

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

June 30, 2014

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Gary E. Horton CPA

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

Independent Auditor's Report

To the Board of Education of
HLV Community School District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of HLV Community School District, Victor, Iowa, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above presents 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 as of June 30, 2014,

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

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 10 and 38 through 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U. S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise HLV Community School District's basic financial statements. We previously audited, in accordance with the standards referred in the third paragraph of this report, the financial statements for the nine years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. The 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.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated May 29, 2015, on our consideration of HLV Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements 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 and opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering HLV Community School District's internal control over financial reporting and compliance.

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

May 29, 2015

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, 2014. 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 Position 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 Position includes all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net position and how it has changed. Net Position is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position is 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 position a statement of revenues, expenses and changes in fund net position and a statement of cash flows.

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

- Private-Purpose Trust Fund . The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Funds . 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 position at June 30, 2014 compared to June 30, 2013.

Figure A-1

	Condensed Statement of Net Position						Percentage Change 2013-2014
	Governmental Activities		Business-type Activities		Total School District		
	2013	2014	2013	2014	2013	2014	
	\$	\$	\$	\$	\$	\$	
Current and other assets	4,859,277	4,930,923	(120,190)	(107,933)	4,739,087	4,822,990	2%
Capital assets	7,497,886	7,181,337	10,650	9,093	7,508,536	7,190,430	-4%
Total assets	12,357,163	12,112,260	(109,540)	(98,840)	12,247,623	12,013,420	-2%
Long-term liabilities	4,379,296	4,006,049	-	-	4,379,296	4,006,049	-9%
Other liabilities	500,278	456,935	1,569	1,884	501,847	458,819	-9%
Total liabilities	4,879,574	4,462,984	1,569	1,884	4,881,143	4,464,868	-9%
Deferred inflows of resources	2,143,107	2,170,002	3,130	3,560	2,146,237	2,173,562	1%
Net Position:							
Net Investment in							
Capital assets	3,377,886	3,386,337	10,650	9,093	3,388,536	3,395,430	1%
Restricted	1,494,387	1,765,793	-	-	1,494,387	1,765,793	18%
Unrestricted	462,209	327,144	(124,889)	(113,377)	337,320	213,767	-37%
TOTAL NET POSITION	5,334,482	5,479,274	(114,239)	(104,284)	5,220,243	5,374,990	3%

The District's total net position increased 3% from the prior year.

Restricted net position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$271,406 or 18% over the prior year.

Unrestricted net position . the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements . decreased \$123,553.

Figure A-2 shows the change in net position for the year ended June 30, 2014 compared to the year ended June 30, 2013.

Figure A-2

	Change in Net Position						Percentage Change 2013-2014
	Governmental Activities		Business-type Activities		Total School District		
	2013 \$	2014 \$	2013 \$	2014 \$	2013 \$	2014 \$	
Revenues							
Program Revenues:							
Charges for services	536,532	574,215	140,298	169,801	676,830	744,016	10%
Operating grants & contributions	591,205	572,537	64,682	70,585	655,887	643,122	-2%
Capital grants & contributions	-	-	-	-	-	-	
General Revenues:							
Property taxes	2,109,228	2,146,738	-	-	2,109,228	2,146,738	2%
Income Surtax	164,144	184,778	-	-	164,144	184,778	13%
Statewide sales and services tax	282,086	274,105	-	-	282,086	274,105	-3%
Unrestricted state grants	1,154,542	1,054,808	-	-	1,154,542	1,054,808	-9%
Unrestricted investment earnings	9,425	11,941	77	52	9,502	11,993	26%
Other revenue	10,293	-	-	-	10,293	-	-100%
Total Revenues	4,857,455	4,819,122	205,057	240,438	5,062,512	5,059,560	<-1%
Expenses:							
Instruction	2,621,047	2,490,963	-	-	2,621,047	2,490,963	-5%
Support services	1,326,889	1,458,354	-	-	1,326,889	1,458,354	10%
Non-instructional programs	-	-	226,782	230,483	226,782	230,483	2%
Other expenditures	1,018,001	725,013	-	-	1,018,001	725,013	-29%
Total expenses	4,965,937	4,674,330	226,782	230,483	5,192,719	4,904,813	-6%
CHANGE IN NET POSITION	(108,482)	144,792	(21,725)	9,955	(130,207)	154,747	219%
Net position beginning of year	5,442,964	5,334,482	(92,514)	(114,239)	5,350,450	5,220,243	-2%
Net position end of year	5,334,482	5,479,274	(114,239)	(104,284)	5,220,243	5,374,990	3%

Property tax and unrestricted state grants account for 63% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 81% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$4,819,122 and expenses were \$4,674,330. The District spent \$144,792 less than the available revenues.

- The net cost of governmental activities was financed with \$2,605,621 in property and other taxes and \$1,054,808 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$240,438 and expenses were \$230,483. The District's business type activities include the School Nutrition Fund, Preschool, Student House Construction and the Marketing Project. 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 \$830,061 to \$751,150. Due to the negotiated salaries and benefits and existing expenditures commitment of the District.
- 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 increased from \$470,773 at June 30, 2013 to \$501,699 at June 30, 2014.
 - The Statewide Sales Tax account balance increased from \$299,670 at June 30, 2013 to \$341,092 at June 30, 2014.
- The Debt Service Fund balance increased from \$(984) at the beginning of the year to \$65,004 at the end of the year.
- The Management Fund balance increased from \$417,760 to \$462,956.

Proprietary Fund Highlights

School Nutrition Fund net position increased from \$(38,984) at June 30, 2013 to (\$15,958) at June 30, 2014.

Preschool Fund net assets decreased from \$20,957 in 2013 to \$7,886 in 2014.

The Student Construction Fund net position remained the same at \$(96,562) from 2013 to 2014.

The Marketing Project Fund net position remained the same at \$350 from 2013 to 2014.

BUDGETARY HIGHLIGHTS

Over the course of the year, the HLV Community School District amended its annual budget one time increasing budgeted expenditures by \$210,477.

The District's receipts were \$210,828 more than budgeted receipts.

Total expenditures were \$839,626 less than budgeted. It is the District's practice to budget expenditures at sufficient levels in the 4 program areas, (instruction, non-instruction, support services and other), so that the District does not exceed spending limitations in any of these areas.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had 7,190,430, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-3) This represents a net decrease of 4% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements.

Figure A-3

Capital Assets (net of depreciation)

	Governmental		Business type		Total		Percentage Change 2013-2014
	Activities		Activities		School District		
	2013	2014	2013	2014	2013	2014	
	\$	\$	\$	\$	\$	\$	
Land	10,000	10,000	-	-	10,000	10,000	0%
Construction in Progress	-	-	-	-	-	-	
Buildings	7,209,942	6,905,437	-	-	7,209,942	6,905,437	-4%
Improvements	362,687	349,505	-	-	362,687	349,505	-4%
Equipment & Furniture	(84,743)	(83,605)	10,650	9,093	(74,093)	(74,512)	-1%
TOTAL	7,497,886	7,181,337	10,650	9,093	7,508,536	7,190,430	-4%

Long-Term Debt

At June 30, 2014, the District had \$4,004,977 in long-term debt outstanding. This represents a decrease of 9% from last year. (See Figure A-4)

Figure A-4

Outstanding Long-Term Obligations

	Total School District		Percentage Change 2013-2014
	2013	2014	
	\$	\$	
General Obligation Bonds	3,690,000	3,510,000	-5%
Revenue Bonds-Statewide Sales Tax	430,000	285,000	-34%
Compensated Absences	96,440	80,710	-16%
Termination Benefits	60,000	50,000	-17%
Net OPEB Liability	101,784	79,267	-22%
	4,378,224	4,004,977	-9%

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 Position

June 30, 2014

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash, cash equivalents and pooled investments	2,276,465	7,079	2,283,544
Receivables:			
Property tax:			
Delinquent	20,805	-	20,805
Succeeding year	2,170,002	-	2,170,002
Accounts	400	437	837
Internal balances	127,356	(127,356)	-
Due from other governments	335,895	3,897	339,792
Inventories	-	8,010	8,010
Capital assets, net of accumulated depreciation	7,181,337	9,093	7,190,430
Total assets	12,112,260	(98,840)	12,013,420
Liabilities			
Accounts payable	108,426	774	109,200
Salaries and benefits payable	316,772	1,110	317,882
Accrued interest payable	31,737	-	31,737
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	185,000	-	185,000
Revenue bonds payable	140,000	-	140,000
Termination benefits	50,000	-	50,000
Compensated absences	26,903	-	26,903
Portion due after one year:			
General obligation bonds payable	3,325,000	-	3,325,000
Revenue bonds payable	145,000	-	145,000
Compensated absences	53,807	-	53,807
Net OPEB liability	80,339	-	80,339
Total liabilities	4,462,984	1,884	4,464,868
Deferred Inflows of Resources			
Unavailable property tax revenue	2,170,002	-	2,170,002
Other	-	3,560	3,560
	2,170,002	3,560	2,173,562

HLV COMMUNITY SCHOOL DISTRICT

Statement of Net Position

June 30, 2014

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Net position			
Net investment in capital assets	3,386,337	9,093	3,395,430
Restricted for:			
Categorical funding	283,211	-	283,211
Bloethe trust	133,841	-	133,841
Management levy	412,956	-	412,956
Physical plant & equipment levy	501,699	-	501,699
School infrastructure	341,092	-	341,092
Student activities	59,727	-	59,727
Debt service	33,267	-	33,267
Unrestricted	327,144	(113,377)	213,767
Total net position	<u>5,479,274</u>	<u>(104,284)</u>	<u>5,374,990</u>

HLV COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2014

Functions/Programs	Expenses	Charges for Services	Program Revenues	
			Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	1,533,994	273,548	367,906	-
Special	374,815	16,103	38,152	-
Other	582,154	138,080	35,102	-
	<u>2,490,963</u>	<u>427,731</u>	<u>441,160</u>	<u>-</u>
Support services:				
Student	120,078	-	-	-
Instructional staff	36,095	-	-	-
Administration	694,803	146,484	-	-
Operation and maintenance of plant	364,598	-	-	-
Transportation	242,780	-	1,759	-
	<u>1,458,354</u>	<u>146,484</u>	<u>1,759</u>	<u>-</u>
Other expenditures:				
Long-term debt interest	172,213	-	-	-
AEA flowthrough	129,618	-	129,618	-
Depreciation (unallocated)*	423,182	-	-	-
	<u>725,013</u>	<u>-</u>	<u>129,618</u>	<u>-</u>
Total governmental activities	<u>4,674,330</u>	<u>574,215</u>	<u>572,537</u>	<u>-</u>
Business type activities:				
Non-instructional programs:				
Food service operations	199,838	152,227	70,585	-
Preschool	30,645	17,574	-	-
Total business-type activities	<u>230,483</u>	<u>169,801</u>	<u>70,585</u>	<u>-</u>
Total	<u>4,904,813</u>	<u>744,016</u>	<u>643,122</u>	<u>-</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				
Total general revenues				

Change in net position

Net position beginning of year

Net position 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 Position

Governmental Activities	Business Type Activities	Total
\$	\$	\$
(892,540)	-	(892,540)
(320,560)	-	(320,560)
(408,972)	-	(408,972)
<u>(1,622,072)</u>	<u>-</u>	<u>(1,622,072)</u>
(120,078)	-	(120,078)
(36,095)	-	(36,095)
(548,319)	-	(548,319)
(364,598)	-	(364,598)
(241,021)	-	(241,021)
<u>(1,310,111)</u>	<u>-</u>	<u>(1,310,111)</u>
(172,213)	-	(172,213)
-	-	-
<u>(423,182)</u>	<u>-</u>	<u>(423,182)</u>
<u>(595,395)</u>	<u>-</u>	<u>(595,395)</u>
<u>(3,527,578)</u>	<u>-</u>	<u>(3,527,578)</u>
-	22,974	22,974
-	(13,071)	(13,071)
<u>-</u>	<u>9,903</u>	<u>9,903</u>
<u>(3,527,578)</u>	<u>9,903</u>	<u>(3,517,675)</u>
1,563,493	-	1,563,493
337,373	-	337,373
245,872	-	245,872
184,778	-	184,778
274,105	-	274,105
1,054,808	-	1,054,808
11,941	52	11,993
<u>3,672,370</u>	<u>52</u>	<u>3,672,422</u>
144,792	9,955	154,747
<u>5,334,482</u>	<u>(114,239)</u>	<u>5,220,243</u>
<u>5,479,274</u>	<u>(104,284)</u>	<u>5,374,990</u>

HLV COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2014

	General	Management	Debt Service	Capital Projects	Nonmajor Student Activity	Total
	\$	\$	\$	\$	\$	\$
Assets						
Cash, cash equivalents and pooled investments	881,245	461,013	61,701	811,399	61,107	2,276,465
Receivables:						
Property tax:						
Delinquent	13,185	1,943	3,303	2,374	-	20,805
Succeeding year	1,377,318	140,000	401,978	250,706	-	2,170,002
Accounts	400	-	-	-	-	400
Interfund receivable	127,356	-	-	-	-	127,356
Due from other governments	290,213	-	-	45,682	-	335,895
Total assets	2,689,717	602,956	466,982	1,110,161	61,107	4,930,923
Liabilities, Deferred Inflows of Resources and Fund Balances						
Liabilities:						
Accounts payable	90,382	-	-	16,664	1,380	108,426
Salaries and benefits payable	316,772	-	-	-	-	316,772
Total liabilities	407,154	-	-	16,664	1,380	425,198
Deferred inflows of resources:						
Unavailable revenues:						
Succeeding year property tax	1,377,318	140,000	401,978	250,706	-	2,170,002
Income surtax	154,095	-	-	-	-	154,095
	1,531,413	140,000	401,978	250,706	-	2,324,097
Fund balances:						
Restricted for:						
Categorical funding	283,211	-	-	-	-	283,211
Bloethe trust	133,841	-	-	-	-	133,841
Microsoft	1,711	-	-	-	-	1,711
Debt service	-	-	65,004	-	-	65,004
Management levy	-	462,956	-	-	-	462,956
Student activities	-	-	-	-	59,727	59,727
School infrastructure	-	-	-	341,092	-	341,092
Physical plant and equipment	-	-	-	501,699	-	501,699
Unassigned	332,387	-	-	-	-	332,387
Total fund balances	751,150	462,956	65,004	842,791	59,727	2,181,628
Total liabilities, deferred inflows of resources and fund balances	2,689,717	602,956	466,982	1,110,161	61,107	4,930,923

See notes to financial statements.

HLV COMMUNITY SCHOOL DISTRICT

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

June 30, 2014

	\$
Total fund balances of governmental funds (Exhibit C)	2,181,628
<i>Amounts reported for governmental activities in the Statement of Net Position 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.	7,181,337
Other long-term assets are not available to pay current year expenditures and, therefore, are deferred in the governmental funds.	154,095
Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds.	(31,737)
Long-term liabilities, including bonds payable, compensated absences, and other postemployment benefits are not due and payable in the current year and therefore, are not reported as liabilities in the governmental funds.	<u>(4,006,049)</u>
Net position of governmental activities (Exhibit A)	<u><u>5,479,274</u></u>

HLV COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2014

	General	Management	Debt Service	Capital Projects	Nonmajor Student Activity	Total
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources:						
Local tax	1,567,133	199,338	337,373	245,872	-	2,349,716
Tuition	157,571	-	-	-	-	157,571
Other	276,589	6,875	-	9,104	136,017	428,585
State sources	1,521,712	-	-	274,105	-	1,795,817
Federal sources	105,633	-	-	-	-	105,633
Total revenues	<u>3,628,638</u>	<u>206,213</u>	<u>337,373</u>	<u>529,081</u>	<u>136,017</u>	<u>4,837,322</u>
Expenditures:						
Current:						
Instruction:						
Regular	1,418,924	64,590	-	116,333	-	1,599,847
Special	378,032	-	-	-	-	378,032
Other	447,838	-	-	-	136,997	584,835
	<u>2,244,794</u>	<u>64,590</u>	<u>-</u>	<u>116,333</u>	<u>136,997</u>	<u>2,562,714</u>
Support services:						
Student	121,150	-	-	-	-	121,150
Instructional staff	36,631	-	-	-	-	36,631
Administration	607,631	96,427	4,202	-	-	708,260
Operation and maintenance of plant	362,906	-	-	3,300	-	366,206
Transportation	204,819	-	-	60,000	-	264,819
	<u>1,333,137</u>	<u>96,427</u>	<u>4,202</u>	<u>63,300</u>	<u>-</u>	<u>1,497,066</u>
Other expenditures:						
Facilities acquisition	-	-	-	44,417	-	44,417
Long-term debt:						
Principal	-	-	325,000	-	-	325,000
Interest and fiscal charges	-	-	174,866	-	-	174,866
AEA flowthrough	129,618	-	-	-	-	129,618
	<u>129,618</u>	<u>-</u>	<u>499,866</u>	<u>44,417</u>	<u>-</u>	<u>673,901</u>
Total expenditures	<u>3,707,549</u>	<u>161,017</u>	<u>504,068</u>	<u>224,050</u>	<u>136,997</u>	<u>4,733,681</u>
Excess (deficiency) of revenues (under) expenditures	<u>(78,911)</u>	<u>45,196</u>	<u>(166,695)</u>	<u>305,031</u>	<u>(980)</u>	<u>103,641</u>
Other financing sources (uses):						
Operating transfers in	-	-	232,683	-	-	232,683
Operating transfers out	-	-	-	(232,683)	-	(232,683)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>232,683</u>	<u>(232,683)</u>	<u>-</u>	<u>-</u>
Change in fund balances	(78,911)	45,196	65,988	72,348	(980)	103,641
Fund balances beginning of year	830,061	417,760	(984)	770,443	60,707	2,077,987
Fund balances end of year	<u>751,150</u>	<u>462,956</u>	<u>65,004</u>	<u>842,791</u>	<u>59,727</u>	<u>2,181,628</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, 2014

	\$	\$
Change in fund balances - total governmental funds (Exhibit E)		103,641
<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 capital outlay expenditures in the current year are as follows:		
Expenditures for capital assets	208,276	
Depreciation expense	<u>(524,825)</u>	(316,549)
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.		
		(18,200)
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 Position.		
		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.		
		2,653
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	10,000	
Compensated absences	15,730	
Other postemployment benefits	<u>22,517</u>	<u>48,247</u>
Changes in net position of governmental activities (Exhibit B)		<u><u>144,792</u></u>

HLV COMMUNITY SCHOOL DISTRICT

Statement of Net Position
Proprietary Fund

June 30, 2014

	Nonmajor Enterprise Funds
	<u>\$</u>
Assets	
Current assets:	
Cash and cash equivalents	7,079
Accounts receivable	437
Due from other governments	3,897
Inventories	8,010
Total current assets	<u>19,423</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	<u>9,093</u>
Total assets	<u>28,516</u>
Liabilities	
Current liabilities:	
Accounts payable	774
Interfund payables	127,356
Salaries and benefits payable	1,110
Deferred revenue	3,560
Total liabilities	<u>132,800</u>
Net position	
Investment in capital assets	9,093
Unrestricted	<u>(113,377)</u>
Total net position	<u><u>(104,284)</u></u>

HLV COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund

Year ended June 30, 2014

	Nonmajor Enterprise Funds
	<u>\$</u>
Operating revenues:	
Local sources:	
Charges for service	<u>169,801</u>
Operating expenses:	
Non-instructional programs:	
Salaries	110,240
Benefits	18,184
Purchased services	379
Supplies	100,123
Depreciation	1,557
Total operating expenses	<u>230,483</u>
Operating income (loss)	<u>(60,682)</u>
Non-operating revenues:	
State sources	1,452
Federal sources	69,133
Interest income	52
Total non-operating revenues	<u>70,637</u>
Change in net position	9,955
Net position beginning of year	<u>(114,239)</u>
Net position end of year	<u><u>(104,284)</u></u>

HLV COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2014

	Nonmajor Enterprise Funds
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	171,121
Cash received from other services	14,757
Cash paid to employees for services	(128,622)
Cash paid to suppliers for goods or services	(85,699)
Net cash used by operating activities	<u>(28,443)</u>
Cash flows from non-capital financing activities:	
Interfund loans	(130,842)
State grants received	1,452
Federal grants received	59,978
Net cash provided by non-capital financing activities	<u>(69,412)</u>
Cash flows from capital and related financing activities	<u>-</u>
Cash flows from investing activities:	
Interest on investments	<u>52</u>
Net increase (decrease) in cash and cash equivalents	(97,803)
Cash and cash equivalents at beginning of year	<u>104,882</u>
Cash and cash equivalents at end of year	<u><u>7,079</u></u>
Reconciliation of operating income (loss) to net cash used by operating activities:	
Operating income (loss)	(60,682)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:	
Commodities used	14,260
Depreciation	1,557
Decrease (increase) in inventories	30
Decrease (increase) in accounts receivable	15,829
(Decrease) increase in accounts payable	331
(Decrease) increase in salaries and benefits payable	(198)
(Decrease) increase in deferred revenue	430
Net cash used by operating activities	<u><u>(28,443)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2014, the District received \$14,260 of federal commodities.

HLV COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Position
Fiduciary Funds

June 30, 2014

	Private Purpose Trust Scholarship <u> </u> \$	Agency <u> </u> \$
Assets		
Cash, cash equivalents and pooled investments	258,580	11,379
Liabilities		
Other current liabilities	<u> -</u>	<u> 11,379</u>
Net Position		
Reserved for scholarships	<u> 258,580</u>	<u> -</u>

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

Year ended June 30, 2014

	Private Purpose Trust Scholarship <u> </u> \$
Additions	
Local sources:	
Gifts and contributions	8,878
Interest	<u>1,359</u>
Total additions	<u>10,237</u>
Deductions	
Support services:	
Scholarships awarded	<u>13,460</u>
Change in net position	(3,223)
Net position beginning of year	<u>261,803</u>
Net position end of year	<u><u>258,580</u></u>

HLV COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2014

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

The Statement of Net Position presents the District's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management, which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions, and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements . Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. 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 property tax and other revenues to be used for the payment of interest and principal on the District's general 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 Student House Construction Funds is a major fund.

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

The Private-Purpose Trust Fund is used to account for assets held by the District under trust agreements, 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 position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

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

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, Deferred Inflows of Resources and Fund Equity

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

Cash, Cash Equivalents and Pooled Investments - 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 become 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, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2013.

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 Position. 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.

Advances from Grantors . Grant proceeds which have been received by the District but will be spent in a succeeding fiscal year.

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, 2014. 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 Position.

Deferred Inflows of Resources . Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

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 the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014, expenditures exceeded the amended amount budgeted in the non-instructional function.

2. Cash, Cash Equivalents and Pooled Investments

The District's deposits in banks at June 30, 2014 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, 2014, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$243,833 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAAM by Standard & Poor's Financial Services.

3. Interfund Receivables and Payables

The detail of interfund receivables and payables at June 30, 2014 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
		\$
General Fund	Enterprise, Student House Fund	97,231
General Fund	Enterprise, School Nutrition Fund	30,125

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, 2014 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
		\$
Debt Service	Capital Projects	232,683

This transfer moved revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

4. Capital Assets

Capital assets activity for the year ended June 30, 2014 is as follows:

	Balance Beginning of Year, as Restated	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Land	10,000	-	-	10,000
Construction in progress	-	-	-	-
Total capital assets not being depr.	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>10,000</u>
Capital assets being depreciated:				
Buildings	10,549,825	105,495	-	10,655,320
Improvements other than buildings	498,599	-	-	498,599
Furniture and equipment	674,829	102,781	-	777,610
Total capital assets being deprec.	<u>11,723,253</u>	<u>208,276</u>	<u>-</u>	<u>11,931,529</u>
Less accumulated depreciation for:				
Buildings	3,339,883	410,000	-	3,749,883
Improvements other than buildings	135,912	13,182	-	149,094
Furniture and equipment	759,572	101,643	-	861,215
Total accumulated depreciation	<u>4,235,367</u>	<u>524,825</u>	<u>-</u>	<u>4,760,192</u>
Total capital assets being depreciated, net	<u>7,487,886</u>	<u>(316,549)</u>	<u>-</u>	<u>7,171,337</u>
Governmental activities capital assets, net	<u>7,497,886</u>	<u>(316,549)</u>	<u>-</u>	<u>7,181,337</u>
Business type activities:				
Furniture and equipment	54,815	-	-	54,815
Less accumulated depreciation	<u>44,165</u>	<u>1,557</u>	<u>-</u>	<u>45,722</u>
Business type activities capital assets, net	<u>10,650</u>	<u>(1,557)</u>	<u>-</u>	<u>9,093</u>
Depreciation expense was charged to the following functions:				
				\$
Governmental activities:				
Instruction:				
Regular				57,120
Support services:				
Administration services				6,026
Transportation				<u>38,497</u>
				101,643
Unallocated depreciation				<u>423,182</u>
Total depreciation expense . governmental activities				<u>524,825</u>
Business type activities:				
Food services				<u>1,557</u>

5. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2014 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Governmental activities:					
General obligation bonds	3,690,000	-	180,000	3,510,000	185,000
Revenue bonds-statewide sales tax	430,000	-	145,000	285,000	140,000
Compensated absences	96,440	-	15,730	80,710	26,903
Termination Benefits	60,000	50,000	60,000	50,000	50,000
Net OPEB liability	101,784	-	22,517	79,267	-
Total	4,378,224	50,000	423,247	4,004,977	401,903

Termination Benefits

The District offered a voluntary early retirement plan for employees during fiscal year 2013. The plan was only offered to employees for one year. Eligible employees must have completed at least fifteen years of full-time service to the District and must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commences. The application for early retirement is subject to approval by the Board of Education.

At June 30, 2014, the District has obligations to two participants with a total liability of \$50,000. Actual early retirement expenditures for the year ended June 30, 2014 totaled \$60,000.

General Obligation Bonds Payable

Details of the District's June 30, 2014 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of May, 2008			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2015	4.25	185,000	151,478	336,478
2016	4.25	195,000	143,615	338,615
2017	4.25	205,000	135,328	340,328
2018	4.25	215,000	126,615	341,615
2019	4.30	225,000	117,478	342,478
2020-2024	4.30	1,265,000	435,167	1,700,167
2025-2028	4.30-4.45	1,220,000	137,125	1,357,125
		3,510,000	1,246,806	4,756,806

Revenue Bonds Payable

Details of the District's June 30, 2014 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of June 26, 2008			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2015	3.66	140,000	10,432	150,432
2016	3.66	145,000	5,308	150,308
		<u>285,000</u>	<u>15,740</u>	<u>300,740</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 \$300,740. For the current year, \$145,000 of principal and \$15,738 of interest was paid on the bonds and the total statewide sales, services and use tax revenues were \$274,105.

6. Pension and Retirement Benefits

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

Plan members are required to contribute 5.95% of their annual covered salary and the District is required to contribute 8.93% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$214,323, \$216,659 and \$197,843 respectively, equal to the required contributions for each year.

7. 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 42 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 determined by the Iowa School Finance Information Services using ACOPEB.com software, 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, 2014, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

	\$
Annual required contribution	11,124
Interest on net OPEB obligation	5,594
Adjustment to annual required contribution	(5,298)
Annual OPEB cost	<u>11,420</u>
Contributions made	<u>33,937</u>
Increase in net OPEB obligation	(22,517)
Net OPEB obligation beginning of year	<u>101,784</u>
Net OPEB obligation end of year	<u>79,267</u>

For calculation of the net OPEB obligation, the transition day as July 1, 2012. The end of year net OPEB obligation was calculated by ACOPEB.com software and used the cumulative difference between the ACOPEB.com software determined funding requirements and the actual contributions for the year ended June 30, 2014.

For the year ended June 30, 2014, the District contributed \$33,937 to the medical plan. Plan members eligible for benefits contributed \$60,608 of the premium costs, or 100% of the premiums.

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

<u>Year Ended 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
2012	79,552	52.80%	124,301
2013	11,420	297.17%	101,784
2014	11,420	297.17%	79,267

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$110,446, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$110,446. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,811,000, and the ratio of the UAAL to covered payroll was 6.1%. As of June 30, 2014, 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, 2012 actuarial valuation date, the alternative measurement method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy. The medical insurance premium increases are 4.5% per year and should be reasonable comparable with those found in the National Health Care Expenditures Projections of the Office of the actuary at the Centers for Medicare and Medicaid Services in 2007.

Mortality rates by gender come from the Life Expectancy Table from National Center for Health Statistics updated in 2008. Annual retirement and termination probabilities came from Table 1 in GASB Statement 45.

The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

8. Risk Management

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

9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$129,618 for the year ended June 30, 2014 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

10. Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2014 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
	\$
State aid funding supplement	37,644
Early readers	13,295
Teacher salary supplement	99,571
Educator quality, professional development	41,680
Teacher leadership	6,164
Returning dropout and dropout prevention program	24,529
Preschool	<u>60,328</u>
	<u>283,211</u>

11. Deficit Fund Balances

At June 30, 2014 the District had deficit unrestricted net position balances in the Enterprise School Nutrition Fund and Enterprise Student House Construction Fund of \$25,051 and \$96,562 respectively.

12. Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions . an Amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

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, 2014

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Amended Final	
	\$	\$	\$	\$	\$	\$
Revenues						
Local sources	2,935,872	169,853	3,105,725	3,257,574	3,257,574	(151,849)
State sources	1,795,817	1,452	1,797,269	1,443,408	1,443,408	353,861
Federal sources	105,633	69,133	174,766	165,950	165,950	8,816
Total revenues	<u>4,837,322</u>	<u>240,438</u>	<u>5,077,760</u>	<u>4,866,932</u>	<u>4,866,932</u>	<u>210,828</u>
Expenditures/Expenses:						
Instruction	2,562,714	-	2,562,714	2,776,000	2,900,000	337,286
Support services	1,497,066	-	1,497,066	1,793,790	1,793,790	296,724
Non-instructional programs	-	230,483	230,483	184,100	210,000	(20,483)
Other expenditures	673,901	-	673,901	839,423	900,000	226,099
Total expenditures/expenses	<u>4,733,681</u>	<u>230,483</u>	<u>4,964,164</u>	<u>5,593,313</u>	<u>5,803,790</u>	<u>839,626</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	103,641	9,955	113,596	(726,381)	(936,858)	1,050,454
Balance beginning of year	<u>2,077,987</u>	<u>(114,239)</u>	<u>1,963,748</u>	<u>1,280,506</u>	<u>1,280,506</u>	<u>683,242</u>
Balance end of year	<u><u>2,181,628</u></u>	<u><u>(104,284)</u></u>	<u><u>2,077,344</u></u>	<u><u>554,125</u></u>	<u><u>343,648</u></u>	<u><u>1,733,696</u></u>

HLV COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2014

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 \$210,477.

During the year ended June 30, 2014, expenditures exceeded the amended amount budgeted in the non-instructional function.

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%
2012	July 1, 2009	-	1,061,000	1,061,000	0.0%	1,099,000	96.5%
2013	July 1, 2012	-	110,446	110,446	0.0%	1,920,000	5.8%
2014	July 1, 2012	-	110,446	110,446	0.0%	1,811,000	6.1%

See Note 7 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.

SUPPLEMENTARY INFORMATION

HLV COMMUNITY SCHOOL DISTRICT

Combining Schedule of Net Position
Nonmajor Enterprise Funds

June 30, 2014

	Enterprise Funds				Total Nonmajor Enterprise Funds \$
	Nutrition \$	Preschool \$	Marketing Project \$	Student House Construction \$	
Assets					
Cash, cash equivalents and pooled investments	1,297	4,763	350	669	7,079
Accounts receivable	437	-	-	-	437
Due from other governments	-	3,897	-	-	3,897
Inventories	8,010	-	-	-	8,010
Capital assets, net of accumulated depreciation	9,093	-	-	-	9,093
Total assets	18,837	8,660	350	669	28,516
Liabilities					
Accounts payable	-	774	-	-	774
Interfund payables	30,125	-	-	97,231	127,356
Salaries and benefits payable	1,110	-	-	-	1,110
Deferred revenue	3,560	-	-	-	3,560
Total liabilities	34,795	774	-	97,231	132,800
Net position					
Invested in capital assets	9,093	-	-	-	9,093
Unrestricted	(25,051)	7,886	350	(96,562)	(113,377)
Total net position	(15,958)	7,886	350	(96,562)	(104,284)

HLV COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2014

	Enterprise Funds				Total Nonmajor Enterprise Funds
	Nutrition	Preschool	Marketing Project	Student Construction	
	\$	\$	\$	\$	\$
Operating revenues:					
Local sources:					
Charges for service	152,227	17,574	-	-	169,801
Operating expenses:					
Non-instructional programs:					
Salaries	86,719	23,521	-	-	110,240
Benefits	14,258	3,926	-	-	18,184
Purchased services	379	-	-	-	379
Supplies	96,925	3,198	-	-	100,123
Depreciation	1,557	-	-	-	1,557
Total operating expenses	199,838	30,645	-	-	230,483
Operating income (loss)	(47,611)	(13,071)	-	-	(60,682)
Non-operating revenues:					
State sources	1,452	-	-	-	1,452
Federal sources	69,133	-	-	-	69,133
Interest income	52	-	-	-	52
Total non-operating revenues	70,637	-	-	-	70,637
Change in net position	23,026	(13,071)	-	-	9,955
Net position beginning of year	(38,984)	20,957	350	(96,562)	(114,239)
Net position end of year	(15,958)	7,886	350	(96,562)	(104,284)

HLV COMMUNITY SCHOOL DISTRICT

Combining Schedule of Cash Flows
Nonmajor Enterprise Funds

Year ended June 30, 2014

	Enterprise Funds				Total Nonmajor Enterprise Funds
	Nutrition	Preschool	Marketing Project	Student Construction	
	\$	\$	\$	\$	\$
Cash flows from operating activities:					
Cash received from sale of lunches and breakfasts	171,121	-	-	-	171,121
Cash received from other services	-	14,757	-	-	14,757
Cash paid to employees for services	(101,111)	(27,511)	-	-	(128,622)
Cash paid to suppliers for goods or services	(83,106)	(2,593)	-	-	(85,699)
Net cash used by operating activities	(13,096)	(15,347)	-	-	(28,443)
Cash flows from non-capital financing activities:					
Loans from (repaid) to other funds	(118,213)	(12,629)	-	-	(130,842)
State grants received	1,452	-	-	-	1,452
Federal grants received	59,978	-	-	-	59,978
Net cash used by non-capital financing activities	(56,783)	(12,629)	-	-	(69,412)
Cash flows from capital and related financing activities	-	-	-	-	-
Cash flows from investing activities:					
Interest on investments	52	-	-	-	52
Net increase (decrease) in cash and cash equivalents	(69,827)	(27,976)	-	-	(97,803)
Cash and cash equivalents at beginning of year	71,124	32,739	350	669	104,882
Cash and cash equivalents at end of year	1,297	4,763	350	669	7,079
Reconciliation of operating income (loss) to net cash used by operating activities:					
Operating income (loss)	(47,611)	(13,071)	-	-	(60,682)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:					
Commodities used	14,260	-	-	-	14,260
Depreciation	1,557	-	-	-	1,557
Decrease (increase) in inventories	30	-	-	-	30
Decrease (increase) in accounts receivable	18,646	(2,817)	-	-	15,829
(Decrease) increase in accounts payable	(274)	605	-	-	331
(Decrease) increase in salaries and benefits payable	(134)	(64)	-	-	(198)
(Decrease) increase in deferred revenue	430	-	-	-	430
Net cash used by operating activities	(13,096)	(15,347)	-	-	(28,443)

HLV COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Capital Project Accounts

June 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets	\$	\$	\$
Cash, cash equivalents and pooled investments	295,410	515,989	811,399
Receivables:			
Property tax:			
Delinquent	-	2,374	2,374
Succeeding year	-	250,706	250,706
Due from other governments	45,682	-	45,682
Total assets	341,092	769,069	1,110,161
Liabilities, Deferred Inflows of Resources & Fund Balances			
Liabilities:			
Accounts payable	-	16,664	16,664
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	250,706	250,706
Fund balances:			
Restricted for:			
School infrastructure	341,092	-	341,092
Physical plant and equipment	-	501,699	501,699
Total fund balances	341,092	501,699	842,791
Total liabilities, deferred inflows of resources and fund balances	341,092	769,069	1,110,161

HLV COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2014

	Capital Projects		Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
	\$	\$	\$
Revenues:			
Local sources:			
Local tax	-	245,872	245,872
Other	-	9,104	9,104
State sources	274,105	-	274,105
Total revenues	<u>274,105</u>	<u>254,976</u>	<u>529,081</u>
Expenditures:			
Current:			
Instruction:			
Regular instruction	-	116,333	116,333
Support services:			
Operation and maintenance of plant	-	3,300	3,300
Transportation services	-	60,000	60,000
Other expenditures:			
Facilities acquisition	-	44,417	44,417
Total expenditures	<u>-</u>	<u>224,050</u>	<u>224,050</u>
Excess (deficiency) of revenues over (under) expenditures	<u>274,105</u>	<u>30,926</u>	<u>305,031</u>
Other financing sources (uses):			
Operating transfers out	<u>(232,683)</u>	<u>-</u>	<u>(232,683)</u>
Change in fund balance	41,422	30,926	72,348
Fund balances beginning of year	<u>299,670</u>	<u>470,773</u>	<u>770,443</u>
Fund balance end of year	<u><u>341,092</u></u>	<u><u>501,699</u></u>	<u><u>842,791</u></u>

HLV COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2014

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$
Speech and drama	932	1,937	1,575	1,294
Music	-	7,766	7,660	106
Athletic	15,758	75,268	76,442	14,584
Art	690	236	-	926
Clubs and organizations	937	1,855	1,467	1,325
Annual	(3,967)	4,930	3,109	(2,146)
Student council	1,230	4,208	4,438	1,000
Interest	14	177	96	95
Recreation program	4,126	3,904	5,908	2,122
German club	5,992	7,379	10,285	3,086
National Honor Society	1,056	152	246	962
Pep club	3,850	2,752	2,559	4,043
Towel service	1,158	1,017	320	1,855
Washington trip	16,615	13,633	11,410	18,838
Win with wellness	676	-	-	676
Miscellaneous	226	226	374	78
Library	3,456	424	423	3,457
Special olympics	4,640	319	-	4,959
Pop machine	-	2,247	2,247	-
Sale of supplies	266	-	-	266
Elementary	1,619	1,276	1,411	1,484
Insurance	148	148	-	296
Class of 2015	1,285	5,026	6,034	277
Class of 2014	-	1,137	993	144
	<u>60,707</u>	<u>136,017</u>	<u>136,997</u>	<u>59,727</u>
Total	<u>60,707</u>	<u>136,017</u>	<u>136,997</u>	<u>59,727</u>

HLV COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2014

	Employee Flex	Flower Fund	Employee Health	Total
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Balance beginning of year	5,450	181	684	6,315
Additions:				
Collections	1,462	-	61,065	62,527
Deductions:				
Miscellaneous	<u>473</u>	<u>-</u>	<u>56,990</u>	<u>57,463</u>
Balance end of year	<u><u>6,439</u></u>	<u><u>181</u></u>	<u><u>4,759</u></u>	<u><u>11,379</u></u>

HLV COMMUNITY SCHOOL DISTRICT

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

For the Last Ten Years

	Modified Accrual Basis									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues:										
Local sources:										
Local tax	2,349,716	2,263,333	2,441,185	2,317,391	2,317,990	2,292,857	2,001,778	1,994,917	1,962,267	1,638,268
Tuition	157,571	129,916	161,503	135,751	135,749	100,199	115,072	111,951	87,560	118,977
Other	428,585	426,334	475,926	842,142	436,968	377,518	410,967	378,772	193,691	212,162
State sources	1,795,817	1,850,158	1,782,026	1,764,970	1,483,153	1,833,136	1,703,191	1,682,268	1,658,599	1,586,717
Federal sources	105,633	177,675	210,559	157,679	382,630	152,029	85,030	130,947	144,547	85,068
Total revenues	<u>4,837,322</u>	<u>4,847,416</u>	<u>5,071,199</u>	<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>
Expenditures:										
Instruction:										
Regular instruction	1,599,847	1,639,357	1,714,435	1,804,076	1,585,464	1,746,668	1,574,919	1,500,444	1,475,757	1,545,876
Special instruction	378,032	428,346	462,793	446,293	467,388	369,782	442,095	456,836	346,172	417,470
Other instruction	584,835	568,271	550,029	608,795	407,612	337,776	314,210	358,033	344,069	315,221
Support services:										
Student services	121,150	113,541	105,316	93,684	108,418	86,505	79,985	79,206	93,066	79,870
Instructional staff services	36,631	3,879	61,568	66,618	60,395	53,557	52,702	53,468	118,979	59,156
Administration services	708,260	662,760	650,210	586,327	591,424	655,536	554,254	508,497	465,348	470,587
Operation and maintenance	366,206	345,284	362,317	474,122	438,769	327,038	337,387	339,817	322,761	341,284
Transportation services	264,819	198,639	246,326	309,609	181,806	152,537	204,968	173,956	177,452	157,474
Other expenditures:										
Facilities acquisition	44,417	291,718	179,647	458,123	1,177,599	5,393,090	456,362	276,101	137,633	184,179
Long-term debt:										
Principal	325,000	350,000	335,000	325,000	310,000	145,000	24,404	-	-	-
Interest and other charges	174,866	185,505	202,443	212,162	242,798	213,805	-	-	-	-
AEA flowthrough	129,618	126,661	128,555	145,533	144,315	134,416	128,206	126,596	122,216	121,078
Total expenditures	<u>4,733,681</u>	<u>4,913,961</u>	<u>4,998,639</u>	<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>

See accompanying independent auditor's report.

Gary E. Horton CPA

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

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

To the Board of Education of
HLV Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of HLV Community School District and of and for the year ended June 30, 2014, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated May 29, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered HLV Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of HLV Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of HLV Community School District's Internal Control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified deficiencies in internal control 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 described in Part I of the accompanying Schedule of Findings and Responses as items 14-I-A and 14-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 which are described in Part II of the accompanying Schedule of Finding and Responses.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2014 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 the Findings

HLV Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Responses. HLV Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of HLV Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

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

May 29, 2015

HLV COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2014

Part I: Findings Related to the Financial Statements:

Internal Control Deficiencies:

14-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 segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

District Response: We will continue to review our procedures and implement additional controls where possible.

Conclusion: Response accepted.

14-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, 2014

Part II: Other Findings Related to Required Statutory Reporting:

- 14-II-A Certified Budget: Expenditures for the year ended June 30, 2014, exceeded the amended certified budget amounts budgeted in the non-instructional function.
- Recommendation: The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.
- District Response: Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.
- Conclusion: Response accepted.
- 14-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.
- 14-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.
- 14-II-D Business Transactions: We noted no transactions between the District and District officials or employees.
- 14-II-E Bond Coverage: Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- 14-II-F Board Minutes: We noted no transactions requiring Board approval that had not been approved by the Board.
- 14-II-G Certified Enrollment: No variances in the basic enrollment data certified to the Department of Education were noted.
- 14-II-H Supplementary Weighting: The supplementary weighting certified to the Department of Education was in error by 0.063.
- Recommendation: The District should ensure controls are in place to ensure accurate counts
- District Response: We will improve our count process in the future.
- Conclusion: Response accepted.
- 14-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.
- 14-II-J Certified Annual Report (CAR): The District's Certified Annual Report was certified to the Iowa Department of Education timely.
- 14-II-K Categorical Funding: No instances were noted of categorical funding being used to supplant rather than supplement other funds.

HLV COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2014

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

14-II-L Statewide Sales, Services and Use Tax: No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2014, 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 2014 audit:

Beginning balance	\$	\$ 299,670
Revenues/transfers in:		
Statewide sales, services and use tax revenue		274,105
Expenditures/transfers out		<u>232,683</u>
Ending balance		<u><u>341,092</u></u>

14-II-M Financial Condition: The Enterprise School Nutrition Fund and Enterprise School Construction Fund have deficit balances at June 30, 2014.

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.

14-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.

14-II-O Interfund loans: On October 22, 2009 the Iowa Department of Education issued a 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.

HLV COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2014

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

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.