

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

June 30, 2009

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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, 2009, 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, 2009, 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 May 10, 2010, 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 37 through 38 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 five years ended June 30, 2008, (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

May 10, 2010

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, 2009. 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, 2009 compared to June 30, 2008.

Figure A-1

	Condensed Statement of Net Assets						Percentage Change 2008-2009
	Governmental Activities		Business-type Activities		Total School District		
	2009	2008	2009	2008	2009	2008	
	\$	\$	\$	\$	\$	\$	
Current and other assets	6,914,518	10,476,908	50,154	19,238	6,964,672	10,496,146	-34%
Capital assets	7,272,665	2,152,120	15,948	15,707	7,288,613	2,167,827	236%
Total assets	14,187,183	12,629,028	66,102	34,945	14,253,285	12,663,973	13%
Long-term liabilities	5,512,486	5,688,879	-	-	5,512,486	5,688,879	-3%
Other liabilities	3,484,298	2,173,703	48,212	3,903	3,532,510	2,177,606	62%
Total liabilities	8,996,784	7,862,582	48,212	3,903	9,044,996	7,866,485	15%
Net Assets:							
Invested in capital assets, net of related debt	2,786,562	2,152,120	15,948	15,707	2,802,510	2,167,827	29%
Restricted	1,155,451	1,476,288	-	-	1,155,451	1,476,288	-22%
Unrestricted	1,248,386	1,138,038	1,942	15,335	1,250,328	1,153,373	8%
TOTAL NET ASSETS	5,190,399	4,766,446	17,890	31,042	5,208,289	4,797,488	9%

The District's total net assets increased 9% 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 decreased \$320,837 or 22% 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 \$96,955.

Figure A-2 shows the change in net assets for the years ended June 30, 2008 and 2009.

Figure A-2

	Change in Net Assets						Percentage Change 2008-2009
	Governmental Activities		Business-type Activities		Total School District		
	2009 \$	2008 \$	2009 \$	2008 \$	2009 \$	2008 \$	
Revenues							
Program Revenues:							
Charges for services	439,441	402,182	144,775	263,853	584,216	666,035	-12%
Operating grants & contributions	570,154	497,424	62,479	63,202	632,633	560,626	13%
Capital grants & contributions	-	-	-	-	-	-	0%
General Revenues:							
Property taxes	1,809,936	1,548,254	-	-	1,809,936	1,548,254	17%
Income Surtax	199,677	231,061	-	-	199,677	231,061	-14%
Statewide sales and services tax	289,532	228,982	-	-	289,532	228,982	26%
Unrestricted state grants	1,415,012	1,352,147	-	-	1,415,012	1,352,147	5%
Unrestricted investment earnings	38,265	62,004	280	74,	38,545	62,078	-38%
Other revenue	-	12,610	-	-	-	12,610	-100%
Total Revenues	4,762,017	4,334,664	207,534	327,129	4,969,551	4,661,793	7%
Expenses:							
Instruction	2,433,985	2,364,501	-	-	2,433,985	2,364,501	3%
Support services	1,278,370	1,283,581	-	-	1,278,370	1,283,581	-1%
Non-instructional programs	-	-	220,686	361,623	220,686	361,623	-39%
Other expenditures	625,709	409,494	-	-	625,709	409,494	53%
Total expenses	4,338,064	4,057,576	220,686	361,623	4,558,750	4,419,199	3%
CHANGE IN NET ASSETS	423,953	277,088	(13,152)	(34,494)	410,801	242,494	69%
Net assets beginning of year	4,766,446	4,489,358	31,042	65,536	4,797,488	4,554,894	5%
Net assets end of year	5,190,399	4,766,446	17,890	31,042	5,208,289	4,797,488	9%

Property tax and unrestricted state grants account for 65% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 81% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$4,762,017 and expenses were \$4,338,064. The District spent \$423,953 less than the available revenues.

- The net cost of governmental activities was financed with \$2,299,145 in property and other taxes and \$1,415,012 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$207,534 and expenses were \$220,686. 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 2008-09 year. Revenue increased while expenditures remained stable.
- The General Fund balance increased from \$1,105,440 to \$1,183,599.
- The Physical Plant and Equipment Levy (PEEL) Fund balance increased from \$624,898 in fiscal 2008 to \$705,045 in fiscal 2009. The balance in this fund must be used for future capital improvements and equipment purchases.
- The Capital Projects Fund balance was \$953,897 as of June 30, 2009. 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 \$(9,097) at June 30, 2008 to (\$16,685) at June 30, 2009. For Fiscal 2009, the District's decrease in net assets was largely caused because of the purchase of equipment.

Preschool Fund net assets decreased from \$23,178 in 2008 to \$17,614 in 2009. In the 2008-09 year, the preschool fund balance decreased based on student enrollment and fees charged.

The Student Constructed House Fund net assets remained the same at \$16,611 from 2008 to 2009. The house was not sold before the end of the fiscal year in 2009.

The Marketing Class Fund net assets remained the same at \$350 from 2007 to 2009.

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 \$154,635 more than budgeted receipts.

Total expenditures were \$193,104 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.

In spite of the District's budgetary practice, the certified budget was exceeded in the other expenditures functional area due to the timing of expenditures at year-end without sufficient time to amend the certified budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2009, the District had 7,288,613, 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 186% from last year. More detailed information about the District's capital assets is presented in Note 6 to the financial statements.

Figure A-6

Capital Assets (net of depreciation)

	Governmental		Business type		Total		Percentage Change 2008-2009
	Activities		Activities		School District		
	2009	2008	2009	2008	2009	2008	
	\$	\$	\$	\$	\$	\$	
Land	10,000	10,000	-	-	10,000	10,000	0%
Construction in progress	5,465,526	264,381	-	-	5,465,526	264,381	1967%
Buildings	1,501,998	1,561,932	-	-	1,501,998	1,561,932	-4%
Improvements	182,930	189,247	-	-	182,930	189,247	-3%
Equipment & Furniture	112,211	126,560	15,948	15,708	128,159	142,268	-10%
TOTAL	7,272,665	2,152,120	15,948	15,708	7,288,613	2,167,828	236%

Long-Term Debt

At June 30, 2009, the District had \$5,512,486 in long-term debt outstanding. This represents a decrease of approximately 3% from last year. (See Figure A-4)

Figure A-4

Outstanding Long-Term Obligations

	Total School District		Percentage Change 2008-2009
	2009	2008	
	\$	\$	
General Obligation Bonds	4,340,000	4,485,000	-3%
Revenue Bonds-Local Option Sales Tax	1,100,000	1,100,000	0%
Termination Benefits	-	17,000	-100%
Compensated Absences	72,486	86,879	-17%
	5,512,486	5,688,879	-3%

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, 402 5th St., Victor, Iowa, 52347.

BASIC FINANCIAL STATEMENTS

HLV COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2009

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and cash equivalents:			
ISCAP	472,438	-	472,438
Other	4,066,113	48,754	4,114,867
Receivables:			
Property tax:			
Delinquent	26,176	-	26,176
Succeeding year	1,864,556	-	1,864,556
Accounts	-	677	677
Interfund balances	232,046	(232,046)	-
Accrued interest:			
ISCAP	2,942	-	2,942
Other	9,978	-	9,978
Due from other governments	240,269	-	240,269
Inventories	-	232,769	232,769
Capital assets, net of accumulated depreciation	7,272,665	15,948	7,288,613
	<u>14,187,183</u>	<u>66,102</u>	<u>14,253,285</u>
Liabilities			
Accounts payable	712,487	44,569	757,056
Salaries and benefits payable	333,714	668	334,382
Accrued interest payable	51,445		51,445
Deferred revenue:			
Succeeding year property tax	1,864,556	-	1,864,556
Other	45,555	2,975	48,530
ISCAP warrants payable	466,000	-	466,000
ISCAP accrued interest payable	4,156	-	4,156
ISCAP premium	6,385	-	6,385
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	150,000	-	150,000
Revenue bonds payable	160,000	-	160,000
Compensated absences	24,162	-	24,162
Portion due after one year:			
General obligation bonds payable	4,190,000	-	4,190,000
Revenue bonds payable	940,000	-	940,000
Compensated absences	48,324	-	48,324
	<u>8,996,784</u>	<u>48,212</u>	<u>9,044,996</u>

HLV COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2009

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Net assets			
Invested in capital assets, net of related debt	2,786,562	15,948	2,802,510
Restricted for:			
Categorical funding	6,830	-	6,830
Management levy	393,354	-	393,354
Physical plant & equipment levy	705,045	-	705,045
Other special revenue purposes	50,222	-	50,222
Unrestricted	1,248,386	1,942	1,250,328
Total net assets	<u>5,190,399</u>	<u>17,890</u>	<u>5,208,289</u>

HLV COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2009

Functions/Programs	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues</u>	
			<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	1,716,520	287,611	354,464	-
Special	379,689	9,173	25,866	-
Other	337,776	142,657	49,472	-
	<u>2,433,985</u>	<u>439,441</u>	<u>429,802</u>	<u>-</u>
Support services:				
Student	86,505	-	-	-
Instructional staff	53,557	-	5,936	-
Administration	626,197	-	-	-
Operation and maintenance of plant	327,038	-	-	-
Transportation	185,073	-	-	-
	<u>1,278,370</u>	<u>-</u>	<u>5,936</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	191,945	-	-	-
Long-term debt interest	233,097	-	-	-
AEA flowthrough	134,416	-	134,416	-
Depreciation (unallocated)*	66,251	-	-	-
	<u>625,709</u>	<u>-</u>	<u>134,416</u>	<u>-</u>
Total governmental activities	<u>4,338,064</u>	<u>439,441</u>	<u>570,154</u>	<u>-</u>
Business type activities:				
Non-instructional programs:				
Food service operations	187,860	117,513	62,479	-
Preschool	32,826	27,262	-	-
Total business-type activities	<u>220,686</u>	<u>144,775</u>	<u>62,479</u>	<u>-</u>
Total	<u>4,558,750</u>	<u>584,216</u>	<u>632,633</u>	<u>-</u>
General Revenues:				
Property taxes levied for:				
General purposes				
Debt service				
Capital outlay				
Income surtax				
Statewide sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
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
\$	\$	\$
(1,074,445)	-	(1,074,445)
(344,650)	-	(344,650)
(145,647)	-	(145,647)
<u>(1,564,742)</u>	<u>-</u>	<u>(1,564,742)</u>
(86,505)	-	(86,505)
(47,621)	-	(47,621)
(626,197)	-	(626,197)
(327,038)	-	(327,038)
(185,073)	-	(185,073)
<u>(1,272,434)</u>	<u>-</u>	<u>(1,272,434)</u>
(191,945)	-	(191,945)
(233,097)	-	(233,097)
-	-	-
(66,251)	-	(66,251)
<u>(491,293)</u>	<u>-</u>	<u>(491,293)</u>
<u>(3,328,469)</u>	<u>-</u>	<u>(3,328,469)</u>
-	(7,868)	(7,868)
-	(5,564)	(5,564)
-	(13,432)	(13,432)
<u>(3,328,469)</u>	<u>(13,432)</u>	<u>(3,341,901)</u>
1,259,685	-	1,259,685
339,872	-	339,872
210,379	-	210,379
199,677	-	199,677
289,532	-	289,532
1,415,012	-	1,415,012
38,265	280	38,545
<u>3,752,422</u>	<u>280</u>	<u>3,752,702</u>
423,953	(13,152)	410,801
<u>4,766,446</u>	<u>31,042</u>	<u>4,797,488</u>
<u>5,190,399</u>	<u>17,890</u>	<u>5,208,289</u>

HLV COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2009

	General Fund	Physical Plant and Equipment Levy	Capital Projects	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
Assets					
Cash and pooled investments:					
ISCAP	472,438	-	-	-	472,438
Other	1,292,321	688,694	1,605,213	483,034	4,069,262
Receivables:					
Property tax:					
Delinquent	17,052	3,034	-	6,090	26,176
Succeeding year	1,210,738	216,665	-	437,153	1,864,556
Accrued interest - ISCAP	2,942	-	-	-	2,942
Accrued interest	-	709	8,583	686	9,978
Interfund receivable	253,055	12,608	-	55	265,718
Due from other governments	195,853	-	44,416	-	240,269
Total assets	3,444,399	921,710	1,658,212	927,018	6,951,339
Liabilities and Fund Balances					
Liabilities:					
Warrants issued in excess of bank balance	-	-	-	3,149	3,149
Interfund payable	12,608	-	-	21,064	33,672
Accounts payable	8,172	-	704,315	-	712,487
Salaries and benefits payable	333,714	-	-	-	333,714
ISCAP warrants payable	466,000	-	-	-	466,000
ISCAP accrued interest payable	4,156	-	-	-	4,156
ISCAP premium	6,385	-	-	-	6,385
Deferred revenue:					
Succeeding year property tax	1,210,738	216,665	-	437,153	1,864,556
Income surtax	173,472	-	-	-	173,472
Other	45,555	-	-	-	45,555
Total liabilities	2,260,800	216,665	704,315	461,366	3,643,146
Fund balances:					
Reserved for:					
Categorical funding	6,830	-	-	-	6,830
Debt service	-	-	-	22,076	22,076
Unreserved reported in:					
General fund	1,176,769	-	-	-	1,176,769
Special revenue funds	-	705,045	-	443,576	1,148,621
Capital projects funds	-	-	953,897	-	953,897
Total fund balances	1,183,599	705,045	953,897	465,652	3,308,193
Total liabilities and fund balances	3,444,399	921,710	1,658,212	927,018	6,951,339

See notes to financial statements.

HLV COMMUNITY SCHOOL DISTRICT

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

June 30, 2009

	\$
Total fund balances of governmental funds (Exhibit C)	3,308,193
<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.	7,272,665
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	173,472
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.	(51,445)
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>(5,512,486)</u>
Net assets of governmental activities (Exhibit A)	<u><u>5,190,399</u></u>

HLV COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2009

	General Fund	Physical Plant and Equipment Levy	Capital Projects	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	1,374,708	210,379	289,532	418,238	2,292,857
Tuition	100,199	-	-	-	100,199
Other	203,408	22,131	-	151,979	377,518
State sources	1,833,136	-	-	-	1,833,136
Federal sources	152,029	-	-	-	152,029
Total revenues	<u>3,663,480</u>	<u>232,510</u>	<u>289,532</u>	<u>570,217</u>	<u>4,755,739</u>
Expenditures:					
Current:					
Instruction:					
Regular	1,689,862	56,806	-	-	1,746,668
Special	369,782	-	-	-	369,782
Other	209,966	-	-	127,810	337,776
	<u>2,269,610</u>	<u>56,806</u>	<u>-</u>	<u>127,810</u>	<u>2,454,226</u>
Support services:					
Student	86,505	-	-	-	86,505
Instructional staff	53,557	-	-	-	53,557
Administration	563,658	-	-	91,878	655,536
Operation and maintenance of plant	325,038	2,000	-	-	327,038
Transportation	152,537	-	-	-	152,537
	<u>1,181,295</u>	<u>2,000</u>	<u>-</u>	<u>91,878</u>	<u>1,275,173</u>
Other expenditures:					
Facilities acquisition	-	93,557	5,299,533	-	5,393,090
Long-term debt:					
Principal	-	-	-	145,000	145,000
Interest and fiscal charges	-	-	-	213,805	213,805
AEA flowthrough	134,416	-	-	-	134,416
	<u>134,416</u>	<u>93,557</u>	<u>5,299,533</u>	<u>358,805</u>	<u>5,886,311</u>
Total expenditures	<u>3,585,321</u>	<u>152,363</u>	<u>5,299,533</u>	<u>578,493</u>	<u>9,615,710</u>
Excess (deficiency) of revenues over (under) expenditures	<u>78,159</u>	<u>80,147</u>	<u>(5,010,001)</u>	<u>(8,276)</u>	<u>(4,859,971)</u>
Other financing sources (uses):					
Operating transfers in	-	-	-	41,019	41,019
Operating transfers out	-	-	(41,019)	-	(41,019)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(41,019)</u>	<u>41,019</u>	<u>-</u>
Net change in fund balances	78,159	80,147	(5,051,020)	32,743	(4,859,971)
Fund balances beginning of year	<u>1,105,440</u>	<u>624,898</u>	<u>6,004,917</u>	<u>432,909</u>	<u>8,168,164</u>
Fund balances end of year	<u>1,183,599</u>	<u>705,045</u>	<u>953,897</u>	<u>465,652</u>	<u>3,308,193</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, 2009

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		(4,859,971)

**Amounts reported for governmental activities in the
Statement of Activities are different because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year as follows:

Expenditures for capital assets	5,235,374	
Depreciation expense	<u>(114,829)</u>	5,120,545

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.

6,278

Repayment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

145,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

(19,292)

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>14,393</u>	<u>31,393</u>

Changes in net assets of governmental activities (Exhibit B)423,953

HLV COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2009

	Enterprise Funds		Total Enterprise Funds
	Student House Construction	Nonmajor Enterprise Funds	
	\$	\$	\$
Assets			
Cash and cash equivalents	-	48,754	48,754
Accounts receivable	-	677	677
Inventories	227,412	5,357	232,769
Capital assets, net of accumulated depreciation	-	15,948	15,948
Total assets	<u>227,412</u>	<u>70,736</u>	<u>298,148</u>
Liabilities			
Accounts payable	44,569	-	44,569
Interfund payables	166,232	65,814	232,046
Salaries and benefits payable	-	668	668
Deferred revenue	-	2,975	2,975
Total liabilities	<u>210,801</u>	<u>69,457</u>	<u>280,258</u>
Net assets			
Invested in capital assets	-	15,948	15,948
Unrestricted	<u>16,611</u>	<u>(14,669)</u>	<u>1,942</u>
Total net assets	<u><u>16,611</u></u>	<u><u>1,279</u></u>	<u><u>17,890</u></u>

HLV COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2009

	Enterprise Funds		Total Enterprise Funds
	Student House Construction	Nonmajor Enterprise Funds	
	\$	\$	\$
Operating revenues:			
Local sources:			
Charges for service	-	144,775	144,775
Operating expenses:			
Non-instructional programs:			
Salaries	-	108,499	108,499
Benefits	-	15,210	15,210
Purchased services	-	442	442
Supplies	-	94,100	94,100
Depreciation	-	2,435	2,435
Total operating expenses	-	220,686	220,686
Operating gain (loss)	-	(75,911)	(75,911)
Non-operating revenues:			
State sources	-	2,033	2,033
Federal sources	-	60,446	60,446
Interest income	-	280	280
Total non-operating revenues	-	62,759	62,759
Change in net assets	-	(13,152)	(13,152)
Net assets beginning of year	16,611	14,431	31,042
Net assets end of year	16,611	1,279	17,890

HLV COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2009

	Enterprise Funds		Total Enterprise Funds
	Student House Construction	Nonmajor Enterprise Funds	
	\$	\$	\$
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	-	116,922	116,922
Cash received from other services	-	27,862	27,862
Cash payments to employees for services	-	(123,956)	(123,956)
Cash payments to suppliers for goods or services	-	(78,803)	(78,803)
Net cash used by operating activities	-	(57,975)	(57,975)
Cash flows from non-capital financing activities:			
State grants received	-	2,033	2,033
Federal grants received	-	46,288	46,288
Net cash provided by non-capital financing activities	-	48,321	48,321
Cash flows from capital and related financing activities:			
Interfund loans	-	(40,719)	(40,719)
Acquisition of capital assets	-	(2,676)	(2,676)
Net cash used by capital and related financing activities	-	(43,395)	(43,395)
Cash flows from investing activities:			
Interest on investments	-	280	280
Net increase (decrease) in cash and cash equivalents	-	(52,769)	(52,769)
Cash and cash equivalents at beginning of year	-	101,523	101,523
Cash and cash equivalents at end of year	-	48,754	48,754
Reconciliation of operating gain (loss) to net cash used by operating activities:			
Operating gain (loss)	-	(75,911)	(75,911)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:			
Commodities used	-	14,158	14,158
Depreciation	-	2,435	2,435
Decrease (increase) in inventories	-	1,681	1,681
Decrease (increase) in accounts receivable	-	(78)	(78)
(Decrease) increase in accounts payable	-	(100)	(100)
(Decrease) increase in salaries and benefits payable	-	(247)	(247)
(Decrease) increase in deferred revenue	-	87	87
Net cash used by operating activities	-	(57,975)	(57,975)

Non-cash investing, capital and financing activities:

During the year ended June 30, 2009, the District received \$14,158 of federal commodities.

HLV COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2009

	Private Purpose Trust Scholarship	Agency
	<u>\$</u>	<u>\$</u>
Assets		
Cash and pooled investments	<u>236,944</u>	<u>11,821</u>
Liabilities		
Accounts payable	-	1,946
Other current liabilities	<u>-</u>	<u>9,875</u>
Total Liabilities	<u>-</u>	<u>11,821</u>
Net Assets		
Reserved for scholarships	<u><u>236,944</u></u>	<u><u>-</u></u>

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

Year ended June 30, 2009

	Private Purpose Trust Scholarship <u> </u> \$
Additions	
Local sources:	
Gifts and contributions	10,190
Interest	<u>4,654</u>
Total additions	14,844
 Deductions	
Support services:	
Scholarships awarded	<u>10,100</u>
 Change in net assets	 4,744
 Net assets beginning of year	 <u>232,200</u>
 Net assets end of year	 <u><u>236,944</u></u>

HLV COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2009

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 Physical Plant and Equipment Levy Fund is a special revenue fund that is used to account for the revenues from and expenditures of the physical plant and equipment property tax levy.

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, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2008.

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, 2009. 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, 2009, expenditures in the other expenditures functional area exceeded the amounts budgeted.

2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2009 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, 2009, the District had investment in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
	\$
Diversified Portfolio	1,488,045

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, 2009 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
		\$
Property Plant and Equipment Fund	General Fund	12,608
General Fund	Management Fund	19,655
General Fund	Enterprise, Preschool Fund	2,816
General Fund	Enterprise, Student House Fund	166,232
General Fund	Enterprise, School Nutrition Fund	62,998
General Fund	Activity Fund	1,354

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

4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2009 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
		\$
Nonmajor Debt Service Fund	Capital Projects Fund	41,019

These transfers reflect funds used for debt service payments

5. Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants,

which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. N.A. is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2009, is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments \$	Accrued Interest Receivable \$	Warrants Payable \$	Accrued Interest Payable \$
2008-09B	01/21/09	01/21/10	316,000	2,923	312,000	4,103
2009-10A	06/25/09	06/23/10	156,438	19	154,000	53
Total			472,438	2,942	466,000	4,156

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2009, is as follows:

Balance Beginning of Year \$	Advances Received \$	Advances Repaid \$	Balance End of Year \$
-	-	-	-

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants %	Interest Rates on Investments %
2008-09B	3.00	2.11
2009-10A	2.50	0.902

6. Capital Assets

Capital assets activity for the year ended June 30, 2009 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	5,201,145	-	5,465,526
Land	10,000	-	-	10,000
Total capital assets not being deprec.	274,381	5,201,145	-	5,475,526

Capital assets being depreciated:				
Buildings	3,281,246	-	-	3,281,246
Improvements other than buildings	327,763	-	-	327,763
Furniture and equipment	621,860	34,229	-	656,089
Total capital assets being deprec.	<u>4,230,869</u>	<u>34,229</u>	<u>-</u>	<u>4,265,098</u>
Less accumulated depreciation for:				
Buildings	1,719,314	59,934	-	1,779,248
Improvements other than buildings	138,516	6,317	-	144,833
Furniture and equipment	495,300	48,578	-	543,878
Total accumulated depreciation	<u>2,353,130</u>	<u>114,829</u>	<u>-</u>	<u>2,467,959</u>
Total capital assets being depreciated, net	<u>1,877,739</u>	<u>-80,600</u>	<u>-</u>	<u>1,797,139</u>
Governmental activities capital assets, net	<u>2,152,120</u>	<u>5,120,545</u>	<u>-</u>	<u>7,272,665</u>
	Balance			Balance
	Beginning of			End
	Year	Increases	Decreases	of Year
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	50,675	2,676	-	53,351
Less accumulated depreciation	<u>34,968</u>	<u>2,435</u>	<u>-</u>	<u>37,403</u>
Business type activities capital assets, net	<u>15,707</u>	<u>241</u>	<u>-</u>	<u>15,948</u>
Depreciation expense was charged to the following functions:				\$
Governmental activities:				
Instruction:				
Regular				1,245
Special				9,907
Support services:				
Instructional staff services				4,890
Administration services				32,535
Transportation				<u>48,577</u>
Unallocated depreciation				<u>66,251</u>
Total depreciation expense – governmental activities				<u>114,829</u>
Business type activities:				
Food services				<u>2,435</u>

7. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2009 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
General obligation bonds	4,485,000	-	145,000	4,340,000	150,000
Revenue bonds-statewide sales tax	1,100,000	-	-	1,100,000	160,000
Compensated absences	86,879	-	14,393	72,486	24,162
Termination benefits	17,000	-	17,000	-	-
Total	5,688,879	-	176,393	5,512,486	334,162

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, 2009, the District had no obligations to any participants. Actual early retirement expenditures for the year ended June 30, 2009 totaled \$17,000.

General Obligation Bonds Payable

Details of the District's June 30, 2009 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of May, 2008			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
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	4.25	180,000	159,128	339,128
2015-2019	4.25-4.30	1,025,000	674,512	1,699,512
2020-2024	4.30	1,265,000	435,167	1,700,167
2025-2028	4.30-4.45	1,220,000	137,125	1,357,125
		4,340,000	2,113,206	6,453,206

Revenue Bonds Payable

Details of the District's June 30, 2009 local option (statewide) 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
	%	\$	\$	\$
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		145,000	15,738	160,738
2015-2016		285,000	15,740	300,740
		<u>1,100,000</u>	<u>156,652</u>	<u>1,256,652</u>

The District has pledged future local option (statewide) 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 option (statewide) 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 70% of the local option (statewide) sales tax revenues. The total principal and interest remaining to be paid on the notes is \$1,256,652. For the current year, no principal and \$20,689 of interest was paid on the bonds and the total local option sales tax revenues were \$289,532.

8. 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 4.10% of their annual covered salary and the District is required to contribute 6.35% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$146,437, \$137,612 and \$119,102 respectively, equal to the required contributions for each year.

9. Risk Management

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

10. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$134,416 for the year ended June 30, 2009 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

11. Commitments

The District has construction commitments for school additions and renovations in the amount of \$6,411,311 of which \$945,785 was unearned as of June 30, 2009

12. Deficit Fund Balances

At June 30, 2009 the District's Nonmajor Enterprise – School Nutrition Fund had a deficit net assets balance of \$16,685.

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, 2009

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues						
Local sources	2,770,574	145,055	2,915,629	2,906,694	2,906,694	8,935
State sources	1,833,136	2,033	1,835,169	1,770,944	1,770,944	64,225
Federal sources	152,029	60,446	212,475	131,000	131,000	81,475
Total revenues	<u>4,755,739</u>	<u>207,534</u>	<u>4,963,273</u>	<u>4,808,638</u>	<u>4,808,638</u>	<u>154,635</u>
Expenditures/Expenses:						
Instruction	2,454,226	-	2,454,226	2,779,500	2,779,500	325,274
Support services	1,275,173	-	1,275,173	1,163,380	1,300,000	24,827
Non-instructional programs	-	220,686	220,686	326,050	350,000	129,314
Other expenditures	5,886,311	-	5,886,311	1,941,404	5,600,000	(286,311)
Total expenditures/expenses	<u>9,615,710</u>	<u>220,686</u>	<u>9,836,396</u>	<u>6,210,334</u>	<u>10,029,500</u>	<u>193,104</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	(4,859,971)	(13,152)	(4,873,123)	(1,401,696)	(5,220,862)	347,739
Balance beginning of year	<u>8,168,164</u>	<u>31,042</u>	<u>8,199,206</u>	<u>2,438,969</u>	<u>2,438,969</u>	<u>5,760,237</u>
Balance end of year	<u><u>3,308,193</u></u>	<u><u>17,890</u></u>	<u><u>3,326,083</u></u>	<u><u>1,037,273</u></u>	<u><u>(2,781,893)</u></u>	<u><u>6,107,976</u></u>

HLV COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2009

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 \$3,819,166.

During the year ended June 30, 2009, expenditures in the other expenditures function exceeded the amounts budgeted.

OTHER SUPPLEMENTARY INFORMATION

HLV COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2009

Assets	Special Revenue			Total
	Management Levy	Student Activity	Debt Service	
	\$	\$	\$	
Cash and pooled investments	411,128	51,576	20,330	483,034
Receivables:				
Property tax:				
Delinquent	1,195	-	4,895	6,090
Succeeding year	100,000	-	337,153	437,153
Accrued interest	686	-	-	686
Interfund receivable	-	55	-	55
Total assets	513,009	51,631	362,378	927,018
Liabilities & Fund Balances				
Liabilities:				
Warrants in excess bank balance	-	-	3,149	3,149
Interfund payables	19,655	1,409	-	21,064
Deferred revenue:				
Succeeding year property tax	100,000	-	337,153	437,153
Total liabilities	119,655	1,409	340,302	461,366
Fund balances:				
Reserved for debt service	-	-	22,076	22,076
Unreserved reported in:				
Special revenue funds	393,354	50,222	-	443,576
Total fund balances	393,354	50,222	22,076	465,652
Total liabilities and fund balances	513,009	51,631	362,378	927,018

HLV COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2009

	Special Revenue		Debt Service	Total
	Management Levy	Student Activity		
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	78,376	-	339,862	418,238
Other	9,100	142,879	-	151,979
Total revenues	<u>87,476</u>	<u>142,879</u>	<u>339,862</u>	<u>570,217</u>
Expenditures:				
Current:				
Instruction:				
Other	-	127,810	-	127,810
Support services:				
Administration	91,878	-	-	91,878
Other expenditures:				
Long-term debt:				
Principal	-	-	145,000	145,000
Interest and fiscal charges	-	-	213,805	213,805
Total expenditures	<u>91,878</u>	<u>127,810</u>	<u>358,805</u>	<u>578,493</u>
Excess (deficiency) of revenues over (under) expenditures	(4,402)	15,069	(18,943)	(8,276)
Other financing sources (uses)				
Operating transfers in	-	-	41,019	41,019
Net change in fund balance	(4,402)	15,069	22,076	32,743
Fund balances beginning of year	<u>397,756</u>	<u>35,153</u>	<u>-</u>	<u>432,909</u>
Fund balances end of year	<u><u>393,354</u></u>	<u><u>50,222</u></u>	<u><u>22,076</u></u>	<u><u>465,652</u></u>

HLV COMMUNITY SCHOOL DISTRICT

Combining Schedule of Net Assets
Nonmajor Enterprise Funds

June 30, 2009

	Enterprise Funds			Total Enterprise \$
	Nutrition \$	Preschool \$	Marketing Project \$	
Assets				
Cash and cash equivalents	27,974	20,430	350	48,754
Accounts receivable	677	-	-	677
Inventories	5,357	-	-	5,357
Capital assets, net of accumulated depreciation	15,948	-	-	15,948
Total assets	49,956	20,430	350	70,736
Liabilities				
Interfund payables	62,998	2,816	-	65,814
Salaries and benefits payable	668	-	-	668
Deferred revenue	2,975	-	-	2,975
Total liabilities	66,641	2,816	-	69,457
Net assets				
Invested in capital assets	15,948	-	-	15,948
Unrestricted	(32,633)	17,614	350	(14,669)
Total net assets	(16,685)	17,614	350	1,279

HLV COMMUNITY SCHOOL DISTRICT

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

Year ended Jun 30, 2009

	Enterprise Funds			Total Enterprise \$
	Nutrition \$	Preschool \$	Marketing Project \$	
Operating revenues:				
Local sources:				
Charges for service	117,513	27,262	-	144,775
Operating expenses:				
Non-instructional programs:				
Salaries	80,800	27,699	-	108,499
Benefits	11,363	3,847	-	15,210
Purchased services	442	-	-	442
Supplies	92,820	1,280	-	94,100
Depreciation	2,435	-	-	2,435
Total operating expenses	187,860	32,826	-	220,686
Operating gain (loss)	(70,347)	(5,564)	-	(75,911)
Non-operating revenues:				
State sources	2,033	-	-	2,033
Federal sources	60,446	-	-	60,446
Interest income	280	-	-	280
Total non-operating revenues	62,759	-	-	62,759
Change in net assets	(7,588)	(5,564)	-	(13,152)
Net assets beginning of year	(9,097)	23,178	350	14,431
Net assets end of year	(16,685)	17,614	350	1,279

HLV COMMUNITY SCHOOL DISTRICT

Combining Schedule of Cash Flows
Nonmajor Enterprise Funds

Year ended June 30, 2009

	Enterprise Funds			Total Nonmajor Enterprise Funds
	Nutrition	Preschool	Marketing Project	
	\$	\$	\$	
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	116,922	-	-	116,922
Cash received from other services	600	27,262	-	27,862
Cash payments to employees for services	(92,410)	(31,546)	-	(123,956)
Cash payments to suppliers for goods or services	(77,523)	(1,280)	-	(78,803)
Net cash used by operating activities	<u>(52,411)</u>	<u>(5,564)</u>	<u>-</u>	<u>(57,975)</u>
Cash flows from non-capital financing activities:				
State grants received	2,033	-	-	2,033
Federal grants received	46,288	-	-	46,288
Net cash provided by non-capital financing activities	<u>48,321</u>	<u>-</u>	<u>-</u>	<u>48,321</u>
Cash flows from capital and related financing activities:				
Interfund loans	(22,566)	(18,153)	-	(40,719)
Acquisition of capital assets	(2,676)	-	-	(2,676)
Net cash used by capital and related financing activities	<u>(25,242)</u>	<u>(18,153)</u>	<u>-</u>	<u>(43,395)</u>
Cash flows from investing activities:				
Interest on investments	280	-	-	280
Net increase (decrease) in cash and cash equivalents	(29,052)	(23,717)	-	(52,769)
Cash and cash equivalents at beginning of year	57,026	44,147	350	101,523
Cash and cash equivalents at end of year	<u>27,974</u>	<u>20,430</u>	<u>350</u>	<u>48,754</u>
Reconciliation of operating gain (loss) to net cash used by operating activities:				
Operating gain (loss)	(70,347)	(5,564)	-	(75,911)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:				
Commodities used	14,158	-	-	14,158
Depreciation	2,435	-	-	2,435
Decrease (increase) in inventories	1,681	-	-	1,681
Decrease (increase) in accounts receivable	(78)	-	-	(78)
(Decrease) increase in accounts payable	(100)	-	-	(100)
(Decrease) increase in salaries and benefits payable	(247)	-	-	(247)
(Decrease) increase in deferred revenue	87	-	-	87
Net cash used by operating activities	<u>(52,411)</u>	<u>(5,564)</u>	<u>-</u>	<u>(57,975)</u>

HLV COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2009

<u>Account</u>	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
Speech and drama	(1,541)	2,076	1,185	(650)
Music	(5,914)	855	1,309	(6,368)
Athletic	(887)	89,379	88,074	418
Art	181	243	249	175
Clubs and organizations	-	2,319	729	1,590
Annual	1	2,366	5,330	(2,963)
Student council	(593)	154	789	(1,228)
Interest	317	222	-	539
Recreation program	(4,320)	3,800	1,628	(2,148)
German club	869	5,454	3,806	2,517
National Honor Society	548	1,003	290	1,261
Pep club	1,068	5,284	4,200	2,152
Towel service	1,393	-	392	1,001
Washington trip	19,985	9,232	2,041	27,176
Win with wellness	676	-	-	676
Miscellaneous	1,065	1,914	714	2,265
Library	1,135	1,622	1,622	1,135
Special olympics	3,379	-	-	3,379
Pop machine	17,301	11,135	10,086	18,350
Sale of supplies	-	266	-	266
Elementary	-	104	75	29
Insurance	148	-	-	148
Class of 2009	(214)	376	312	(150)
Class of 2010	556	5,075	4,979	652
	<u>35,153</u>	<u>142,879</u>	<u>127,810</u>	<u>50,222</u>
Total	<u>35,153</u>	<u>142,879</u>	<u>127,810</u>	<u>50,222</u>

HLV COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2009

	<u>Employee Flex</u> \$	<u>Flower Fund</u> \$	<u>Employee Health</u> \$	<u>Total</u> \$
Balance beginning of year	2,469	181	3,472	6,122
Additions:				
Collections	26,408	-	14,155	40,563
Deductions:				
Miscellaneous	<u>21,129</u>	<u>-</u>	<u>15,681</u>	<u>36,810</u>
Balance end of year	<u><u>7,748</u></u>	<u><u>181</u></u>	<u><u>1,946</u></u>	<u><u>9,875</u></u>

HLV COMMUNITY SCHOOL DISTRICT

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

For the Last Six Years

	Modified Accrual Basis					
	2009	2008	2007	2006	2005	2004
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources:						
Local tax	2,292,857	2,001,778	1,994,917	1,962,267	1,638,268	1,707,806
Tuition	100,199	115,072	111,951	87,560	118,977	117,059
Other	377,518	410,967	378,772	193,691	212,162	217,657
State sources	1,833,136	1,703,191	1,682,268	1,658,599	1,586,717	1,539,341
Federal sources	152,029	85,030	130,947	144,547	85,068	74,384
Total revenues	<u>4,755,739</u>	<u>4,316,038</u>	<u>4,298,855</u>	<u>4,046,664</u>	<u>3,641,192</u>	<u>3,656,247</u>
Expenditures:						
Instruction:						
Regular instruction	1,746,668	1,574,919	1,500,444	1,475,757	1,545,876	1,512,808
Special instruction	369,782	442,095	456,836	346,172	417,470	413,724
Other instruction	337,776	314,210	358,033	344,069	315,221	259,963
Support services:						
Student services	86,505	79,985	79,206	93,066	79,870	80,928
Instructional staff services	53,557	52,702	53,468	118,979	59,156	42,657
Administration services	655,536	554,254	508,497	465,348	470,587	488,968
Operation and maintenance	327,038	337,387	339,817	322,761	341,284	269,326
Transportation services	152,537	204,968	173,956	177,452	157,474	155,035
Other expenditures:						
Facilities acquisition	5,393,090	456,362	276,101	137,633	184,179	78,373
Long-term debt:						
Principal	145,000	24,404	-	-	-	-
Interest and other charges	213,805	-	-	-	-	-
AEA flowthrough	134,416	128,206	126,596	122,216	121,078	123,395
Total expenditures	<u>9,615,710</u>	<u>4,169,492</u>	<u>3,872,954</u>	<u>3,603,453</u>	<u>3,692,195</u>	<u>3,425,177</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, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated May 10, 2010. 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 09-I-A and 09-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, 2009 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

May 10, 2010

HLV COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2009

Part I: Findings Related to the Financial Statements:

Significant deficiencies:

09-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.

09-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, 2009

Part II: Other Findings Related to Statutory Reporting:

09-II-A Certified Budget: Expenditures for the year ended June 30, 2009 exceeded the amended budget in the other expenditures function.

Recommendation: The District should have amended the budget before exceeding it.

District Response: We did amend our budget, however construction costs in June 2009 exceeded our estimates.

Conclusion: Response accepted.

09-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.

09-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.

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

09-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.

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

09-II-G Certified Enrollment: The number of students reported to the Iowa Department of Education on Line 12 of the Certified Enrollment Certification Form for September 2008 included 3 open enrolled students.

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

District Response: We will contact these departments.

Conclusion: Response accepted.

09-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.

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

HLV COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2009

Part II: Other Findings Related to Statutory Reporting (Continued):

09-II-J Categorical Funding: No instances were noted of categorical funding being used to supplant rather than supplement other funds.

According to proposed administrative rules, "Categorical funding shall not be commingled with other funding. School districts shall use a project code and program code as defined by Uniform Financial Accounting." We noted that during the year some categorical funding expenditures were commingled with other General Fund expenditures, and then were reclassified as categorical spending at the end of the year.

Recommendation: All categorical funding expenditures should be posted to the correct expenditure accounts as the expenditures are incurred.

District Response: We have revised our procedures for identifying categorical expenditures so that they will be coded to the correct expenditure accounts.

Conclusion: Response accepted

09-II-K Statewide Sales and Services Tax: No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2009, the District's financial activity and other required information for the statewide sales and services tax are as follows:

	\$	\$
Beginning balance		-
Statewide sales and services tax revenue		289,532
Expenditures/transfers out:		
School infrastructure:		
Buildings and building improvements	248,513	
Debt service for school infrastructure:		
Revenue debt	41,019	289,532
	<u> </u>	<u> </u>
Ending balance		<u> </u> <u> </u> -

09-II-L Financial Condition: The Student Activity Fund has a few accounts with deficit balances at June 30, 2009 and the School Nutrition Fund has a deficit net assets of \$16,685 at June 30, 2009.

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.

HLV COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2009

Part II: Other Findings Related to Statutory Reporting (Continued):

09-II-M 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.