

HLV COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND RESPONSES

June 30, 2007

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Gary E. Horton CPA

902 Central Ave. E.-PO Box 384
Clarion, IA 50525-0384
(515)532-6681 Phone
(515) 532-2405 Fax
BETCO@mchsi.com E-mail

Independent Auditor's Report

To the Board of Education of
HLV Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of HLV Community School District, Victor, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of HLV Community School District at June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated April 21, 2008, on our consideration of HLV Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contract and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 10 and 33 through 34 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise HLV Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2006, (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 8, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

BURTON E. TRACY & CO., P.C.
Certified Public Accountants

April 21, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

The HLV 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, 2007. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of the HLV 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 the HLV 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 HLV Community School District acts solely as an agent or custodian for the benefit of those outside of the school.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the non-major funds.

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

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

In the government-wide financial statements, the District's activities are divided into two 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.

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, Physical Plant and Equipment Levy Fund and Capital Projects Fund.

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 currently has four Enterprise Funds, the School Nutrition Fund, the Preschool Fund, the Student Constructed House Fund, and the Marketing Class Fund.

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

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

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Funds – This fund was established in order for employees to donate money for flowers/balloons to be sent to employees in event of surgery, hospital stays, funeral, and new babies.

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.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-1 below provides a summary of the District's net assets at June 30, 2007 compared to June 30, 2006.

Figure A-1

	Condensed Statement of Net Assets						Percentage Change 2007-2006
	Governmental Activities		Business-type Activities		Total School District		
	2007	2006	2007	2006	2007	2006	
	\$	\$	\$	\$	\$	\$	
Current and other assets	4,485,108	4,033,390	63,938	50,638	4,549,046	4,084,028	11%
Capital assets	1,981,744	1,892,957	5,158	6,613	1,986,902	1,899,570	5%
Total assets	6,466,852	5,926,347	69,096	57,251	6,535,948	5,983,598	9%
Long-term liabilities	77,572	78,224	-	-	77,572	78,224	-1%
Other liabilities	1,899,922	1,876,068	3,560	2,485	1,903,482	1,878,553	1%
Total liabilities	1,977,494	1,954,292	3,560	2,485	1,981,054	1,956,777	1%
Net Assets:							
Invested in capital assets, net of related debt	1,981,744	1,892,957	5,158	6,613	1,986,902	1,899,570	5%
Restricted	1,417,561	1,198,559	-	-	1,417,561	1,198,559	18%
Unrestricted	1,090,053	880,539	60,378	48,153	1,150,431	928,692	24%
TOTAL NET ASSETS	4,489,358	3,972,055	65,536	54,766	4,554,894	4,026,821	13%

The District's total net assets increased 13% from the prior year.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$219,002 or 18% over the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately \$221,739 or 24%.

Figure A-2 shows the change in net assets for the years ended June 30, 2007 and 2006.

Figure A-2

	Change in Net Assets						Percentage Change 2007-2006
	Governmental Activities		Business-type Activities		Total School District		
	2007 \$	2006 \$	2007 \$	2006 \$	2007 \$	2006 \$	
Revenues							
Program Revenues:							
Charges for services	366,474	351,440	141,212	296,790	507,686	648,230	-22%
Operating grants & contributions	434,646	419,127	58,700	47,357	493,346	466,484	6%
Capital grants & contributions	-	-	-	-	-	-	0%
General Revenues:							
Property taxes	1,582,267	1,489,606	-	-	1,582,267	1,489,606	6%
Income Surtax	159,246	198,306	-	-	159,246	198,306	-20%
Local option sales tax	251,975	142,744	-	-	251,975	142,744	77%
Unrestricted state grants	1,378,569	1,384,019	-	-	1,378,569	1,384,019	-1%
Unrestricted investment earnings	98,398	63,001	300	278	98,698	63,279	56%
Other revenue	29,244	434	-	-	29,244	434	6,638%
Total Revenues	4,300,819	4,048,677	200,212	344,425	4,501,031	4,393,102	3%
Expenses:							
Instruction	2,313,319	2,158,598	-	-	2,313,319	2,158,598	7%
Support services	1,112,318	1,138,252	-	-	1,112,318	1,138,252	-2%
Non-instructional programs	-	-	189,442	336,230	189,442	336,230	-44%
Other expenditures	357,878	323,539	-	-	357,878	323,539	11%
Total expenses	3,783,515	3,620,389	189,442	336,230	3,972,957	3,956,619	1%
Change in net assets before Transfers	517,304	428,288	10,770	8,195	528,074	436,483	21%
Transfers	-	-	-	-	-	-	0%
CHANGE IN NET ASSETS	517,304	428,288	10,770	8,195	528,074	436,483	21%
Net assets beginning of year	3,972,054	3,543,767	54,766	46,571	4,026,820	3,590,338	12%
Net assets end of year	4,489,358	3,972,055	65,536	54,766	4,554,894	4,026,821	13%

Property tax and unrestricted state grants account for 66% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 86% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$4,300,819 and expenses were \$3,783,515. The District spent \$517,304 less than the available revenues.

- The net cost of governmental activities was financed with \$1,993,488 in property and other taxes and \$1,378,569 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$200,212 and expenses were \$189,442. The District's business type activities include the School Nutrition Fund, the Student Constructed House Project, the Preschool, and the Marketing Class. Revenues for these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, HLV Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Fund Highlights

- The District's General Fund financial position is the result of many factors. Growth during the year in tax revenues and grants resulted in an increase in revenues.
- The General Fund balance increased from \$788,158 to \$1,056,639.
- The Physical Plant and Equipment Levy (PPEL) Fund balance decreased from \$535,096 in fiscal 2006 to \$504,599 in fiscal 2007. The balance in this fund must be used for future capital improvements and equipment purchases.
- The Capital Projects Fund balance was \$513,227 as of June 30, 2007. The balance in this fund must be used for future capital improvements and equipment purchases.

Proprietary Fund Highlights

School Nutrition Fund net assets increased from \$10,988 at June 30, 2006 to \$12,418 at June 30, 2007. For Fiscal 2007, the District increased meal prices, resulting in an increase in net assets. The District is aggressively working to keep family accounts at a positive level.

Preschool Fund net assets increased from \$8,501 in 2006 to \$16,787 in 2007. In the 2006-07 year, the District continued a more structured payment plan for parents, with charges for all preschool days, regardless of whether the preschooler is ill or not in attendance. This has resulted in increased revenue for the program. Empowerment funding also helped the District increase revenue in the 2006-2007 year by providing payments for children whose parents qualify.

The Student Constructed House Fund net assets increased from \$34,674 in 2006 to \$35,805 in 2007. The house was sold before the end of the fiscal year in 2007, thus increasing the District's assets.

The Marketing Class Fund net assets decreased from \$603 in 2006 to \$526 in 2007.

BUDGETARY HIGHLIGHTS

Over the course of the year, the HLV Community School District amended its annual budget one time to allow for the expenditure of additional funds.

The District's receipts were \$105,849 more than budgeted receipts.

Total expenditures were \$1,310,595 less than budgeted. It is the District's practice to budget expenditures at sufficient levels in the 4 program areas, (instruction, non-instruction, support services and other), so that the District does not exceed spending limitations in any of these areas. As a result, the District's certified budget would, under normal circumstances, usually exceed actual expenditures for the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2007, the District had 1,986,902, 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-3) This represents a net increase of 5% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements.

Figure A-6

Capital Assets (net of depreciation)

	Governmental		Business type		Total		Percentage Change 2007-2006
	Activities		Activities		School District		
	2007	2006	2007	2006	2007	2006	
	\$	\$	\$	\$	\$	\$	
Land	10,000	10,000	-	-	10,000	10,000	0%
Construction in progress	-	-	-	-	-	-	0%
Buildings	1,621,866	1,681,800	-	-	1,621,866	1,681,800	-4%
Improvements	195,564	75,912	-	-	195,564	75,912	158%
Equipment & Furniture	154,314	125,245	5,158	6,613	159,472	131,858	21%
TOTAL	1,981,744	1,892,957	5,158	6,613	1,986,902	1,899,570	5%

Long-Term Debt

At June 30, 2007, the District had \$77,572 in long-term debt outstanding. This represents a decrease of approximately 1% from last year. (See Figure A-4)

Figure A-4

Outstanding Long-Term Obligations

	Total School District		Percentage Change 2007-2006
	2007	2006	
	\$	\$	
Early Retirement	-	8,500	-100%
Compensated Absences	77,572	69,724	11%
	77,572	78,224	-1%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of certain circumstances that could significantly affect its future:

- Iowa County approved a 1% Local Option Sales and Services Tax for schools in June of 2005. This money began being received by the District in 2005-2006. The District now receives funds from both Iowa and Poweshiek counties. These funds will help the district address its facility needs. Also, the District passed a bond issue in May of 2007 that will address many of the school's physical plant needs.

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 Lori McClenathan, District Treasurer and Bookkeeper, HLV Community School District, 501 4th St., Victor, Iowa, 52347.

BASIC FINANCIAL STATEMENTS

HLV COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2007

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and cash equivalents	2,576,933	16,091	2,593,024
Receivables:			
Property tax:			
Delinquent	26,215	-	26,215
Succeeding year	1,549,805	-	1,549,805
Accounts	6,848	440	7,288
Interfund receivable(payable)	107,799	(107,799)	-
Due from other governments	217,508	-	217,508
Inventories	-	155,206	155,206
Capital assets, net of accumulated depreciation	1,981,744	5,158	1,986,902
Total assets	6,466,852	69,096	6,535,948
Liabilities			
Accounts payable	31,803	-	31,803
Salaries and benefits payable	318,314	947	319,261
Deferred revenue:			
Succeeding year property tax	1,549,805	-	1,549,805
Other	-	2,613	2,613
Long-term liabilities:			
Portion due within one year:			
Compensated absences	15,514	-	15,514
Portion due after one year:			
Compensated absences	62,058	-	62,058
Total liabilities	1,977,494	3,560	1,981,054
Net assets			
Invested in capital assets, net of related debt	1,981,744	5,158	1,986,902
Restricted for:			
State categorical aid	49,689	-	49,689
Management levy	325,960	-	325,960
Physical plant & equipment levy	504,599	-	504,599
Local option sales tax capital projects	513,227	-	513,227
Other special revenue purposes	24,086	-	24,086
Unrestricted	1,090,053	60,378	1,150,431
Total net assets	4,489,358	65,536	4,554,894

HLV COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2007

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	1,511,320	186,481	257,197	-
Special	443,966	4,469	26,940	-
Other	358,033	175,524	4,386	-
	<u>2,313,319</u>	<u>366,474</u>	<u>288,523</u>	<u>-</u>
Support services:				
Student	79,206	-	-	-
Instructional staff	57,668	-	19,527	-
Administration	502,182	-	-	-
Operation and maintenance of plant	339,817	-	-	-
Transportation	133,445	-	-	-
	<u>1,112,318</u>	<u>-</u>	<u>19,527</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	165,031	-	-	-
AEA flowthrough	126,596	-	126,596	-
Depreciation (unallocated)*	66,251	-	-	-
	<u>357,878</u>	<u>-</u>	<u>126,596</u>	<u>-</u>
Total governmental activities	<u>3,783,515</u>	<u>366,474</u>	<u>434,646</u>	<u>-</u>
Business type activities:				
Non-instructional programs:				
Food service operations	171,442	113,872	58,700	-
Student construction project	-	1,131	-	-
Preschool	17,923	26,209	-	-
Marketing project	77	-	-	-
Total business-type activities	<u>189,442</u>	<u>141,212</u>	<u>58,700</u>	<u>-</u>
Total	<u>3,972,957</u>	<u>507,686</u>	<u>493,346</u>	<u>-</u>
General Revenues:				
Property taxes levied for:				
General purposes				
Capital outlay				
Income surtax				
Local option sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				

Change in net assets

Net assets beginning of year

Net assets end of year

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

HLV COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2007

<u>Net (Expense) Revenue and Changes in Net Assets</u>		
<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
<u>\$</u>	<u>\$</u>	<u>\$</u>
(1,067,642)	-	(1,067,642)
(412,557)	-	(412,557)
(178,123)	-	(178,123)
<u>(1,658,322)</u>	<u>-</u>	<u>(1,658,322)</u>
(79,206)	-	(79,206)
(38,141)	-	(38,141)
(502,182)	-	(502,182)
(339,817)	-	(339,817)
(133,445)	-	(133,445)
<u>(1,092,791)</u>	<u>-</u>	<u>(1,092,791)</u>
(165,031)	-	(165,031)
-	-	-
(66,251)	-	(66,251)
<u>(231,282)</u>	<u>-</u>	<u>(231,282)</u>
<u>(2,982,395)</u>	<u>-</u>	<u>(2,982,395)</u>
-	1,130	1,130
-	1,131	1,131
-	8,286	8,286
-	(77)	(77)
<u>-</u>	<u>10,470</u>	<u>10,470</u>
<u>(2,982,395)</u>	<u>10,470</u>	<u>(2,971,925)</u>
1,371,155	-	1,371,155
211,112	-	211,112
159,246	-	159,246
251,975	-	251,975
1,378,569	-	1,378,569
98,398	300	98,698
29,244	-	29,244
<u>3,499,699</u>	<u>300</u>	<u>3,499,999</u>
517,304	10,770	528,074
<u>3,972,054</u>	<u>54,766</u>	<u>4,026,820</u>
<u>4,489,358</u>	<u>65,536</u>	<u>4,554,894</u>

HLV COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2007

	General Fund	Physical Plant and Equipment Levy	Management Levy	Capital Projects	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$	\$
Assets						
Cash and pooled investments	1,274,697	493,305	318,575	468,112	22,244	2,576,933
Receivables:						
Property tax:						
Delinquent	22,022	3,515	678	-	-	26,215
Succeeding year	1,207,040	210,265	132,500	-	-	1,549,805
Accounts	698	5,086	-	-	1,064	6,848
Interfund receivable	92,872	2,693	6,707	4,749	778	107,799
Due from other governments	177,142	-	-	40,366	-	217,508
Total assets	2,774,471	714,864	458,460	513,227	24,086	4,485,108
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	31,803	-	-	-	-	31,803
Salaries and benefits payable	318,314	-	-	-	-	318,314
Deferred revenue:						
Succeeding year property tax	1,207,040	210,265	132,500	-	-	1,549,805
Other	160,675	-	-	-	-	160,675
Total liabilities	1,717,832	210,265	132,500	-	-	2,060,597
Fund balances:						
Reserved for:						
State categorical aid	49,689	-	-	-	-	49,689
Unreserved reported in:						
General fund	1,006,950	-	-	-	-	1,006,950
Special revenue funds	-	504,599	325,960	-	24,086	854,645
Capital projects funds	-	-	-	513,227	-	513,227
Total fund balances	1,056,639	504,599	325,960	513,227	24,086	2,424,511
Total liabilities and fund balances	2,774,471	714,864	458,460	513,227	24,086	4,485,108

HLV COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2007

	\$
Total fund balances of governmental funds (Exhibit C)	2,424,511
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	1,981,744
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	160,675
Long-term liabilities, including compensated absences and termination benefits, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(77,572)</u>
Net assets of governmental activities (Exhibit A)	<u><u>4,489,358</u></u>

HLV COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2007

	General Fund \$	Physical Plant and Equipment Levy \$	Management Levy \$	Capital Projects	Nonmajor Governmental Funds \$	Total \$
Revenues:						
Local sources:						
Local tax	1,491,991	211,112	39,839	251,975	-	1,994,917
Tuition	111,951	-	-	-	-	111,951
Other	179,022	31,680	6,707	-	161,363	378,772
State sources	1,682,268	-	-	-	-	1,682,268
Federal sources	130,947	-	-	-	-	130,947
Total revenues	<u>3,596,179</u>	<u>242,792</u>	<u>46,546</u>	<u>251,975</u>	<u>161,363</u>	<u>4,298,855</u>
Expenditures:						
Current:						
Instruction:						
Regular	1,483,499	6,227	10,718	-	-	1,500,444
Special	456,836	-	-	-	-	456,836
Other	172,300	-	-	-	185,733	358,033
	<u>2,112,635</u>	<u>6,227</u>	<u>10,718</u>	<u>-</u>	<u>185,733</u>	<u>2,315,313</u>
Support services:						
Student	79,206	-	-	-	-	79,206
Instructional staff	53,468	-	-	-	-	53,468
Administration	471,417	-	37,080	-	-	508,497
Operation and maintenance of plant	316,733	-	23,084	-	-	339,817
Transportation	161,997	-	11,959	-	-	173,956
	<u>1,082,821</u>	<u>-</u>	<u>72,123</u>	<u>-</u>	<u>-</u>	<u>1,154,944</u>
Other expenditures:						
Facilities acquisition	-	276,101	-	-	-	276,101
AEA flowthrough	126,596	-	-	-	-	126,596
	<u>126,596</u>	<u>276,101</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>402,697</u>
Total expenditures	<u>3,322,052</u>	<u>282,328</u>	<u>82,841</u>	<u>-</u>	<u>185,733</u>	<u>3,872,954</u>
Excess (deficiency) of revenues over (under) expenditures	<u>274,127</u>	<u>(39,536)</u>	<u>(36,295)</u>	<u>251,975</u>	<u>(24,370)</u>	<u>425,901</u>
Other financing sources (uses):						
Compensation for loss of fixed assets	3,393	-	-	-	-	3,393
Operating transfers in	-	9,039	-	-	-	9,039
Operating transfers out	(9,039)	-	-	-	-	(9,039)
Total other financing sources (uses)	<u>(5,646)</u>	<u>9,039</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,393</u>
Net change in fund balances	268,481	(30,497)	(36,295)	251,975	(24,370)	429,294
Fund balances beginning of year	788,158	535,096	362,255	261,252	48,456	1,995,217
Fund balances end of year	<u>1,056,639</u>	<u>504,599</u>	<u>325,960</u>	<u>513,227</u>	<u>24,086</u>	<u>2,424,511</u>

See notes to financial statements.

HLV 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, 2007

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		429,294
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year as follows:		
Expenditures for capital assets	211,507	
Depreciation expense	<u>(122,720)</u>	88,787
Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities.		
		(1,429)
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:		
Termination benefits	8,500	
Compensated absences	<u>(7,848)</u>	<u>652</u>
Changes in net assets of governmental activities (Exhibit B)		<u><u>517,304</u></u>

HLV COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2007

	Enterprise Funds		Total Enterprise Funds
	Student House Construction	Nonmajor Enterprise Funds	
	\$	\$	\$
Assets			
Cash and cash equivalents	-	16,091	16,091
Accounts receivable	-	440	440
Receivable from General Fund	-	3,411	3,411
Inventories	147,015	8,191	155,206
Capital assets, net of accumulated depreciation	-	5,158	5,158
Total assets	<u>147,015</u>	<u>33,291</u>	<u>180,306</u>
Liabilities			
Interfund payables	111,210	-	111,210
Salaries and benefits payable	-	947	947
Deferred revenue	-	2,613	2,613
Total liabilities	<u>111,210</u>	<u>3,560</u>	<u>114,770</u>
Net assets			
Invested in capital assets, net of related debt	-	5,158	5,158
Unrestricted	<u>35,805</u>	<u>24,573</u>	<u>60,378</u>
Total net assets	<u><u>35,805</u></u>	<u><u>29,731</u></u>	<u><u>65,536</u></u>

HLV COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds

Year ended June 30, 2007

	Enterprise Funds		Total Enterprise Funds
	Student House Construction	Nonmajor Enterprise Funds	
	\$	\$	\$
Operating revenues:			
Local sources:			
Charges for service	1,131	140,081	141,212
Operating expenses:			
Non-instructional programs:			
Salaries	-	85,220	85,220
Benefits	-	11,458	11,458
Purchased services	-	2,724	2,724
Supplies	-	88,585	88,585
Depreciation	-	1,455	1,455
	-	189,442	189,442
Operating gain (loss)	1,131	(49,361)	(48,230)
Non-operating revenues:			
State sources	-	2,124	2,124
Federal sources	-	56,576	56,576
Interest income	-	300	300
Total non-operating revenues	-	59,000	59,000
Change in net assets	1,131	9,639	10,770
Net assets beginning of year	34,674	20,092	54,766
Net assets end of year	35,805	29,731	65,536

HLV COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2007

	Enterprise Funds		Total Enterprise Funds
	Student House Construction	Nonmajor Enterprise Funds	
	\$	\$	\$
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	-	112,121	112,121
Cash received from other services	1,131	23,970	25,101
Cash payments to employees for services	-	(96,678)	(96,678)
Cash payments to suppliers for goods or services	(147,015)	(75,059)	(222,074)
Net cash used by operating activities	<u>(145,884)</u>	<u>(35,646)</u>	<u>(181,530)</u>
Cash flows from non-capital financing activities:			
State grants received	-	2,124	2,124
Federal grants received	-	40,814	40,814
Net cash provided by non-capital financing activities	<u>-</u>	<u>42,938</u>	<u>42,938</u>
Cash flows from capital and related financing activities:			
Interfund loans	111,210	(10,406)	100,804
Cash flows from investing activities:			
Interest on investments	-	300	300
Net increase (decrease) in cash and cash equivalents	(34,674)	(2,814)	(37,488)
Cash and cash equivalents at beginning of year	34,674	18,905	53,579
Cash and cash equivalents at end of year	<u>-</u>	<u>16,091</u>	<u>16,091</u>
Reconciliation of operating gain (loss) to net cash used by operating activities:			
Operating gain (loss)	1,131	(49,361)	(48,230)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:			
Commodities used	-	15,762	15,762
Depreciation	-	1,455	1,455
Decrease (increase) in inventories	(147,015)	(3,390)	(150,405)
Decrease (increase) in accounts receivable	-	(1,187)	(1,187)
(Decrease) increase in salaries and benefits payable	-	947	947
(Decrease) increase in deferred revenue	-	128	128
Net cash used in operating activities	<u>(145,884)</u>	<u>(35,646)</u>	<u>(181,530)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2007, the District received \$15,762 of federal commodities.

HLV COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2007

	Private Purpose Trust Scholarship	Agency
	\$	\$
Assets		
Cash and pooled investments	51,994	8,442
Account Receivable	243	-
	<u>52,237</u>	<u>8,442</u>
Total Assets	52,237	8,442
Liabilities		
Other current liabilities	-	8,442
	<u>-</u>	<u>8,442</u>
Net Assets		
Reserved for scholarships	<u>52,237</u>	<u>-</u>

HLV COMMUNITY SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2007

	Private Purpose Trust Scholarship <u> </u> \$
Additions	
Local sources:	
Gifts and contributions	2,016
Interest	<u>2,147</u>
Total additions	4,163
 Deductions	
Support services:	
Scholarships awarded	<u>3,700</u>
 Change in net assets	 463
 Net assets beginning of year	 <u>51,774</u>
 Net assets end of year	 <u><u>52,237</u></u>

HLV COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2007

1. Summary of Significant Accounting Policies

HLV Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the Cities of Victor, Hartwick, and Ladora, Iowa and the predominately agricultural territory in a portion of Iowa and Poweshiek 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, HLV 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. The HLV Community School District has no component units that meet the Governmental Accounting Standards Board criteria.

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 County Assessor's Conference Board.

B. Basis of Presentation

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

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

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

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions, and interest restricted to meeting the operational or capital requirements of a particular 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 general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instruction, support and other costs.

The Management Fund is a special revenue fund that is used to account for the revenues from and expenditures of the management property tax levy.

The Physical Plant and Equipment Levy Fund is used to account for resources used in the acquisition and construction and repair of capital facilities.

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

The District's proprietary fund includes the following Enterprise Funds: 1) the School Nutrition Fund is used to account for the food service operations of the District, 2) the Preschool Fund is used to account for an educational program for students in the year prior to attending kindergarten, 3) the Marketing Project Fund is used to account for the revenues and expenses of a class activity, and 4) the Student House Construction Fund is used to account for the sale of and costs of a house constructed by students. The Student House Construction Fund is a major fund.

The District also reports fiduciary funds, which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private-Purpose Trust Fund is used to account for assets held by the District under trust agreements, which require 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, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are

recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, they have a maturity date no longer than three months.

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

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

Property tax revenue recognized in these funds became 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, 2005 assessed property valuations; is for the tax accrual period July 1, 2006, through June 30, 2007, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2006.

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 Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
	\$
Land	500
Buildings	5,000
Improvements other than buildings	5,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	5,000

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50 years
Improvements other than buildings	5-20 years
Furniture and equipment	3-15 years

The District's collection of library books and other similar materials are not capitalized. These collections are unencumbered, held for public exhibition and education, protected, cared for and preserved and subject to District policy that requires proceeds from the sale of these items, if any, to be used to acquire other collection items.

Salaries and Benefits Payable – Payroll and related expenditures for certified staff with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

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

Deferred revenue in the Statement of Net Assets consists of unspent grant proceeds, amounts received in advance for meal sales and succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation and sick leave hours 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 the governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2007. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

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

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

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, expenditures did not exceed the amounts budgeted.

2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2007 were entirely covered by federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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, 2007, the District had investment in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
	\$
Diversified Portfolio	375,059

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

Credit risk: The investment in the Iowa Schools Joint Investment Trust was rated Aaa by Moody's Investors Service.

3. Interfund Receivables and Payables

The detail of interfund receivables and payables at June 30, 2007 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
		\$
Physical Plant and Equipment Levy Fund	General Fund	7,742
Enterprise, School Nutrition Fund	General Fund	1,854
Enterprise, Preschool Fund	General Fund	2,162
General Fund	Enterprise, Student House Fund	111,210
Capital projects Fund	Physical Plant and Equipment Levy Fund	4,749
Management Fund	General Fund	6,707
Activity Fund	Enterprise, School Nutrition Fund	605
Activity Fund	General Fund	173

The interfund receivable/payables are loans to the various funds which will be repaid in the next fiscal year.

4. Capital Assets

Capital assets activity for the year ended June 30, 2007 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Land	10,000	-	-	10,000
Capital assets being depreciated:				
Buildings	3,281,246	-	-	3,281,246
Improvements other than buildings	199,763	128,000	-	327,763
Furniture and equipment	502,421	100,437	-	602,858
Total capital assets being deprec.	<u>3,983,430</u>	<u>228,437</u>	<u>-</u>	<u>4,211,867</u>
Less accumulated depreciation for:				
Buildings	1,599,446	59,934	-	1,659,380
Improvements other than buildings	123,851	6,317	(2,031)	132,199
Furniture and equipment	377,176	56,469	(14,899)	448,544
Total accumulated depreciation	<u>2,100,473</u>	<u>122,720</u>	<u>(16,930)</u>	<u>2,240,123</u>
Total capital assets being depreciated, net	<u>1,882,957</u>	<u>105,717</u>	<u>(16,930)</u>	<u>1,971,744</u>
Governmental activities capital assets, net	<u>1,892,957</u>	<u>105,717</u>	<u>(16,930)</u>	<u>1,981,744</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	37,336	-	-	37,336
Less accumulated depreciation	30,723	1,455	-	32,178
Business type activities capital assets, net	<u>6,613</u>	<u>(1,455)</u>	<u>-</u>	<u>5,158</u>
Depreciation expense was charged to the following functions:				
				\$
Governmental activities:				
Instruction:				
Regular				9,255
Special				9,907
Other				
Support services:				
Instructional staff services				4,200
Administration services				2,185
Transportation				30,922
				<u>56,469</u>
Unallocated depreciation				<u>66,251</u>
Total depreciation expense – governmental activities				<u>122,720</u>
Business type activities:				
Food services				<u>1,455</u>

5. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2007 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Compensated absences	69,724	7,848	-	77,572	15,514
Termination benefits	8,500	-	8,500	-	-
Total	<u>78,224</u>	<u>7,848</u>	<u>8,500</u>	<u>77,572</u>	<u>15,514</u>

Termination Benefits

The District offers a voluntary early retirement plan to its employees. Eligible employees must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commences. The application for early retirement is subject to approval by the Board of Education.

At June 30, 2007, the District has no early retirement liability. Actual early retirement expenditures for the year ended June 30, 2007 totaled \$8,500.

General Obligation Bonds Payable

The District had no bond indebtedness at June 30, 2007.

6. Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2007, 2006 and 2005. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$119,102 \$117,279 and \$114,391 respectively, equal to the required contributions for each year.

7. 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.

8. 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 \$126,596 for the year ended June 30, 2007 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

HLV COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2007

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues						
Local sources	2,485,640	141,512	2,627,152	2,584,969	2,584,969	42,183
State sources	1,682,268	2,124	1,684,392	1,674,249	1,674,249	10,143
Federal sources	130,947	56,576	187,523	134,000	134,000	53,523
Total revenues	<u>4,298,855</u>	<u>200,212</u>	<u>4,499,067</u>	<u>4,393,218</u>	<u>4,393,218</u>	<u>105,849</u>
Expenditures:						
Instruction	2,315,313	-	2,315,313	2,671,500	2,671,500	356,187
Support services	1,154,944	-	1,154,944	1,141,500	1,400,000	245,056
Non-instructional programs	-	189,442	189,442	626,491	626,491	437,049
Other expenditures	402,697	-	402,697	633,665	675,000	272,303
Total expenditures	<u>3,872,954</u>	<u>189,442</u>	<u>4,062,396</u>	<u>5,073,156</u>	<u>5,372,991</u>	<u>1,310,595</u>
Excess (deficiency) of revenues over (under) expenditures	425,901	10,770	436,671	(679,938)	(979,773)	1,416,444
Other financing sources (uses) net	<u>3,393</u>	<u>-</u>	<u>3,393</u>	<u>-</u>	<u>-</u>	<u>3,393</u>
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenses	429,294	10,770	440,064	(679,938)	(979,773)	1,419,837
Balance beginning of year	<u>1,995,217</u>	<u>54,766</u>	<u>2,049,983</u>	<u>1,567,754</u>	<u>1,567,754</u>	<u>482,229</u>
Balance end of year	<u><u>2,424,511</u></u>	<u><u>65,536</u></u>	<u><u>2,490,047</u></u>	<u><u>887,816</u></u>	<u><u>587,981</u></u>	<u><u>1,902,066</u></u>

HLV COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2007

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except 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 known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$299,835.

OTHER SUPPLEMENTARY INFORMATION

HLV COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2007

	Special Revenue Student Activity
Assets	<u> </u> \$
Cash and pooled investments	22,244
Receivables:	
Property tax:	
Accounts	1,064
Interfund receivable	<u>778</u>
Total assets	<u><u>24,086</u></u>
Liabilities & Fund Balances	
Liabilities	-
Fund balances:	
Unreserved reported in:	
Special revenue funds	<u>24,086</u>
Total liabilities and fund balances	<u><u>24,086</u></u>

HLV COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds

Year ended June 30, 2007

	Special Revenue Student Activity \$
Revenues:	
Local sources:	
Other	161,363
Expenditures:	
Current:	
Instruction:	
Other	<u>185,733</u>
Excess (deficiency) of revenues over (under) expenditures	(24,370)
Fund balances beginning of year	<u>48,456</u>
Fund balances end of year	<u><u>24,086</u></u>

HLV COMMUNITY SCHOOL DISTRICT

Combining Schedule of Net Assets
Nonmajor Enterprise Funds

June 30, 2007

	Enterprise Funds			Total Nonmajor Enterprise Funds
	Nutrition	Preschool	Marketing Project	
	\$	\$	\$	
Assets				
Cash and cash equivalents	940	14,625	526	16,091
Accounts receivable	440	-	-	440
Interfund receivable	1,249	2,162	-	3,411
Inventories	8,191	-	-	8,191
Capital assets, net of accumulated depreciation	5,158	-	-	5,158
Total assets	15,978	16,787	526	33,291
Liabilities				
Salaries and benefits payable	947	-	-	947
Deferred revenue	2,613	-	-	2,613
Total liabilities	3,560	-	-	3,560
Net assets				
Invested in capital assets, net of related debt	5,158	-	-	5,158
Unrestricted	7,260	16,787	526	24,573
Total net assets	12,418	16,787	526	29,731

HLV COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenses, and Changes in Fund Net Assets
Nonmajor Enterprise Funds

Year ended Jun d 30, 2007

	Enterprise Funds			Total Nonmajor Enterprise Funds
	Nutrition	Preschool	Marketing Project	
	\$	\$	\$	\$
Operating revenues:				
Local sources:				
Charges for service	113,872	26,209	-	140,081
Operating expenses:				
Non-instructional programs:				
Salaries	69,504	15,716	-	85,220
Benefits	9,358	2,100	-	11,458
Purchased services	2,724	-	-	2,724
Supplies	88,401	107	77	88,585
Depreciation	1,455	-	-	1,455
	171,442	17,923	77	189,442
Operating gain (loss)	(57,570)	8,286	(77)	(49,361)
Non-operating revenues:				
State sources	2,124	-	-	2,124
Federal sources	56,576	-	-	56,576
Interest income	300	-	-	300
Total non-operating revenues	59,000	-	-	59,000
Change in net assets	1,430	8,286	(77)	9,639
Net assets beginning of year	10,988	8,501	603	20,092
Net assets end of year	12,418	16,787	526	29,731

HLV COMMUNITY SCHOOL DISTRICT

Combining Schedule of Cash Flows
Nonmajor Enterprise Funds

Year ended June 30, 2007

	Enterprise Funds			Total Nonmajor Enterprise Funds
	Nutrition	Preschool	Marketing Project	
	\$	\$	\$	
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	112,121	-	-	112,121
Cash received from other services	-	24,047	(77)	23,970
Cash payments to employees for services	(78,862)	(17,816)	-	(96,678)
Cash payments to suppliers for goods or services	(74,952)	(107)	-	(75,059)
Net cash used by operating activities	(41,693)	6,124	(77)	(35,646)
Cash flows from non-capital financing activities:				
State grants received	2,124	-	-	2,124
Federal grants received	40,814	-	-	40,814
Net cash provided by non-capital financing activities	42,938	-	-	42,938
Cash flows from capital and related financing activities:				
Interfund loans	(10,406)	-	-	(10,406)
Cash flows from investing activities:				
Interest on investments	300	-	-	300
Net increase (decrease) in cash and cash equivalents	(8,861)	6,124	(77)	(2,814)
Cash and cash equivalents at beginning of year	9,801	8,501	603	18,905
Cash and cash equivalents at end of year	940	14,625	526	16,091
Reconciliation of operating gain (loss) to net cash used by operating activities:				
Operating gain (loss)	(57,570)	8,286	(77)	(49,361)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:				
Commodities used	15,762	-	-	15,762
Depreciation	1,455	-	-	1,455
Decrease (increase) in inventories	(3,390)	-	-	(3,390)
Decrease (increase) in accounts receivable	975	(2,162)	-	(1,187)
(Decrease) increase in salaries and benefits payable	947	-	-	947
(Decrease) increase in deferred revenue	128	-	-	128
Net cash used in operating activities	(41,693)	6,124	(77)	(35,646)

HLV COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2007

<u>Account</u>	Balance Beginning of Year	Revenues	Expenditures	Balance end of Year
	\$	\$	\$	\$
Speech and drama	(1,491)	1,472	1,472	(1,491)
Music	(9,744)	2,590	(1,264)	(5,890)
Athletic	(4,147)	86,609	83,776	(1,314)
SICL	2,857	-	2,857	-
Annual	1,101	8,145	7,643	1,603
Student council	(1,416)	823	-	(593)
Interest	1,473	566	2,039	-
Recreation program	(151)	3,435	5,622	(2,338)
German club	(232)	4,788	3,759	797
National Honor Society	(164)	739	300	275
Pep club	1,200	6,680	5,744	2,136
Towel service	1,848	-	455	1,393
Washington trip	39,435	20,905	51,698	8,642
Win with wellness	676	-	-	676
Miscellaneous	546	1,638	589	1,595
Library	1,064	1,720	1,494	1,290
Special olympics	2,809	348	-	3,157
Pop machine	10,604	15,058	13,395	12,267
Sale of supplies	42	8	440	(390)
Elementary	195	69	192	72
Insurance	148	-	-	148
Class of 2007	1,453	-	1,188	265
Class of 2008	350	5,770	4,334	1,786
	<u>48,456</u>	<u>161,363</u>	<u>185,733</u>	<u>24,086</u>
Total	<u>48,456</u>	<u>161,363</u>	<u>185,733</u>	<u>24,086</u>

HLV COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2007

	Employee Flex <u> </u> \$	Flower Fund <u> </u> \$	Employee Health <u> </u> \$	Total <u> </u> \$
Balance beginning of year	2,939	100	2,548	5,587
Additions:				
Collections	2,474	-	406	2,880
Deductions:				
Miscellaneous	-	25	-	25
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Balance end of year	<u>5,413</u>	<u>75</u>	<u>2,954</u>	<u>8,442</u>

HLV COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Four Years

	Modified Accrual Basis			
	2007	2006	2005	2004
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	1,994,917	1,962,267	1,638,268	1,707,806
Tuition	111,951	87,560	118,977	117,059
Other	378,772	193,691	212,162	217,657
State sources	1,682,268	1,658,599	1,586,717	1,539,341
Federal sources	130,947	144,547	85,068	74,384
Total revenues	<u>4,298,855</u>	<u>4,046,664</u>	<u>3,641,192</u>	<u>3,656,247</u>
Expenditures:				
Instruction:				
Regular instruction	1,500,444	1,475,757	1,545,876	1,512,808
Special instruction	456,836	346,172	417,470	413,724
Other instruction	358,033	344,069	315,221	259,963
Support services:				
Student services	79,206	93,066	79,870	80,928
Instructional staff services	53,468	118,979	59,156	42,657
Administration services	508,497	465,348	470,587	488,968
Operation and maintenance of plant services	339,817	322,761	341,284	269,326
Transportation services	173,956	177,452	157,474	155,035
Other expenditures:				
Facilities acquisition	276,101	137,633	184,179	78,373
AEA flowthrough	126,596	122,216	121,078	123,395
Total expenditures	<u>3,872,954</u>	<u>3,603,453</u>	<u>3,692,195</u>	<u>3,425,177</u>

Gary E. Horton CPA

902 Central Ave. E.-PO Box 384
Clarion, IA 50525-0384
(515)532-6681 Phone
(515) 532-2405 Fax
BETCO@mchsi.com E-mail

Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Board of Education of
HLV Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of HLV Community School District as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated April 21, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered HLV Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of HLV Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of HLV 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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects HLV Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of HLV Community School District's financial statements that is more than inconsequential will not be prevented or detected by HLV Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings and Responses to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by HLV Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items 07-I-A and 07-I-B are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether HLV 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 or other matters that are described in Part II of the accompanying Schedule of Findings and Responses.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2007 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.

HLV Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Responses. While we have expressed our conclusions on the District's responses, we did not audit HLV Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of HLV Community School District and other parties to whom HLV Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of HLV 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.

BURTON E. TRACY & CO., P.C.
Certified Public Accountants

April 21, 2008

HLV COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2007

Part I: Findings Related to the Financial Statements:

Significant deficiencies:

07-I-A Segregation of Duties: The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks and bank reconciliations, preparing and posting general journal entries, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

Recommendation: We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its control procedures and investigate methods to increase monitoring procedures to obtain the maximum internal control possible under the circumstances.

District Response: The District is aware of the lack of complete segregation of duties and will make changes as the opportunity arises.

Conclusion: Response accepted.

07-I-B Financial Statement Preparation: Financial statement preparation is the responsibility of the District. At the present time District personnel do not have the skills necessary to be able to write the District's financial statements and the related note disclosures. This is not an unusual situation for small governmental entities.

Recommendation: District personnel should attend any governmental accounting and reporting training sessions that may be offered by the Iowa Department of Education, State Auditor's Office or Iowa Association of School Business Officials. The school business office should also have governmental accounting and reporting reference materials.

District Response: As a school we certainly understand the need for continuing education classes for all of our staff. However, we have a limited budget and must continually prioritize needs. At this point in time it is not cost effective to train our staff to the level necessary that would enable them to write the financial statements, nor is it feasible to hire additional employees that already possess the skills.

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported.

HLV COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2007

Part II: Other Findings Related to Statutory Reporting:

07-II-A Certified Budget: Expenditures for the year ended June 30, 2007, did not exceed the amounts budgeted.

07-II-B Questionable Expenditures: We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

07-II-C Travel Expenses: 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.

07-II-D Business Transactions: We noted no transactions between the District and District officials or employees.

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

07-II-F Board Minutes: We noted no transactions requiring Board approval that had not been approved by the Board.

07-II-G Certified Enrollment: We noted no variances in the basic enrollment data certified to the Department of Education.

07-II-H Deposits and Investments: We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

07-II-I Certified Annual Report (CAR): The District's Certified Annual Report was certified to the Iowa Department of Education timely.

07-II-J Financial Condition: The Student Activity Fund has a few accounts with deficit balances at June 30, 2007.

Recommendation: The District should continue to monitor these accounts and investigate alternatives to eliminate the deficits.

District Response: We are working on ways to eliminate the deficits.

Conclusion: Response accepted.

07-II-K Reclassification of Student Activity Fund Accounts: There are some accounts in the Student Activity Fund that may belong more appropriately in other funds.

Recommendation: We recommend these accounts be reviewed and transferred to the proper fund.

District Response: We will review the accounts and make any necessary adjustments.

Conclusion: Response accepted.