

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

June 30, 2008

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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, 2008, 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, 2008, 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 30, 2009, 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, contracts 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 35 through 36 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. 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, 2007, (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 30, 2009

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, 2008. 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, 2008 compared to June 30, 2007.

Figure A-1

	Condensed Statement of Net Assets						Percentage Change 2007-2008
	Governmental Activities		Business-type Activities		Total School District		
	2007	2008	2007	2008	2007	2008	
	\$	\$	\$	\$	\$	\$	
Current and other assets	4,485,108	10,476,908	63,938	19,238	4,549,046	10,496,146	131%
Capital assets	1,981,744	2,152,120	5,158	15,707	1,986,902	2,167,827	9%
Total assets	6,466,852	12,629,028	69,096	34,945	6,535,948	12,663,973	94%
Long-term liabilities	77,572	5,688,879	-	-	77,572	5,688,879	7,234%
Other liabilities	1,899,922	2,173,703	3,560	3,903	1,903,482	2,177,606	14%
Total liabilities	1,977,494	7,862,582	3,560	3,903	1,981,054	7,866,485	297%
Net Assets:							
Invested in capital assets, net of related debt	1,981,744	2,152,120	5,158	15,707	1,986,902	2,167,827	9%
Restricted	1,417,561	1,476,288	-	-	1,417,561	1,476,288	4%
Unrestricted	1,090,053	1,138,038	60,378	15,335	1,150,431	1,153,373	0%
TOTAL NET ASSETS	4,489,358	4,766,446	65,536	31,042	4,554,894	4,797,488	5%

The District's total net assets increased 5% 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 \$58,727 or 4% 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 \$2,942.

Figure A-2 shows the change in net assets for the years ended June 30, 2008 and 2007.

Figure A-2

	Change in Net Assets						Percentage Change 2007-2008
	Governmental Activities		Business-type Activities		Total School District		
	2007 \$	2008 \$	2007 \$	2008 \$	2007 \$	2008 \$	
Revenues							
Program Revenues:							
Charges for services	366,474	402,182	141,212	263,853	507,686	666,035	31%
Operating grants & contributions	434,646	497,424	58,700	63,202	493,346	560,626	14%
Capital grants & contributions	-	-	-	-	-	-	0%
General Revenues:							
Property taxes	1,582,267	1,548,254	-	-	1,582,267	1,548,254	-2%
Income Surtax	159,246	231,061	-	-	159,246	231,061	45%
Local option sales tax	251,975	228,982	-	-	251,975	228,982	-9%
Unrestricted state grants	1,378,569	1,352,147	-	-	1,378,569	1,352,147	-2%
Unrestricted investment earnings	98,398	62,004	300	74,	98,698	62,078	-37%
Other revenue	29,244	12,610	-	-	29,244	12,610	-57%
Total Revenues	4,300,819	4,334,664	200,212	327,129	4,501,031	4,661,793	4%
Expenses:							
Instruction	2,313,319	2,364,501	-	-	2,313,319	2,364,501	2%
Support services	1,112,318	1,283,581	-	-	1,112,318	1,283,581	15%
Non-instructional programs	-	-	189,442	361,623	189,442	361,623	91%
Other expenditures	357,878	409,494	-	-	357,878	409,494	14%
Total expenses	3,783,515	4,057,576	189,442	361,623	3,972,957	4,419,199	11%
Change in net assets before Transfers	517,304	277,088	10,770	(34,494)	528,074	242,594	-54%
Transfers	-	-	-	-	-	-	0%
CHANGE IN NET ASSETS	517,304	277,088	10,770	(34,494)	528,074	242,494	-54%
Net assets beginning of year	3,972,054	4,489,358	54,766	65,536	4,026,820	4,554,894	13%
Net assets end of year	4,489,358	4,766,446	65,536	31,042	4,554,894	4,797,488	5%

Property tax and unrestricted state grants account for 62% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 78% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$4,334,664 and expenses were \$4,057,576. The District spent \$277,088 less than the available revenues.

- The net cost of governmental activities was financed with \$2,008,297 in property and other taxes and \$1,352,147 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$327,129 and expenses were \$361,623. 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 grew in the 2007-08 year. Growth during the year in tax revenues helped result in an increase in revenues.
- The General Fund balance increased from \$1,056,639 to \$1,105,440.
- The Physical Plant and Equipment Levy (PEEL) Fund balance increased from \$504,599 in fiscal 2007 to \$624,898 in fiscal 2008. The balance in this fund must be used for future capital improvements and equipment purchases.
- The Capital Projects Fund balance was \$6,004,917 as of June 30, 2008. The balance in this fund must be used for future capital improvements and equipment purchases.

Proprietary Fund Highlights

School Nutrition Fund net assets decreased from \$12,418 at June 30, 2007 to (\$9,097) at June 30, 2008. For Fiscal 2008, the District's decrease in net assets was largely caused because of the purchase of equipment costing \$13,339.00.

Preschool Fund net assets increased from \$16,787 in 2007 to \$23,178 in 2008. In the 2007-08 year, the preschool fund increased revenue as a result of the payment of fees and the receipt of grant funds.

The Student Constructed House Fund net assets decreased from \$35,805 in 2007 to \$16,611 in 2008. The house was no sold before the end of the fiscal year in 2008, thus decreasing the District's assets.

The Marketing Class Fund net assets decreased from \$526 in 2007 to \$350 in 2008.

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 \$259,056 more than budgeted receipts.

Total expenditures were \$1,340,730 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.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2008, the District had 2,167,828, 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 decrease of 4% 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 2007-2008
	Activities		Activities		School District		
	2007	2008	2007	2008	2007	2008	
	\$	\$	\$	\$	\$	\$	
Land	10,000	10,000	-	-	10,000	10,000	0%
Construction in progress	-	264,381	-	-	-	264,381	100%
Buildings	1,621,866	1,561,932	-	-	1,621,866	1,561,932	-4%
Improvements	195,564	189,247	-	-	195,564	189,247	-3%
Equipment & Furniture	154,314	126,560	5,158	15,708	159,472	142,268	-11%
TOTAL	1,981,744	2,152,120	5,158	15,708	1,986,902	2,167,828	9%

Long-Term Debt

At June 30, 2008, the District had \$5,688,879 in long-term debt outstanding. This represents a increase of approximately 7,234% from last year. (See Figure A-4)

Figure A-4

Outstanding Long-Term Obligations

	Total School District		Percentage Change 2007-2008
	2007	2008	
	\$	\$	
General Obligation Bonds	-	4,485,000	100%
Revenue Bonds-Local Option Sales Tax	-	1,100,000	100%
Termination Benefits	-	17,000	-100%
Compensated Absences	77,572	86,879	12%
	77,572	5,688,879	7,234%

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:

The school district is aware of the financial issues being faced by the State of Iowa. These State financial issues affect local school district funding.

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/Business Manager, HLV Community School District, 501 4th St., Victor, Iowa, 52347.

BASIC FINANCIAL STATEMENTS

HLV COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2008

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and cash equivalents	8,136,308	101,523	8,237,831
Receivables:			
Property tax:			
Delinquent	18,520	-	18,520
Succeeding year	1,809,126	-	1,809,126
Accounts	-	599	599
Interfund balances	272,765	(272,765)	-
Accrued interest:			
Other	10,454	-	10,454
Due from other governments	229,735	-	229,735
Inventories	-	189,881	189,881
Capital assets, net of accumulated depreciation	2,152,120	15,707	2,167,827
Total assets	12,629,028	34,945	12,663,973
Liabilities			
Accounts payable	20,423	100	20,523
Salaries and benefits payable	312,001	915	312,916
Accrued interest payable	32,153	-	32,153
Deferred revenue:			
Succeeding year property tax	1,809,126	-	1,809,126
Other	-	2,888	2,888
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	145,000	-	145,000
Termination benefits	17,000	-	17,000
Compensated absences	28,960	-	28,960
Portion due after one year:			
General obligation bonds payable	4,340,000	-	4,340,000
Revenue bonds payable	1,100,000	-	1,100,000
Compensated absences	57,919	-	57,919
Total liabilities	7,862,582	3,903	7,866,485
Net assets			
Invested in capital assets, net of related debt	2,152,120	15,707	2,167,827
Restricted for:			
State categorical aid	15,564	-	15,564
Management levy	380,756	-	380,756
Physical plant & equipment levy	624,898	-	624,898
Local option sales tax capital projects	419,917	-	419,917
Other special revenue purposes	35,153	-	35,153
Unrestricted	1,138,038	15,335	1,153,373
Total net assets	4,766,446	31,042	4,797,488

See notes to financial statements.

HLV COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2008

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	1,598,289	241,898	256,510	-
Special	452,002	-	31,665	-
Other	314,210	160,284	16,927	-
	<u>2,364,501</u>	<u>402,182</u>	<u>305,102</u>	<u>-</u>
Support services:				
Student	79,985	-	-	-
Instructional staff	56,902	-	-	-
Administration	568,631	-	-	-
Operation and maintenance of plant	337,387	-	-	-
Transportation	240,676	-	2,767	-
	<u>1,283,581</u>	<u>-</u>	<u>2,767</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	158,481	-	5,333	-
Long-term debt interest	56,557	-	56,016	-
AEA flowthrough	128,206	-	128,206	-
Depreciation (unallocated)*	66,250	-	-	-
	<u>409,494</u>	<u>-</u>	<u>189,555</u>	<u>-</u>
Total governmental activities	<u>4,057,576</u>	<u>402,182</u>	<u>497,424</u>	<u>-</u>
Business type activities:				
Non-instructional programs:				
Food service operations	192,488	107,697	63,202	-
Student construction project	147,015	127,821	-	-
Preschool	21,944	28,335	-	-
Marketing project	176	-	-	-
Total business-type activities	<u>361,623</u>	<u>263,853</u>	<u>63,202</u>	<u>-</u>
Total	<u>4,419,199</u>	<u>666,035</u>	<u>560,626</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.

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$	\$	\$
(1,099,881)	-	(1,099,881)
(420,337)	-	(420,337)
(136,999)	-	(136,999)
<u>(1,657,217)</u>	<u>-</u>	<u>(1,657,217)</u>
(79,985)	-	(79,985)
(56,902)	-	(56,902)
(568,631)	-	(568,631)
(337,387)	-	(337,387)
(237,909)	-	(237,909)
<u>(1,280,814)</u>	<u>-</u>	<u>(1,280,814)</u>
(153,148)	-	(153,148)
(541)	-	(541)
-	-	-
(66,250)	-	(66,250)
<u>(219,939)</u>	<u>-</u>	<u>(219,939)</u>
<u>(3,157,970)</u>	<u>-</u>	<u>(3,157,970)</u>
-	(21,589)	(21,589)
-	(19,194)	(19,194)
-	6,391	6,391
-	(176)	(176)
-	<u>(34,568)</u>	<u>(34,568)</u>
<u>(3,157,970)</u>	<u>(34,568)</u>	<u>(3,192,538)</u>
1,340,630	-	1,340,630
207,624	-	207,624
231,061	-	231,061
228,982	-	228,982
1,352,147	-	1,352,147
62,004	74	62,078
12,610	-	12,610
<u>3,435,058</u>	<u>74</u>	<u>3,435,132</u>
277,088	(34,494)	242,594
<u>4,489,358</u>	<u>65,536</u>	<u>4,554,894</u>
<u>4,766,446</u>	<u>31,042</u>	<u>4,797,488</u>

HLV COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2008

	General Fund	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
Assets					
Cash and pooled investments	1,129,786	-	5,959,682	1,046,840	8,136,308
Receivables:					
Property tax:					
Delinquent	14,429	-	-	4,091	18,520
Succeeding year	1,176,685	339,780	-	292,661	1,809,126
Accrued interest	476	-	8,583	1,395	10,454
Interfund receivable	275,413	-	-	5,556	280,969
Due from other governments	193,083	-	36,652	-	229,735
Total assets	<u>2,789,872</u>	<u>339,780</u>	<u>6,004,917</u>	<u>1,350,543</u>	<u>10,485,112</u>
Liabilities and Fund Balances					
Liabilities:					
Interfund payable	8,204	-	-	-	8,204
Accounts payable	20,348	-	-	75	20,423
Salaries and benefits payable	312,001	-	-	-	312,001
Deferred revenue:					
Succeeding year property tax	1,176,685	339,780	-	292,661	1,809,126
Other	167,194	-	-	-	167,194
Total liabilities	<u>1,684,432</u>	<u>339,780</u>	<u>-</u>	<u>292,736</u>	<u>2,316,948</u>
Fund balances:					
Reserved for:					
State categorical aid	15,564	-	-	-	15,564
Unreserved reported in:					
General fund	1,089,876	-	-	-	1,089,876
Special revenue funds	-	-	-	1,057,807	1,057,807
Capital projects funds	-	-	6,004,917	-	6,004,917
Total fund balances	<u>1,105,440</u>	<u>-</u>	<u>6,004,917</u>	<u>1,057,807</u>	<u>8,168,164</u>
Total liabilities and fund balances	<u>2,789,872</u>	<u>339,780</u>	<u>6,004,917</u>	<u>1,350,543</u>	<u>10,485,112</u>

HLV COMMUNITY SCHOOL DISTRICT

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

June 30, 2008

	\$
Total fund balances of governmental funds (Exhibit C)	8,168,164
<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.	2,152,120
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	167,194
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds	(32,153)
Long-term liabilities, including bonds payable, 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>(5,688,879)</u>
Net assets of governmental activities (Exhibit A)	<u><u>4,766,446</u></u>

HLV COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2008

	General Fund	Capital Projects	Nonmajor Governmental Funds	Total
	\$		\$	\$
Revenues:				
Local sources:				
Local tax	1,425,408	228,982	347,388	2,001,778
Tuition	115,072	-	-	115,072
Other	175,027	19,912	216,028	410,967
State sources	1,703,191	-	-	1,703,191
Federal sources	85,030	-	-	85,030
Total revenues	<u>3,503,728</u>	<u>248,894</u>	<u>563,416</u>	<u>4,316,038</u>
Expenditures:				
Current:				
Instruction:				
Regular	1,573,919	-	1,000	1,574,919
Special	442,095	-	-	442,095
Other	164,676	-	149,534	314,210
	<u>2,180,690</u>	<u>-</u>	<u>150,534</u>	<u>2,331,224</u>
Support services:				
Student	79,985	-	-	79,985
Instructional staff	52,702	-	-	52,702
Administration	519,821	-	34,433	554,254
Operation and maintenance of plant	313,642	-	23,745	337,387
Transportation	191,988	-	12,980	204,968
	<u>1,158,138</u>	<u>-</u>	<u>71,158</u>	<u>1,229,296</u>
Other expenditures:				
Facilities acquisition	-	317,800	138,562	456,362
Long-term debt:				
Interest and fiscal charges	-	24,404	-	24,404
AEA flowthrough	128,206	-	-	128,206
	<u>128,206</u>	<u>342,204</u>	<u>138,562</u>	<u>608,972</u>
Total expenditures	<u>3,467,034</u>	<u>342,204</u>	<u>360,254</u>	<u>4,169,492</u>
Excess (deficiency) of revenues over (under) expenditures	<u>36,694</u>	<u>(93,310)</u>	<u>203,162</u>	<u>146,546</u>
Other financing sources (uses):				
Bonds issued	-	5,585,000	-	5,585,000
Sales of materials and equipment	12,107	-	-	12,107
Total other financing sources (uses)	<u>12,107</u>	<u>5,585,000</u>	<u>-</u>	<u>5,597,107</u>
Net change in fund balances	48,801	5,491,690	203,162	5,743,653
Fund balances beginning of year	<u>1,056,639</u>	<u>513,227</u>	<u>854,645</u>	<u>2,424,511</u>
Fund balances end of year	<u>1,105,440</u>	<u>6,004,917</u>	<u>1,057,807</u>	<u>8,168,164</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, 2008

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		5,743,653
<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	297,881	
Depreciation expense	<u>(127,505)</u>	170,376
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.		
		6,519
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.		
		(32,153)
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	(17,000)	
Compensated absences	<u>(9,307)</u>	(26,307)
Proceeds from issuing long-term liabilities are included in the governmental funds but increase long-term liabilities in the Statement of Net Assets.		
		<u>(5,585,000)</u>
Changes in net assets of governmental activities (Exhibit B)		<u><u>277,088</u></u>

HLV COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2008

	Enterprise Funds		Total Enterprise Funds
	Student House Construction	Nonmajor Enterprise Funds	
		\$	\$
Assets			
Cash and cash equivalents	-	101,523	101,523
Accounts receivable	-	599	599
Inventories	182,843	7,038	189,881
Capital assets, net of accumulated depreciation	-	15,707	15,707
Total assets	182,843	124,867	307,710
Liabilities			
Accounts payable	-	100	100
Interfund payables	166,232	106,533	272,765
Salaries and benefits payable	-	915	915
Deferred revenue	-	2,888	2,888
Total liabilities	166,232	110,436	276,668
Net assets			
Invested in capital assets, net of related debt	-	15,707	15,707
Unrestricted	16,611	(1,276)	15,335
Total net assets	16,611	14,431	31,042

HLV COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2008

	Enterprise Funds		Total Enterprise Funds
	Student House Construction	Nonmajor Enterprise Funds	
	\$	\$	\$
Operating revenues:			
Local sources:			
Charges for service	127,821	136,032	263,853
Operating expenses:			
Non-instructional programs:			
Salaries	-	95,169	95,169
Benefits	-	12,981	12,981
Purchased services	-	299	299
Supplies	147,015	103,370	250,385
Depreciation	-	2,789	2,789
Total operating expenses	147,015	214,608	361,623
Operating gain (loss)	(19,194)	(78,576)	(97,770)
Non-operating revenues:			
State sources	-	2,018	2,018
Federal sources	-	61,184	61,184
Interest income	-	74	74
Total non-operating revenues	-	63,276	63,276
Change in net assets	(19,194)	(15,300)	(34,494)
Net assets beginning of year	35,805	29,731	65,536
Net assets end of year	16,611	14,431	31,042

HLV COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2008

	Enterprise Funds		Total Enterprise Funds
	Student House Constructio \$	Nonmajor Enterprise Funds \$	
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	-	107,853	107,853
Cash received from other services	-	28,335	28,335
Cash received from sale of house	127,821	-	127,821
Cash payments to employees for services	-	(108,182)	(108,182)
Cash payments to suppliers for goods or services	(182,842)	(88,287)	(271,129)
Net cash used by operating activities	<u>(55,021)</u>	<u>(60,281)</u>	<u>(115,302)</u>
Cash flows from non-capital financing activities:			
State grants received	-	2,018	2,018
Federal grants received	-	47,014	47,014
Net cash provided by non-capital financing activities	<u>-</u>	<u>49,032</u>	<u>49,032</u>
Cash flows from capital and related financing activities:			
Interfund loans	55,021	109,945	164,966
Acquisition of capital assets	-	(13,338)	(13,338)
Net cash used by capital and related financing activities	<u>55,021</u>	<u>96,607</u>	<u>151,628</u>
Cash flows from investing activities:			
Interest on investments	-	74	74
Net increase (decrease) in cash and cash equivalents	-	85,432	85,432
Cash and cash equivalents at beginning of year	-	16,091	16,091
Cash and cash equivalents at end of year	<u>-</u>	<u>101,523</u>	<u>101,523</u>
Reconciliation of operating gain (loss) to net cash used by operating activities:			
Operating gain (loss)	(19,194)	(78,576)	(97,770)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:			
Commodities used	-	14,129	14,129
Depreciation	-	2,789	2,789
Decrease (increase) in inventories	(35,827)	1,153	(34,674)
Decrease (increase) in accounts receivable	-	(119)	(119)
(Decrease) increase in accounts payable	-	100	100
(Decrease) increase in salaries and benefits payable	-	(32)	(32)
(Decrease) increase in deferred revenue	-	275	275
Net cash used by operating activities	<u>(55,021)</u>	<u>(60,281)</u>	<u>(115,302)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2008, the District received \$14,129 of federal commodities.

HLV COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2008

	Private Purpose Trust Scholarship	Agency
	\$	\$
Assets		
Cash and pooled investments	230,667	5,433
Prepaid expenses	-	689
Accrued interest receivable	1,783	-
	<u>232,450</u>	<u>6,122</u>
Total Assets		
	232,450	6,122
Liabilities		
Accounts payable	250	-
Other current liabilities	-	6,122
	<u>250</u>	<u>6,122</u>
Total Liabilities		
	250	6,122
Net Assets		
Reserved for scholarships	<u>232,200</u>	<u>-</u>

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

Year ended June 30, 2008

	Private Purpose Trust Scholarship <u> </u> \$
Additions	
Local sources:	
Gifts and contributions	178,970
Interest	<u>2,744</u>
Total additions	<u>181,714</u>
 Deductions	
Support services:	
Scholarships awarded	<u>1,751</u>
 Change in net assets	 179,963
 Net assets beginning of year	 <u>52,237</u>
 Net assets end of year	 <u><u>232,200</u></u>

HLV COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2008

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 attributable to the acquisition, construction, or improvement of those assets.

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

Unrestricted net assets consist of net assets 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 Debt Service Fund is utilized to account for the payment of interest and principal on the District's long-term debt.

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 the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is

levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

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

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and 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, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2007.

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, 2008. 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, 2008, expenditures did not exceed the amounts budgeted.

2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2008 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, 2008, the District had investment in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
	\$
Diversified Portfolio	5,948,596

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, 2008 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
		\$
Physical Plant and Equipment Levy Fund	General Fund	5,501
General Fund	Enterprise, Preschool Fund	20,969
General Fund	Enterprise, Student House Fund	166,231
General Fund	Enterprise, School Nutrition Fund	85,565
Activity Fund	General Fund	55

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, 2008 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Construction in progress	-	264,381	-	264,381
Land	10,000	-	-	10,000
Total capital assets not being deprec.	<u>10,000</u>	<u>264,381</u>	<u>-</u>	<u>274,381</u>
Capital assets being depreciated:				
Buildings	3,281,246	-	-	3,281,246
Improvements other than buildings	327,763	-	-	327,763
Furniture and equipment	602,858	33,500	14,498	621,860
Total capital assets being deprec.	<u>4,211,867</u>	<u>33,500</u>	<u>14,498</u>	<u>4,230,869</u>
Less accumulated depreciation for:				
Buildings	1,659,380	59,934	-	1,719,314
Improvements other than buildings	132,199	6,317	-	138,516
Furniture and equipment	448,544	61,254	14,498	495,300
Total accumulated depreciation	<u>2,240,123</u>	<u>127,505</u>	<u>14,498</u>	<u>2,353,130</u>
Total capital assets being depreciated, net	<u>1,971,744</u>	<u>(94,005)</u>	<u>-</u>	<u>1,877,739</u>
Governmental activities capital assets, net	<u>1,981,744</u>	<u>170,376</u>	<u>-</u>	<u>2,152,120</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	37,336	13,339	-	50,675
Less accumulated depreciation	<u>32,178</u>	<u>2,789</u>	<u>-</u>	<u>34,967</u>
Business type activities capital assets, net	<u>5,158</u>	<u>10,550</u>	<u>-</u>	<u>15,708</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	6,370
Special	9,907
Support services:	
Instructional staff services	4,200
Administration services	5,070
Transportation	35,708
	<u>61,255</u>
Unallocated depreciation	<u>66,250</u>
Total depreciation expense – governmental activities	<u>127,505</u>
Business type activities:	
Food services	<u>2,789</u>

5. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2008 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
General obligation bonds	-	4,485,000	-	4,485,000	145,000
Revenue bonds-local option sales tax	-	1,100,000	-	1,100,000	-
Compensated absences	77,572	9,307	-	86,879	28,960
Termination benefits	-	17,000	-	17,000	17,000
Total	77,572	5,611,307	-	5,688,879	190,960

Termination Benefits

The District offers a voluntary early retirement plan to its employees. Eligible employees must have completed at least fifteen years of full-time service to the District and 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, 2008, the District has obligations to two participants with a total liability of \$17,000. Actual early retirement expenditures for the year ended June 30, 2008 totaled \$0.

General Obligation Bonds Payable

Details of the District's June 30, 2008 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of May, 2008			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2009	4.25	145,000	192,916	337,916
2010	4.25	150,000	186,752	336,752
2011	4.25	160,000	180,378	340,378
2012	4.25	165,000	173,578	338,578
2013	4.25	175,000	166,566	341,566
2014-2018	4.25	980,000	716,166	1,696,166
2019-2023	4.30	1,215,000	487,412	1,702,412
2024-2028	4.30-4.45	1,495,000	202,352	1,697,352
		4,485,000	2,306,120	6,791,120

Revenue Bonds Payable

Details of the District's June 30, 2008 local option sales and services tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of June 26, 2008			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2009		-	20,689	20,689
2010		160,000	40,260	200,260
2011		165,000	34,404	199,404
2012		170,000	28,366	198,366
2013		175,000	22,144	197,144
2014-2016		430,000	31,478	461,478
		<u>1,100,000</u>	<u>177,341</u>	<u>1,277,341</u>

The District has pledged future local option sales and services tax revenues to repay the \$1,100,000 bonds issued on June 26, 2008. The bonds were issued for the purpose of financing a portion of the costs of additions and renovations to the school facilities. The bonds are payable solely from the proceeds of the local options sales and services tax revenues received by the District and are payable through 2016. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 90% of the local option sales tax revenues. The total principal and interest remaining to be paid on the notes is \$1,277,341. For the current year, no principal or interest was paid on the bonds and the total local option sales tax revenues were \$228,982.

The resolution providing for the issuance of the local option sales and services revenue bonds include the following provisions:

- Proceeds from the local option sales and services tax shall be placed in a revenue account. Monies in the revenue account shall be transferred from the revenue account to the sinking account. Money in the sinking account shall be used to pay the interest and principal on the bonds. Any surplus monies remaining in the revenue fund, after the required transfer to the sinking account, may be used for any lawful purpose for which the local option sales tax may be used. The sinking fund will be part of the Debt Service Fund.

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 3.90% of their annual covered salary and the District is required to contribute 6.05% of annual covered payroll for the years ended June 30, 2008, 2007 and 2006. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2008, 2007 and 2006 were \$137,612, \$119,102 and \$117,279 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 \$128,206 for the year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

9. Commitments

The District has construction commitments for school additions and renovations in the amount of \$6,341,665 of which \$6,077,284 was unearned as of June 30, 2008

10. Deficit Fund Balances

At June 30, 2008 the District's Nonmajor Enterprise – School Nutrition Fund had a deficit net assets of \$9,097.

REQUIRED SUPPLEMENTARY INFORMATION

HLV COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year ended June 30, 2008

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues						
Local sources	2,527,817	263,927	2,791,744	2,602,549	2,602,549	189,195
State sources	1,703,191	2,018	1,705,209	1,649,562	1,649,562	55,647
Federal sources	85,030	61,184	146,214	132,000	132,000	14,214
Total revenues	<u>4,316,038</u>	<u>327,129</u>	<u>4,643,167</u>	<u>4,384,111</u>	<u>4,384,111</u>	<u>259,056</u>
Expenditures/Expenses:						
Instruction	2,331,224	-	2,331,224	2,734,000	2,734,000	402,776
Support services	1,229,296	-	1,229,296	1,153,000	1,550,000	320,704
Non-instructional programs	-	361,623	361,623	338,409	575,000	213,377
Other expenditures	608,972	-	608,972	1,012,845	1,012,845	403,873
Total expenditures/expenses	<u>4,169,492</u>	<u>361,623</u>	<u>4,531,115</u>	<u>5,238,254</u>	<u>5,871,845</u>	<u>1,340,730</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	146,546	(34,494)	112,052	(854,143)	(1,487,734)	1,599,786
Other financing sources (uses) net	<u>5,597,107</u>	<u>-</u>	<u>5,597,107</u>	<u>-</u>	<u>-</u>	<u>5,597,107</u>
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures/expenses	5,743,653	(34,494)	5,709,159	(854,143)	(1,487,734)	7,196,893
Balance beginning of year	<u>2,424,511</u>	<u>65,536</u>	<u>2,490,047</u>	<u>1,972,928</u>	<u>1,972,928</u>	<u>517,119</u>
Balance end of year	<u><u>8,168,164</u></u>	<u><u>31,042</u></u>	<u><u>8,199,206</u></u>	<u><u>1,118,785</u></u>	<u><u>485,194</u></u>	<u><u>7,714,012</u></u>

HLV COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2008

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 \$633,591.

During the year ended June 30, 2008, expenditures did not exceed the amounts budgeted.

OTHER SUPPLEMENTARY INFORMATION

HLV COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2008

Assets	Special Revenue			Total
	Management	Student	Physical Plant	
	Levy	Activity	and Equipment Levy	
	\$	\$	\$	\$
Cash and pooled investments	395,486	35,173	616,181	1,046,840
Receivables:				
Property tax:				
Delinquent	1,584	-	2,507	4,091
Succeeding year	82,501	-	210,160	292,661
Accrued interest	686	-	709	1,395
Interfund receivable	-	55	5,501	5,556
Total assets	480,257	35,228	835,058	1,350,543
Liabilities & Fund Balances				
Liabilities:				
Accounts payable	-	75	-	75
Deferred revenue:				
Succeeding year property tax	82,501	-	210,160	292,661
Total liabilities	82,501	75	210,160	292,736
Fund balances:				
Unreserved reported in:				
Special revenue funds	397,756	35,153	624,898	1,057,807
Total liabilities and fund balances	480,257	35,228	835,058	1,350,543

HLV COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2008

	Special Revenue			Total
	Management	Student	Physical Plant	
	Levy	Activity	and Equipment Levy	
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	132,613	-	214,775	347,388
Other	10,341	160,601	45,086	216,028
Total revenues	<u>142,954</u>	<u>160,601</u>	<u>259,861</u>	<u>563,416</u>
Expenditures:				
Current:				
Instruction:				
Regular	-	-	1,000	1,000
Other	-	149,534	-	149,534
Support services:				
Administration	34,433	-	-	34,433
Operation and maintenance of plant	23,745	-	-	23,745
Transportation	12,980	-	-	12,980
Other expenditures:				
Facilities acquisition	-	-	138,562	138,562
Total expenditures	<u>71,158</u>	<u>149,534</u>	<u>139,562</u>	<u>360,254</u>
Excess (deficiency) of revenues over (under) expenditures	<u>71,796</u>	<u>11,067</u>	<u>120,299</u>	<u>203,162</u>
Net change in fund balance	71,796	11,067	120,299	203,162
Fund balances beginning of year	<u>325,960</u>	<u>24,086</u>	<u>504,599</u>	<u>854,645</u>
Fund balances end of year	<u><u>397,756</u></u>	<u><u>35,153</u></u>	<u><u>624,898</u></u>	<u><u>1,057,807</u></u>

HLV COMMUNITY SCHOOL DISTRICT

Combining Schedule of Net Assets
Nonmajor Enterprise Funds

June 30, 2008

	Enterprise Funds			Total Nonmajor Enterprise Funds
	Nutrition	Preschool	Marketing Project	
	\$	\$	\$	
Assets				
Cash and cash equivalents	57,026	44,147	350	101,523
Accounts receivable	599	-	-	599
Inventories	7,038	-	-	7,038
Capital assets, net of accumulated depreciation	15,707	-	-	15,707
Total assets	80,370	44,147	350	124,867
Liabilities				
Accounts payable	100	-	-	100
Interfund payables	85,564	20,969	-	106,533
Salaries and benefits payable	915	-	-	915
Deferred revenue	2,888	-	-	2,888
Total liabilities	89,467	20,969	-	110,436
Net assets				
Invested in capital assets, net of related debt	15,707	-	-	15,707
Unrestricted	(24,804)	23,178	350	(1,276)
Total net assets	(9,097)	23,178	350	14,431

HLV COMMUNITY SCHOOL DISTRICT

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

Year ended Jun d 30, 2008

	Enterprise Funds			Total Nonmajor Enterprise Funds
	Nutrition	Preschool	Marketing Project	
	\$	\$	\$	
Operating revenues:				
Local sources:				
Charges for service	107,697	28,335	-	136,032
Operating expenses:				
Non-instructional programs:				
Salaries	76,678	18,491	-	95,169
Benefits	10,503	2,478	-	12,981
Purchased services	299	-	-	299
Supplies	102,219	975	176	103,370
Depreciation	2,789	-	-	2,789
Total operating expenses	192,488	21,944	176	214,608
Operating gain (loss)	(84,791)	6,391	(176)	(78,576)
Non-operating revenues:				
State sources	2,018	-	-	2,018
Federal sources	61,184	-	-	61,184
Interest income	74	-	-	74
Total non-operating revenues	63,276	-	-	63,276
Change in net assets	(21,515)	6,391	(176)	(15,300)
Net assets beginning of year	12,418	16,787	526	29,731
Net assets end of year	(9,097)	23,178	350	14,431

HLV COMMUNITY SCHOOL DISTRICT

Combining Schedule of Cash Flows
Nonmajor Enterprise Funds

Year ended June 30, 2008

	Enterprise Funds			Total Nonmajor Enterprise Funds
	Nutrition	Preschool	Marketing Project	
	\$	\$	\$	\$
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	107,853	-	-	107,853
Cash received from other services	-	28,335	-	28,335
Cash payments to employees for services	(87,213)	(20,969)	-	(108,182)
Cash payments to suppliers for goods or services	(87,136)	(975)	(176)	(88,287)
Net cash (used by) provided by operating activities	<u>(66,496)</u>	<u>6,391</u>	<u>(176)</u>	<u>(60,281)</u>
Cash flows from non-capital financing activities:				
State grants received	2,018	-	-	2,018
Federal grants received	47,014	-	-	47,014
Net cash provided by non-capital financing activities	<u>49,032</u>	<u>-</u>	<u>-</u>	<u>49,032</u>
Cash flows from capital and related financing activities:				
Interfund loans	86,814	23,131	-	109,945
Acquisition of capital assets	(13,339)	-	-	(13,339)
Net cash used by capital and related financing activities	<u>73,475</u>	<u>23,131</u>	<u>-</u>	<u>96,606</u>
Cash flows from investing activities:				
Interest on investments	74	-	-	74
Net increase (decrease) in cash and cash equivalents	56,085	29,522	(176)	85,431
Cash and cash equivalents at beginning of year	<u>940</u>	<u>14,625</u>	<u>526</u>	<u>16,091</u>
Cash and cash equivalents at end of year	<u>57,025</u>	<u>44,147</u>	<u>350</u>	<u>101,522</u>
Reconciliation of operating gain (loss) to net cash used by operating activities:				
Operating gain (loss)	(84,791)	6,391	(176)	(78,576)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:				
Commodities used	14,129	-	-	14,129
Depreciation	2,789	-	-	2,789
Decrease (increase) in inventories	1,153	-	-	1,153
Decrease (increase) in accounts receivable	(119)	-	-	(119)
(Decrease) increase in accounts payable	100	-	-	100
(Decrease) increase in salaries and benefits payable	(32)	-	-	(32)
(Decrease) increase in deferred revenue	275	-	-	275
Net cash (used by) provided by operating activities	<u>(66,496)</u>	<u>6,391</u>	<u>(176)</u>	<u>(60,281)</u>

HLV COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2008

<u>Account</u>	Balance Beginning of Year	Revenues	Expenditures	Balance end of Year
	\$	\$	\$	\$
Speech and drama	(1,491)	2,299	2,349	(1,541)
Music	(5,890)	9,238	9,262	(5,914)
Athletic	(1,314)	93,913	93,486	(887)
Art	-	181		181
Annual	1,603	6,267	7,869	1
Student council	(593)	602	602	(593)
Interest	-	317	-	317
Recreation program	(2,338)	202	2,184	(4,320)
German club	797	2,042	1,970	869
National Honor Society	275	555	282	548
Pep club	2,136	2,818	3,886	1,068
Towel service	1,393	-	-	1,393
Washington trip	8,642	18,950	7,607	19,985
Win with wellness	676	-	-	676
Miscellaneous	1,595	300	830	1,065
Library	1,290	1,112	1,267	1,135
Special olympics	3,157	222	-	3,379
Pop machine	12,267	13,454	8,420	17,301
Sale of supplies	(390)	390	-	-
Elementary	72	221	293	-
Insurance	148	-	-	148
Class of 2007	265	1,226	1,705	(214)
Class of 2008	1,786	6,292	7,522	556
	<u>24,086</u>	<u>160,601</u>	<u>149,534</u>	<u>35,153</u>
Total	<u>24,086</u>	<u>160,601</u>	<u>149,534</u>	<u>35,153</u>

HLV COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2008

	Employee Flex <u> </u> \$	Flower Fund <u> </u> \$	Employee Health <u> </u> \$	Total <u> </u> \$
Balance beginning of year	5,413	75	2,954	8,442
Additions:				
Collections	83,214	320	34,819	118,353
Deductions:				
Miscellaneous	<u>86,158</u>	<u>214</u>	<u>34,301</u>	<u>120,673</u>
Balance end of year	<u><u>2,469</u></u>	<u><u>181</u></u>	<u><u>3,472</u></u>	<u><u>6,122</u></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			
	2008	2007	2006	2005
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	2,001,778	1,994,917	1,962,267	1,638,268
Tuition	115,072	111,951	87,560	118,977
Other	410,967	378,772	193,691	212,162
State sources	1,703,191	1,682,268	1,658,599	1,586,717
Federal sources	85,030	130,947	144,547	85,068
Total revenues	<u>4,316,038</u>	<u>4,298,855</u>	<u>4,046,664</u>	<u>3,641,192</u>
Expenditures:				
Instruction:				
Regular instruction	1,574,919	1,500,444	1,475,757	1,545,876
Special instruction	442,095	456,836	346,172	417,470
Other instruction	314,210	358,033	344,069	315,221
Support services:				
Student services	79,985	79,206	93,066	79,870
Instructional staff services	52,702	53,468	118,979	59,156
Administration services	554,254	508,497	465,348	470,587
Operation and maintenance of plant services	337,387	339,817	322,761	341,284
Transportation services	204,968	173,956	177,452	157,474
Other expenditures:				
Facilities acquisition	456,362	276,101	137,633	184,179
Long-term debt:				
Interest	24,404	-	-	-
AEA flowthrough	128,206	126,596	122,216	121,078
Total expenditures	<u>4,169,492</u>	<u>3,872,954</u>	<u>3,603,453</u>	<u>3,692,195</u>

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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, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated April 30, 2009. 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 08-I-A and 08-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, 2008 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 30, 2009

HLV COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2008

Part I: Findings Related to the Financial Statements:

Significant deficiencies:

08-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: We will continue to review our procedures and implement additional controls where possible.

Conclusion: Response accepted.

08-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, 2008

Part II: Other Findings Related to Statutory Reporting:

08-II-A Certified Budget: Expenditures for the year ended June 30, 2008, did not exceed the amounts budgeted.

08-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.

08-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.

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

08-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.

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

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

08-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.

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

08-II-J Financial Condition: The Student Activity Fund has a few accounts with deficit balances at June 30, 2008 and the School Nutrition Fund has a deficit net assets of \$9,097 at June 30, 2008.

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

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

Conclusion: Response accepted.

08-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.