

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, 2016

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WEST LIBERTY COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
(Before September 2015 election)		
Mike Duytschaver	President	2015
Lynne Sasmazer	Vice President	2015
David Millage	Board Member	2015
Emily Geertz	Board Member	2017
Jose Zacarias	Board Member	2017
(After September 2015 election)		
Lynne Sasmazer	President	2019
David Millage	Vice President	2019
Emily Geertz	Board Member	2017
Jose Zacarias	Board Member	2017
Chris Martin	Board Member	2019
<u>School Officials</u>		
Steve Hanson	Superintendent	2016
Tom Anderson	District Secretary/Treasurer and Business Manager	2016
Brian Gruhn	Attorney	2016
Bill Tharp	Attorney	2016

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

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

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of West Liberty Community School District, West Liberty Iowa, as of and for the year ended June 30, 2016 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, 2016.

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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other*Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, 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 69 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 eight years ended June 30, 2015 (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 year 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 Title 2, U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance), 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 December 20, 2016 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
December 20, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

West Liberty Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2016. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2016 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$13,228,032 in fiscal 2015 to \$13,525,782 in fiscal 2016, while General Fund expenditures increased from \$12,519,048 in fiscal 2015 to \$13,281,537 in fiscal 2016. The District's General Fund balance increased from \$1,620,795 in fiscal 2015 to \$1,871,539 in fiscal 2016, a 15% increase.
- The increase in General Fund revenues was due primarily to increased local and federal resources and because of increased budget enrollment.
- 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 15%.

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.

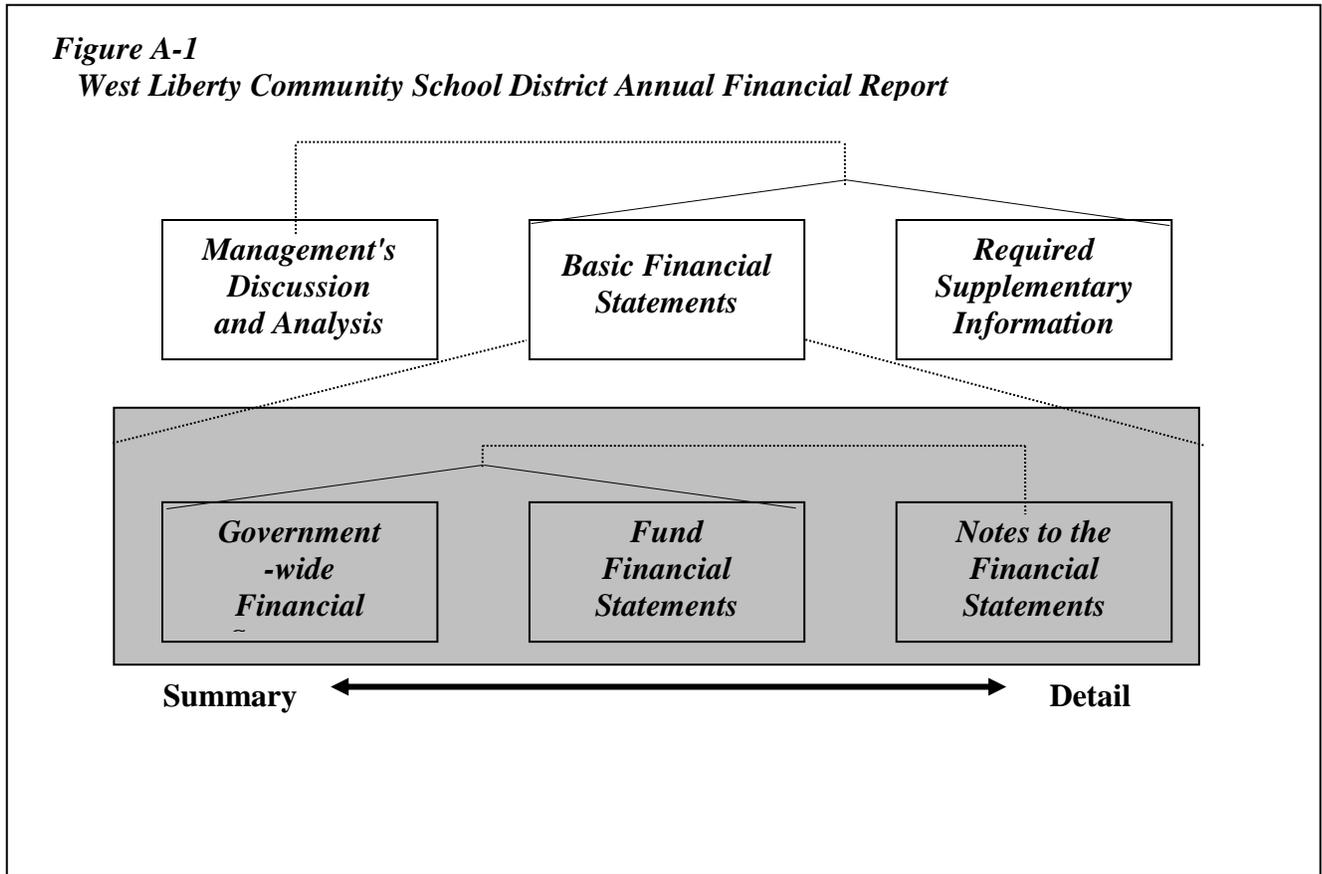


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements				
	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"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in fund net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
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, 2016 compared to June 30, 2015.

Figure A-3							
Condensed Statement of Net Position							
	Governmental		Business-type		Total		Total Change <u>2015-</u> <u>2016</u>
	Activities		Activities		School District		
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	
Current and other assets	\$ 12,099,332	\$ 11,051,514	\$ 187,319	\$ 179,378	\$ 12,286,651	\$ 11,230,892	9.40%
Capital assets	<u>16,383,697</u>	<u>17,033,686</u>	<u>98,137</u>	<u>94,800</u>	<u>16,481,834</u>	<u>17,128,486</u>	-3.78%
Total assets	<u>28,483,029</u>	<u>28,085,200</u>	<u>285,456</u>	<u>274,178</u>	<u>28,768,485</u>	<u>28,359,378</u>	1.44%
Deferred Outflows of Resources	<u>953,173</u>	<u>923,198</u>	<u>28,264</u>	<u>27,845</u>	<u>981,437</u>	<u>951,043</u>	3.20%
Long-term obligations	11,817,860	11,891,801	241,078	200,812	12,058,938	12,092,613	-0.28%
Other liabilities	<u>1,652,655</u>	<u>1,424,728</u>	<u>30,643</u>	<u>20,763</u>	<u>1,683,298</u>	<u>1,445,491</u>	16.45%
Total liabilities	<u>13,470,515</u>	<u>13,316,529</u>	<u>271,721</u>	<u>221,575</u>	<u>13,742,236</u>	<u>13,538,104</u>	1.51%
Deferred Inflows of Resources	<u>5,345,826</u>	<u>6,357,680</u>	<u>16,803</u>	<u>55,374</u>	<u>5,362,629</u>	<u>6,413,054</u>	-16.38%
Net position							
Net Investment in capital assets	10,478,697	10,143,686	98,137	94,800	10,576,834	10,238,486	3.30%
Restricted	3,392,446	3,054,553	-	-	3,392,446	3,054,553	11.06%
Unrestricted	<u>(3,251,282)</u>	<u>(3,864,050)</u>	<u>(72,941)</u>	<u>(69,726)</u>	<u>(3,324,223)</u>	<u>(3,933,776)</u>	-15.50%
Total net position	<u>\$ 10,619,861</u>	<u>\$ 9,334,189</u>	<u>\$ 25,196</u>	<u>\$ 25,074</u>	<u>\$ 10,645,057</u>	<u>\$ 9,359,263</u>	13.74%

The District's combined net position increased by approximately 14%, or \$1,285,794 over 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 \$12,058,938 in long-term liabilities (see Note 5, 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 \$337,893, or approximately 11% from the prior year.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements increased \$609,553 or approximately 16%.

Figure A-4 shows the change in net position for the year ended June 30, 2016 compared to the year ended June 30, 2015.

<u>Figure A-4</u>							
<u>Change in Net Position</u>							
	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Total District</u>		<u>Total Change</u>
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2015-2016</u>
Revenues							
Program revenues							
Charges for service and sales	\$ 474,180	\$ 399,726	\$ 247,291	\$ 226,522	\$ 721,471	\$ 626,248	15.21%
Operating grants	2,608,192	2,492,454	569,591	521,121	3,177,783	3,013,575	5.45%
Capital grants, contributions and restr	51,400	-	11,866	-	63,266	-	
General revenues							
Property tax	4,581,179	4,439,478	-	-	4,581,179	4,439,478	3.19%
Income Surtax	904,218	902,059	-	-	904,218	902,059	0.24%
Sales and services tax	1,172,574	1,141,642	-	-	1,172,574	1,141,642	2.71%
Unrestricted state grants	6,289,108	6,198,490	-	-	6,289,108	6,198,490	1.46%
Unrestricted investment earnings	26,707	18,874	3,430	4,973	30,137	23,847	26.38%
Other	64,239	88,910	-	-	64,239	88,910	-27.75%
Total revenues	<u>16,171,797</u>	<u>15,681,633</u>	<u>832,178</u>	<u>752,616</u>	<u>17,003,975</u>	<u>16,434,249</u>	3.47%
Program expenses							
Governmental activities							
Instruction	9,228,186	8,574,546	-	-	9,228,186	8,574,546	7.62%
Support services	3,918,624	3,710,160	23,316	18,084	3,941,940	3,728,244	5.73%
Non-instructional programs	1,787	1,786	808,740	703,134	810,527	704,920	14.98%
Other expenses	1,737,528	1,622,232	-	-	1,737,528	1,622,232	7.11%
Loss on disposal of capital assets	-	-	-	-	-	-	0.00%
Total expenses	<u>14,886,125</u>	<u>13,908,724</u>	<u>832,056</u>	<u>721,218</u>	<u>15,718,181</u>	<u>14,629,942</u>	7.44%
Change in net position before transfers	1,285,672	1,772,909	122	31,398	1,285,794	1,804,307	-28.74%
Transfers	-	-	-	-	-	-	0.00%
Change in net position	<u>\$ 1,285,672</u>	<u>\$ 1,772,909</u>	<u>\$ 122</u>	<u>\$ 31,398</u>	<u>\$ 1,285,794</u>	<u>\$ 1,804,307</u>	-28.74%

In fiscal 2016, property tax and unrestricted state grants account for 67% of the revenue from governmental activities while charges for service and sales and operating grants account for 99.6% of the revenue from business type activities.

The District's total revenues were \$17,003,975 of which \$16,171,797 was for governmental activities and \$832,178 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 3.47% increase in revenues and a 7.44% increase in expenses.

Governmental Activities

Revenues for governmental activities were \$16,171,797 and expenses were \$14,886,125.

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

<u>Figure A-5</u>						
<u>Total and Net Cost of Governmental Activities</u>						
	<u>Total Cost of Services</u>			<u>Net Cost of Services</u>		
	<u>2016</u>	<u>2015</u>	<u>Change</u> <u>2015-2016</u>	<u>2016</u>	<u>2015</u>	<u>Change</u> <u>2015-2016</u>
Instruction	\$ 9,228,186	\$ 8,574,546	7.6%	\$ 6,693,773	\$ 6,214,833	7.7%
Support services	3,918,624	3,710,160	5.6%	3,874,582	3,669,117	5.6%
Non-instructional programs	1,787	1,786	0.1%	1,787	1,786	0.1%
Other expenses	<u>1,737,528</u>	<u>1,622,232</u>	7.1%	<u>1,182,211</u>	<u>1,130,808</u>	4.5%
Total expenses	<u>\$ 14,886,125</u>	<u>\$ 13,908,724</u>	7.0%	<u>\$ 11,752,353</u>	<u>\$ 11,016,544</u>	6.7%

- The cost financed by users of the District’s programs (Charges for Services) was \$474,180, an increase of 15.7% from 2015.
- Federal and state governments subsidized certain programs with operating and capital grants and contributions totaling \$2,659,592, an increase of 6.7% from 2015.
- The net cost of governmental activities was financed with \$6,657,971 in property and other taxes and \$6,289,108 in unrestricted state grants, an increase of 2.7% and of 1.5%, respectively, from 2015.

Business Type Activities

Revenues for business type activities were \$832,178 representing a 10.6% increase from the prior year while expenses totaled \$832,056, a 15.4% 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.

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 \$4,871,413, higher than last year's ending fund balances of \$4,362,266.

Governmental Fund Highlights

- The General Fund balance increased from \$1,620,795 to \$1,871,539. State Aid increased due to the fact that an increase in budget enrollment was experienced for FY16. 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 \$650,393 in FY15 to \$667,198 in FY16. This is due primarily to principal and interest payments.
- The Capital Projects Fund balance increased from \$1,735,368 in FY15 to \$2,019,393 in FY16. The Board anticipates completing a facilities study during FY17 and monitor capital projects with cash flow as opposed to borrowing.

Proprietary Fund Highlights

Proprietary Fund net position increased from \$25,074 at June 30, 2015 to \$25,196 at June 30, 2016, representing an increase of 0.5%. Proprietary Funds included the School Nutrition Fund and Student Built Home Construction Fund. In addition to recording net pension liability in the School Nutrition Fund, the district now also reports net OPEB liability, which totaled \$14,728 in FY16. This is in accordance with GASB 45 and GASB 68.

BUDGETARY HIGHLIGHTS

West Liberty Community School District amended its annual budget one time during the year; however, one area of expenditures was over-spent, Non-instructional Programs, by underestimating expenses in the School Nutrition Fund.

The District's revenues were \$150,342 more than budgeted. It is the District's practice to budget the anticipated revenues and expenditures on a yearly basis, always under estimating revenues.

Total expenditures were \$1,325,720 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, 2016, the District had invested \$16.5 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 4 to the financial statements. Depreciation expense for the year was \$933,227.

The original cost of the District's capital assets was \$29.7 million. Governmental funds account for approximately \$29.3 million, with the remainder of \$398,290 accounted for in the Proprietary, School Nutrition Fund.

At the end of fiscal year 2016, the District completed a project to install several secure entrances across the district campuses and prepared to begin a track resurfacing project at the High School track and football complex.

Figure A-6
Capital Assets, Net of Depreciation

Asset Category	Governmental		Business-type		Total		Total Change 2015- 2016
	Activities		Activities		School District		
	2016	2015	2016	2015	2016	2015	
Land	\$ 462,833	\$ 462,833	\$ -	\$ -	\$ 462,833	\$ 462,833	0.00%
Construction in progress	32,260	51,574	-	-	32,260	51,574	-37.45%
Buildings and improvements	14,775,569	15,372,129	-	-	14,775,569	15,372,129	-3.88%
Improvements, other than buildings	480,746	538,227	-	-	480,746	538,227	-10.68%
Furniture and equipment	632,289	608,923	98,137	94,800	730,426	703,723	3.79%
Totals	<u>\$ 16,383,697</u>	<u>\$ 17,033,686</u>	<u>\$ 98,137</u>	<u>\$ 94,800</u>	<u>\$ 16,481,834</u>	<u>\$ 17,128,486</u>	-3.78%

Long-Term Debt

At June 30, 2016 the District's governmental activities had \$11,817,860 in general obligation, revenue and other long-term debt outstanding. This represents a decrease of approximately 0.6% from last year. (See Figure A-7) The bonded indebtedness decreased \$985,000, or 14.3% from June 30, 2015. Additional information about the District's long-term debt is presented in Notes 5, 6 and 7 to the financial statements.

Figure A-7
Outstanding Long-term Obligations

	Governmental		Total Change 2015-2016
	Activities		
	2016	2015	
General obligation bonds	\$ 2,675,000	\$ 3,085,000	-13.29%
Revenue bonds	3,230,000	3,805,000	-15.11%
Early retirement	-	-	0.00%
Compensated absences	48,782	55,012	-11.32%
Net pension liability	5,474,806	4,466,789	22.57%
Net OPEB liability	389,272	480,000	-18.90%
Total	<u>\$ 11,817,860</u>	<u>\$ 11,891,801</u>	-0.62%

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 FY17 of 35 students and show an increase in FY18 of 46 students. The District has engaged in a facilities study, which includes a study of enrollment trends and City planning, to determine if increasing enrollment will continue or stabilize. Initial projections for enrollment indicate increasing enrollment through 2022. The FY17 kindergarten class was in the upper 80's and a graduation class in the 90's. Our budget enrollment averages out to be 1,250 over the last 10 years.
- The District continues to be under funded at the State level which assigns the burden of financial stability to 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 support of its Summer School program through participation in a State-sponsored study and increasing the number of students invited to participate in the program.

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 Brietta Collier, School Business Official and Board Secretary/Treasurer, West Liberty Community School District, 111 W 7th St, West Liberty, Iowa, 52776.

Basic Financial Statements

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION
June 30, 2016

	Primary Government			Component
	Governmental Activities	Business-type Activities	Total	Unit Foundation
Assets				
Cash and pooled investments	\$ 6,020,933	\$ 109,633	\$ 6,130,566	\$ 273,897
Investments	-	-	-	586,452
Receivables:				
Property tax:				
Current year	56,502	-	56,502	-
Succeeding year	4,776,424	-	4,776,424	-
Income surtax	856,314	-	856,314	-
Accrued interest	3,490	-	3,490	-
Accounts	32,014	-	32,014	-
Due from other governments	319,929	-	319,929	-
Inventories	-	77,686	77,686	-
Prepaid expenses	33,726	-	33,726	-
Capital assets, net of accumulated depreciation (note 4)	16,383,697	98,137	16,481,834	-
Total assets	28,483,029	285,456	28,768,485	860,349
Deferred Outflows of Resources				
Pension related deferred outflows	953,173	28,264	981,437	-
Liabilities				
Accounts payable	288,526	16,967	305,493	-
Due to other governments	139,054	-	139,054	-
Salaries and benefits payable	1,162,882	10,052	1,172,934	-
Unearned revenue	-	3,624	3,624	-
Accrued interest payable	62,193	-	62,193	-
Long-term liabilities (note 5):				
Portion due within one year:				
Bonds payable	1,015,000	-	1,015,000	-
Compensated absences	48,782	-	48,782	-
Promissory note payable	-	1,349	1,349	-
Portion due after one year:				
Bonds payable	4,890,000	-	4,890,000	-
Promissory note payable	-	63,445	63,445	-
Net pension liability	5,474,806	161,556	5,636,362	-
Net OPEB liability	389,272	14,728	404,000	-
Total liabilities	13,470,515	271,721	13,742,236	-

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2016

	Primary Government			Component
	Governmental Activities	Business-type Activities	Total	Unit Foundation
Deferred Inflows of Resources				
Unavailable property tax revenue	\$ 4,776,424	\$ -	\$ 4,776,424	\$ -
Pension related deferred inflows	569,402	16,803	586,205	-
Total deferred inflows of resources	<u>5,345,826</u>	<u>16,803</u>	<u>5,362,629</u>	<u>-</u>
Net Position				
Net investment in capital assets	10,478,697	98,137	10,576,834	-
Restricted for:				
Categorical funding	102,165	-	102,165	-
Debt service	1,164,005	-	1,164,005	-
Capital projects	900,453	-	900,453	-
Physical plant and equipment levy purposes	912,540	-	912,540	-
Management levy purposes	215,492	-	215,492	-
Student activities	97,791	-	97,791	-
Unrestricted	<u>(3,251,282)</u>	<u>(72,941)</u>	<u>(3,324,223)</u>	<u>860,349</u>
Total net position	<u>\$ 10,619,861</u>	<u>\$ 25,196</u>	<u>\$ 10,645,057</u>	<u>\$ 860,349</u>

See notes to financial statements.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Instruction	\$ 9,228,186	\$ 452,835	\$ 2,081,578	\$ -
Support services:				
Student	305,029	-	-	-
Instructional staff	728,888	6,486	21,859	-
Administration	1,465,080	-	-	-
Operation and maintenance of plant	1,049,768	7,691	-	-
Transportation	369,859	7,168	838	-
	<u>3,918,624</u>	<u>21,345</u>	<u>22,697</u>	<u>-</u>
Non-instructional programs	<u>1,787</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	205,110	-	-	51,400
Long-term debt interest and fiscal charges	198,456	-	-	-
AEA flowthrough	503,917	-	503,917	-
Depreciation (unallocated) *	830,045	-	-	-
	<u>1,737,528</u>	<u>-</u>	<u>503,917</u>	<u>51,400</u>
Total governmental activities	<u>14,886,125</u>	<u>474,180</u>	<u>2,608,192</u>	<u>51,400</u>

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Foundation
\$ (6,693,773)	\$ -	\$ (6,693,773)	\$ -
(305,029)	-	(305,029)	-
(700,543)	-	(700,543)	-
(1,465,080)	-	(1,465,080)	-
(1,042,077)	-	(1,042,077)	-
(361,853)	-	(361,853)	-
(3,874,582)	-	(3,874,582)	-
(1,787)	-	(1,787)	-
(153,710)	-	(153,710)	-
(198,456)	-	(198,456)	-
-	-	-	-
(830,045)	-	(830,045)	-
(1,182,211)	-	(1,182,211)	-
(11,752,353)	-	(11,752,353)	-

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Business-Type Activities:				
Support services:				
Administration	\$ 7,189	\$ -	\$ -	\$ -
Operation and maintenance of plant	16,127	-	-	-
	<u>23,316</u>	<u>-</u>	<u>-</u>	<u>-</u>
Non-instructional programs:				
Food service operations	808,740	247,291	569,591	11,866
	<u>832,056</u>	<u>247,291</u>	<u>569,591</u>	<u>11,866</u>
Total business-type activities	<u>832,056</u>	<u>247,291</u>	<u>569,591</u>	<u>11,866</u>
Total primary government	<u>\$ 15,718,181</u>	<u>\$ 721,471</u>	<u>\$ 3,177,783</u>	<u>\$ 63,266</u>
Component Unit:				
Foundation	<u>\$ 82,592</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:

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

Total general revenues

Change in net position

Net position beginning of year

Net position end of year

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

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Foundation
\$ -	\$ (7,189)	\$ (7,189)	\$ -
-	(16,127)	(16,127)	-
-	(23,316)	(23,316)	-
-	20,008	20,008	-
-	(3,308)	(3,308)	-
(11,752,353)	(3,308)	(11,755,661)	-
-	-	-	(82,592)
\$ 3,971,823	\$ -	\$ 3,971,823	\$ -
501,193	-	501,193	-
108,163	-	108,163	-
904,218	-	904,218	-
1,172,574	-	1,172,574	-
6,289,108	-	6,289,108	-
26,707	3,430	30,137	1,022
-	-	-	70,790
64,239	-	64,239	-
-	-	-	12,826
13,038,025	3,430	13,041,455	84,638
1,285,672	122	1,285,794	2,046
9,334,189	25,074	9,359,263	858,303
\$ 10,619,861	\$ 25,196	\$ 10,645,057	\$ 860,349

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2016

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Assets					
Cash and pooled investments	\$ 3,129,683	\$ 661,000	\$ 1,891,533	\$ 333,998	\$ 6,016,214
Receivables:					
Property tax:					
Current year	47,899	6,198	1,338	1,067	56,502
Succeeding year	3,763,263	780,564	110,598	121,999	4,776,424
Income surtax	503,714	-	352,600	-	856,314
Accrued interest	-	-	3,490	-	3,490
Accounts	22,200	-	-	9,814	32,014
Due from other governments	127,230	-	192,699	-	319,929
Prepaid expenses	10,400	-	22,651	675	33,726
	<hr/>				
Total assets	<u>\$ 7,604,389</u>	<u>\$ 1,447,762</u>	<u>\$ 2,574,909</u>	<u>\$ 467,553</u>	<u>\$ 12,094,613</u>

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2016

	General	Debt Service	Capital Projects	Nonmajor	Total
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	\$ 164,540	\$ -	\$ 92,318	\$ 31,668	\$ 288,526
Due to other governments	139,054	-	-	-	139,054
Salaries and benefits payable	1,162,279	-	-	603	1,162,882
Total liabilities	<u>1,465,873</u>	<u>-</u>	<u>92,318</u>	<u>32,271</u>	<u>1,590,462</u>
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	3,763,263	780,564	110,598	121,999	4,776,424
Other	503,714	-	352,600	-	856,314
Total deferred inflows of resources	<u>4,266,977</u>	<u>780,564</u>	<u>463,198</u>	<u>121,999</u>	<u>5,632,738</u>
Fund balances:					
Nonspendable:					
Prepaid expenses	10,400	-	22,651	675	33,726
Restricted for:					
Categorical funding (note 10)	102,165	-	-	-	102,165
Revenue bonds	-	-	559,000	-	559,000
Revenue bonds sinking fund	-	651,802	-	-	651,802
Debt service	-	15,396	-	-	15,396
School infrastructure	-	-	900,453	-	900,453
Physical plant and equipment	-	-	537,289	-	537,289
Management levy purposes	-	-	-	215,492	215,492
Student activities	-	-	-	97,116	97,116
Assigned for special purposes	52,108	-	-	-	52,108
Unassigned	1,706,866	-	-	-	1,706,866
Total fund balances	<u>1,871,539</u>	<u>667,198</u>	<u>2,019,393</u>	<u>313,283</u>	<u>4,871,413</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 7,604,389</u>	<u>\$ 1,447,762</u>	<u>\$ 2,574,909</u>	<u>\$ 467,553</u>	<u>\$ 12,094,613</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, 2016

Total fund balances of governmental funds	\$	4,871,413
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.		16,383,697
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.		856,314
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.		4,719
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.		(62,193)
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	\$ 953,173	
Deferred inflows of resources	<u>(569,402)</u>	383,771
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>(11,817,860)</u>
Net position of governmental activities	\$	<u><u>10,619,861</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, 2016

	General	Debt Service	Capital Projects	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 4,345,542	\$ 498,187	\$ 483,500	\$ 85,596	\$ 5,412,825
Tuition	180,005	-	-	-	180,005
Other	259,958	617	70,444	279,587	610,606
State sources	8,066,989	3,006	1,173,223	522	9,243,740
Federal sources	673,288	-	-	-	673,288
Total revenues	<u>13,525,782</u>	<u>501,810</u>	<u>1,727,167</u>	<u>365,705</u>	<u>16,120,464</u>
Expenditures:					
Current:					
Instruction	9,130,603	-	70,123	290,315	9,491,041
Support services:					
Student	316,312	-	-	1,077	317,389
Instructional staff	675,759	-	73,210	3,280	752,249
Administration	1,437,428	-	74,436	3,306	1,515,170
Operation and maintenance of plant	933,365	-	54,697	85,769	1,073,831
Transportation	282,366	-	132,554	24,385	439,305
	<u>3,645,230</u>	<u>-</u>	<u>334,897</u>	<u>117,817</u>	<u>4,097,944</u>
Non-instructional programs	1,787	-	-	-	1,787
Other expenditures:					
Facilities acquisition	-	-	328,237	-	328,237
Long term debt:					
Principal	-	985,000	-	-	985,000
Interest and fiscal charges	-	209,890	-	-	209,890
AEA flowthrough	503,917	-	-	-	503,917
	<u>503,917</u>	<u>1,194,890</u>	<u>328,237</u>	<u>-</u>	<u>2,027,044</u>
Total expenditures	<u>13,281,537</u>	<u>1,194,890</u>	<u>733,257</u>	<u>408,132</u>	<u>15,617,816</u>
Excess (deficiency) of revenues over (under) expenditures	<u>244,245</u>	<u>(693,080)</u>	<u>993,910</u>	<u>(42,427)</u>	<u>502,648</u>

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2016

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Other financing sources (uses):					
Sale of equipment	\$ 224	\$ -	\$ -	\$ -	\$ 224
Compensation for loss of capital assets	6,275	-	-	-	6,275
Interfund transfers in (note 3)	-	709,885	-	-	709,885
Interfund transfers out (note 3)	-	-	(709,885)	-	(709,885)
Total other financing sources (uses)	<u>6,499</u>	<u>709,885</u>	<u>(709,885)</u>	<u>-</u>	<u>6,499</u>
Change in fund balances	250,744	16,805	284,025	(42,427)	509,147
Fund balances beginning 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>
Fund balances end of year	<u>\$ 1,871,539</u>	<u>\$ 667,198</u>	<u>\$ 2,019,393</u>	<u>\$ 313,283</u>	<u>\$ 4,871,413</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, 2016

Change in fund balances - total governmental funds \$ 509,147

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. These costs are not reported in the Statement of Activities, but they are allocated over the estimated useful lives of the capital assets as depreciation expense in the Statement of Activities. The amounts of capital outlay expenditures and depreciation expense in the current year are as follows:

Expenditures for capital assets	\$ 263,030	
Depreciation expense	<u>(913,019)</u>	(649,989)

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. (170)

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. 44,822

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position. 985,000

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, interest expense is recognized as the interest accrues, regardless of when it is due. 11,434

The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as deferred outflows of resources in the Statement of Net Position. 42,198

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, 2016

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	\$	6,230	
	Pension expense		246,272	
	Net OPEB liability		<u>90,728</u>	\$ <u>343,230</u>
Change in net position of governmental activities				\$ <u><u>1,285,672</u></u>

See notes to financial statements.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS

June 30, 2016

	Enterprise			Internal Service
	School Nutrition	Nonmajor	Total	
Assets				
Cash and cash equivalents	\$ 107,504	\$ 2,129	\$ 109,633	\$ 4,719
Inventories	10,852	66,834	77,686	-
Capital assets, net of accumulated depreciation (note 4)	98,137	-	98,137	-
Total assets	<u>216,493</u>	<u>68,963</u>	<u>285,456</u>	<u>4,719</u>
Deferred Outflows of Resources				
Pension related deferred outflows	<u>28,264</u>	<u>-</u>	<u>28,264</u>	<u>-</u>
Liabilities				
Accounts payable	16,959	8	16,967	-
Salaries and benefits payable	10,052	-	10,052	-
Unearned revenue	3,624	-	3,624	-
Promissory note payable	-	64,794	64,794	-
Net pension liability	161,556	-	161,556	-
Net OPEB liability	14,728	-	14,728	-
Total liabilities	<u>206,919</u>	<u>64,802</u>	<u>271,721</u>	<u>-</u>
Deferred Inflows of Resources				
Pension related deferred inflows	<u>16,803</u>	<u>-</u>	<u>16,803</u>	<u>-</u>
Fund Net Position				
Net investment in capital assets	98,137	-	98,137	-
Unrestricted:				
Food services	(77,102)	-	(77,102)	-
Student construction	-	4,161	4,161	-
Flex benefits	-	-	-	4,719
Total fund net position	<u>\$ 21,035</u>	<u>\$ 4,161</u>	<u>\$ 25,196</u>	<u>\$ 4,719</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, 2016

	Enterprise			Internal Service
	School Nutrition	Nonmajor	Total	
Operating revenues:				
Local sources:				
Charges for services	\$ 247,291	\$ -	\$ 247,291	\$ 1,933
Operating expenses:				
Support services:				
Administration:				
Purchased services	3,744	135	3,879	-
Other	-	3,310	3,310	-
Operation and maintenance of plant:				
Purchased services	12,768	297	13,065	-
Supplies	2,804	258	3,062	-
Non-instructional programs:				
Salaries	248,835	-	248,835	-
Benefits	83,668	-	83,668	-
Purchased services	-	-	-	2,115
Supplies	455,284	-	455,284	-
Depreciation	20,208	-	20,208	-
Other	745	-	745	-
Total operating expenses	828,056	4,000	832,056	2,115
Operating loss	(580,765)	(4,000)	(584,765)	(182)
Non-operating revenues:				
Interest on investments	294	3,136	3,430	12
State sources	6,534	-	6,534	-
Federal sources	574,923	-	574,923	-
Total non-operating revenues	581,751	3,136	584,887	12
Change in fund net position	986	(864)	122	(170)
Fund net position beginning of year	20,049	5,025	25,074	4,889
Fund net position end of year	\$ 21,035	\$ 4,161	\$ 25,196	\$ 4,719

See notes to financial statements.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2016

	Enterprise			Internal Service
	School Nutrition	Nonmajor	Total	
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 250,844	\$ -	\$ 250,844	\$ -
Cash received from miscellaneous operating activities	300	643	943	1,933
Cash paid to employees for services	(328,269)	-	(328,269)	-
Cash paid to suppliers for goods or services	(416,559)	(3,992)	(420,551)	(2,115)
Net cash used by operating activities	<u>(493,684)</u>	<u>(3,349)</u>	<u>(497,033)</u>	<u>(182)</u>
Cash flows from non-capital financing activities:				
State grants received	6,534	-	6,534	-
Federal grants received	528,764	-	528,764	-
Promissory note repayments	-	(1,295)	(1,295)	-
Net cash provided by (used by) non- capital financing activities	<u>535,298</u>	<u>(1,295)</u>	<u>534,003</u>	<u>-</u>
Cash flows from capital and related financing activities:				
Acquisition of capital assets	<u>(23,545)</u>	-	<u>(23,545)</u>	<u>-</u>
Cash flows from investing activities:				
Interest on investments	<u>294</u>	<u>3,136</u>	<u>3,430</u>	<u>12</u>
Net increase (decrease) in cash and cash equivalents	18,363	(1,508)	16,855	(170)
Cash and cash equivalents beginning of year	<u>89,141</u>	<u>3,637</u>	<u>92,778</u>	<u>4,889</u>
Cash and cash equivalents end of year	<u>\$ 107,504</u>	<u>\$ 2,129</u>	<u>\$ 109,633</u>	<u>\$ 4,719</u>

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2016

	Enterprise			Internal Service
	School Nutrition	Nonmajor	Total	
Reconciliation of operating loss to net cash used by operating activities:				
Operating loss	\$ (580,765)	\$ (4,000)	\$ (584,765)	\$ (182)
Adjustments to reconcile operating loss to net cash used by operating activities:				
Depreciation	20,208	-	20,208	-
Commodities used	41,742	-	41,742	-
Decrease in accounts receivable	4,165	-	4,165	-
(Increase) decrease in inventories	4,106	(66,834)	(62,728)	-
Decrease in contract receivable	-	67,477	67,477	-
Increase in accounts payable	12,938	8	12,946	-
Increase in salaries and benefits payable	1,663	-	1,663	-
(Decrease) in unearned revenue	(312)	-	(312)	-
Increase in net pension liability	26,833	-	26,833	-
(Increase) in deferred outflows of resources	(419)	-	(419)	-
(Decrease) in deferred inflows of resources	(38,571)	-	(38,571)	-
Increase in net OPEB liability	14,728	-	14,728	-
Net cash used by operating activities	<u>\$ (493,684)</u>	<u>\$ (3,349)</u>	<u>\$ (497,033)</u>	<u>\$ (182)</u>

Non-cash financing activities:

During the year ended June 30, 2016, the District received \$41,742 of federal commodities.

See notes to financial statements.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

June 30, 2016

	<u>Private Purpose Trust</u>
	<u>Scholarship</u>
Assets:	
Cash and pooled investments	\$ <u>529</u>
Fiduciary Net Position:	
Restricted for scholarships	\$ <u><u>529</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, 2016

	Private Purpose Trust
	<u>Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	\$ <u>899</u>
Deductions:	
Instruction:	
Scholarships awarded	<u>1,977</u>
Change in fiduciary net position	(1,078)
Fiduciary net position beginning of year	<u>1,607</u>
Fiduciary net position end of year	\$ <u><u>529</u></u>
See notes to financial statements.	

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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, 2016

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, 2016

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, 2016

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 the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost, and non-negotiable certificates of deposit, which are stated at cost.

For purposes of the Statement of Cash Flows, all short-term 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, 2016

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, 2014 assessed property valuations; is for the tax accrual period July 1, 2015 through June 30, 2016 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2015.

Income Surtax Receivable – Income surtax budgeted for the fiscal year ended June 30, 2016 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, 2016

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) which 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 District after the measurement date but before the end of the District’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.

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, 2016. 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, 2016

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) which 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, the unamortized portion of the net difference between projected and actual earnings on pension plan investments, and other unamortized items not yet charged against pension expense.

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, 2016, expenditures/expenses exceeded the amount budgeted in the non-instructional programs function.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2016 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.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Note 2. Cash and Pooled Investments (continued)

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

At June 30, 2016, the District had the following investments:

Investment	Fair Value
Money Market Mutual Fund	\$ <u>4,508</u>

Component Unit Investments – At June 30, 2016, the Foundation had investments as follows:

Investment	Fair Value
Mutual Funds	\$ <u>586,452</u>

The District uses the fair value hierarchy established by generally accepted accounting principles based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs.

The recurring fair value measurements for the Money Market Mutual Fund of \$4,508 and for the Foundation's Mutual Funds of \$586,452 were determined using the last reported sales price at current exchange rates. (Level 1 inputs)

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2016 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ <u>709,885</u>

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

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2016 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 462,833	\$ -	\$ -	\$ 462,833
Construction in progress	51,574	71,200	90,514	32,260
Total capital assets not being depreciated	<u>514,407</u>	<u>71,200</u>	<u>90,514</u>	<u>495,093</u>
Capital assets being depreciated:				
Buildings	25,330,466	90,514	-	25,420,980
Improvements other than buildings	1,540,050	44,326	-	1,584,376
Furniture and equipment	1,763,076	147,504	78,858	1,831,722
Total capital assets being depreciated	<u>28,633,592</u>	<u>282,344</u>	<u>78,858</u>	<u>28,837,078</u>
Less accumulated depreciation for:				
Buildings	9,958,337	687,074	-	10,645,411
Improvements other than buildings	1,001,823	101,807	-	1,103,630
Furniture and equipment	1,154,153	124,138	78,858	1,199,433
Total accumulated depreciation	<u>12,114,313</u>	<u>913,019</u>	<u>78,858</u>	<u>12,948,474</u>
Total capital assets being depreciated, net	<u>16,519,279</u>	<u>(630,675)</u>	<u>-</u>	<u>15,888,604</u>
Governmental activities capital assets, net	<u>\$ 17,033,686</u>	<u>\$ (559,475)</u>	<u>\$ 90,514</u>	<u>\$ 16,383,697</u>
Business-type activities:				
Furniture and equipment	\$ 374,745	\$ 23,545	\$ -	\$ 398,290
Less accumulated depreciation	279,945	20,208	-	300,153
Business-type activities capital assets, net	<u>\$ 94,800</u>	<u>\$ 3,337</u>	<u>\$ -</u>	<u>\$ 98,137</u>

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Note 4. Capital Assets (continued)

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction: \$ 15,979

Support services:

Administration 1,156

Operation and maintenance of plant 5,979

Transportation 59,860

82,974

Unallocated depreciation 830,045

Total depreciation expense - governmental activities \$ 913,019

Business-type activities:

Food service operations \$ 20,208

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Note 5. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2016 is as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 3,085,000	\$ -	\$ 410,000	\$ 2,675,000	\$ 420,000
Revenue bonds	3,805,000	-	575,000	3,230,000	595,000
Compensated absences	55,012	48,782	55,012	48,782	48,782
Net pension liability	4,466,789	1,008,017	-	5,474,806	-
Net OPEB liability	480,000	-	90,728	389,272	-
Total	<u>\$ 11,891,801</u>	<u>\$ 1,056,799</u>	<u>\$ 1,130,740</u>	<u>\$ 11,817,860</u>	<u>\$ 1,063,782</u>
Business-type activities:					
Promissory note	\$ 66,089	\$ -	\$ 1,295	\$ 64,794	\$ 1,349
Net pension liability	134,723	26,833	-	161,556	-
Net OPEB liability	-	14,728	-	14,728	-
Total	<u>\$ 200,812</u>	<u>\$ 41,561</u>	<u>\$ 1,295</u>	<u>\$ 241,078</u>	<u>\$ 1,349</u>

General Obligation Bonds

Details of the District's June 30, 2016 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Issue dated September 1, 2010			
	Interest Rates	Principal	Interest	Total
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	3.10	460,000	29,620	489,620
2022	3.20	480,000	15,360	495,360
		<u>\$ 2,675,000</u>	<u>\$ 283,645</u>	<u>\$ 2,958,645</u>

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Note 5. Long-Term Liabilities (continued)

Revenue Bonds

Details of the District's June 30, 2016 revenue bonded indebtedness are as follows:

Year Ending June 30,	Issue dated June 26, 2008			
	Interest Rates	Principal	Interest	Total
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>\$ 2,260,000</u>	<u>\$ 234,438</u>	<u>\$ 2,494,438</u>

Year Ending June 30,	Issue dated April 18, 2012			
	Interest Rates	Principal	Interest	Total
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>\$ 970,000</u>	<u>\$ 49,500</u>	<u>\$ 1,019,500</u>

Year Ending June 30,	Total		
	Principal	Interest	Total
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>\$ 3,230,000</u>	<u>\$ 283,938</u>	<u>\$ 3,513,938</u>

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Note 5. 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 \$3,513,938. For the current year, \$575,000 of principal and \$122,626 of interest was paid on the bonds and total statewide sales, services and use tax revenues were \$1,172,574.

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, 2016

Note 5. Long-Term Liabilities (continued)

Promissory Note (continued)

Details of the District's June 30, 2016 promissory note indebtedness are as follows:

Year Ending June 30,	Principal	Interest	Total
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	1,651	2,954	4,605
2022-2026	9,623	13,405	23,028
2027-2031	12,394	10,634	23,028
2032-2036	15,959	7,069	23,028
2037-2041	19,346	2,472	21,818
	<u>\$ 64,794</u>	<u>\$ 49,133</u>	<u>\$ 113,927</u>

Note 6. 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.

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, any time 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, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Note 6. 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 on or after 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 – Contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires 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 2016, pursuant to the required rate, Regular members contributed 5.95% of covered pay and the District contributed 8.93% of covered payroll, for a total rate of 14.88%.

The District's contributions to IPERS for the year ended June 30, 2016 were \$741,096.

Net Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2016, the District reported a liability of \$5,636,362 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, 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 IPERS relative to the contributions of all IPERS participating employers. At June 30, 2015, the District's proportion was 0.114085 percent, which was a decrease of 0.001942 from its proportion measured as of June 30, 2014.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Note 6. Pension Plan (continued)

For the year ended June 30, 2016, the District recognized pension expense of \$440,469. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 85,158	\$ -
Changes of assumptions	155,183	-
Net difference between projected and actual earnings on pension plan investments	-	469,093
Changes in proportion and differences between District contributions and the District's proportionate share of contributions	-	117,112
District contributions subsequent to the measurement date	741,096	-
Total	\$ 981,437	\$ 586,205

\$741,096 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, 2017. 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 June 30,	Amount
2017	\$ (191,480)
2018	(191,480)
2019	(191,480)
2020	226,482
2021	2,094
Total	\$ (345,864)

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Note 6. Pension Plan (continued)

Actuarial Assumptions – The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00% per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 1990)	4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation.

The actuarial assumptions used in the June 30, 2015 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 IPERS investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of 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 Real Rate of Return</u>
Core Plus Fixed Income	28%	2.04%
Domestic Equity	24%	6.29
International Equity	16%	6.75
Private Equity/Debt	11%	11.32
Real Estate	8%	3.48
Credit Opportunities	5%	3.63
U.S. TIPS	5%	1.91
Other Real Assets	2%	6.24
Cash	1%	(0.71)
	<hr/>	
Total	<u>100%</u>	

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Note 6. Pension Plan (continued)

Discount Rate – The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS’ 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 IPERS’ 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%) or 1-percentage-point higher (8.5%) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	\$ 9,868,256	\$ 5,636,362	\$ 2,064,340

IPERS’ Fiduciary Net Position – Detailed information about IPERS’ fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS’ website at www.ipers.org.

Note 7. 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 166 active and 7 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 benefits 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, 2016

Note 7. Other Postemployment Benefits (OPEB) (continued)

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2016, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$	82,000
Interest on net OPEB obligation		9,000
Adjustment to annual required contribution		<u>(25,000)</u>
Annual OPEB cost		66,000
Contributions made		<u>(11,000)</u>
Increase in net OPEB obligation		55,000
Adjustment for change in actuarial assumptions		(131,000)
Net OPEB obligation beginning of year		<u>480,000</u>
 Net OPEB obligation end of year	 \$	 <u><u>404,000</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, 2016.

For the year ended June 30, 2016, the District contributed \$11,000 to the medical plan.

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

<u>Year Ended</u> <u>June 30,</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net</u> <u>OPEB</u> <u>Obligation</u>
2014	\$ 89,000	6.7%	\$ 389,000
2015	98,000	7.1%	480,000
2016	66,000	16.7%	404,000

Funded Status and Funding Progress – As of July 1, 2015, the most recent actuarial valuation date for the period July 1, 2015 through June 30, 2016, the actuarial accrued liability was \$454,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$454,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$8,549,000, and the ratio of the UAAL to covered payroll was 5.3%. As of June 30, 2016, there were no trust fund assets.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Note 7. Other Postemployment Benefits (OPEB) (continued)

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 2015 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 RP 2000 Annuity Mortality Table projected to 2015, 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 8. 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 9. 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 \$503,917 for the year ended June 30, 2016 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Note 10. Categorical Funding

The District's fund balance restricted for categorical funding at June 30, 2016 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Gifted and talented programs	\$ 13,108
Returning dropouts and dropout prevention programs	45,997
Beginning teacher mentoring and induction program	2,176
Professional development for model core curriculum	22,565
Professional development	<u>18,319</u>
Total	<u>\$ 102,165</u>

Note 11. Construction Commitments

The District has entered into a contract totaling \$103,600 for a track resurfacing project. As of June 30, 2016, work had not yet begun on the project.

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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, 2016

	Governmental Funds - Actual	Proprietary Funds - Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
REVENUES:						
Local sources	\$ 6,203,436	\$ 250,721	\$ 6,454,157	\$ 6,123,100	\$ 6,123,100	\$ 331,057
State sources	9,243,740	6,534	9,250,274	9,659,546	9,659,546	(409,272)
Federal sources	673,288	574,923	1,248,211	1,019,654	1,019,654	228,557
Total revenues	16,120,464	832,178	16,952,642	16,802,300	16,802,300	150,342
EXPENDITURES/EXPENSES:						
Instruction	9,491,041	-	9,491,041	9,244,419	9,566,768	75,727
Support services	4,097,944	23,316	4,121,260	4,087,072	4,293,145	171,885
Non-instructional programs	1,787	808,740	810,527	707,293	750,766	(59,761)
Other expenditures	2,027,044	-	2,027,044	3,164,913	3,164,913	1,137,869
Total expenditures/ expenses	15,617,816	832,056	16,449,872	17,203,697	17,775,592	1,325,720
Excess (deficiency) of revenues over (under) expenditures/ expenses	502,648	122	502,770	(401,397)	(973,292)	1,476,062
Other financing sources, net	6,499	-	6,499	(2,940)	(2,940)	9,439
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses	509,147	122	509,269	(404,337)	(976,232)	1,485,501
Balance beginning of year	4,362,266	25,074	4,387,340	3,632,968	3,632,968	754,372
Balance end of year	\$ <u>4,871,413</u>	\$ <u>25,196</u>	\$ <u>4,896,609</u>	\$ <u>3,228,631</u>	\$ <u>2,656,736</u>	\$ <u>2,239,873</u>

See accompanying independent auditor's report.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
Year Ended June 30, 2016

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 the District adopted one budget amendment increasing budgeted expenditures/expenses by \$571,895.

During the year ended June 30, 2016, 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
For the Last Two Years*
(In Thousands)

Required Supplementary Information

	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	0.114085	0.116027
District's proportionate share of the net pension liability	\$ 5,636	\$ 4,602
District's covered-employee payroll	\$ 7,816	\$ 7,592
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	72.11%	60.62%
Plan fiduciary net position as a percentage of the total pension liability	85.19%	87.61%

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding year.

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>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Statutorily required contributions	\$ 741	\$ 698	\$ 678	\$ 654
Contributions in relation to the statutorily required contribution	<u>(741)</u>	<u>(698)</u>	<u>(678)</u>	<u>(654)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 8,296	\$ 7,816	\$ 7,592	\$ 7,545
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.93%	8.67%

See accompanying independent auditor's report.

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 574	\$ 483	\$ 416	\$ 417	\$ 376	\$ 343
<u>(574)</u>	<u>(483)</u>	<u>(416)</u>	<u>(417)</u>	<u>(376)</u>	<u>(343)</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 7,118	\$ 6,955	\$ 6,257	\$ 6,566	\$ 6,218	\$ 5,962
8.07%	6.95%	6.65%	6.35%	6.05%	5.75%

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY
Year Ended June 30, 2016

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for 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% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

Legislative action in 2008 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.

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% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- 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 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

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

Required Supplementary Information
Year Ended June 30, 2016

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%
2016	July 1, 2015	-	454	454	0.0%	8,549	5.3%

See note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

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Supplementary Information

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2016

	Special Revenue		Total
	Management Levy	Student Activity	
Assets			
Cash and pooled investments	\$ 214,425	\$ 119,573	\$ 333,998
Receivables:			
Property tax:			
Current year	1,067	-	1,067
Succeeding year	121,999	-	121,999
Accounts	-	9,814	9,814
Prepaid expenses	-	675	675
Total assets	\$ 337,491	\$ 130,062	\$ 467,553
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ -	\$ 31,668	\$ 31,668
Salaries and benefits payable	-	603	603
Total liabilities	-	32,271	32,271
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	121,999	-	121,999
Fund balances:			
Nonspendable:			
Prepaid expenses	-	675	675
Restricted for:			
Management levy purposes	215,492	-	215,492
Student activities	-	97,116	97,116
Total fund balances	215,492	97,791	313,283
Total liabilities, deferred inflows of resources and fund balances	\$ 337,491	\$ 130,062	\$ 467,553

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, 2016

	<u>Special Revenue</u>		<u>Total</u>
	<u>Management Levy</u>	<u>Student Activity</u>	
Revenues:			
Local sources:			
Local tax	\$ 85,596	\$ -	\$ 85,596
Other	625	278,962	279,587
State sources	522	-	522
Total revenues	<u>86,743</u>	<u>278,962</u>	<u>365,705</u>
Expenditures:			
Current:			
Instruction	24,100	266,215	290,315
Support services:			
Student	1,077	-	1,077
Instructional staff	741	2,539	3,280
Administration	2,890	416	3,306
Operation and maintenance of plant	67,055	18,714	85,769
Transportation	19,857	4,528	24,385
Total expenditures	<u>115,720</u>	<u>292,412</u>	<u>408,132</u>
Deficiency of revenues under expenditures	(28,977)	(13,450)	(42,427)
Fund balances beginning of year	<u>244,469</u>	<u>111,241</u>	<u>355,710</u>
Fund balances end of year	<u>\$ 215,492</u>	<u>\$ 97,791</u>	<u>\$ 313,283</u>

See accompanying independent auditor's report.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
CAPITAL PROJECTS ACCOUNTS
June 30, 2016

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 1,274,506	\$ 617,027	\$ 1,891,533
Receivables:			
Property tax:			
Current year	-	1,338	1,338
Succeeding year	-	110,598	110,598
Income surtax	-	352,600	352,600
Accrued interest	3,490	-	3,490
Due from other governments	192,699	-	192,699
Prepaid expenses	-	22,651	22,651
Total assets	\$ 1,470,695	\$ 1,104,214	\$ 2,574,909
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 11,242	\$ 81,076	\$ 92,318
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	110,598	110,598
Other	-	352,600	352,600
	-	463,198	463,198
Fund balances:			
Nonspendable:			
Prepaid expenses	-	22,651	22,651
Restricted for:			
Revenue bonds	559,000	-	559,000
School infrastructure	900,453	-	900,453
Physical plant and equipment	-	537,289	537,289
Total fund balances	1,459,453	559,940	2,019,393
	\$ 1,470,695	\$ 1,104,214	\$ 2,574,909

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, 2016

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	\$ 483,500	\$ 483,500
Other	16,853	53,591	70,444
State sources	1,172,574	649	1,173,223
Total revenues	<u>1,189,427</u>	<u>537,740</u>	<u>1,727,167</u>
Expenditures:			
Current:			
Instruction	53,113	17,010	70,123
Support services:			
Instructional staff	28,832	44,378	73,210
Administration	-	74,436	74,436
Operation and maintenance of plant	32,867	21,830	54,697
Transportation	495	132,059	132,554
Other expenditures:			
Facilities acquisition	6,105	322,132	328,237
Total expenditures	<u>121,412</u>	<u>611,845</u>	<u>733,257</u>
Excess (deficiency) of revenues over (under) expenditures	1,068,015	(74,105)	993,910
Other financing uses:			
Interfund transfers out	<u>(709,885)</u>	-	<u>(709,885)</u>
Change in fund balances	358,130	(74,105)	284,025
Fund balances beginning of year	<u>1,101,323</u>	<u>634,045</u>	<u>1,735,368</u>
Fund balances end of year	<u>\$ 1,459,453</u>	<u>\$ 559,940</u>	<u>\$ 2,019,393</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, 2016

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
District Wide:				
Miscellaneous	\$ 275	\$ 15,134	\$ 15,134	\$ 275
Booster Club Reimbursement	-	11,566	11,566	-
Fine Arts Booster Donation	-	10,168	10,168	-
Interest	-	507	507	-
Elementary:				
Student Council	782	1,141	1,441	482
Junior High:				
Musical	5,179	-	-	5,179
Boys Basketball	-	1,407	1,407	-
Football	-	2,071	2,071	-
Boys Track	-	1,124	1,124	-
Wrestling	-	1,126	1,126	-
Girls Basketball	-	969	969	-
Volleyball	-	664	664	-
Girls Track	-	411	411	-
Eighth Grade	900	-	150	750
Seventh Grade	400	-	50	350
Student Council	1,183	1,342	1,621	904
Student Council RS Yearbook	-	1,595	1,595	-
High School:				
Drama	7,436	4,439	5,475	6,400
Show Choir Resale	-	3,697	3,697	-
Color Guard	209	-	209	-
Activity Tickets	-	70	35	35
Athletics	(4,243)	463	3,542	(7,322)
High School FB, BB, WR Fundraiser	591	12,145	12,736	-
Cross Country	941	3,603	3,256	1,288
HS Cheerleading	1,718	17,140	14,809	4,049
Dance Team	443	7,671	6,456	1,658
Boys Basketball	2,371	8,621	6,055	4,937
Football	10,553	26,872	31,644	5,781
Boys Soccer	1,692	3,733	3,740	1,685
Baseball	2,128	6,965	7,636	1,457
Boys Track	357	6,946	7,240	63
Boys Golf	313	540	560	293
Wrestling	2,218	2,180	4,370	28

WEST LIBERTY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2016

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
High School (continued):				
Girls Basketball	\$ 363	\$ 4,059	\$ 4,261	\$ 161
Volleyball	2,904	10,015	10,368	2,551
Girls Soccer	2,639	12,038	8,403	6,274
Softball	5,385	3,628	6,069	2,944
Girls Track	2,073	820	942	1,951
Girls Golf	1,194	4,441	2,395	3,240
Juniors	801	2,681	1,995	1,487
Sophomores	1,100	-	234	866
Freshmen	905	-	44	861
FCCLA	581	-	-	581
FFA	22,875	56,241	58,722	20,394
Greenhouse Fund	27,748	12,170	16,670	23,248
Anime Fund	65	-	-	65
Trapshooting	100	-	-	100
IT Club	136	-	-	136
Interact Club	-	1,088	570	518
National Honor Society	1,897	220	952	1,165
Student Council	1,315	4,258	4,035	1,538
Yearbook	3,659	12,993	15,288	1,364
Science Club	55	-	-	55
Total	<u>\$ 111,241</u>	<u>\$ 278,962</u>	<u>\$ 292,412</u>	<u>\$ 97,791</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, 2016

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash	\$ 4,816	\$ 66,838	\$ 71,654	\$ -
Accounts receivable	535	(535)	-	-
Total assets	<u>\$ 5,351</u>	<u>\$ 66,303</u>	<u>\$ 71,654</u>	<u>\$ -</u>
Liabilities				
Other payables	<u>\$ 5,351</u>	<u>\$ 66,303</u>	<u>\$ 71,654</u>	<u>\$ -</u>

See accompanying independent auditor's report.

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

	Modified Accrual Basis Years Ended June 30,			
	2016	2015	2014	2013
Revenues:				
Local sources:				
Local tax	\$ 5,412,825	\$ 5,295,362	\$ 5,026,221	\$ 5,713,085
Tuition	180,005	140,536	152,447	136,459
Other	610,606	524,176	474,035	830,538
State sources	9,243,740	9,044,328	8,971,036	7,757,629
Federal sources	673,288	621,400	605,322	1,022,472
Total revenues	<u>\$ 16,120,464</u>	<u>\$ 15,625,802</u>	<u>\$ 15,229,061</u>	<u>\$ 15,460,183</u>
Expenditures:				
Instruction	\$ 9,491,041	\$ 8,769,276	\$ 8,527,311	\$ 8,672,035
Support services:				
Student	317,389	291,771	311,399	336,271
Instructional staff	752,249	688,339	650,899	610,724
Administration	1,515,170	1,430,051	1,387,133	1,315,572
Operation and maintenance of plant	1,073,831	994,665	985,252	882,928
Transportation	439,305	405,769	430,303	342,649
Non-instructional programs	1,787	1,786	1,601	1,513
Other expenditures:				
Facilities acquisition	328,237	218,395	533,869	1,437,973
Long-term debt:				
Principal	985,000	965,000	915,000	745,000
Interest and fiscal charges	209,890	237,500	263,132	275,776
AEA flowthrough	503,917	491,424	475,003	465,507
Total expenditures	<u>\$ 15,617,816</u>	<u>\$ 14,493,976</u>	<u>\$ 14,480,902</u>	<u>\$ 15,085,948</u>

See accompanying independent auditor's report.

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$	5,309,282	\$ 4,979,853	\$ 4,720,809	\$ 4,686,294	\$ 4,383,660	\$ 4,122,480
	155,696	142,119	142,207	164,003	183,998	97,217
	526,493	487,757	705,817	434,483	414,123	401,798
	7,524,929	7,111,211	6,176,719	6,452,519	6,567,602	6,058,991
	897,416	864,780	1,279,672	556,461	475,743	455,182
\$	<u>14,413,816</u>	<u>13,585,720</u>	<u>13,025,224</u>	<u>12,293,760</u>	<u>12,025,126</u>	<u>11,135,668</u>
\$	8,448,306	\$ 8,247,609	\$ 8,487,941	\$ 7,725,626	\$ 7,045,643	\$ 6,787,865
	353,792	359,987	221,847	326,200	261,395	203,932
	511,188	580,150	745,109	511,892	497,392	501,013
	1,237,274	1,208,088	1,184,719	1,130,992	1,117,851	967,867
	822,642	872,330	894,554	824,556	839,878	753,719
	374,515	429,857	483,283	362,809	378,165	408,584
	1,257	8,579	14,755	1,784	8,543	3,453
	319,191	192,023	2,929,715	3,887,559	577,412	469,248
	2,005,000	600,000	575,000	555,000	535,000	510,000
	395,687	521,896	451,186	371,496	304,478	327,028
	446,757	480,501	473,195	413,549	404,516	383,857
\$	<u>14,915,609</u>	<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>

WEST LIBERTY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2016

Grantor / Program	CFDA Number	Pass-through Grantor Number	Expenditures
Indirect:			
U. S. Department of Agriculture:			
Iowa Department of Education:			
Child Nutrition Cluster Programs:			
School Breakfast Program	10.553	6975-16	\$ 81,538
National School Lunch Program	10.555	6975-16	442,441 *
Summer Food Service Program for Children	10.559	6975-16	<u>39,078</u>
			<u>563,057</u>
Child Nutrition Discretionary Grants, Recovery Act	10.579	6975-16	<u>11,866</u>
U. S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	6975GC-16	26,191
Title I Grants to Local Educational Agencies	84.010	6975G-16	241,662
Title I Grants to Local Educational Agencies	84.010	6975SINA-16	<u>9,365</u>
			<u>277,218</u>
Career and Technical Education - Basic Grants to States	84.048	6975-16	<u>409 **</u>
School Safety National Activities	84.184	6975-16	<u>4,739</u>
Supporting Effective Instruction State Grant	84.367	6975-16	<u>33,113</u>
Grants for State Assessments and Related Activities	84.369	6975-16	<u>4,716</u>
Mississippi Bend Area Education Agency			
Special Education - Grants to States	84.027	6975-16	<u>61,118</u>
Career and Technical Education - Basic Grants to States	84.048	6975-16	<u>6,021 **</u>
English Language Acquisition State Grants	84.365	6975-16	<u>17,655</u>

WEST LIBERTY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2016

<u>Grantor / Program</u>	<u>CFDA Number</u>	<u>Pass-through Grantor Number</u>	<u>Expenditures</u>
U. S. Department of Health and Human Services:			
Community Action of Eastern Iowa:			
Head Start	93.600	6975-16	74,147
Iowa Department of Education:			
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	93.938	6975-16	223
Total			\$ 1,054,282

* = Includes \$41,742 of non-cash awards.

** = Total for CFDA Number 84.048 is \$6,430.

Basis of Presentation – The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of West Liberty Community School District under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of West Liberty Community School District, it is not intended to and does not present the financial position, changes in financial position or cash flows of West Liberty Community School District.

Summary of Significant Accounting Policies – Expenditures reported in the Schedule are reported on the accrual or modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. West Liberty Community School District has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

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, 2016, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 20, 2016. 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified deficiencies in internal control over financial reporting we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-16 to be a material weakness.

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. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-B-16 and II-C-16 to be significant deficiencies.

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, 2016 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
December 20, 2016

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for the 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) Compliance Supplement that could have a direct and material effect on its major federal programs for the year ended June 30, 2016. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for West Liberty Community School District's major federal program 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 the audit requirements of Title 2, U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance 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 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, 2016.

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 the major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Hunt & Associates, P.C.

Oskaloosa, Iowa
December 20, 2016

WEST LIBERTY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2016

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) Significant deficiencies and 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 the Uniform Guidance, Section 200.515
- (g) The major program was as follows:
 - Child Nutrition Cluster
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- (i) West Liberty Community School District did not qualify as a low-risk auditee.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT
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Year Ended June 30, 2016

Part II: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiencies:

II-A-16 Financial Reporting – During the audit, we identified material amounts of payables not properly recorded in the District’s financial statements. Adjustments were subsequently made by the District to properly report these amounts in the financial statements. This appears to be due to employee oversight.

Recommendation – The District should implement procedures to ensure all payables are properly identified and included in the District’s financial statements so that the financial statements are free of material misstatements.

Response – We will double check these in the future to properly record all payables.

Conclusion – Response accepted.

II-B-16 Athletic Gate Admissions – We noted that athletic gate ticket reconciliations are not performed for every athletic event.

Recommendation – The District should establish reconciliation procedures for all athletic event gate admissions. The reconciliation should include the issuance of pre-numbered tickets and the reconciling of the admissions and change box to the number of tickets issued.

Response – We will review our current procedures regarding athletic event admissions and consider implementing the recommended reconciliations.

Conclusion – Response accepted.

II-C-16 Capital Assets Listing – During our audit, we noted that the School Nutrition Fund capital assets detail listing did not reconcile to the general ledger capital assets account. Adjustments were subsequently made by the District to the capital asset listing to properly tie to the general ledger.

Recommendation – The District should implement procedures to ensure all capital asset transactions are identified and properly recorded in the District’s financial statements and supporting listings to ensure the accuracy of capital assets. The capital asset additions, disposals, and final listing should be reviewed each year and reconciled to the prior year listing and to the general ledger to ensure accuracy.

Response – We will make sure that the capital asset detail listings are tied to the applicable general ledger accounts each year to ensure the accuracy of capital assets.

Conclusion – Response accepted.

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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
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Part IV: Other Findings Related to Statutory Reporting:

- IV-A-16 Certified Budget – Expenditures/expenses for the year ended June 30, 2016, exceeded the amount budgeted in the non-instructional programs function.
- Recommendation – The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures/expenses were allowed to exceed the budget.
- Response – We will amend our budget in sufficient amounts before expenditures/expenses exceed the budget in the future.
- Conclusion – Response accepted.
- IV-B-16 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-16 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-16 Business Transactions – No business transactions between the District and District officials or employees were noted.
- IV-E-16 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-16 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- IV-G-16 Certified Enrollment – The number of ELL (English language learner) students reported to the Iowa Department of Education on the Certified Enrollment Certification Form for September 2015 was overstated by 0.66 students due to the inclusion of three students who did not qualify for ELL funding.
- Recommendation – The District should contact the Iowa Department of Education and the Iowa Department of Management to resolve this matter.
- Response – We will contact the Iowa Department of Education and the Iowa Department of Management.
- Conclusion – Response accepted.
- IV-H-16 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- IV-I-16 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-16 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely. Except as noted in comment II-A-16, we noted no significant deficiencies in the amounts reported.

WEST LIBERTY COMMUNITY SCHOOL DISTRICT
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Year Ended June 30, 2016

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

- IV-K-16 Categorical Funding – No instances of categorical funding being used to supplant rather than supplement other funds were noted.
- IV-L-16 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, 2016, the District reported the following information regarding the statewide sales, services and use tax revenue in the District’s CAR:

Beginning balance		\$ 1,101,323
Revenues:		
Interest	\$ 14,968	
Other local revenues	1,885	
Statewide sales, services and use tax	<u>1,172,574</u>	1,189,427
Expenditures/transfers out:		
School infrastructure construction	5,139	
Equipment	95,619	
Other	20,654	
Transfers to other funds:		
Debt Service Fund	<u>709,885</u>	<u>831,297</u>
Ending balance		<u>\$ 1,459,453</u>

For the year ended June 30, 2016, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

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

IV-M-16 Financial Condition – At June 30, 2016, the governmental activities, business-type activities, and the Enterprise, School Nutrition Fund had deficit unrestricted net positions of \$3,251,282, \$72,941, and \$77,102, 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 in the District’s financial statements.

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

Response – We are unsure of what steps can be taken at this time to alleviate the strain of the District’s proportionate share of the IPERS liability and the related deferred outflows of resources and deferred inflows of resources since actions related to this area are controlled by the Iowa Legislature. However, we will look into this situation and investigate ways to return the governmental activities, business-type activities, and the School Nutrition Fund to sound financial conditions.

Conclusion – Response accepted.