestricted:   |                     |                 |                  |                     |
| Food services   | (74,751)            | -               | (74,751)         | -                   |
| Student construction  | -                   | 5,025           | 5,025            | -                   |
| Flex benefits   | -                   | -               | -                | 4,889               |
| Total fund net position                                     | <u>\$ 20,049</u>    | <u>\$ 5,025</u> | <u>\$ 25,074</u> | <u>\$ 4,889</u>     |

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, 2015

|  | Enterprise          |          |            | Internal<br>Service |
|--|---------------------|----------|------------|---------------------|
|  | School<br>Nutrition | Nonmajor | Total      |                     |
| Operating revenues:                              |                     |          |            |                     |
| Local sources:                                   |                     |          |            |                     |
| Charges for services                             | \$ 226,522          | \$ -     | \$ 226,522 | \$ -                |
| Operating expenses:                              |                     |          |            |                     |
| Support services:                                |                     |          |            |                     |
| Administration                                   | 5,704               | 3,349    | 9,053      | -                   |
| Operation and maintenance of plant               | 9,031               | -        | 9,031      | -                   |
| Non-instructional programs                       | 703,134             | -        | 703,134    | 2,077               |
| Total operating expenses                         | 717,869             | 3,349    | 721,218    | 2,077               |
| Operating loss                                   | (491,347)           | (3,349)  | (494,696)  | (2,077)             |
| Non-operating revenues:                          |                     |          |            |                     |
| Interest on investments                          | 215                 | 4,758    | 4,973      | 15                  |
| State sources                                    | 5,993               | -        | 5,993      | -                   |
| Federal sources                                  | 515,128             | -        | 515,128    | -                   |
| Total non-operating revenues                     | 521,336             | 4,758    | 526,094    | 15                  |
| Change in fund net position                      | 29,989              | 1,409    | 31,398     | (2,062)             |
| Fund net position beginning of year, as restated | (9,940)             | 3,616    | (6,324)    | 6,951               |
| Fund net position end of year                    | \$ 20,049           | \$ 5,025 | \$ 25,074  | \$ 4,889            |

See notes to financial statements.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended June 30, 2015

|  | Enterprise          |                 |                  | Internal<br>Service |
|--|---------------------|-----------------|------------------|---------------------|
|  | School<br>Nutrition | Nonmajor        | Total            |                     |
| Cash flows from operating activities:                              |                     |                 |                  |                     |
| Cash received from sale of lunches and<br>breakfasts               | \$ 219,206          | \$ -            | \$ 219,206       | \$ -                |
| Cash received from miscellaneous operating<br>activities           | 66                  | 910             | 976              | -                   |
| Cash paid to employees for services                                | (316,618)           | -               | (316,618)        | -                   |
| Cash paid to suppliers for goods or services                       | (356,577)           | (3,349)         | (359,926)        | (2,077)             |
| Net cash used by operating activities                              | <u>(453,923)</u>    | <u>(2,439)</u>  | <u>(456,362)</u> | <u>(2,077)</u>      |
| Cash flows from non-capital financing activities:                  |                     |                 |                  |                     |
| State grants received  | 5,993               | -               | 5,993            | -                   |
| Federal grants received  | 481,308             | -               | 481,308          | -                   |
| Promissory note repayments   | -                   | (1,257)         | (1,257)          | -                   |
| Net cash provided by (used by) non-capital<br>financing activities | <u>487,301</u>      | <u>(1,257)</u>  | <u>486,044</u>   | <u>-</u>            |
| Cash flows from capital and related financing<br>activities:       |                     |                 |                  |                     |
| Acquisition of capital assets                                      | <u>(15,522)</u>     | -               | <u>(15,522)</u>  | <u>-</u>            |
| Cash flows from investing activities:                              |                     |                 |                  |                     |
| Interest on investments  | <u>215</u>          | <u>4,758</u>    | <u>4,973</u>     | <u>15</u>           |
| Net increase (decrease) in cash and cash<br>equivalents            | 18,071              | 1,062           | 19,133           | (2,062)             |
| Cash and cash equivalents beginning of year                        | <u>71,070</u>       | <u>2,575</u>    | <u>73,645</u>    | <u>6,951</u>        |
| Cash and cash equivalents end of year                              | <u>\$ 89,141</u>    | <u>\$ 3,637</u> | <u>\$ 92,778</u> | <u>\$ 4,889</u>     |

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended June 30, 2015

|  | Enterprise          |                   |                     | Internal<br>Service |
|--|---------------------|-------------------|---------------------|---------------------|
|  | School<br>Nutrition | Nonmajor          | Total               |                     |
| Reconciliation of operating loss to net cash used<br>by operating activities:        |                     |                   |                     |                     |
| Operating loss   | \$ (491,347)        | \$ (3,349)        | \$ (494,696)        | \$ (2,077)          |
| Adjustments to reconcile operating loss to net<br>cash used by operating activities: |                     |                   |                     |                     |
| Depreciation   | 19,232              | -                 | 19,232              | -                   |
| Loss on disposal of equipment  | 380                 | -                 | 380                 | -                   |
| Commodities used   | 41,722              | -                 | 41,722              | -                   |
| (Increase) in accounts receivable  | (4,165)             | -                 | (4,165)             | -                   |
| (Increase) in inventories  | (5,015)             | -                 | (5,015)             | -                   |
| Decrease in contract receivable  | -                   | 910               | 910                 | -                   |
| (Decrease) in accounts payable   | (2,385)             | -                 | (2,385)             | -                   |
| Increase in salaries and benefits payable  | 2                   | -                 | 2                   | -                   |
| (Decrease) in unearned revenue   | (3,085)             | -                 | (3,085)             | -                   |
| (Decrease) in net pension liability  | (56,410)            | -                 | (56,410)            | -                   |
| (Increase) in deferred outflows of resources   | (8,226)             | -                 | (8,226)             | -                   |
| Increase in deferred inflows of resources  | 55,374              | -                 | 55,374              | -                   |
| Net cash used by operating activities  | \$ <u>(453,923)</u> | \$ <u>(2,439)</u> | \$ <u>(456,362)</u> | \$ <u>(2,077)</u>   |

Non-cash financing activities:

During the year ended June 30, 2015, the District received \$41,722 of federal commodities.

See notes to financial statements.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS

June 30, 2015

|                             | Private Purpose<br>Trust |               |
|-----------------------------|--------------------------|---------------|
|                             | <u>Scholarship</u>       | <u>Agency</u> |
| Assets:                     |                          |               |
| Cash and pooled investments | \$ 1,607                 | \$ 4,816      |
| Accounts receivable         | <u>-</u>                 | <u>535</u>    |
| Total assets                | <u>1,607</u>             | <u>5,351</u>  |
| Liabilities:                |                          |               |
| Other payables              | <u>-</u>                 | <u>5,351</u>  |
| Fiduciary Net Position:     |                          |               |
| Restricted for scholarships | <u>\$ 1,607</u>          | <u>\$ -</u>   |

See notes to financial statements.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
 Year Ended June 30, 2015

|  | Private Purpose<br>Trust |
|--|--------------------------|
|  | <u>Scholarship</u>       |
| Additions:                               |                          |
| Local sources:                           |                          |
| Gifts and contributions                  | \$ <u>1,857</u>          |
| Deductions:                              |                          |
| Instruction:                             |                          |
| Scholarships awarded                     | <u>250</u>               |
| Change in fiduciary net position         | 1,607                    |
| Fiduciary net position beginning of year | <u>-</u>                 |
| Fiduciary net position end of year       | \$ <u><u>1,607</u></u>   |
| See notes to financial statements.       |                          |

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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, 2015

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation

Government-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 the following 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.

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.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

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.

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

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

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, Deferred Outflows of Resources, 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.

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.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 1. Summary of Significant Accounting Policies (continued)

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

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2014.

Income Surtax Receivable – Income surtax budgeted for the fiscal year ended June 30, 2015 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.

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    |

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 1. Summary of Significant Accounting Policies (continued)

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

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             |

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer’s reporting period.

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.

Advances from grantors – Grant proceeds which have been received by the District but will be spent in a succeeding fiscal year 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, 2015. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees’ Retirement System (IPERS) and additions to/deductions from IPERS’ fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 1. Summary of Significant Accounting Policies (continued)

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

Deferred Inflows Of Resources – Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means 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 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 consist of 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 succeeding year property tax receivables that will not be recognized until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

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, 2015, expenditures/expenses exceeded the amounts budgeted in the non-instructional programs function.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2015 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, 2015

Note 2. Cash and Pooled Investments (continued)

At June 30, 2015, the District had investments as follows:

|                          | <u>Fair Value</u>        |
|--------------------------|--------------------------|
| Money Market Mutual Fund | \$ <u><u>645,376</u></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, 2015, the Foundation had investments as follows:

|              | <u>Fair Value</u>        |
|--------------|--------------------------|
| Mutual Funds | \$ <u><u>592,376</u></u> |

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

| <u>Transfer to</u> | <u>Transfer from</u> | <u>Amount</u>            |
|--------------------|----------------------|--------------------------|
| Debt Service       | Capital Projects     | \$ <u><u>859,392</u></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, 2015, the District has a long-term contract receivable for the sale of the student construction house. The contract requires monthly payments of \$472.36 with a final balloon payment and includes interest at 7%. A summary of the payment schedule is as follows:

|  | <u>Year Ending<br/>June 30,</u> | <u>Principal</u>        | <u>Interest</u>        | <u>Total</u>            |
|--|---------------------------------|-------------------------|------------------------|-------------------------|
|  | 2016                            | \$ <u><u>67,477</u></u> | \$ <u><u>3,526</u></u> | \$ <u><u>71,003</u></u> |

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 5. Capital Assets

Capital assets activity for the year ended June 30, 2015 is as follows:

|  | <u>Balance<br/>Beginning<br/>of Year</u> | <u>Increases</u>    | <u>Decreases</u>  | <u>Balance<br/>End<br/>of Year</u> |
|--|--|---------------------|-------------------|------------------------------------|
| <b>Governmental activities:</b>              |  |                     |                   |                                    |
| Capital assets not being depreciated:        |  |                     |                   |                                    |
| Land   | \$ 462,833                               | \$ -                | \$ -              | \$ 462,833                         |
| Construction in progress                     | 238,512                                  | 51,574              | 238,512           | 51,574                             |
| Total capital assets not being depreciated   | <u>701,345</u>                           | <u>51,574</u>       | <u>238,512</u>    | <u>514,407</u>                     |
| Capital assets being depreciated:            |  |                     |                   |                                    |
| Buildings                                    | 25,013,412                               | 317,054             | -                 | 25,330,466                         |
| Improvements other than buildings            | 1,540,050                                | -                   | -                 | 1,540,050                          |
| Furniture and equipment                      | 1,762,858                                | 90,469              | 90,251            | 1,763,076                          |
| Total capital assets being depreciated       | <u>28,316,320</u>                        | <u>407,523</u>      | <u>90,251</u>     | <u>28,633,592</u>                  |
| Less accumulated depreciation for:           |  |                     |                   |                                    |
| Buildings                                    | 9,283,134                                | 675,203             | -                 | 9,958,337                          |
| Improvements other than buildings            | 902,048                                  | 99,775              | -                 | 1,001,823                          |
| Furniture and equipment                      | 1,131,362                                | 113,042             | 90,251            | 1,154,153                          |
| Total accumulated depreciation               | <u>11,316,544</u>                        | <u>888,020</u>      | <u>90,251</u>     | <u>12,114,313</u>                  |
| Total capital assets being depreciated, net  | <u>16,999,776</u>                        | <u>(480,497)</u>    | <u>-</u>          | <u>16,519,279</u>                  |
| Governmental activities capital assets, net  | <u>\$ 17,701,121</u>                     | <u>\$ (428,923)</u> | <u>\$ 238,512</u> | <u>\$ 17,033,686</u>               |
| <br>   |  |                     |                   |                                    |
|  | <u>Balance<br/>Beginning<br/>of Year</u> | <u>Increases</u>    | <u>Decreases</u>  | <u>Balance<br/>End<br/>of Year</u> |
| <b>Business-type activities:</b>             |  |                     |                   |                                    |
| Furniture and equipment                      | \$ 377,669                               | \$ 15,522           | \$ 18,446         | \$ 374,745                         |
| Less accumulated depreciation                | 278,779                                  | 19,232              | 18,066            | 279,945                            |
| Business-type activities capital assets, net | <u>\$ 98,890</u>                         | <u>\$ (3,710)</u>   | <u>\$ 380</u>     | <u>\$ 94,800</u>                   |

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 5. Capital Assets (continued)

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction \$ 18,190

Support services:

Administration 1,283

Operation and maintenance of plant 5,198

Transportation 47,272

71,943

Unallocated depreciation 816,077

Total depreciation expense - governmental activities \$ 888,020

Business-type activities:

Food service operations \$ 19,232

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 6. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2015 is as follows:

|                           | Balance<br>Beginning<br>of Year,<br>as Restated | Additions         | Reductions          | Balance<br>End<br>of Year | Due<br>Within<br>One Year |
|---------------------------|---|-------------------|---------------------|---------------------------|---------------------------|
| Governmental activities:  |   |                   |                     |                           |                           |
| General obligation bonds  | \$ 3,490,000                                    | \$ -              | \$ 405,000          | \$ 3,085,000              | \$ 410,000                |
| Revenue bonds             | 4,365,000                                       | -                 | 560,000             | 3,805,000                 | 575,000                   |
| Compensated absences      | 48,593  | 55,012            | 48,593              | 55,012                    | 55,012                    |
| Net pension liability     | 6,414,012                                       | -                 | 1,947,223           | 4,466,789                 | -                         |
| Net OPEB liability        | 389,000   | 91,000            | -                   | 480,000                   | -                         |
| <b>Total</b>              | <b>\$ 14,706,605</b>                            | <b>\$ 146,012</b> | <b>\$ 2,960,816</b> | <b>\$ 11,891,801</b>      | <b>\$ 1,040,012</b>       |
| Business-type activities: |   |                   |                     |                           |                           |
| Promissory note           | \$ 67,346                                       | \$ -              | \$ 1,257            | \$ 66,089                 | \$ 1,274                  |
| Net pension liability     | 191,133   | -                 | 56,410              | 134,723                   | -                         |
| <b>Total</b>              | <b>\$ 258,479</b>                               | <b>\$ -</b>       | <b>\$ 57,667</b>    | <b>\$ 200,812</b>         | <b>\$ 1,274</b>           |

General Obligation Bonds

Details of the District's June 30, 2015 general obligation bonded indebtedness are as follows:

| Year Ending<br>June 30, | Issue dated September 1, 2010 |                     |                   |                     |
|-------------------------|-------------------------------|---------------------|-------------------|---------------------|
|                         | Interest<br>Rates             | Principal           | Interest          | Total               |
| 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                    | 3.00                          | 450,000             | 43,120            | 493,120             |
| 2021-2022               | 3.10-3.20                     | 940,000             | 44,980            | 984,980             |
|                         |                               | <b>\$ 3,085,000</b> | <b>\$ 366,910</b> | <b>\$ 3,451,910</b> |

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 6. Long-Term Liabilities (continued)

Revenue Bonds

Details of the District's June 30, 2015 revenue bonded indebtedness are as follows:

| Year Ending<br>June 30, | Issue dated June 26, 2008 |                     |                   |                     |
|-------------------------|---------------------------|---------------------|-------------------|---------------------|
|                         | Interest<br>Rates         | Principal           | Interest          | Total               |
| 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                    | 4.00                      | 470,000             | 29,000            | 499,000             |
| 2021                    | 4.00                      | 490,000             | 9,800             | 499,800             |
|                         |                           | <u>\$ 2,660,000</u> | <u>\$ 335,914</u> | <u>\$ 2,995,914</u> |

| Year Ending<br>June 30, | Issue dated April 18, 2012 |                     |                  |                     |
|-------------------------|----------------------------|---------------------|------------------|---------------------|
|                         | Interest<br>Rates          | Principal           | Interest         | Total               |
| 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                    | 2.00                       | 200,000             | 6,000            | 206,000             |
| 2021                    | 2.00                       | 200,000             | 2,000            | 202,000             |
|                         |                            | <u>\$ 1,145,000</u> | <u>\$ 70,650</u> | <u>\$ 1,215,650</u> |

| Year Ending<br>June 30, | Total               |                   |                     |
|-------------------------|---------------------|-------------------|---------------------|
|                         | Principal           | Interest          | Total               |
| 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                    | 670,000             | 35,000            | 705,000             |
| 2021                    | 690,000             | 11,800            | 701,800             |
|                         | <u>\$ 3,805,000</u> | <u>\$ 406,564</u> | <u>\$ 4,211,564</u> |

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 6. Long-Term Liabilities (continued)

Revenue Bonds (continued)

The District pledged future 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 60 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$4,211,564. For the current year, \$560,000 of principal and \$143,851 of interest was paid on the bonds and total statewide sales, services and use tax revenues were \$1,141,642.

The resolutions providing for the issuance of the school infrastructure local option (statewide) sales, services and use 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, services and use 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 Sinking Account 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, 2015

Note 6. Long-Term Liabilities (continued)

Promissory Note (continued)

Details of the District's June 30, 2015 promissory note indebtedness are as follows:

| Year Ending<br>June 30, | Principal        | Interest         | Total             |
|-------------------------|------------------|------------------|-------------------|
| 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                    | 1,561            | 3,044            | 4,605             |
| 2021-2025               | 9,149            | 13,879           | 23,028            |
| 2026-2030               | 11,783           | 11,245           | 23,028            |
| 2031-2035               | 15,175           | 7,853            | 23,028            |
| 2036-2040               | 19,543           | 3,485            | 23,028            |
| 2041                    | 3,344            | 73               | 3,417             |
|                         | <u>\$ 66,089</u> | <u>\$ 52,465</u> | <u>\$ 118,554</u> |

Note 7. Pension Plan

Plan Description – IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder.

Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 7. Pension Plan (continued)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the District contributed 8.93 percent for a total rate of 14.88 percent.

The District's contributions to IPERS for the year ended June 30, 2015 were \$697,958.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2015, the District reported a liability of \$4,601,512 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District's proportion was 0.116027 percent, which was an increase of 0.000988 from its proportion measured as of June 30, 2013.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 7. Pension Plan (continued)

For the year ended June 30, 2015, the District recognized pension expense of \$312,542. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
|--|-----------------------------------|----------------------------------|
| Difference between expected and actual experience  | \$ 50,010                         | \$ -                             |
| Changes of assumptions   | 203,075                           | -                                |
| Net difference between projected and actual earnings<br>on pension plan investments                              | -                                 | 1,754,884                        |
| Changes in proportion and differences between District<br>contributions and proportionate share of contributions | -                                 | 136,404                          |
| District contributions subsequent to the measurement<br>date   | <u>697,958</u>                    | <u>-</u>                         |
| Total  | <u>\$ 951,043</u>                 | <u>\$ 1,891,288</u>              |

\$697,958 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

|       | Year Ending<br>June 30, |
|-------|-------------------------|
| 2016  | \$ (411,459)            |
| 2017  | (411,459)               |
| 2018  | (411,459)               |
| 2019  | (411,459)               |
| 2020  | <u>7,633</u>            |
| Total | <u>\$ (1,638,203)</u>   |

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 7. Pension Plan (continued)

Actuarial Assumptions – The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|  |  |
|--|--|
| Rate of inflation<br>(effective June 30, 2014)                   | 3.00 percent per annum   |
| Salary increases<br>(effective June 30, 2010)                    | 4.00 to 17.00 percent, percent, average, including inflation.<br>Rates vary by membership group. |
| Long-term investment rate of return<br>(effective June 30, 1996) | 7.50 percent compounded annually, net of<br>investment expense, including inflation              |

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| <u>Asset Class</u>     | <u>Asset Allocation</u> | <u>Long-Term Expected<br/>Real Rate of Return</u> |
|------------------------|-------------------------|---|
| US Equity              | 23%                     | 6.31  |
| Non US Equity          | 15%                     | 6.76  |
| Private Equity         | 13%                     | 11.34   |
| Real Estate            | 8%                      | 3.52  |
| Core Plus Fixed Income | 28%                     | 2.06  |
| Credit Opportunities   | 5%                      | 3.67  |
| TIPS                   | 5%                      | 1.92  |
| Other Real Assets      | 2%                      | 6.27  |
| Cash                   | 1%                      | (0.69)  |
|                        | <hr/>                   |   |
| Total                  | <u>100%</u>             |   |

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 7. Pension Plan (continued)

Discount Rate – The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

|  | 1%<br>Decrease<br>(6.5%) | Discount<br>Rate<br>(7.5%) | 1%<br>Increase<br>(8.5%) |
|--|--------------------------|----------------------------|--------------------------|
| District's proportionate share of<br>the net pension liability | \$ 8,694,427             | \$ 4,601,512               | \$ 1,146,667             |

Pension Plan Fiduciary Net Position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS’ website at [www.ipers.org](http://www.ipers.org).

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, 2015

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, 2015, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

|  |        |                           |
|--|--------|---------------------------|
| Annual required contribution               | \$     | 110,000                   |
| Interest on net OPEB obligation            |        | 10,000                    |
| Adjustment to annual required contribution |        | <u>(22,000)</u>           |
| Annual OPEB cost                           |        | 98,000                    |
| Contributions made                         |        | <u>(7,000)</u>            |
| Increase in net OPEB obligation            |        | 91,000                    |
| Net OPEB obligation beginning of year      |        | <u>389,000</u>            |
| <br>Net OPEB obligation end of year        | <br>\$ | <br><u><u>480,000</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, 2015.

For the year ended June 30, 2015, the District contributed \$7,000 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><br><u>June 30,</u> | <u>Annual</u><br><u>OPEB Cost</u> | <u>Percentage of</u><br><u>Annual OPEB</u><br><u>Cost Contributed</u> | <u>Net</u><br><u>OPEB</u><br><u>Obligation</u> |
|--------------------------------------|-----------------------------------|---|--|
| 2013                                 | \$ 87,000                         | 5.7%  | \$ 306,000                                     |
| 2014                                 | 89,000                            | 6.7%  | 389,000  |
| 2015                                 | 98,000                            | 7.1%  | 480,000  |

**Funded Status and Funding Progress** – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, 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 \$8,066,000, and the ratio of the UAAL to covered payroll was 6.4%. As of June 30, 2015, 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, 2015

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. 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 10. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$491,424 for the year ended June 30, 2015 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 11. Categorical Funding

The District's fund balance restricted for categorical funding at June 30, 2015 is comprised of the following programs:

| Program  | Amount    |
|--|-----------|
| Gifted and talented programs                       | \$ 10,228 |
| Beginning teacher mentoring and induction program  | 3,454     |
| Professional development for model core curriculum | 10,825    |
| Professional development                           | 4,017     |
| Teacher leadership grants                          | 3,157     |
| Total  | \$ 31,681 |

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 12. Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27 was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local government which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental and business-type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

|   | Governmental<br>Activities | Business-type<br>Activities | Enterprise,<br>School<br>Nutrition<br>Fund |
|---|----------------------------|-----------------------------|--|
| Net position June 30, 2014, as previously reported  | \$ 13,316,919              | \$ 165,190                  | \$ 161,574                                 |
| Net pension liability at June 30, 2014  | (6,414,012)                | (191,133)                   | (191,133)                                  |
| Deferred outflows of resources related to contributions made after the June 30, 2013 measurement date | 658,373                    | 19,619                      | 19,619                                     |
| Net position July 1, 2014, as restated  | \$ 7,561,280               | \$ (6,324)                  | \$ (9,940)                                 |

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Required Supplementary Information

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances –  
Budget and Actual – All Governmental Funds and Proprietary Funds

Required Supplementary Information

Year Ended June 30, 2015

|  | Governmental<br>Funds -<br>Actual | Proprietary<br>Funds -<br>Enterprise -<br>Actual | Total<br>Actual     | Budgeted<br>Amounts<br>Original<br>and Final | Final to<br>Actual<br>Variance |
|--|-----------------------------------|--|---------------------|--|--------------------------------|
| <b>REVENUES:</b>   |                                   |  |                     |  |                                |
| Local sources  | \$ 5,960,074                      | \$ 231,495                                       | \$ 6,191,569        | \$ 6,007,431                                 | \$ 184,138                     |
| State sources  | 9,044,328                         | 5,993  | 9,050,321           | 9,102,659                                    | (52,338)                       |
| Federal sources  | 621,400                           | 515,128  | 1,136,528           | 987,857                                      | 148,671                        |
| <b>Total revenues</b>  | <b>15,625,802</b>                 | <b>752,616</b>                                   | <b>16,378,418</b>   | <b>16,097,947</b>                            | <b>280,471</b>                 |
| <b>EXPENDITURES/EXPENSES:</b>  |                                   |  |                     |  |                                |
| Instruction  | 8,769,276                         | -  | 8,769,276           | 9,100,553                                    | 331,277                        |
| Support services   | 3,810,595                         | 18,084   | 3,828,679           | 4,127,879                                    | 299,200                        |
| Non-instructional programs   | 1,786                             | 703,134  | 704,920             | 704,866                                      | (54)                           |
| Other expenditures   | 1,912,319                         | -  | 1,912,319           | 3,285,622                                    | 1,373,303                      |
| <b>Total expenditures/expenses</b>   | <b>14,493,976</b>                 | <b>721,218</b>                                   | <b>15,215,194</b>   | <b>17,218,920</b>                            | <b>2,003,726</b>               |
| Excess (deficiency) of revenues<br>over (under) expenditures/expenses                                | 1,131,826                         | 31,398   | 1,163,224           | (1,120,973)                                  | 2,284,197                      |
| Other financing sources, net   | 10,995                            | -  | 10,995              | -  | 10,995                         |
| Excess (deficiency) of revenues<br>and other financing sources<br>over (under) expenditures/expenses | 1,142,821                         | 31,398   | 1,174,219           | (1,120,973)                                  | 2,295,192                      |
| Balance beginning of year,<br>as restated  | 3,219,445                         | (6,324)  | 3,213,121           | 2,289,280                                    | 923,841                        |
| Balance end of year  | \$ <u>4,362,266</u>               | \$ <u>25,074</u>                                 | \$ <u>4,387,340</u> | \$ <u>1,168,307</u>                          | \$ <u>3,219,033</u>            |

See accompanying independent auditor's report.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING  
Year Ended June 30, 2015

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, 2015, expenditures/expenses in the non-instructional programs function exceeded the amount budgeted.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

Schedule of the District's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System  
Last Fiscal Year\*  
(In Thousands)

Required Supplementary Information

|   | 2015     |
|---|----------|
| District's proportion of the net pension liability  | 0.116027 |
| District's proportionate share of the net pension liability   | \$ 4,602 |
| District's covered-employee payroll   | \$ 7,816 |
| District's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 58.88%   |
| Plan fiduciary net position as a percentage of the total pension liability                                  | 87.61%   |

\* The amounts presented for each fiscal year were determined as of June 30.

See accompanying independent auditor's report.

**Note:** GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

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WEST LIBERTY COMMUNITY SCHOOL DISTRICT

Schedule of the District's Contributions

Iowa Public Employees' Retirement System  
Last Ten Fiscal Years  
(In Thousands)

Required Supplementary Information

|   | <u>2015</u>  | <u>2014</u>  | <u>2013</u>  | <u>2012</u>  |
|---|--------------|--------------|--------------|--------------|
| Statutorily required contributions                                    | \$ 698       | \$ 678       | \$ 654       | \$ 574       |
| Contributions in relation to the<br>statutorily required contribution | <u>(698)</u> | <u>(678)</u> | <u>(654)</u> | <u>(574)</u> |
| Contribution deficiency (excess)                                      | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u>  |
| District's covered-employee payroll                                   | \$ 7,816     | \$ 7,592     | \$ 7,545     | \$ 7,118     |
| Contributions as a percentage of<br>covered-employee payroll          | 8.93%        | 8.93%        | 8.67%        | 8.07%        |

See accompanying independent auditor's report.

| <u>2011</u>  | <u>2010</u>  | <u>2009</u>  | <u>2008</u>  | <u>2007</u>  | <u>2006</u>  |
|--------------|--------------|--------------|--------------|--------------|--------------|
| \$ 483       | \$ 416       | \$ 417       | \$ 376       | \$ 343       | \$ 323       |
| <u>(483)</u> | <u>(416)</u> | <u>(417)</u> | <u>(376)</u> | <u>(343)</u> | <u>(323)</u> |
| <u>\$ -</u>  |
| \$ 6,955     | \$ 6,257     | \$ 6,566     | \$ 6,218     | \$ 5,962     | \$ 5,609     |
| 6.95%        | 6.65%        | 6.35%        | 6.05%        | 5.75%        | 5.75%        |

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY

Year Ended June 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent.
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY  
Year Ended June 30, 2015

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information  
Year Ended June 30, 2015

| 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%  |
| 2015                | July 1, 2012             | -                               | 514                                     | 514                         | 0.0%                 | 8,066                 | 6.4%  |

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, 2015

|   | Special Revenue    |                     | Total             |
|---|--------------------|---------------------|-------------------|
|   | Management<br>Levy | Student<br>Activity |                   |
| Assets  |                    |                     |                   |
| Cash and pooled investments   | \$ 242,334         | \$ 114,604          | \$ 356,938        |
| Receivables:  |                    |                     |                   |
| Property tax:   |                    |                     |                   |
| Current year  | 2,135              | -                   | 2,135             |
| Succeeding year   | 85,000             | -                   | 85,000            |
| Accounts  | -                  | 1,017               | 1,017             |
| Due from other governments  | -                  | 355                 | 355               |
| Prepaid expenses  | -                  | 1,875               | 1,875             |
|   |                    |                     | <hr/>             |
| Total assets  | \$ <u>329,469</u>  | \$ <u>117,851</u>   | \$ <u>447,320</u> |
| Liabilities, Deferred Inflows of<br>Resources and Fund Balances       |                    |                     |                   |
| Liabilities:  |                    |                     |                   |
| Accounts payable  | \$ -               | \$ 6,610            | \$ 6,610          |
| Deferred inflows of resources:  |                    |                     |                   |
| Unavailable revenues:   |                    |                     |                   |
| Succeeding year property tax  | 85,000             | -                   | 85,000            |
| Fund balances:  |                    |                     |                   |
| Nonspendable:   |                    |                     |                   |
| Prepaid expenses  | -                  | 1,875               | 1,875             |
| Restricted for:   |                    |                     |                   |
| Management levy purposes  | 244,469            | -                   | 244,469           |
| Student activities  | -                  | 109,366             | 109,366           |
| Total fund balances   | <u>244,469</u>     | <u>111,241</u>      | <u>355,710</u>    |
|   |                    |                     | <hr/>             |
| Total liabilities, deferred inflows<br>of resources and fund balances | \$ <u>329,469</u>  | \$ <u>117,851</u>   | \$ <u>447,320</u> |

See accompanying independent auditor's report.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 Year Ended June 30, 2015

|                                      | Special Revenue    |                     | Total             |
|--------------------------------------|--------------------|---------------------|-------------------|
|                                      | Management<br>Levy | Student<br>Activity |                   |
| Revenues:                            |                    |                     |                   |
| Local sources:                       |                    |                     |                   |
| Local tax                            | \$ 171,119         | \$ -                | \$ 171,119        |
| Other                                | 12,024             | 259,218             | 271,242           |
| State sources                        | 52                 | -                   | 52                |
| Total revenues                       | <u>183,195</u>     | <u>259,218</u>      | <u>442,413</u>    |
| Expenditures:                        |                    |                     |                   |
| Current:                             |                    |                     |                   |
| Instruction                          | 25,103             | 238,865             | 263,968           |
| Support services:                    |                    |                     |                   |
| Student                              | 1,043              | -                   | 1,043             |
| Instructional staff                  | 718                | 2,790               | 3,508             |
| Administration                       | 4,300              | 34                  | 4,334             |
| Operation and maintenance of plant   | 67,673             | 1,741               | 69,414            |
| Transportation                       | 19,082             | 3,411               | 22,493            |
| Total expenditures                   | <u>117,919</u>     | <u>246,841</u>      | <u>364,760</u>    |
| Excess of revenues over expenditures | 65,276             | 12,377              | 77,653            |
| Fund balances beginning of year      | <u>179,193</u>     | <u>98,864</u>       | <u>278,057</u>    |
| Fund balances end of year            | <u>\$ 244,469</u>  | <u>\$ 111,241</u>   | <u>\$ 355,710</u> |

See accompanying independent auditor's report.

## WEST LIBERTY COMMUNITY SCHOOL DISTRICT

 COMBINING BALANCE SHEET  
 CAPITAL PROJECTS ACCOUNTS  
 June 30, 2015

|   | Statewide<br>Sales, Services<br>and Use Tax | Physical<br>Plant and<br>Equipment<br>Levy | Total        |
|---|---|--|--------------|
| Assets  |   |  |              |
| Cash and pooled investments   | \$ 936,614                                  | \$ 687,120                                 | \$ 1,623,734 |
| Receivables:  |   |  |              |
| Property tax:   |   |  |              |
| Current year  | -   | 1,188                                      | 1,188        |
| Succeeding year   | -   | 106,776                                    | 106,776      |
| Income surtax   | -   | 355,028                                    | 355,028      |
| Due from other governments  | 177,083                                     | -  | 177,083      |
| Total assets  | \$ 1,113,697                                | \$ 1,150,112                               | \$ 2,263,809 |
| Liabilities, Deferred Inflows of<br>Resources and Fund Balances       |   |  |              |
| Liabilities:  |   |  |              |
| Accounts payable  | \$ 12,374                                   | \$ 54,263                                  | \$ 66,637    |
| Deferred inflows of resources:  |   |  |              |
| Unavailable revenues:   |   |  |              |
| Succeeding year property tax  | -   | 106,776                                    | 106,776      |
| Other   | -   | 355,028                                    | 355,028      |
|   | -   | 461,804                                    | 461,804      |
| Fund balances:  |   |  |              |
| Restricted for:   |   |  |              |
| Revenue bonds   | 559,000                                     | -  | 559,000      |
| School infrastructure   | 542,323                                     | -  | 542,323      |
| Physical plant and equipment  | -   | 634,045                                    | 634,045      |
| Total fund balances   | 1,101,323                                   | 634,045                                    | 1,735,368    |
| Total liabilities, deferred inflows<br>of resources and fund balances | \$ 1,113,697                                | \$ 1,150,112                               | \$ 2,263,809 |

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, 2015

|                                      | Statewide<br>Sales, Services<br>and Use Tax | Physical<br>Plant and<br>Equipment<br>Levy | Total               |
|--------------------------------------|---|--|---------------------|
| Revenues:                            |   |  |                     |
| Local sources:                       |   |  |                     |
| Local tax                            | \$ -  | \$ 449,197                                 | \$ 449,197          |
| Other                                | 10,782                                      | 5,300                                      | 16,082              |
| State sources                        | 1,141,642                                   | 29   | 1,141,671           |
| Total revenues                       | <u>1,152,424</u>                            | <u>454,526</u>                             | <u>1,606,950</u>    |
| Expenditures:                        |   |  |                     |
| Current:                             |   |  |                     |
| Instruction                          | 1,420                                       | 30,379                                     | 31,799              |
| Support services:                    |   |  |                     |
| Instructional staff                  | 21,034                                      | -  | 21,034              |
| Administration                       | 2,809                                       | 36,254                                     | 39,063              |
| Operation and maintenance of plant   | -   | 6,200                                      | 6,200               |
| Transportation                       | -   | 91,177                                     | 91,177              |
| Other expenditures:                  |   |  |                     |
| Facilities acquisition               | 83,260                                      | 135,135                                    | 218,395             |
| Total expenditures                   | <u>108,523</u>                              | <u>299,145</u>                             | <u>407,668</u>      |
| Excess of revenues over expenditures | 1,043,901                                   | 155,381                                    | 1,199,282           |
| Other financing uses:                |   |  |                     |
| Interfund transfers out              | <u>(859,392)</u>                            | -  | <u>(859,392)</u>    |
| Net change in fund balances          | 184,509                                     | 155,381                                    | 339,890             |
| Fund balances beginning of year      | <u>916,814</u>                              | <u>478,664</u>                             | <u>1,395,478</u>    |
| Fund balances end of year            | <u>\$ 1,101,323</u>                         | <u>\$ 634,045</u>                          | <u>\$ 1,735,368</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, 2015

| Account                           | Balance<br>Beginning<br>of Year | Revenues | Expenditures | Balance<br>End<br>of Year |
|-----------------------------------|---------------------------------|----------|--------------|---------------------------|
| District Wide:                    |                                 |          |              |                           |
| Miscellaneous                     | \$ 275                          | \$ 7,167 | \$ 7,167     | 275                       |
| Booster Club Reimbursement        | -                               | 20,219   | 20,219       | -                         |
| Fine Arts Booster Donation        | -                               | 3,709    | 3,709        | -                         |
| Interest                          | -                               | 425      | 425          | -                         |
| Elementary:                       |                                 |          |              |                           |
| Student Council                   | 158                             | 1,464    | 840          | 782                       |
| Junior High:                      |                                 |          |              |                           |
| Activity Tickets Resale           | -                               | 1,120    | 1,120        | -                         |
| Musical                           | -                               | 5,179    | -            | 5,179                     |
| Boys Basketball                   | -                               | 1,624    | 1,624        | -                         |
| Football                          | -                               | 1,330    | 1,330        | -                         |
| Boys Track                        | -                               | 1,651    | 1,651        | -                         |
| Wrestling                         | -                               | 1,213    | 1,213        | -                         |
| Girls Basketball                  | -                               | 1,260    | 1,260        | -                         |
| Volleyball                        | -                               | 508      | 508          | -                         |
| Girls Track                       | -                               | 1,598    | 1,598        | -                         |
| Eighth Grade                      | 1,000                           | -        | 100          | 900                       |
| Seventh Grade                     | 500                             | -        | 100          | 400                       |
| Student Council                   | 1,735                           | 1,176    | 1,728        | 1,183                     |
| Student Council RS Yearbook       | -                               | 1,620    | 1,620        | -                         |
| High School:                      |                                 |          |              |                           |
| Drama                             | 7,968                           | 2,052    | 2,584        | 7,436                     |
| Show Choir Resale                 | 194                             | 2,278    | 2,472        | -                         |
| Color Guard                       | 209                             | -        | -            | 209                       |
| Activity Tickets                  | -                               | 2,240    | 2,240        | -                         |
| Athletics                         | (4,284)                         | 62       | 21           | (4,243)                   |
| High School FB, BB, WR Fundraiser | 396                             | 10,804   | 10,609       | 591                       |
| Cross Country                     | 555                             | 3,807    | 3,421        | 941                       |
| HS Cheerleading                   | (1,039)                         | 10,386   | 7,629        | 1,718                     |
| Dance Team                        | 2,579                           | 5,019    | 7,155        | 443                       |
| Boys Basketball                   | 1,037                           | 6,386    | 5,052        | 2,371                     |
| Football                          | 13,434                          | 28,795   | 31,676       | 10,553                    |
| Boys Soccer                       | 238                             | 4,073    | 2,619        | 1,692                     |
| Baseball                          | 1,245                           | 3,617    | 2,734        | 2,128                     |
| Boys Track                        | 26                              | 6,133    | 5,802        | 357                       |
| Boys Golf                         | 373                             | 470      | 530          | 313                       |
| Wrestling                         | 2,702                           | 3,275    | 3,759        | 2,218                     |

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
Year Ended June 30, 2015

| Account                   | Balance<br>Beginning<br>of Year | Revenues          | Expenditures      | Balance<br>End<br>of Year |
|---------------------------|---------------------------------|-------------------|-------------------|---------------------------|
| High School (continued):  |                                 |                   |                   |                           |
| Girls Basketball          | \$ 643                          | \$ 4,859          | \$ 5,139          | 363                       |
| Volleyball                | 2,825                           | 12,586            | 12,507            | 2,904                     |
| Girls Soccer              | 1,257                           | 3,940             | 2,558             | 2,639                     |
| Softball                  | 3,163                           | 5,108             | 2,886             | 5,385                     |
| Girls Track               | 1,636                           | 4,115             | 3,678             | 2,073                     |
| Girls Golf                | 1,424                           | 4,606             | 4,836             | 1,194                     |
| Juniors                   | 948                             | 2,081             | 2,228             | 801                       |
| Sophomores                | 1,117                           | -                 | 17                | 1,100                     |
| Freshmen                  | 1,100                           | -                 | 195               | 905                       |
| FCCLA                     | 581                             | -                 | -                 | 581                       |
| FFA                       | 26,703                          | 40,315            | 44,143            | 22,875                    |
| Greenhouse Fund           | 24,457                          | 11,669            | 8,378             | 27,748                    |
| Anime Fund                | 65                              | -                 | -                 | 65                        |
| Trapshooting              | 100                             | -                 | -                 | 100                       |
| IT Club                   | 163                             | 124               | 151               | 136                       |
| National Honor Society    | 2,043                           | 175               | 321               | 1,897                     |
| Student Council           | 159                             | 5,115             | 3,959             | 1,315                     |
| Yearbook                  | 1,179                           | 12,975            | 10,495            | 3,659                     |
| Science Club              | -                               | 55                | -                 | 55                        |
| HS Cheer Capital One Bowl | -                               | 10,835            | 10,835            | -                         |
| Total                     | <u>\$ 98,864</u>                | <u>\$ 259,218</u> | <u>\$ 246,841</u> | <u>\$ 111,241</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, 2015

|                     | <u>Balance<br/>Beginning<br/>of Year</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance<br/>End<br/>of Year</u> |
|---------------------|--|------------------|-------------------|------------------------------------|
| Assets              |  |                  |                   |                                    |
| Cash                | \$ 4,497                                 | \$ 77,545        | \$ 77,226         | \$ 4,816                           |
| Accounts receivable | 1,176                                    | (641)            | -                 | 535                                |
| Total assets        | <u>\$ 5,673</u>                          | <u>\$ 76,904</u> | <u>\$ 77,226</u>  | <u>\$ 5,351</u>                    |
| Liabilities         |  |                  |                   |                                    |
| Other payables      | <u>\$ 5,673</u>                          | <u>\$ 76,904</u> | <u>\$ 77,226</u>  | <u>\$ 5,351</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<br>Years Ended June 30, |                      |                      |                      |
|------------------------------------|--|----------------------|----------------------|----------------------|
|                                    | 2015   | 2014                 | 2013                 | 2012                 |
| Revenues:                          |  |                      |                      |                      |
| Local sources:                     |  |                      |                      |                      |
| Local tax                          | \$ 5,295,362                                   | \$ 5,026,221         | \$ 5,713,085         | \$ 5,309,282         |
| Tuition                            | 140,536  | 152,447              | 136,459              | 155,696              |
| Other                              | 524,176  | 474,035              | 830,538              | 526,493              |
| State sources                      | 9,044,328                                      | 8,971,036            | 7,757,629            | 7,524,929            |
| Federal sources                    | 621,400  | 605,322              | 1,022,472            | 897,416              |
|                                    |  |                      |                      |                      |
| Total revenues                     | <u>\$ 15,625,802</u>                           | <u>\$ 15,229,061</u> | <u>\$ 15,460,183</u> | <u>\$ 14,413,816</u> |
| Expenditures:                      |  |                      |                      |                      |
| Instruction                        | \$ 8,769,276                                   | \$ 8,527,311         | \$ 8,672,035         | \$ 8,448,306         |
| Support services:                  |  |                      |                      |                      |
| Student                            | 291,771  | 311,399              | 336,271              | 353,792              |
| Instructional staff                | 688,339  | 650,899              | 610,724              | 511,188              |
| Administration                     | 1,430,051                                      | 1,387,133            | 1,315,572            | 1,237,274            |
| Operation and maintenance of plant | 994,665  | 985,252              | 882,928              | 822,642              |
| Transportation                     | 405,769  | 430,303              | 342,649              | 374,515              |
| Non-instructional programs         | 1,786  | 1,601                | 1,513                | 1,257                |
| Other expenditures:                |  |                      |                      |                      |
| Facilities acquisition             | 218,395  | 533,869              | 1,437,973            | 319,191              |
| Long-term debt:                    |  |                      |                      |                      |
| Principal                          | 965,000  | 915,000              | 745,000              | 2,005,000            |
| Interest and fiscal charges        | 237,500  | 263,132              | 275,776              | 395,687              |
| AEA flowthrough                    | 491,424  | 475,003              | 465,507              | 446,757              |
|                                    |  |                      |                      |                      |
| Total expenditures                 | <u>\$ 14,493,976</u>                           | <u>\$ 14,480,902</u> | <u>\$ 15,085,948</u> | <u>\$ 14,915,609</u> |

See accompanying independent auditor's report.

|    | 2011              | 2010              | 2009              | 2008              | 2007              | 2006              |
|----|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| \$ | 4,979,853         | \$ 4,720,809      | \$ 4,686,294      | \$ 4,383,660      | \$ 4,122,480      | \$ 3,947,341      |
|    | 142,119           | 142,207           | 164,003           | 183,998           | 97,217            | 87,345            |
|    | 487,757           | 705,817           | 434,483           | 414,123           | 401,798           | 329,952           |
|    | 7,111,211         | 6,176,719         | 6,452,519         | 6,567,602         | 6,058,991         | 5,449,822         |
|    | 864,780           | 1,279,692         | 556,461           | 475,743           | 455,182           | 555,366           |
| \$ | <u>13,585,720</u> | <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> |
| \$ | 8,247,609         | \$ 8,487,941      | \$ 7,725,626      | \$ 7,045,643      | \$ 6,787,865      | \$ 6,433,053      |
|    | 359,987           | 221,847           | 326,200           | 261,395           | 203,932           | 190,986           |
|    | 580,150           | 745,109           | 511,892           | 497,392           | 501,013           | 568,994           |
|    | 1,208,088         | 1,184,719         | 1,130,992         | 1,117,851         | 967,867           | 933,439           |
|    | 872,330           | 894,554           | 824,556           | 839,878           | 753,719           | 734,840           |
|    | 429,857           | 483,283           | 362,809           | 378,165           | 408,584           | 367,395           |
|    | 8,579             | 14,755            | 1,784             | 8,543             | 3,453             | -                 |
|    | 192,023           | 2,929,715         | 3,887,559         | 577,412           | 469,248           | 466,161           |
|    | 600,000           | 575,000           | 555,000           | 535,000           | 510,000           | 500,000           |
|    | 521,896           | 451,186           | 371,496           | 304,478           | 327,028           | 348,842           |
|    | 480,501           | 473,195           | 413,549           | 404,516           | 383,857           | 346,184           |
| \$ | <u>13,501,020</u> | <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> |

WEST LIBERTY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2015

| Grantor / Program                                       | CFDA<br>Number | Pass-through<br>Grantor<br>Number | Expenditures      |
|---|----------------|-----------------------------------|-------------------|
| Indirect:   |                |                                   |                   |
| U. S. Department of Agriculture:                        |                |                                   |                   |
| Iowa Department of Education:                           |                |                                   |                   |
| Child Nutrition Cluster Programs:                       |                |                                   |                   |
| School Breakfast Program                                | 10.553         | 6975-15                           | \$ 74,302         |
| National School Lunch Program                           | 10.555         | 6975-15                           | 418,121 *         |
| Summer Food Service Program for Children                | 10.559         | 6975-15                           | <u>22,705</u>     |
|   |                |                                   | <u>515,128</u>    |
| U. S. Department of Education:                          |                |                                   |                   |
| Iowa Department of Education:                           |                |                                   |                   |
| Title I Grants to Local Educational Agencies            | 84.010         | 6975GC-15                         | 9,616             |
| Title I Grants to Local Educational Agencies            | 84.010         | 6975G-15                          | 216,425           |
| Title I Grants to Local Educational Agencies            | 84.010         | 6975SINA-15                       | <u>11,040</u>     |
|   |                |                                   | <u>237,081</u>    |
| Career and Technical Education - Basic Grants to States | 84.048         | 6975-15                           | <u>135</u> **     |
| Advanced Placement Program                              | 84.330         | 6975-15                           | <u>1,938</u>      |
| Improving Teacher Quality State Grants                  | 84.367         | 6975-15                           | <u>33,944</u>     |
| Grants for State Assessments and Related Activities     | 84.369         | 6975-15                           | <u>5,695</u>      |
| Mississippi Bend Area Education Agency:                 |                |                                   |                   |
| Special Education - Grants to States                    | 84.027         | 6975-15                           | <u>60,125</u>     |
| Career and Technical Education - Basic Grants to States | 84.048         | 6975-15                           | <u>3,840</u> **   |
| English Language Acquisition State Grants               | 84.365         | 6975-15                           | <u>23,107</u>     |
| U. S. Department of Health and Human Services:          |                |                                   |                   |
| Community Action of Eastern Iowa:                       |                |                                   |                   |
| Head Start  | 93.600         | 6975-15                           | <u>93,127</u>     |
| Total   |                |                                   | <u>\$ 974,120</u> |

\* = Includes \$41,722 of non-cash awards.

\*\* = Total for CFDA Number 84.048 is \$3,975.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2015

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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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, 2015, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 13, 2015. 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 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 over financial reporting 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, 2015 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 the 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 results 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.

*Hunt & Associates, P.C.*

Oskaloosa, Iowa  
November 13, 2015

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE 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 its major federal program for the year ended June 30, 2015. West Liberty Community School District's major federal program is 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 the major federal program. However, our audit does not provide a legal determination of West Liberty Community School District's compliance.

Opinion on the 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 its major federal program for the year ended June 30, 2015.

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.

*Hunt + Associates, P.C.*

Oskaloosa, Iowa  
November 13, 2015

WEST LIBERTY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2015

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 the 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) The major program was 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
- (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, 2015

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, 2015

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, 2015

Part IV: Other Findings Related to Statutory Reporting:

IV-A-15 Certified Budget – Expenditures/expenses for the year ended June 30, 2015, 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 were allowed to exceed the budget.

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

Conclusion – Response accepted.

IV-B-15 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-15 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-15 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

| Name, Title and<br>Business Connection   | Transaction<br>Description | Amount |
|--|----------------------------|--------|
| Sydney Millage<br>Spouse of Board Member | Substitute Teacher         | \$638  |

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-15 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-15 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.

IV-G-15 Certified Enrollment – The number of basic resident students reported to the Iowa Department of Education on line 7 of the Certified Enrollment Certification Form for September 2014 was overstated by four students due to the inclusion of two foreign exchange students and two students who were not enrolled in the District.

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 Iowa Department of Management.

Conclusion – Response accepted.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2015

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

- IV-H-15 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- IV-I-15 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-15 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-15 Categorical Funding – No instances of categorical funding being used to supplant rather than supplement other funds were noted.
- IV-L-15 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, 2015, the District reported the following information regarding the statewide sales, services and use tax revenue in the District’s CAR:

|                                       |    |           |           |
|---------------------------------------|----|-----------|-----------|
| Beginning balance                     | \$ |           | 916,814   |
| Revenues:                             |    |           |           |
| Interest                              | \$ | 9,368     |           |
| Other local revenues                  |    | 1,414     |           |
| Statewide sales, services and use tax |    | 1,141,642 | 1,152,424 |
| Expenditures/transfers out:           |    |           |           |
| School infrastructure construction    |    | 83,260    |           |
| Equipment                             |    | 7,889     |           |
| Other                                 |    | 17,374    |           |
| Transfers to other funds:             |    |           |           |
| Debt Service Fund                     |    | 859,392   | 967,915   |
| Ending balance                        | \$ |           | 1,101,323 |

WEST LIBERTY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2015

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

IV-L-15 Statewide Sales, Services and Use Tax (continued)

For the year ended June 30, 2015, 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<br>Reduction<br>Per \$1,000<br>of Taxable<br>Valuation | Property<br>Tax<br>Dollars<br>Reduced |
|-------------------|---|---------------------------------------|
| Debt service levy | \$ 0.55277  | \$ 148,861                            |

IV-M-15 Financial Condition – At June 30, 2015, the governmental activities, business-type activities, and Enterprise, School Nutrition Fund had deficit unrestricted net positions of \$3,864,050, \$69,726, and \$74,751, respectively. These deficit balances were caused by the implementation of GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27, which requires the inclusion of the District’s proportionate share of the IPERS pension liability and the related deferred outflows of resources and deferred inflows of resources.

Recommendation – Even though the deficits occurred due to the net pension liability and related deferred outflows and inflows of resources, the District should investigate ways to restore the governmental activities, business-type activities, and School Nutrition Fund to sound financial conditions.

Response – We will look into this situation and try to investigate alternatives to eliminate the deficit balances and restore the governmental activities, business-type activities, and School Nutrition Fund to sound financial conditions.

Conclusion – Response accepted.