

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

June 30, 2011

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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, 2011, which collectively comprise the District's basic financial statements 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, 2011, 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, 2012, 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, Budgetary Comparison Information, and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 10 and 38 through 40 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 seven years ended June 30, 2010, (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, 2012

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, 2011. 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, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

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, 2011 compared to June 30, 2010.

Figure A-1

	Condensed Statement of Net Assets						Percentage Change 2010-2011
	Governmental Activities		Business-type Activities		Total School District		
	2011	2010	2011	2010	2011	2010	
	\$	\$	\$	\$	\$	\$	
Current and other assets	4,750,086	4,813,136	(120,958)	(108,875)	4,629,128	4,704,261	-2%
Capital assets	7,890,225	7,940,386	13,197	13,401	7,903,422	7,953,787	-1%
Total assets	12,640,311	12,753,522	(107,761)	(95,474)	12,532,550	12,658,048	-1%
Long-term liabilities	4,999,146	5,270,722	-	-	4,999,146	5,270,722	-5%
Other liabilities	2,506,121	2,338,206	4,660	4,455	2,510,781	2,342,661	7%
Total liabilities	7,505,267	7,608,928	4,660	4,455	7,509,927	7,613,383	-1%
Net Assets:							
Invested in capital assets, net of related debt	3,085,225	2,810,386	13,197	13,401	3,098,422	2,823,787	10%
Restricted	1,337,753	1,411,945	-	-	1,337,753	1,411,945	-5%
Unrestricted	712,066	922,263	(125,618)	(113,330)	586,448	808,933	-28%
TOTAL NET ASSETS	5,135,044	5,144,594	(112,421)	(99,929)	5,022,623	5,044,665	-1%

The District's total net assets decreased 1% 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 \$74,192 or 5% 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 – decreased approximately \$222,485.

Figure A-2 shows the change in net assets for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-2

	Change in Net Assets						Percentage Change 2010-2011
	Governmental Activities		Business-type Activities		Total School District		
	2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$	
Revenues							
Program Revenues:							
Charges for services	601,044	517,352	124,468	271,670	725,512	789,022	-8%
Operating grants & contributions	601,655	767,364	69,177	69,084	670,832	836,448	-20%
Capital grants & contributions	7,350	-	-	-	7,350	-	100%
General Revenues:							
Property taxes	1,850,600	1,881,703	-	-	1,850,600	1,881,703	-2%
Income Surtax	174,453	146,781	-	-	174,453	146,781	19%
Statewide sales and services tax	283,943	289,534	-	-	283,943	289,534	-2%
Unrestricted state grants	1,320,994	1,098,419	-	-	1,320,994	1,098,419	20%
Unrestricted investment earnings	18,609	24,314	216	153	18,825	24,467	-23%
Other revenue	350,890	31,051	-	-	350,890	31,051	103%
Total Revenues	5,209,538	4,756,518	193,861	340,907	5,403,399	5,097,425	6%
Expenses:							
Instruction	2,899,564	2,524,970	-	-	2,899,564	2,524,970	15%
Support services	1,503,247	1,434,163	-	-	1,503,247	1,434,163	5%
Non-instructional programs	-	-	206,353	458,726	206,353	458,726	-55%
Other expenditures	873,388	806,190	-	-	873,388	806,190	8%
Total expenses	5,276,199	4,765,323	206,353	458,726	5,482,552	5,224,049	5%
Change in net assets before loss							
On disposal assets	(66,661)	(8,805)	(12,492)	(117,819)	(79,153)	(126,624)	37%
Loss on disposal assets	(28,575)	(37,000)	-	-	(28,575)	(37,000)	23%
CHANGE IN NET ASSETS	(95,236)	(45,805)	(12,492)	(117,819)	(107,728)	(163,624)	34%
Net assets beginning of year, as restated	5,230,280	5,190,399	(99,929)	17,890	5,130,351	5,208,289	-1%
Net assets end of year	5,135,044	5,144,594	(112,421)	(99,929)	5,022,623	5,044,665	-1%

Property tax and unrestricted state grants account for 59% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 80% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$5,209,538 and expenses were \$5,276,199. The District spent \$66,661 more than the available revenues.

- The net cost of governmental activities was financed with \$2,308,996 in property and other taxes and \$1,320,994 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$193,861 and expenses were \$206,353. 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 General Fund balance decreased from \$1,111,301 to \$817,667.
- The Capital Project Fund includes revenues from sales tax and from the physical plant and equipment property tax levy. These two revenue streams and the related expenditures are tracked separately in the District's accounting records, but are combined into one Capital Projects Fund for financial reporting. The monies in the Capital Projects fund will be used for future capital improvements and equipment purchases.
 - The Physical Plant and Equipment Levy account balance decreased from \$813,503 at June 30, 2010 to \$675,403 at June 30, 2011.
 - The Statewide Sales Tax account balance increased from \$(123,946) at June 30, 2010 to \$96,486 at June 30, 2011.
 - The Debt Service Fund balance decreased from \$145,718 at the beginning of the year to \$21,417 at the end of the year. Revenues and expenditures did not vary significantly from the prior year.
- The Management Fund balance increased from \$421,005 to \$457,988.

Proprietary Fund Highlights

School Nutrition Fund net assets decreased from \$(22,078) at June 30, 2010 to (\$31,678) at June 30, 2011.

Preschool Fund net assets decreased from \$17,630 in 2010 to \$15,164 in 2011.

The Student Constructed House Fund net assets decreased from \$(95,831) in 2010 to (\$96,257) in 2011.

The Marketing Class Fund net assets remained the same at \$350 from 2010 to 2011.

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 \$278,532 more than budgeted receipts.

Total expenditures were \$609,331 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, 2011, the District had 7,903,422, 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 1% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements.

Figure A-6

Capital Assets (net of depreciation)

	Governmental		Business type		Total		Percentage Change 2010-2011
	Activities		Activities		School District		
	2011	2010	2011	2010	2011	2010	
	\$	\$	\$	\$	\$	\$	
Land	10,000	10,000	-	-	10,000	10,000	0%
Buildings	7,576,249	7,688,187	-	-	7,576,249	7,688,187	-1%
Improvements	201,249	179,609	-	-	201,249	179,609	12%
Equipment & Furniture	102,727	62,590	13,197	13,301	115,924	75,891	53%
TOTAL	7,890,225	7,940,386	13,197	13,301	7,903,422	7,953,687	-1%

Long-Term Debt

At June 30, 2011, the District had \$4,998,876 in long-term debt outstanding. This represents a decrease of approximately 5% from last year. (See Figure A-4)

Figure A-4

Outstanding Long-Term Obligations

	Total School District		Percentage Change 2010-2011
	2011	2010	
	\$	\$	
General Obligation Bonds	4,030,000	4,190,000	-4%
Revenue Bonds-Statewide Sales Tax	775,000	940,000	-18%
Compensated Absences	87,397	94,722	-8%
Termination Benefits	20,000	-	100%
Net OPEB Liability	86,479	46,000	88%
	4,998,876	5,270,722	-5%

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 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, 2011

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and cash equivalents	2,083,819	189,520	2,273,339
Receivables:			
Property tax:			
Delinquent	38,682	-	38,682
Succeeding year	1,975,558	-	1,975,558
Accounts	4,241	386	4,627
Internal balances	319,303	(319,303)	-
Due from other governments	328,483	-	328,483
Inventories	-	8,439	8,439
Capital assets, net of accumulated depreciation	7,890,225	13,197	7,903,422
Total assets	12,640,311	(107,761)	12,532,550
Liabilities			
Accounts payable	39,860	-	39,860
Salaries and benefits payable	371,985	1,584	373,569
Accrued interest payable	43,112	-	43,112
Deferred revenue:			
Succeeding year property tax	1,975,558	-	1,975,558
Other	75,606	3,076	78,682
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	165,000	-	165,000
Revenue bonds payable	170,000	-	170,000
Termination benefits	20,000	-	20,000
Compensated absences	29,132	-	29,132
Portion due after one year:			
General obligation bonds payable	3,865,000	-	3,865,000
Revenue bonds payable	605,000	-	605,000
Compensated absences	58,265	-	58,265
Net OPEB liability	86,749	-	86,749
Total liabilities	7,505,267	4,660	7,509,927

HLV COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2011

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Net assets			
Invested in capital assets, net of related debt	3,085,225	13,197	3,098,422
Restricted for:			
Categorical funding	74,865	-	74,865
Management levy	437,988	-	437,988
Physical plant & equipment levy	675,403	-	675,403
School infrastructure	96,486	-	96,486
Student activities	53,011	-	53,011
Unrestricted	712,066	(125,618)	586,448
Total net assets	<u>5,135,044</u>	<u>(112,421)</u>	<u>5,022,623</u>

HLV COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2011

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	1,836,324	419,264	364,926	-
Special	453,246	8,855	49,751	-
Other	609,994	172,925	39,924	-
	<u>2,899,564</u>	<u>601,044</u>	<u>454,601</u>	<u>-</u>
Support services:				
Student	90,726	-	-	-
Instructional staff	68,416	-	-	-
Administration	597,776	-	-	-
Operation and maintenance of plant	477,718	-	-	-
Transportation	268,611	-	1,521	-
	<u>1,503,247</u>	<u>-</u>	<u>1,521</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	107,190	-	-	7,350
Long-term debt interest	208,009	-	-	-
AEA flowthrough	145,533	-	145,533	-
Depreciation (unallocated)*	412,656	-	-	-
	<u>873,388</u>	<u>-</u>	<u>145,533</u>	<u>7,350</u>
Total governmental activities	<u>5,276,199</u>	<u>601,044</u>	<u>601,655</u>	<u>7,350</u>
Business type activities:				
Non-instructional programs:				
Food service operations	195,097	116,104	69,177	-
Student construction project	426	-	-	-
Preschool	10,830	8,364	-	-
Total business-type activities	<u>206,353</u>	<u>124,468</u>	<u>69,177</u>	<u>-</u>
Total	<u>5,482,552</u>	<u>725,512</u>	<u>670,832</u>	<u>7,350</u>

General Revenues:

Property taxes levied for:
 General purposes
 Debt service
 Capital outlay
Income surtax
Statewide sales, services and use tax
Unrestricted state grants
Unrestricted investment earnings
Other

Total general revenues

Loss on disposal assets

Total general revenues and loss

Change in net assets

Net assets beginning of year, as restated

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
\$	\$	\$
(1,052,134)	-	(1,052,134)
(394,640)	-	(394,640)
(397,145)	-	(397,145)
<u>(1,843,919)</u>	<u>-</u>	<u>(1,843,919)</u>
(90,726)	-	(90,726)
(68,416)	-	(68,416)
(597,776)	-	(597,776)
(477,718)	-	(477,718)
(267,090)	-	(267,090)
<u>(1,501,726)</u>	<u>-</u>	<u>(1,501,726)</u>
(99,840)	-	(99,840)
(208,009)	-	(208,009)
-	-	-
(412,656)	-	(412,656)
<u>(720,505)</u>	<u>-</u>	<u>(720,505)</u>
<u>(4,066,150)</u>	<u>-</u>	<u>(4,066,150)</u>
-	(9,816)	(9,816)
-	(426)	(426)
-	(2,466)	(2,466)
<u>-</u>	<u>(12,708)</u>	<u>(12,708)</u>
<u>(4,066,150)</u>	<u>(12,708)</u>	<u>(4,078,858)</u>
1,294,759	-	1,294,759
335,857	-	335,857
219,984	-	219,984
174,453	-	174,453
283,943	-	283,943
1,320,994	-	1,320,994
18,609	216	18,825
<u>350,890</u>	<u>-</u>	<u>350,890</u>
3,999,489	216	3,999,705
<u>(28,575)</u>	<u>-</u>	<u>(28,575)</u>
<u>3,970,914</u>	<u>216</u>	<u>3,971,130</u>
(95,236)	(12,492)	(107,728)
<u>5,230,280</u>	<u>(99,929)</u>	<u>5,130,351</u>
<u>5,135,044</u>	<u>(112,421)</u>	<u>5,022,623</u>

HLV COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2011

	General	Management	Debt Service	Capital Projects	Nonmajor Student Activity	Total
	\$	\$	\$	\$	\$	\$
Assets						
Cash and pooled investments	843,328	455,530	14,433	716,629	53,899	2,083,819
Receivables:						
Property tax:						
Delinquent	24,668	2,588	6,984	4,442	-	38,682
Succeeding year	1,302,137	109,999	341,010	222,412	-	1,975,558
Accounts	4,586	-	-	-	-	4,586
Interfund receivable	320,321	-	-	5,932	-	326,253
Due from other governments	283,597	-	-	44,886	-	328,483
Total assets	<u>2,778,637</u>	<u>568,117</u>	<u>362,427</u>	<u>994,301</u>	<u>53,899</u>	<u>4,757,381</u>
Liabilities and Fund Balances						
Liabilities:						
Interfund payable	6,277	130	-	-	888	7,295
Accounts payable	39,860	-	-	-	-	39,860
Salaries and benefits payable	371,985	-	-	-	-	371,985
Deferred revenue:						
Succeeding year property tax	1,302,137	109,999	341,010	222,412	-	1,975,558
Income surtax	165,105	-	-	-	-	165,105
Other	75,606	-	-	-	-	75,606
Total liabilities	<u>1,960,970</u>	<u>110,129</u>	<u>341,010</u>	<u>222,412</u>	<u>888</u>	<u>2,635,409</u>
Fund balances:						
Restricted for:						
Categorical funding	74,865	-	-	-	-	74,865
Debt service	-	-	21,417	-	-	21,417
Management levy	-	457,988	-	-	-	457,988
Student activities	-	-	-	-	53,011	53,011
School infrastructure	-	-	-	96,486	-	96,486
Physical plant and equipment	-	-	-	675,403	-	675,403
Unassigned	742,802	-	-	-	-	742,802
Total fund balances	<u>817,667</u>	<u>457,988</u>	<u>21,417</u>	<u>771,889</u>	<u>53,011</u>	<u>2,121,972</u>
Total liabilities and fund balances	<u>2,778,637</u>	<u>568,117</u>	<u>362,427</u>	<u>994,301</u>	<u>53,899</u>	<u>4,757,381</u>

HLV COMMUNITY SCHOOL DISTRICT

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

June 30, 2011

	\$
Total fund balances of governmental funds (Exhibit C)	2,121,972
<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.	7,890,225
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	165,105
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.	(43,112)
Long-term liabilities, including bonds payable, compensated absences, and other postemployment benefits are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(4,999,146)</u>
Net assets of governmental activities (Exhibit A)	<u><u>5,135,044</u></u>

HLV COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2011

	General	Management	Debt Service	Capital Projects	Nonmajor Student Activity	Total
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources:						
Local tax	1,355,127	122,480	335,857	503,927	-	2,317,391
Tuition	135,751	-	-	-	-	135,751
Other	318,599	7,916	14,515	331,035	170,077	842,142
State sources	1,764,970	-	-	-	-	1,764,970
Federal sources	157,679	-	-	-	-	157,679
Total revenues	<u>3,732,126</u>	<u>130,396</u>	<u>350,372</u>	<u>834,962</u>	<u>170,077</u>	<u>5,217,933</u>
Expenditures:						
Current:						
Instruction:						
Regular	1,669,514	-	-	134,562	-	1,804,076
Special	446,293	-	-	-	-	446,293
Other	424,929	-	-	-	183,866	608,795
	<u>2,540,736</u>	<u>-</u>	<u>-</u>	<u>134,562</u>	<u>183,866</u>	<u>2,859,164</u>
Support services:						
Student	93,684	-	-	-	-	93,684
Instructional staff	66,618	-	-	-	-	66,618
Administration	575,400	10,227	700	-	-	586,327
Operation and maintenance of plant	392,812	78,810	-	2,500	-	474,122
Transportation	210,977	4,376	-	94,256	-	309,609
	<u>1,339,491</u>	<u>93,413</u>	<u>700</u>	<u>96,756</u>	<u>-</u>	<u>1,530,360</u>
Other expenditures:						
Facilities acquisition	-	-	-	458,123	-	458,123
Long-term debt:						
Principal	-	-	325,000	-	-	325,000
Interest and fiscal charges	-	-	211,762	400	-	212,162
AEA flowthrough	145,533	-	-	-	-	145,533
	<u>145,533</u>	<u>-</u>	<u>536,762</u>	<u>458,523</u>	<u>-</u>	<u>1,140,818</u>
Total expenditures	<u>4,025,760</u>	<u>93,413</u>	<u>537,462</u>	<u>689,841</u>	<u>183,866</u>	<u>5,530,342</u>
Excess (deficiency) of revenues (under) expenditures	<u>(293,634)</u>	<u>36,983</u>	<u>(187,090)</u>	<u>145,121</u>	<u>(13,789)</u>	<u>(312,409)</u>
Other financing sources (uses):						
Operating transfers in	-	-	62,789	722	-	63,511
Operating transfers out	-	-	-	(63,511)	-	(63,511)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>62,789</u>	<u>(62,789)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>(293,634)</u>	<u>36,983</u>	<u>(124,301)</u>	<u>82,332</u>	<u>(13,789)</u>	<u>(312,409)</u>
Fund balances beginning of year, as restated	<u>1,111,301</u>	<u>421,005</u>	<u>145,718</u>	<u>689,557</u>	<u>66,800</u>	<u>2,434,381</u>
Fund balances end of year	<u>817,667</u>	<u>457,988</u>	<u>21,417</u>	<u>771,889</u>	<u>53,011</u>	<u>2,121,972</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, 2011

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		(312,409)
<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. Depreciation expense and loss on disposal of capital assets exceeded capital outlay expenditures in the current year, as follows:		
Loss on disposal of capital assets	(28,575)	
Expenditures for capital assets	464,612	
Depreciation expense	<u>(486,198)</u>	(50,161)
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.		(8,395)
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.		325,000
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.		4,153
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	(20,000)	
Compensated absences	7,325	
Other postemployment benefits	<u>(40,749)</u>	<u>(53,424)</u>
Changes in net assets of governmental activities (Exhibit B)		<u><u>(95,236)</u></u>

HLV COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2011

	Enterprise Funds			Total Enterprise Funds
	Nutrition	Student House Construction	Nonmajor Enterprise Funds	
	\$	\$	\$	\$
Assets				
Cash and cash equivalents	96,009	69,974	23,537	189,520
Accounts receivable	386	-	-	386
Inventories	8,439	-	-	8,439
Capital assets, net of accumulated depreciation	13,197	-	-	13,197
Total assets	<u>118,031</u>	<u>69,974</u>	<u>23,537</u>	<u>211,542</u>
Liabilities				
Interfund payables	145,049	166,231	8,023	319,303
Salaries and benefits payable	1,584	-	-	1,584
Deferred revenue	3,076	-	-	3,076
Total liabilities	<u>149,709</u>	<u>166,231</u>	<u>8,023</u>	<u>323,963</u>
Net assets				
Invested in capital assets	13,197	-	-	13,197
Unrestricted	<u>(44,875)</u>	<u>(96,257)</u>	<u>15,514</u>	<u>(125,618)</u>
Total net assets	<u><u>(31,678)</u></u>	<u><u>(96,257)</u></u>	<u><u>15,514</u></u>	<u><u>(112,421)</u></u>

HLV COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2011

	Enterprise Funds			Total Enterprise Funds
	Nutrition	Student House Construction	Nonmajor Enterprise Funds	
	\$	\$	\$	\$
Operating revenues:				
Local sources:				
Charges for service	116,104	-	8,364	124,468
Operating expenses:				
Non-instructional programs:				
Salaries	87,248	-	8,799	96,047
Benefits	12,798	-	1,293	14,091
Purchased services	520	-	-	520
Supplies	91,984	426	738	93,148
Depreciation	2,547	-	-	2,547
Total operating expenses	195,097	426	10,830	206,353
Operating income(loss)	(78,993)	(426)	(2,466)	(81,885)
Non-operating revenues:				
State sources	1,634	-	-	1,634
Federal sources	67,543	-	-	67,543
Interest income	216	-	-	216
Total non-operating revenues	69,393	-	-	69,393
Change in net assets	(9,600)	(426)	(2,466)	(12,492)
Net assets beginning of year	(22,078)	(95,831)	17,980	(99,929)
Net assets end of year	(31,678)	(96,257)	15,514	(112,421)

HLV COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2011

	Enterprise Funds			Total Enterprise Funds
	Nutrition	Student House Construction	Nonmajor Enterprise Funds	
	\$	\$	\$	\$
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	113,323	-	-	113,323
Cash received from other services	-	-	8,364	8,364
Cash received from sale of house	-	117,252	-	117,252
Cash payments to employees for services	(99,369)	-	(10,092)	(109,461)
Cash payments to suppliers for goods or services	(75,286)	(426)	(738)	(76,450)
Net cash (used) provided by operating activities	<u>(61,332)</u>	<u>116,826</u>	<u>(2,466)</u>	<u>53,028</u>
Cash flows from non-capital financing activities:				
State grants received	1,634	-	-	1,634
Federal grants received	52,630	-	-	52,630
Net cash provided by non-capital financing activities	<u>54,264</u>	<u>-</u>	<u>-</u>	<u>54,264</u>
Cash flows from capital and related financing activities:				
Interfund loans	(19,698)	-	8,023	(11,675)
Cash flows from investing activities:				
Interest on investments	216	-	-	216
Net increase (decrease) in cash and cash equivalents	(26,550)	116,826	5,557	95,833
Cash and cash equivalents at beginning of year	122,559	(46,852)	17,980	93,687
Cash and cash equivalents at end of year	<u>96,009</u>	<u>69,974</u>	<u>23,537</u>	<u>189,520</u>
Reconciliation of operating income (loss) to net cash used by operating activities:				
Operating income (loss)	(78,993)	(426)	(2,466)	(81,885)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:				
Commodities used	14,913	-	-	14,913
Depreciation	204	-	-	204
Decrease (increase) in inventories	2,404	-	-	2,404
Decrease (increase) in accounts receivable	(65)	117,252	-	117,187
(Decrease) increase in accounts payable	(99)	-	-	(99)
(Decrease) increase in salaries and benefits payable	677	-	-	677
(Decrease) increase in deferred revenue	(373)	-	-	(373)
Net cash (used) provided by operating activities	<u>(61,332)</u>	<u>116,826</u>	<u>(2,466)</u>	<u>53,028</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2011, the District received \$14,913 of federal commodities.

HLV COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2011

	Private Purpose Trust Scholarship	Agency
	<u>\$</u>	<u>\$</u>
Assets		
Cash and pooled investments	236,652	568
Interfund receivable	<u>-</u>	<u>345</u>
Total Assets	<u>236,652</u>	<u>913</u>
Liabilities		
Other current liabilities	<u>-</u>	<u>913</u>
Net Assets		
Reserved for scholarships	<u><u>236,652</u></u>	<u><u>-</u></u>

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

Year ended June 30, 2011

	Private Purpose Trust Scholarship <u> </u> \$
Additions	
Local sources:	
Gifts and contributions	6,090
Interest	<u>4,069</u>
Total additions	10,159
 Deductions	
Support services:	
Scholarships awarded	<u>9,510</u>
 Change in net assets	 649
 Net assets beginning of year	 <u>236,003</u>
 Net assets end of year	 <u><u>236,652</u></u>

HLV COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2011

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. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instruction, support and other costs.

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

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

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

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 School Nutrition Fund and Student House Construction Funds are major funds.

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.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the district's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned, and then unassigned fund balances.

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, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2010.

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 and intangibles, 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
Intangibles	25,000
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
Intangibles	3-10 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, 2011. 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 fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in other classifications.

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, 2011, expenditures did not exceed the amended amount budgeted.

2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2011 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, 2011, the District had investments in the Iowa Schools Joint Investment Trust, which are valued at an amortized cost of \$287,901 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, 2011 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
		\$
Property Plant and Equipment Fund	General Fund	5,632
Capital Projects Fund	General Fund	300
Agency Fund	General Fund	345
General Fund	Enterprise, Student House Fund	166,231
General Fund	Enterprise, School Nutrition Fund	145,049
General Fund	Enterprise Preschool Fund	8,023
General Fund	Management Fund	130
General Fund	Activity Fund	888

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, 2011 is as follows:

Transfer To	Transfer From	Amount
		\$
Debt Service Fund	Capital Projects Fund	62,789

These transfers reflect funds used for debt service payments.

5. Capital Assets

Capital assets activity for the year ended June 30, 2011 is as follows:

	Balance Beginning of Year \$	Increases \$	Decreases \$	Balance End of Year \$
Governmental activities:				
Capital assets not being depreciated:				
Land	10,000	-	-	10,000
Capital assets being depreciated:				
Buildings	9,844,007	316,111	31,750	10,128,368
Improvements other than buildings	327,763	34,822	-	362,585
Furniture and equipment	656,089	113,679	-	769,768
Total capital assets being deprec.	<u>10,827,859</u>	<u>464,612</u>	<u>31,750</u>	<u>11,260,721</u>
Less accumulated depreciation for:				
Buildings	2,155,820	399,474	3,175	2,552,119
Improvements other than buildings	148,154	13,182	-	161,336
Furniture and equipment	593,499	73,542	-	667,041
Total accumulated depreciation	<u>2,897,473</u>	<u>486,198</u>	<u>3,175</u>	<u>3,380,496</u>
Total capital assets being depreciated, net	<u>7,930,386</u>	<u>(21,586)</u>	<u>28,575</u>	<u>7,880,225</u>
Governmental activities capital assets, net	<u>7,940,386</u>	<u>(21,586)</u>	<u>28,575</u>	<u>7,890,225</u>
Business type activities:				
Furniture and equipment	53,351	-	-	53,351
Less accumulated depreciation	<u>39,950</u>	<u>2,547</u>	<u>2,343</u>	<u>40,154</u>
Business type activities capital assets, net	<u>13,401</u>	<u>(2,547)</u>	<u>(2,343)</u>	<u>13,197</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	2,654
Special	4,556
Support services:	1,338
Administration services	11,736
Transportation	53,258
	<u>73,542</u>
Unallocated depreciation	412,656
	<u>486,198</u>
Business type activities:	
Food services	<u>2,547</u>

6. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2011 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Governmental activities:					
General obligation bonds	4,190,000	-	160,000	4,030,000	165,000
Revenue bonds-statewide sales tax	940,000	-	165,000	775,000	170,000
Compensated absences	94,722	-	7,325	87,397	29,132
Termination Benefits	-	100,000	80,000	20,000	20,000
Net OPEB liability	46,000	40,749	-	86,749	-
	<u>5,270,722</u>	<u>140,749</u>	<u>412,325</u>	<u>4,999,146</u>	<u>384,132</u>
Total					

Termination Benefits

The District offered a voluntary early retirement plan for employees during fiscal year 2011. The plan was only offered to employees for one year. Eligible employees must have completed at least ten 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.

Early retirement benefits consist of a \$20,000 payment.

At June 30, 2011, the District has obligations to one participant with a total liability of \$20,000. Actual early retirement expenditures for the year ended June 30, 2011 totaled \$80,000.

General Obligation Bonds Payable

Details of the District's June 30, 2011 general obligation bonded indebtedness are as follows:

Bond Issue of May, 2008				
Year Ending June 30,	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
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	4.25	185,000	151,478	336,478
2016	4.25	195,000	143,615	338,615
2017-2021	4.25-4.30	1,115,000	585,135	1,700,135
2022-2026	4.30-4.35	1,380,000	324,013	1,704,013
2027-2028	4.40-4.45	635,000	42,565	677,565
		<u>4,030,000</u>	<u>1,746,078</u>	<u>5,776,078</u>

Revenue Bonds Payable

Details of the District's June 30, 2011 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Bond Issue of June 26, 2008				
Year Ending June 30,	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2012	3.66	170,000	28,366	198,366
2013	3.66	175,000	22,144	197,144
2014	3.66	145,000	15,738	160,738
2015	3.66	140,000	10,432	150,432
2016	3.66	145,000	5,308	150,308
		<u>775,000</u>	<u>81,988</u>	<u>856,988</u>

The District has pledged future statewide sales, services and use 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 statewide sales, services and use 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 statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$856,988. For the current year, \$165,000 of principal and \$34,404 of interest was paid on the bonds and the total statewide sales, services and use tax revenues were \$283,943.

7. 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 4.50% of their annual covered salary and the District is required to contribute 6.95% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$176,326, \$158,567 and \$146,437 respectively, equal to the required contributions for each year.

8. Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 51 active and 3 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

	\$
Annual required contribution	79,000
Interest on net OPEB obligation	2,070
Adjustment to annual required contribution	<u>(1,321)</u>
Annual OPEB cost	79,749
Contributions made	<u>39,000</u>
Increase in net OPEB obligation	40,749
Net OPEB obligation beginning of year	<u>46,000</u>
Net OPEB obligation end of year	<u>86,749</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

For the year ended June 30, 2011, the District contributed \$39,000 to the medical plan. Plan members eligible for benefits contributed \$17,025 of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2011 are summarized as follows:

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
	\$	%	\$
2010	79,000	41.77%	46,000
2011	79,749	48.90%	86,749

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$1,061,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,061,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,464,600, and the ratio of the UAAL to covered payroll was 72%. As of June 30, 2011, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 2009 actuarial valuation date, the alternative measurement method was used. The actuarial assumptions includes a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

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 \$145,533 for the year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

11. Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2011 is comprised of the following programs:

Program	Amount
	\$
Mentoring	677
Teacher salary supplement	25,639
Educator quality, professional development	11,932
Returning dropout and dropout prevention program	30,306
Non public transportation	569
Market factor	5,742
	74,865

12. Deficit Fund Balances

At June 30, 2011 the District had deficit net asset balances in the Enterprise School Nutrition Fund and Student Construction Fund of \$31,678 and \$96,257 respectively.

13. Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund type Definitions, was implemented during the year ended 2011. Also, the beginning balance of the Capital Projects Fund and governmental activities net assets were increased due to a previous year reporting error. The effect of fund type reclassifications and prior period adjustment are as follows:

	Capital Projects	Special Revenue, Physical Plant and Equipment Levy
	\$	\$
Balances June 30, 2010, as previously reported	(209,632)	813,503
Change in fund type classification per implementation of GASB Statement No. 54	813,503	(813,503)
Prior period adjustment	85,686	-
Balances July 1, 2010, as restated	689,557	-

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, 2011

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Amended Final	
	\$	\$	\$	\$	\$	\$
Revenues						
Local sources	3,295,284	124,684	3,419,968	2,772,660	2,772,660	647,308
State sources	1,764,970	1,634	1,766,604	2,130,002	2,130,002	(363,398)
Federal sources	157,679	67,543	225,222	230,600	230,600	(5,378)
Total revenues	<u>5,217,933</u>	<u>193,861</u>	<u>5,411,794</u>	<u>5,133,262</u>	<u>5,133,262</u>	<u>278,532</u>
Expenditures/Expenses:						
Instruction	2,859,164	-	2,859,164	2,900,000	3,075,000	215,836
Support services	1,530,360	-	1,530,360	1,297,258	1,707,258	176,898
Non-instructional programs	-	206,353	206,353	182,000	232,000	25,647
Other expenditures	1,140,818	-	1,140,818	1,106,768	1,331,768	190,950
Total expenditures/expenses	<u>5,530,342</u>	<u>206,353</u>	<u>5,736,695</u>	<u>5,486,026</u>	<u>6,346,026</u>	<u>609,331</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	(312,409)	(12,492)	(324,901)	(352,764)	(1,212,764)	887,863
Balance beginning of year	<u>2,434,381</u>	<u>(99,929)</u>	<u>2,334,452</u>	<u>2,455,144</u>	<u>2,455,144</u>	<u>(120,692)</u>
Balance end of year	<u><u>2,121,972</u></u>	<u><u>(112,421)</u></u>	<u><u>2,009,551</u></u>	<u><u>2,102,380</u></u>	<u><u>1,242,380</u></u>	<u><u>767,171</u></u>

HLV COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2011

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. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$860,000.

During the year ended June 30, 2011, expenditures did not exceed the amended amounts budgeted.

HLV COMMUNITY SCHOOL DISTRICT

Schedule of Funding Progress for the Retiree Health Plan

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a) \$	Actuarial Accrued Liability (AAL) (b) \$	Unfunded AAL (UAAL) (b-a) \$	Funded Ratio (a/b) %	Covered Payroll (c) \$	UAAL as a Percentage of Covered Payroll ((b-a)/c) %
2010	July 1, 2009	-	1,061,000	1,061,000	0.0%	1,650,000	64.3%
2011	July 1, 2009	-	1,061,000	1,061,000	0.0%	1,464,000	72.5%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

HLV COMMUNITY SCHOOL DISTRICT

Combining Schedule of Net Assets
Nonmajor Enterprise Funds

June 30, 2011

	<u>Enterprise Funds</u>		<u>Total Enterprise Funds</u>
	<u>Preschool</u>	<u>Marketing Project</u>	
	\$	\$	\$
Assets			
Cash and cash equivalents	23,187	350	23,537
Liabilities			
Interfund payables	<u>8,023</u>	<u>-</u>	<u>8,023</u>
Net assets			
Unrestricted	<u>15,164</u>	<u>350</u>	<u>15,514</u>

HLV COMMUNITY SCHOOL DISTRICT

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

Year ended Jun 30, 2011

	Enterprise Funds		Total Enterprise Funds
	Preschool	Marketing Project	
	\$	\$	\$
Operating revenues:			
Local sources:			
Charges for service	8,364	-	8,364
Operating expenses:			
Non-instructional programs:			
Salaries	8,799	-	8,799
Benefits	1,293	-	1,293
Supplies	738	-	738
Total operating expenses	10,830	-	10,830
Operating income (loss)	(2,466)	-	(2,466)
Net assets beginning of year	17,630	350	17,980
Net assets end of year	15,164	350	15,514

HLV COMMUNITY SCHOOL DISTRICT

Combining Schedule of Cash Flows
Nonmajor Enterprise Funds

Year ended June 30, 2011

	Enterprise Funds		Total Nonmajor Enterprise Funds
	Preschool	Marketing Project	
	\$	\$	\$
Cash flows from operating activities:			
Cash received from other services	8,364	-	8,364
Cash payments to employees for services	(10,092)	-	(10,092)
Cash payments to suppliers for goods or services	(738)	-	(738)
Net cash used by operating activities	<u>(2,466)</u>	<u>-</u>	<u>(2,466)</u>
Cash flows from non-capital financing activities	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from capital and related financing activities:			
Interfund loans	<u>8,023</u>	<u>-</u>	<u>8,023</u>
Cash flows from investing activities	<u>-</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	5,557	-	5,557
Cash and cash equivalents at beginning of year	<u>17,630</u>	<u>350</u>	<u>17,980</u>
Cash and cash equivalents at end of year	<u><u>23,187</u></u>	<u><u>350</u></u>	<u><u>23,537</u></u>
Reconciliation of operating income (loss) to net cash used by operating activities:			
Operating income (loss)	(2,466)	-	(2,466)
Adjustments to reconcile operating income (loss) to net cash used by operating activities	<u>-</u>	<u>-</u>	<u>-</u>
Net cash used by operating activities	<u><u>(2,466)</u></u>	<u><u>-</u></u>	<u><u>(2,466)</u></u>

HLV COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Capital Project Accounts

June 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets	\$	\$	\$
Cash and pooled investments	51,300	665,329	716,629
Receivables:			
Property tax:			
Delinquent	-	4,442	4,442
Succeeding year	-	222,412	222,412
Interfund receivable	300	5,632	5,932
Due from other governments	44,886	-	44,886
	<u>96,486</u>	<u>897,815</u>	<u>994,301</u>
Total assets			
	<u>96,486</u>	<u>897,815</u>	<u>994,301</u>
Liabilities & Fund Balances			
Liabilities:			
Deferred revenue:			
Succeeding year property tax	-	222,412	222,412
	<u>-</u>	<u>222,412</u>	<u>222,412</u>
Fund balances:			
Restricted for:			
School infrastructure	96,486	-	96,486
Physical plant and equipment	-	675,403	675,403
Total fund balances	96,486	675,403	771,889
	<u>96,486</u>	<u>675,403</u>	<u>771,889</u>
Total liabilities and fund balances			
	<u>96,486</u>	<u>897,815</u>	<u>994,301</u>

HLV COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Capital Projects Accounts

Year ended June 30, 2011

	Capital Projects			Total
	Construction	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	-	283,943	219,984	503,927
Other	316,111	-	14,924	331,035
Total revenues	<u>316,111</u>	<u>283,943</u>	<u>234,908</u>	<u>834,962</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	-	-	134,562	134,562
Support services:				
Operation and maintenance of plant	-	-	2,500	2,500
Transportation services	-	-	94,256	94,256
Other expenditures:				
Facilities acquisition	316,433	-	141,690	458,123
Long-term debt fiscal charges	400	-	-	400
Total expenditures	<u>316,833</u>	<u>-</u>	<u>373,008</u>	<u>689,841</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(722)</u>	<u>283,943</u>	<u>(138,100)</u>	<u>145,121</u>
Other financing sources (uses):				
Operating transfers in	722	-	-	722
Operating transfers out	-	(63,511)	-	(63,511)
Total other financing sources (uses)	<u>722</u>	<u>(63,511)</u>	<u>-</u>	<u>(62,789)</u>
Net change in fund balance	-	220,432	(138,100)	82,332
Fund balances beginning of year, as restated	<u>-</u>	<u>(123,946)</u>	<u>813,503</u>	<u>689,557</u>
Fund balance end of year	<u><u>-</u></u>	<u><u>96,486</u></u>	<u><u>675,403</u></u>	<u><u>771,889</u></u>

HLV COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2011

<u>Account</u>	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
Speech and drama	(1,080)	1,665	2,076	(1,491)
Music	(6,368)	142	142	(6,368)
Athletic	5,722	73,767	69,097	10,392
Art	604	560	334	830
Clubs and organizations	489	4,048	3,423	1,114
Annual	2	5,572	4,294	1,280
Student council	(1,228)	2,120	2,120	(1,228)
Interest	758	371	-	1,129
Recreation program	1	4,274	1,294	2,981
German club	2,550	4,617	4,266	2,901
National Honor Society	1,274	-	1,010	264
Pep club	3,687	3,577	4,866	2,398
Towel service	802	-	-	802
Washington trip	35,065	54,354	76,716	12,703
Win with wellness	676	-	-	676
Miscellaneous	1,918	2,606	4,130	394
Library	3,835	3,146	2,011	4,970
Special olympics	3,734	523	-	4,257
Pop machine	13,167	2,592	3,361	12,398
Sale of supplies	266	-	-	266
Elementary	280	668	-	948
Insurance	148	-	-	148
Class of 2010	67	1,111	1,177	1
Class of 2011	431	4,364	3,549	1,246
	<u>66,800</u>	<u>170,077</u>	<u>183,866</u>	<u>53,011</u>
Total	<u>66,800</u>	<u>170,077</u>	<u>183,866</u>	<u>53,011</u>

HLV COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2011

	<u>Employee Flex</u> \$	<u>Flower Fund</u> \$	<u>Employee Health</u> \$	<u>Total</u> \$
Balance beginning of year	7,080	181	(3,036)	4,225
Additions:				
Collections	-	-	-	-
Deductions:				
Miscellaneous	<u>2,892</u>	<u>-</u>	<u>420</u>	<u>3,312</u>
Balance end of year	<u><u>4,188</u></u>	<u><u>181</u></u>	<u><u>(3,456)</u></u>	<u><u>913</u></u>

HLV COMMUNITY SCHOOL DISTRICT

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

For the Last Eight Years

	Modified Accrual Basis							
	2011	2010	2009	2008	2007	2006	2005	2004
	\$	\$	\$	\$	\$	\$	\$	\$
Revenues:								
Local sources:								
Local tax	2,317,391	2,317,990	2,292,857	2,001,778	1,994,917	1,962,267	1,638,268	1,707,806
Tuition	135,751	135,749	100,199	115,072	111,951	87,560	118,977	117,059
Other	842,142	436,968	377,518	410,967	378,772	193,691	212,162	217,657
State sources	1,764,970	1,483,153	1,833,136	1,703,191	1,682,268	1,658,599	1,586,717	1,539,341
Federal sources	157,679	382,630	152,029	85,030	130,947	144,547	85,068	74,384
Total revenues	<u>5,217,933</u>	<u>4,756,490</u>	<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	1,804,076	1,585,464	1,746,668	1,574,919	1,500,444	1,475,757	1,545,876	1,512,808
Special instruction	446,293	467,388	369,782	442,095	456,836	346,172	417,470	413,724
Other instruction	608,795	407,612	337,776	314,210	358,033	344,069	315,221	259,963
Support services:								
Student services	93,684	108,418	86,505	79,985	79,206	93,066	79,870	80,928
Instructional staff services	66,618	60,395	53,557	52,702	53,468	118,979	59,156	42,657
Administration services	586,327	591,424	655,536	554,254	508,497	465,348	470,587	488,968
Operation and maintenance	474,122	438,769	327,038	337,387	339,817	322,761	341,284	269,326
Transportation services	309,609	181,806	152,537	204,968	173,956	177,452	157,474	155,035
Other expenditures:								
Facilities acquisition	458,123	1,177,599	5,393,090	456,362	276,101	137,633	184,179	78,373
Long-term debt:								
Principal	325,000	310,000	145,000	24,404	-	-	-	-
Interest and other charges	212,162	242,798	213,805	-	-	-	-	-
AEA flowthrough	145,533	144,315	134,416	128,206	126,596	122,216	121,078	123,395
Total expenditures	<u>5,530,342</u>	<u>5,715,988</u>	<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>

See accompanying independent auditor's report.

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, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated April 30, 2012. 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 an 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Responses we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings and Responses as items 11-I-A and 11-I-B to be 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, 2011 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, and 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, 2012

HLV COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2011

Part I: Findings Related to the Financial Statements:

Internal Control Deficiencies:

11-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, payroll processing, 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.

11-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, 2011

Part II: Other Findings Related to Required Statutory Reporting:

- 11-II-A Certified Budget: Expenditures for the year ended June 30, 2011 did not exceed the amended budget.
- 11-II-B Questionable Expenditures: No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- 11-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.
- 11-II-D Business Transactions: We noted no transactions between the District and District officials or employees.
- 11-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.
- 11-II-F Board Minutes: We noted no transactions requiring Board approval that had not been approved by the Board.
- 11-II-G Certified Enrollment: No variances in the basic enrollment data certified to the Department of Education were noted.
- 11-II-H Supplementary Weighting: No variances regarding supplementary weighting certified to the Department of Education were noted.
- 11-II-I 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.
- 11-II-J Certified Annual Report (CAR): The District's Certified Annual Report was certified to the Iowa Department of Education after the original due date.
- 11-II-K Categorical Funding: No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- 11-II-L Statewide Sales, Services and Use Tax: No instances of non-compliance with the use of the statewide sales, services and use 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, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the following information includes the amounts reported for the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2011 audit:

HLV COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2011

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

	\$	\$
Beginning balance		(123,946)
Revenues/transfers in:		
Statewide sales, services and use tax revenue		283,943
Expenditures/transfers out:		
Transfers to debt service fund		<u>63,511</u>
Ending balance		<u>96,486</u>

11-II-M Financial Condition: The Student Activity Fund has a few accounts with deficit balances at June 30, 2011, the School Nutrition Fund and the Student House Construction Fund have deficit net assets at June 30, 2011.

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.

11-II-N 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.

11-II-O Interfund loans: On October 22, 2009 the Iowa Department of Education issued a revised declaratory order covering interfund loans. The Order states that all loans between funds must be approved by the board of directors, interest must be paid on the interfund loans and the loans must be repaid before the October 1, after each year-end.

Recommendation: The District should follow the declaratory order with respect to the interfund loans that are listed in Note 3 to the financial statements and any future interfund loans.

District Response: We will review our procedures for interfund loans and will follow the declaratory order.

Conclusion: Response accepted.