

HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND RESPONSES

June 30, 2007

## Table of Contents

		<u>Page</u>
Officials		1
Independent Auditor's Report		2-3
Management's Discussion and Analysis (MD&A)		4-14
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Assets	A	16
Statement of Activities	B	17-18
Governmental Fund Financial Statements:		
Balance Sheet	C	19
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	20
Statement of Revenues, Expenditures and Changes in Fund Balances	E	21
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	22
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	23
Statement of Revenues, Expenses, and Changes in Fund Net Assets	H	24
Statement of Cash Flows	I	25
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Assets	J	26
Statement of Changes in Fiduciary Net Assets	K	27
Notes to Financial Statements		28-35
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		37
Notes to Required Supplementary Information - Budgetary Reporting		38
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	40
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	41
Nonmajor Enterprise Funds:		
Combining Schedule of Net Assets	3	42
Combining Schedule of Revenues, Expenses and Changes in Fund Net Assets	4	43
Combining Schedule of Cash Flows	5	44
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	6	45
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	7	46
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 <u>Government Auditing Standards</u>		47-48
Schedule of Findings and Responses		49-50



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Independent Auditor's Report

To the Board of Education of  
Hubbard-Radcliffe Community School District:

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

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

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

In accordance with Government Auditing Standards, we have also issued our report dated February 19, 2008, on our consideration of Hubbard-Radcliffe Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contract and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 14 and 37 through 38 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hubbard-Radcliffe Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2006, (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 7, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

February 19, 2008

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS FY 2006-2007**

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The Hubbard-Radcliffe Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the District's financial statements, which follow. Comparisons to prior year data will be provided for all key financial information.

### **2007 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$3,729,678 in fiscal 2006 to \$3,893,016 in fiscal 2007, while General Fund expenditures decreased from \$4,062,051 in fiscal 2006 to \$3,932,690 in fiscal 2007. The District's General Fund balance deficit spending (more expenditures than revenues) decreased from \$332,373 in fiscal 2006 to \$39,674 in fiscal 2007, an 88% increase.
- The increase in General Fund revenues was attributable to an increase in property tax and state and federal grant revenue in fiscal 2007. The decrease in expenditures was due primarily to staff reductions.
- During fiscal year 2007, the district continued to use cost reduction measures which is helping to slow the increasing negative balance for the General Fund but continued measures measure must be taken to reverse the negative trend.
- Expenditures continued to exceed and out pace revenues, the District's General Fund balance decreased by \$57,614 in fiscal 2007 compared to a decrease of \$316,063 in fiscal year 2006.
- The district's solvency ratio decreased to 8.1in FY 2007, from 10.6% the previous year.

### **USING THIS ANNUAL REPORT**

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

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

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

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

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

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

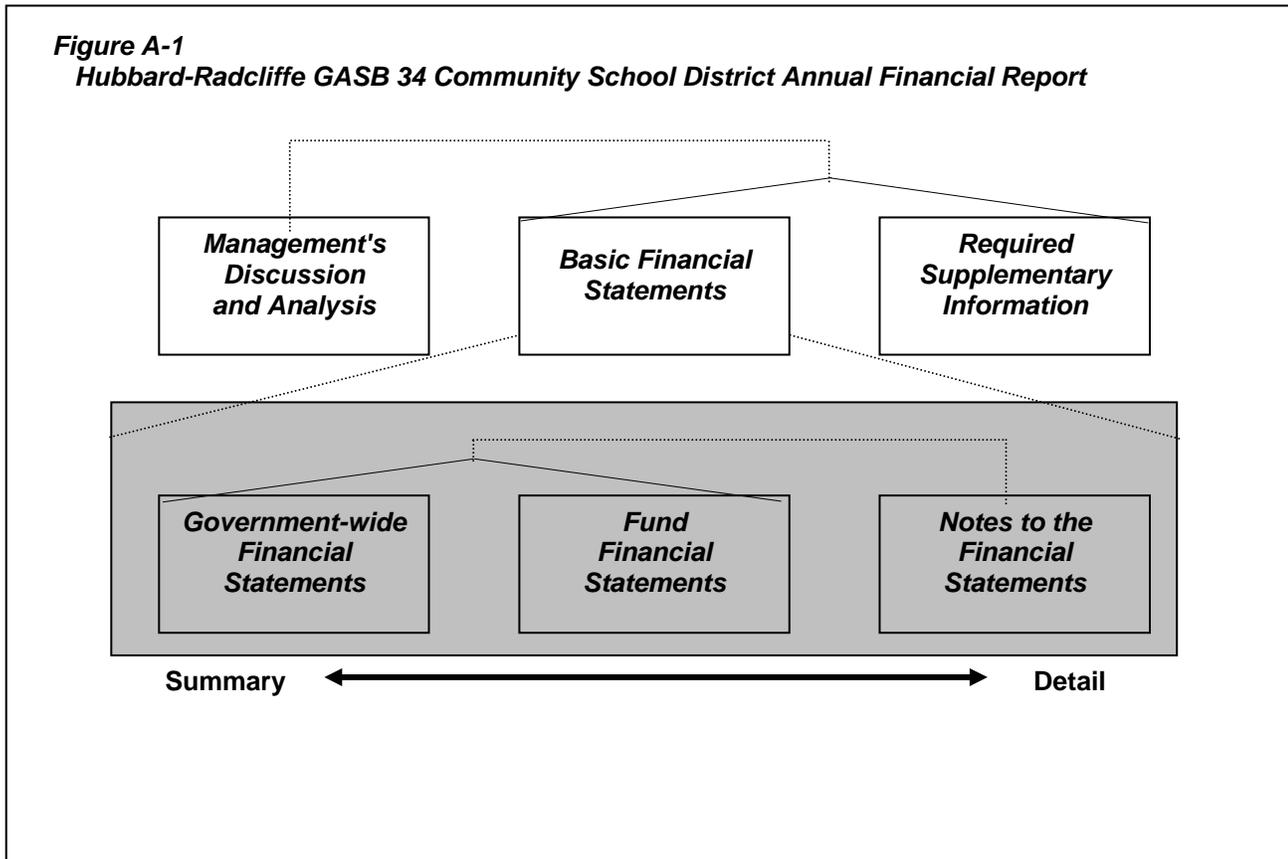


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

<b>Figure A-2 Major Features of the Government-wide and Fund Financial Statements</b>				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in fund net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

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

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

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

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

*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, Debt Service 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.

- 1) *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's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and PreK Program. The District uses *internal service funds*, the other kind of proprietary fund, to report activities that provide supplies and services for its other programs and activities. The District currently has one internal service fund used to account for the District's computer lease payment.

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

2) *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 – These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other entities.

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.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District’s net assets at June 30, 2007 compared to June 30, 2006.

Figure A-3

	Condensed Statement of Net Assets						Percentage Change 2006-2007
	Governmental Activities		Business-type Activities		Total School District		
	2007	2006	2007	2006	2007	2006	
	\$	\$	\$	\$	\$	\$	
Current and other assets	\$4,229,040	\$3,830,486	\$17,475	\$8,876	\$4,246,515	\$3,839,362	10.6%
Capital assets	\$809,228	\$875,031	\$9,227	\$2,692	\$818,455	\$877,723	-6.7%
<b>Total assets</b>	<b>\$5,038,268</b>	<b>\$4,705,517</b>	<b>\$26,702</b>	<b>\$11,568</b>	<b>\$5,064,970</b>	<b>\$4,717,085</b>	<b>7.4%</b>
Long-term liabilities	\$88,371	\$151,982	\$0	\$0	\$88,371	\$151,982	-41.8%
Other liabilities	\$2,711,511	\$2,726,637	\$6,964	\$1,665	\$2,718,475	\$2,728,302	-0.4%
<b>Total liabilities</b>	<b>\$2,799,882</b>	<b>\$2,878,619</b>	<b>\$6,964</b>	<b>\$1,665</b>	<b>\$2,806,846</b>	<b>\$2,880,284</b>	<b>-2.5%</b>
Net Assets:							
Invested in capital assets, net of related debt	\$787,991	\$834,287	\$9,227	\$2,692	\$797,218	\$836,979	-4.7%
Restricted	\$1,164,512	\$718,005	\$0	\$0	\$1,164,512	\$718,005	62.2%
Unrestricted	\$285,883	\$274,606	\$10,511	\$7,211	\$296,394	\$281,817	5.2%
<b>TOTAL NET ASSETS</b>	<b>\$2,238,386</b>	<b>\$1,826,898</b>	<b>\$19,738</b>	<b>\$9,903</b>	<b>\$2,258,124</b>	<b>\$1,836,801</b>	<b>22.9%</b>

The District’s total assets increased by 7%, or approximately \$348,000 over the prior year. The largest portion of the District’s net assets is cash and receivables.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$446,507 or 62% over the prior year. The increase was primarily a result of decreased expenditures in the Physical Plant and Equipment Levy Fund and Local Option Sales Tax Fund.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately \$14,600, or 5.2%. This increase in unrestricted net assets was a result of the District using less of the carryover fund balance to meet its financial obligations during the year.

Figure A-4 shows the change in net assets for the years ended June 30, 2007 and 2006.

Figure A-4

	Change in Net Assets						Percentage Change 2006-2007
	Governmental Activities		Business-type Activities		Total School District		
	2007 \$	2006 \$	2007 \$	2006 \$	2007 \$	2006 \$	
Revenues							
Program Revenues:							
Charges for services	\$97,830	\$200,655	\$96,601	\$109,947	\$194,431	\$310,602	-37.4%
Operating grants & contributions	\$494,619	\$447,990	\$91,028	\$77,224	\$585,647	\$525,214	11.5%
Capital grants & contributions	\$735	\$0	\$0	\$0	\$735	\$0	
General Revenues:							
Property taxes	\$2,252,110	\$1,971,353	\$0	\$0	\$2,252,110	\$1,971,353	14.2%
Income Surtax							
Local option sales tax	\$275,898	\$281,683	\$0	\$0	\$275,898	\$281,683	-2.1%
Unrestricted state grants	\$1,457,071	\$1,484,458	\$0	\$0	\$1,457,071	\$1,484,458	-1.8%
Unrestricted investment earnings	\$62,737	\$38,363	\$70	\$68	\$62,807	\$38,431	63.4%
Other revenue	\$119,075	\$23,345	\$0	\$0	\$119,075	\$23,345	410.1%
<b>Total Revenues</b>	<b>\$4,760,075</b>	<b>\$4,447,847</b>	<b>\$187,699</b>	<b>\$187,239</b>	<b>\$4,947,774</b>	<b>\$4,635,086</b>	<b>6.7%</b>
Expenses:							
Instruction	\$2,704,219	\$2,898,739	\$0	\$0	\$2,704,219	\$2,898,739	-6.7%
Support services	\$1,332,867	\$1,422,210	\$0	\$0	\$1,332,867	\$1,422,210	-6.3%
Non-instructional programs	\$531	\$131	\$203,412	\$190,373	\$203,943	\$190,504	7.1%
Other expenditures	\$285,422	\$297,459	\$0	\$0	\$285,422	\$297,459	-4.0%
<b>Total expenses</b>	<b>\$4,323,039</b>	<b>\$4,618,539</b>	<b>\$203,412</b>	<b>\$190,373</b>	<b>\$4,526,451</b>	<b>\$4,808,912</b>	<b>-5.9%</b>
<b>Change in net assets before transfers</b>	<b>\$ 437,036</b>	<b>\$ (170,692)</b>	<b>\$ (15,713)</b>	<b>\$ ( 3,134)</b>	<b>\$ 421,323</b>	<b>\$ (173,826)</b>	
Transfers	\$ (25,548)	\$ ( 3,850)	\$ 25,548	\$ 3,850	\$ -	\$ -	
<b>CHANGE IN NET ASSETS</b>	<b>\$ 411,488</b>	<b>\$ ( 174,542)</b>	<b>\$ 9,835</b>	<b>\$ 716</b>	<b>\$ 421,323</b>	<b>\$ (173,826)</b>	
Net assets beginning of year	\$ 1,826,898	\$ 2,001,440	\$ 9,903	\$9,187	\$ 1,836,801	\$ 2,010,627	
Net assets end of year	<u>\$ 2,238,386</u>	<u>\$ 1,826,898</u>	<u>\$19,738</u>	<u>\$ 9,903</u>	<u>\$ 2,258,124</u>	<u>\$ 1,836,801</u>	

Overall total revenue increased by 6.74% in 2007 and expenses decreased by 5.87%. This shows progress is being made by the district's cost cutting measures. Property tax and unrestricted state grants account for 75% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 89% of the total expenses. Our district still needs some attention to our Business-type Activities because we overspent our revenue. This deficit was not large enough to reverse the positive trend in the Governmental Activities.

### Governmental Activities

Revenues for governmental activities were \$4,760,075 and expenses were \$4,323,039. Despite a difficult budget year and issues with open enrollment, the District was able to balance the budget by trimming expenses to match available revenues. The District feels that the whole-grade sharing agreement with Eldora-New Providence district which starts in 2007-08 will continue to propel the District in this direction.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5

	Total Cost of Services			Net Cost of Services		
	2007	2006	Change 2006-2007	2007	2006	Change 2006- 2007
	\$	\$		\$	\$	
Instruction	\$ 2,704,219	\$ 2,898,739	-6.7%	\$2,262,123	\$2,436,529	-7.1%
Support Services	\$ 1,332,867	\$ 1,422,210	-6.3%	\$1,330,559	\$1,378,484	-3.5%
Non-instructional Programs	\$531	\$131	305.3%	\$531	\$131	305.3%
Other Expenses	\$285,422	\$297,459	-4.0%	\$136,642	\$154,750	-11.7
<b>TOTAL</b>	<b>\$4,323,039</b>	<b>\$4,618,539</b>	<b>-6.4%</b>	<b>\$3,729,855</b>	<b>\$3,969,894</b>	<b>-6.0%</b>

- The cost of all governmental activities this year was \$4,323,039.
- The cost financed by users of the District's programs was \$97,830. Most of these revenues are derived from student registration fees for textbook sales and rentals, tuition charged to other school districts and proceeds from student activities.
- Federal and state governments (and private contributors) subsidized certain programs with grants and contributions totaling \$495,354.
- The net cost of governmental activities was financed with \$2,252,110 in property tax, \$1,457,071 in state foundation aid, \$275,898 in local sales & services taxes, and \$181,812 in interest and other income.

## **Business Type Activities**

Revenues for business type activities were \$187,699 while expenses were \$203,412. The District's business type activities include the School Nutrition Fund and the PreK Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, empowerment grant and investment income.

During the year ended June 30, 2006, the District increased meal prices to help offset the increased expenses to the School Nutrition Fund. The District closely monitors the School Nutrition Fund and is constantly looking for ways to make the program more efficient.

## **INDIVIDUAL FUND ANALYSIS**

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$1,582,844, well above last year's ending fund balances of \$1,180,369. However, the primary reason for the increase in combined fund balances in fiscal 2007 is due to carry over balances in the Physical Plant and Equipment Levy (PPEL) Fund, Capital Projects Local Option Sales Tax (SILO) Fund and the Management Fund which offsets the overspending in the General Fund.

## **Governmental Fund Highlights**

- The District's deteriorating General Fund financial position is the result of many factors. Growth during the year in tax and grants resulted in an increase in revenues. However, the increased revenue did not cover the total General Fund expenditures, requiring the District to use carryover fund balance to meet its financial obligations during the year.
- The General Fund balance decreased from \$506,405 to \$448,791, due in part to the negotiated salary and benefits settlement, the prior year reduction in state aid and existing expenditure commitments of the District. The District continues to use carry over balances to cover current expenditures which is a trend which needs to be changed.
- The Physical Plant and Equipment Levy (PPEL) Fund balance increased from \$39,214 in fiscal 2006 to \$177,336 in fiscal 2007. Revenues increased slightly and the District substantially reduced spending from the PPEL Fund which significantly improved the financial condition of the fund.
- The Capital Projects Fund balance increased from \$520,174 at June 30, 2006 to \$752,849 at June 30, 2007. This fund is used to account for the proceeds from the local option sales tax. The carry over balance in this fund will be used to finance future capital improvements and equipment purchases.

## **Proprietary Fund Highlights**

The composition of the enterprise funds changed during fiscal year 2007. The School Nutrition Fund was the only component in fiscal year 2006. The PreK Fund was added so that the district could monitor the revenues and expenses of the multi-age kindergarten program that was started in August 2006. A grant was received from the Hardin County Empowerment Board to offset some of the costs associated with the program that the student tuition didn't cover. The net assets of the Enterprise Funds increased from \$9,903 at June 30, 2006 to \$19,738 at June 30, 2007, representing an increase of approximately 99%. For fiscal 2007, the District transferred \$18,000 from the General Fund to cover the deficit in the School Nutrition Program Fund. The District raised meal prices for fiscal year 2008 to try to eliminate the operating deficit. With student enrollment declining, open enrollment growing and the change of our structure (from K-12 to K-8) due to whole-grade sharing with Eldora-New Providence, we continue to look for ways to make the School Nutrition Program more budget neutral.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, Hubbard-Radcliffe Community School District amended its annual budget one time to reflect additional revenue and expenditures associated with staffing changes.

The District's receipts were \$10,995 more than budgeted receipts.

Total expenditures were \$1,407,403 less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

The certified budget was amended during the year in the instruction functional area but this additional spending authority was unnecessary. Total expenditures in the instruction functional area were \$2,714,278 compared to the original budgeted amount of \$2,738,150.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2007, the District had invested \$818,455, net of accumulated depreciation, in a broad range of capital assets, including buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of 6.7% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$115,416.

During fiscal year 2007, the District spent approximately \$28,000 for fire report repairs, \$34,400 for two vehicles, \$21,000 for miscellaneous equipment purchases.

**Figure A-6**

**Capital Assets (net of depreciation)**

	Governmental		Business type		Total		Percentage Change 2006-2007
	Activities		Activities		School District		
	2007	2006	2007	2006	2007	2006	
	\$	\$	\$	\$	\$	\$	
Land	\$8,000	\$8,000	-	-	\$8,000	\$8,000	0%
Buildings & Improvements	\$419,647	\$449,632	-	-	\$419,647	\$449,632	-6.7%
Equipment & Furniture	\$381,581	\$417,399	\$9,227	\$2,692	\$390,808	\$420,091	-7.0%
<b>TOTAL</b>	<b>\$809,228</b>	<b>\$875,031</b>	<b>\$9,227</b>	<b>\$2,692</b>	<b>\$818,455</b>	<b>\$877,723</b>	<b>-6.7%</b>

**Long-Term Debt**

At June 30, 2007, the District had \$152,283 in general obligation, revenue and other long-term debt outstanding. This represents a decrease of approximately 32% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

Debt service expenditures are related to lease agreements on computers.

**Figure A-7**

**Outstanding Long-Term Obligations**

	Total School District		Percentage Change 2006-2007
	2007	2006	
	\$	\$	
Capital Leases	\$21,237	\$40,744	-47.9%
Early Retirement	\$101,235	\$142,134	-28.8%
Compensated Absences	\$29,811	\$42,638	-30.1%
<b>TOTAL</b>	<b>\$152,283</b>	<b>\$225,516</b>	<b>-32.5%</b>

## **ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

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

- School financing is highly dependent upon student enrollment. The District anticipates that the large number of students open enrolling out of the District in the previous 2-3 years will start to level off. The District is looking to make changes to attract some of the open enrolled students back to the district.
- The district signed a two-way whole grade sharing agreement (WGSA) with the Eldora-New Providence District to begin for the 2007-08 school year. The school shared a number of activities for the 2006-07 school year.

## **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 Debra England, Board Secretary/Business Manager, Hubbard-Radcliffe Community School District, 200 E. Chestnut, PO Box 129, Hubbard, Iowa, 50122.

## BASIC FINANCIAL STATEMENTS

## HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2007

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
<b>Assets</b>			
Cash and cash equivalents	1,872,962	14,414	1,887,376
Receivables:			
Property tax:			
Delinquent	30,449	-	30,449
Succeeding year	2,243,398	-	2,243,398
Accounts	92	28	120
Accrued interest	3,904	-	3,904
Due from other governments	78,235	-	78,235
Inventories	-	3,033	3,033
Capital assets, net of accumulated depreciation	809,228	9,227	818,455
<b>Total assets</b>	<b>5,038,268</b>	<b>26,702</b>	<b>5,064,970</b>
<b>Liabilities</b>			
Accounts payable	124,727	1,131	125,858
Salaries and benefits payable	278,071	5,319	283,390
Accrued interest payable	1,403	-	1,403
Deferred revenue:			
Succeeding year property tax	2,243,398	-	2,243,398
Other	-	514	514
Long-term liabilities:			
Portion due within one year:			
Capital leases	21,237	-	21,237
Termination benefits	40,062	-	40,062
Compensated absences	2,613	-	2,613
Portion due after one year:			
Termination benefits	61,173	-	61,173
Compensated absences	27,198	-	27,198
<b>Total liabilities</b>	<b>2,799,882</b>	<b>6,964</b>	<b>2,806,846</b>
<b>Net assets</b>			
Invested in capital assets, net of related debt	787,991	9,227	797,218
Restricted for:			
Gifted and talented program	131,694	-	131,694
Management levy	58,746	-	58,746
Physical plant and equipment levy	177,336	-	177,336
Other special revenue purposes	43,887	-	43,887
Local option sales tax capital projects	752,849	-	752,849
Unrestricted	285,883	10,511	296,394
<b>Total net assets</b>	<b>2,238,386</b>	<b>19,738</b>	<b>2,258,124</b>

See notes to financial statements.

HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2007

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>		
		<b>Charges for Services</b>	<b>Operating Grants, Contributions and Restricted Interest</b>	<b>Capital Grants, Contributions and Restricted Interest</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Governmental activities:</b>				
Instruction:				
Regular	2,042,647	55,683	259,345	-
Special	411,256	-	41,484	-
Other	250,316	42,122	43,462	-
	<u>2,704,219</u>	<u>97,805</u>	<u>344,291</u>	<u>-</u>
Support services:				
Student	87,798	-	-	-
Instructional staff	86,143	-	-	-
Administration	457,328	-	-	-
Operation and maintenance of plant	462,150	25	-	-
Transportation	239,448	-	2,283	-
	<u>1,332,867</u>	<u>25</u>	<u>2,283</u>	<u>-</u>
Non-instructional programs	<u>531</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	105,716	-	-	735
Long-term debt interest	1,676	-	-	-
AEA flowthrough	148,045	-	148,045	-
Depreciation (unallocated)*	29,985	-	-	-
	<u>285,422</u>	<u>-</u>	<u>148,045</u>	<u>735</u>
Total governmental activities	<u>4,323,039</u>	<u>97,830</u>	<u>494,619</u>	<u>735</u>
<b>Business type activities:</b>				
Non-instructional programs:				
Food service operations	<u>203,412</u>	<u>96,601</u>	<u>91,028</u>	<u>-</u>
Total	<u>4,526,451</u>	<u>194,431</u>	<u>585,647</u>	<u>735</u>
<b>General Revenues:</b>				
Property taxes levied for:				
General purposes				
Capital outlay				
Local option sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				
Transfers				
Total general revenues and transfers				

**Change in net assets**

Net assets beginning of year

Net assets end of year

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

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$	\$	\$
(1,727,619)	-	(1,727,619)
(369,772)	-	(369,772)
<u>(164,732)</u>	-	<u>(164,732)</u>
<u>(2,262,123)</u>	-	<u>(2,262,123)</u>
(87,798)	-	(87,798)
(86,143)	-	(86,143)
(457,328)	-	(457,328)
(462,125)	-	(462,125)
<u>(237,165)</u>	-	<u>(237,165)</u>
<u>(1,330,559)</u>	-	<u>(1,330,559)</u>
(531)	-	(531)
(104,981)	-	(104,981)
(1,676)	-	(1,676)
-	-	-
<u>(29,985)</u>	-	<u>(29,985)</u>
<u>(136,642)</u>	-	<u>(136,642)</u>
(3,729,855)	-	(3,729,855)
-	(15,783)	(15,783)
<u>(3,729,855)</u>	<u>(15,783)</u>	<u>(3,745,638)</u>
1,974,567	-	1,974,567
277,543	-	277,543
275,898	-	275,898
1,457,071	-	1,457,071
62,737	70	62,807
<u>119,075</u>	-	<u>119,075</u>
4,166,891	70	4,166,961
<u>(25,548)</u>	<u>25,548</u>	-
<u>4,141,343</u>	<u>25,618</u>	<u>4,166,961</u>
411,488	9,835	421,323
<u>1,826,898</u>	<u>9,903</u>	<u>1,836,801</u>
<u>2,238,386</u>	<u>19,738</u>	<u>2,258,124</u>

See notes to financial statements.

## HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT

Balance Sheet  
Governmental Funds

June 30, 2007

	General Fund	Physical Plant and Equipment Levy	Capital Projects Local Option Sales Tax	Management	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$	\$
<b>Assets</b>						
Cash and pooled investments	747,752	182,792	724,027	173,996	44,395	1,872,962
Receivables:						
Property tax:						
Delinquent	23,617	3,753	-	3,079	-	30,449
Succeeding year	1,689,376	279,022	-	275,000	-	2,243,398
Accounts	92	-	-	-	-	92
Accrued interest	1,301	-	2,603	-	-	3,904
Due from other governments	32,519	-	45,716	-	-	78,235
<b>Total assets</b>	<u>2,494,657</u>	<u>465,567</u>	<u>772,346</u>	<u>452,075</u>	<u>44,395</u>	<u>4,229,040</u>
<b>Liabilities and Fund Balances</b>						
Liabilities:						
Accounts payable	78,419	9,209	19,497	17,094	508	124,727
Salaries and benefits payable	278,071	-	-	-	-	278,071
Deferred revenue:						
Succeeding year property tax	1,689,376	279,022	-	275,000	-	2,243,398
<b>Total liabilities</b>	<u>2,045,866</u>	<u>288,231</u>	<u>19,497</u>	<u>292,094</u>	<u>508</u>	<u>2,646,196</u>
Fund balances:						
Reserved for:						
Gifted and talented program	131,694	-	-	-	-	131,694
Unreserved reported in:						
General fund	317,097	-	-	-	-	317,097
Special revenue funds	-	177,336	-	159,981	43,887	381,204
Capital projects funds	-	-	752,849	-	-	752,849
<b>Total fund balances</b>	<u>448,791</u>	<u>177,336</u>	<u>752,849</u>	<u>159,981</u>	<u>43,887</u>	<u>1,582,844</u>
<b>Total liabilities and fund balances</b>	<u>2,494,657</u>	<u>465,567</u>	<u>772,346</u>	<u>452,075</u>	<u>44,395</u>	<u>4,229,040</u>

## HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT

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

June 30, 2007

	\$
<b>Total fund balances of governmental funds (Exhibit C)</b>	1,582,844
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	809,228
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(1,403)
Long-term liabilities, including capital leases, compensated absences and termination benefits, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(152,283)</u>
<b>Net assets of governmental activities (Exhibit A)</b>	<u><u>2,238,386</u></u>

## HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2007

	General Fund	Physical Plant and Equipment Levy	Capital Projects Local Option Sales Tax	Management	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources:						
Local tax	1,746,835	277,543	275,898	227,732	-	2,528,008
Tuition	29,586	-	-	-	-	29,586
Other	165,904	4,676	-	13,510	42,755	226,845
State sources	1,806,547	170	24,576	139	-	1,831,432
Federal sources	144,144	-	-	-	-	144,144
Total revenues	<u>3,893,016</u>	<u>282,389</u>	<u>300,474</u>	<u>241,381</u>	<u>42,755</u>	<u>4,760,015</u>
Expenditures:						
Current:						
Instruction:						
Regular	1,996,972	-	-	58,870	-	2,055,842
Special	411,256	-	-	-	-	411,256
Other	199,799	-	-	-	47,381	247,180
	<u>2,608,027</u>	<u>-</u>	<u>-</u>	<u>58,870</u>	<u>47,381</u>	<u>2,714,278</u>
Support services:						
Student	87,798	-	-	-	-	87,798
Instructional staff	82,733	3,410	-	-	-	86,143
Administration	426,012	-	-	31,316	-	457,328
Operation and maintenance of plant	392,980	80,173	-	43,188	-	516,341
Transportation	186,564	-	-	14,089	-	200,653
	<u>1,176,087</u>	<u>83,583</u>	<u>-</u>	<u>88,593</u>	<u>-</u>	<u>1,348,263</u>
Non-instructional programs	<u>531</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>531</u>
Other expenditures:						
Facilities acquisition	-	37,917	67,799	-	-	105,716
Long-term debt:						
Principal	-	-	-	-	19,507	19,507
Interest and fiscal charges	-	-	-	-	3,260	3,260
AEA flowthrough	148,045	-	-	-	-	148,045
	<u>148,045</u>	<u>37,917</u>	<u>67,799</u>	<u>-</u>	<u>22,767</u>	<u>276,528</u>
Total expenditures	<u>3,932,690</u>	<u>121,500</u>	<u>67,799</u>	<u>147,463</u>	<u>70,148</u>	<u>4,339,600</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(39,674)</u>	<u>160,889</u>	<u>232,675</u>	<u>93,918</u>	<u>(27,393)</u>	<u>420,415</u>
Other financing sources (uses):						
Sales of materials and equipment	60	-	-	-	-	60
Operating transfers in	-	-	-	-	22,767	22,767
Operating transfers out	(18,000)	(22,767)	-	-	-	(40,767)
Total other financing sources (uses)	<u>(17,940)</u>	<u>(22,767)</u>	<u>-</u>	<u>-</u>	<u>22,767</u>	<u>(17,940)</u>
Net change in fund balances	(57,614)	138,122	232,675	93,918	(4,626)	402,475
Fund balances beginning of year	<u>506,405</u>	<u>39,214</u>	<u>520,174</u>	<u>66,063</u>	<u>48,513</u>	<u>1,180,369</u>
Fund balances end of year	<u>448,791</u>	<u>177,336</u>	<u>752,849</u>	<u>159,981</u>	<u>43,887</u>	<u>1,582,844</u>

## HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances - Governmental Funds to the  
Statement of Activities

Year ended June 30, 2007

	\$	\$
<b>Net change in fund balances - total governmental funds (Exhibit E)</b>		402,475
<b><i>Amounts reported for governmental activities in the Statement of Activities are different because:</i></b>		
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 exceeded capital outlay expenditures in the current year, as follows:		
Expenditures for capital assets	48,600	
Depreciation expense	<u>(114,403)</u>	(65,803)
Repayment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		19,507
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.		1,583
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	40,899	
Compensated absences	<u>12,827</u>	<u>53,726</u>
<b>Changes in net assets of governmental activities (Exhibit B)</b>		<u><u>411,488</u></u>

## HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT

Statement of Net Assets  
Proprietary Funds

June 30, 2007

	Nonmajor Enterprise Funds
	<u>\$</u>
<b>Assets</b>	
Cash and cash equivalents	14,414
Accounts receivable	28
Inventories	3,033
Capital assets, net of accumulated depreciation	<u>9,227</u>
<b>Total assets</b>	<u><u>26,702</u></u>
<b>Liabilities</b>	
Accounts payable	1,131
Salaries and benefits payable	5,319
Deferred revenue	<u>514</u>
<b>Total liabilities</b>	<u><u>6,964</u></u>
<b>Net assets</b>	
Invested in capital assets, net of related debt	9,227
Unrestricted	<u>10,511</u>
<b>Total net assets</b>	<u><u>19,738</u></u>

## HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2007

	Nonmajor Enterprise Funds
	<u>\$</u>
Operating revenue:	
Local sources:	
Charges for service	<u>96,601</u>
Operating expenses:	
Non-instructional programs:	
Salaries	79,681
Benefits	30,766
Purchased services	814
Supplies	91,085
Depreciation	1,013
Other	53
	<u>203,412</u>
Operating gain (loss)	<u>(106,811)</u>
Non-operating revenues:	
State sources	20,342
Federal sources	70,686
Interest income	70
Total non-operating revenues	<u>91,098</u>
Gain (loss) before contributions and transfers	(15,713)
Capital contributions	7,548
Transfers in	<u>18,000</u>
Change in net assets	9,835
Net assets beginning of year	<u>9,903</u>
Net assets end of year	<u><u>19,738</u></u>

## HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows  
Proprietary Funds

Year ended June 30, 2007

	Nonmajor Enterprise Funds
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	80,737
Cash received from preschool services	16,350
Cash payments to employees for services	(106,793)
Cash payments to suppliers for goods or services	<u>(72,492)</u>
Net cash used by operating activities	<u>(82,198)</u>
Cash flows from non-capital financing activities:	
Transfer from General Fund	18,000
State grants received	20,342
Federal grants received	55,397
Net cash provided by non-capital financing activities	<u>93,739</u>
Cash flows from capital and related financing activities	<u>-</u>
Cash flows from investing activities:	
Interest on investments	<u>70</u>
Net increase (decrease) in cash and cash equivalents	11,611
Cash and cash equivalents at beginning of year	<u>2,803</u>
Cash and cash equivalents at end of year	<u><u>14,414</u></u>
<b>Reconciliation of operating gain (loss) to net cash used by operating activities:</b>	
Operating gain (loss)	(106,811)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:	
Commodities used	15,289
Depreciation	1,013
Decrease (increase) in inventories	3,040
Decrease (increase) in accounts receivable	(28)
(Decrease) increase in accounts payable	1,131
(Decrease) increase in salaries and benefits payable	3,654
(Decrease) increase in deferred revenue	<u>514</u>
Net cash used in operating activities	<u><u>(82,198)</u></u>

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2007, the District received \$15,289 of federal commodities.

During the year ended June 30, 2007 the School Nutrition Fund received \$7,548 of equipment that was purchased by other funds.

HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets  
Fiduciary Funds

June 30, 2007

	Private Purpose Trust Scholarship <u>\$</u>
<b>Assets</b>	
Cash and pooled investments	35,762
<b>Liabilities</b>	<u>-</u>
<b>Net Assets</b>	
Reserved for scholarships	<u><u>35,762</u></u>

## HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds

Year ended June 30, 2007

	Private Purpose Trust Scholarship
	<u>\$</u>
Additions:	
Local sources:	
Interest	1,688
Deductions	
Support services:	
Scholarships awarded	<u>10,020</u>
Change in net assets	(8,332)
Net assets beginning of year	<u>44,094</u>
Net assets end of year	<u><u>35,762</u></u>

# HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2007

### 1. Summary of Significant Accounting Policies

Hubbard-Radcliffe 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 Hubbard and Radcliffe, Iowa and the predominate agricultural territory in a portion of Hardin and Hamilton 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, Hubbard-Radcliffe 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 Hubbard-Radcliffe Community School District has no component units that meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's Conference Board.

#### B. Basis of Presentation

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

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

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

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

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

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

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The District reports the following major governmental funds:

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

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

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

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

The District's proprietary funds include the Enterprise, School Nutrition Fund and the Enterprise Preschool Fund. These funds are used to account for the food service operations and preschool operations of the District.

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

The Private-Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

#### C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when

they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating 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 Fund is 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 non-operating revenues and expenses.

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

#### D. Assets, Liabilities and Fund Equity

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

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable

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

Property tax revenue recognized in these funds became due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006, through June 30, 2007, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2006.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants, and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
	\$
Land	-
Buildings	25,000
Improvements other than buildings	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 of depreciation over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	20-50 years
Improvements other than buildings	20 years
Furniture and equipment	5-20 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 teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

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

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

Compensated Absences - District employees accumulate a limited amount of earned but unused sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2007. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

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

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

#### E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

## 2. **Cash and Pooled Investments**

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

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3 as amended by Statement No. 40.

### 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2007 is as follows:

Transfer To	Transfer From	Amount
		\$
General Fund	Nonmajor Enterprise: School Nutrition Fund	18,000
Nonmajor Government: Debt Service Fund	Physical Plant and Equipment Levy Fund	22,767

The transfer from the General Fund to the School Nutrition Fund was made to subsidize the School Nutrition Fund.

The other transfer moved revenue from the fund statutorily required to receive the money to the fund statutorily required to expend the money.

### 4. Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	8,000	-	-	8,000
Capital assets being depreciated:				
Buildings	2,812,523	-	-	2,812,523
Improvements other than buildings	62,380	-	-	62,380
Furniture and equipment	1,117,812	48,600	27,200	1,139,212
Total capital assets being deprec.	<u>3,992,715</u>	<u>48,600</u>	<u>27,200</u>	<u>4,014,115</u>
Less accumulated depreciation for:				
Buildings	2,362,891	29,985	-	2,392,876
Improvements other than buildings	62,380	-	-	62,380
Furniture and equipment	700,413	84,418	27,200	757,631
Total accumulated depreciation	<u>3,125,684</u>	<u>114,403</u>	<u>27,200</u>	<u>3,212,887</u>
Total capital assets being depreciated, net	<u>867,031</u>	<u>(65,803)</u>	-	<u>801,228</u>
Governmental activities capital assets, net	<u>875,031</u>	<u>(65,803)</u>	-	<u>809,228</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
<b>Business type activities:</b>				
Furniture and equipment	84,556	7,548	-	92,104
Less accumulated depreciation	<u>81,864</u>	<u>1,013</u>	-	<u>82,877</u>
Business type activities capital assets, net	<u>2,692</u>	<u>6,535</u>	-	<u>9,227</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	40,530
Other	3,136
Support services:	
Operation and maintenance of plant services	1,957
Transportation	38,795
	<u>84,418</u>
Unallocated depreciation	<u>29,985</u>
Total depreciation expense – governmental activities	<u><u>114,403</u></u>
Business type activities:	
Food service operations	<u><u>1,013</u></u>

## 5. Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Capital leases	40,744	-	19,507	21,237	21,237
Termination benefits	142,134	-	40,899	101,235	40,062
Compensated absences	42,638	300	13,127	29,811	2,613
	<u>225,516</u>	<u>300</u>	<u>73,533</u>	<u>152,283</u>	<u>63,912</u>
Total	<u>225,516</u>	<u>300</u>	<u>73,533</u>	<u>152,283</u>	<u>63,912</u>

### Termination Benefits

The District offered a voluntary early retirement plan to its employees. Eligible employees must have completed at least eighteen 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 was subject to approval by the Board of Education.

The District will pay the retiree a monthly payment, beginning in the first month following the completion of the current contract, until the retiree reaches 65 years of age, an amount equal to one percent of the salary received during the year prior to retirement. The District will also pay up to \$160 per month toward premium for single coverage health insurance.

At June 30, 2007, the District has obligations to seven participants with a total liability of \$101,235. Actual early retirement expenditures for the year ended June 30, 2007 totaled \$40,899.

### Capital Leases

The District has leased computers under a capital lease. The following is a schedule of future minimum lease payments under the capital lease, together with the net present value of the minimum lease payments as of June 30, 2007.

<u>Year Ending June 30,</u>	<u>Amount</u>
2008	\$
	22,767
Less Amount Representing Interest	<u>1,530</u>
Present Value of Minimum Lease Payments	<u>21,237</u>

## 6. Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2007, 2006 and 2005. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2007, 2006, and 2005 were \$118,310, \$125,176 and \$139,447 respectively, equal to the required contributions for each year.

## 7. Risk Management

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

## 8. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$148,045 for the year ended June 30, 2007 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

## 9. Lease Commitment

The District entered into a five-year contract to lease copy machines during fiscal year 2007. The payments the District will make over the next five years are as follows:

<u>Year Ended</u>	<u>Lease Payment</u>
June 30	\$
2008	11,593
2009	11,593
2010	11,593
2011	11,593
2012	10,604

REQUIRED SUPPLEMENTARY INFORMATION

HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year ended June 30, 2007

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	2,784,439	96,671	2,881,110	2,935,677	2,935,677	(54,567)
State sources	1,831,432	20,342	1,851,774	1,783,042	1,783,042	68,732
Federal sources	144,144	70,686	214,830	218,000	218,000	(3,170)
Total revenues	<u>4,760,015</u>	<u>187,699</u>	<u>4,947,714</u>	<u>4,936,719</u>	<u>4,936,719</u>	<u>10,995</u>
Expenditures:						
Instruction	2,714,278	-	2,714,278	2,738,150	2,900,000	185,722
Support services	1,348,263	-	1,348,263	1,963,000	1,963,000	614,737
Non-instructional programs	531	203,412	203,943	273,737	273,737	69,794
Other expenditures	276,528	-	276,528	813,678	813,678	537,150
Total expenditures	<u>4,339,600</u>	<u>203,412</u>	<u>4,543,012</u>	<u>5,788,565</u>	<u>5,950,415</u>	<u>1,407,403</u>
Excess (deficiency) of revenues over (under) expenditures	420,415	(15,713)	404,702	(851,846)	(1,013,696)	1,418,398
Other financing sources (uses) net	<u>(17,940)</u>	<u>25,548</u>	<u>7,608</u>	<u>-</u>	<u>-</u>	<u>7,608</u>
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures	402,475	9,835	412,310	(851,846)	(1,013,696)	1,426,006
Balance beginning of year	<u>1,180,369</u>	<u>9,903</u>	<u>1,190,272</u>	<u>1,376,956</u>	<u>1,376,956</u>	<u>(186,684)</u>
Balance end of year	<u><u>1,582,844</u></u>	<u><u>19,738</u></u>	<u><u>1,602,582</u></u>	<u><u>525,110</u></u>	<u><u>363,260</u></u>	<u><u>1,239,322</u></u>

HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2007

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Internal Service, Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year the District adopted one budget amendment increasing budgeted expenditures by \$161,850.

OTHER SUPPLEMENTARY INFORMATION

## HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2007

<b>Assets</b>	Student Activity Fund
	<u>\$</u>
Cash and pooled investments	<u>44,395</u>
 <b>Liabilities &amp; Fund Balances</b>	
Liabilities:	
Accounts payable	508
Fund balances:	
Unreserved reported in:	
Special revenue funds	<u>43,887</u>
<b>Total liabilities and fund balances</b>	<u><u>44,395</u></u>

## HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2007

	Student Activity Fund	Debt Service	Total
	\$	\$	\$
Revenues:			
Local sources:			
Other	42,755	-	42,755
Expenditures:			
Current:			
Instruction:			
Other	47,381	-	47,381
Other expenditures:			
Long-term debt:			
Principal	-	19,507	19,507
Interest and fiscal charges	-	3,260	3,260
Total expenditures	47,381	22,767	70,148
Excess (deficiency) of revenues over (under) expenditures	(4,626)	(22,767)	(27,393)
Other financing sources (uses):			
Operating transfers in	-	22,767	22,767
Net change in fund balances	(4,626)	-	(4,626)
Fund balances beginning of year	48,513	-	48,513
Fund balances end of year	43,887	-	43,887

## HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT

Combining Schedule of Net Assets  
Nonmajor Enterprise Funds

June 30, 2007

	Nonmajor Enterprise Funds		
	School		
	Nutrition	Preschool	Total
	\$	\$	\$
<b>Assets</b>			
Cash and cash equivalents	4,980	9,434	14,414
Accounts receivable	28	-	28
Inventories	3,033	-	3,033
Capital assets, net of accumulated depreciation	9,227	-	9,227
<b>Total assets</b>	<b>17,268</b>	<b>9,434</b>	<b>26,702</b>
<b>Liabilities</b>			
Accounts payable	-	1,131	1,131
Salaries and benefits payable	5,319	-	5,319
Deferred revenue	514	-	514
<b>Total liabilities</b>	<b>5,833</b>	<b>1,131</b>	<b>6,964</b>
<b>Net assets</b>			
Invested in capital assets, net of related debt	9,227	-	9,227
Unrestricted	2,208	8,303	10,511
<b>Total net assets</b>	<b>11,435</b>	<b>8,303</b>	<b>19,738</b>

## HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT

## Combining Schedule of Revenues, Expenses and Changes in Fund Net Assets

Year ended June 30, 2007

	Nonmajor Enterprise Funds		
	School Nutrition	Preschool	Total
	\$	\$	\$
Operating revenue:			
Local sources:			
Charges for service	80,251	16,350	96,601
Operating expenses:			
Non-instructional programs:			
Salaries	66,875	12,806	79,681
Benefits	20,653	10,113	30,766
Purchased services	441	373	814
Supplies	87,988	3,097	91,085
Depreciation	1,013	-	1,013
Other	53	-	53
	<u>177,023</u>	<u>26,389</u>	<u>203,412</u>
Operating gain (loss)	<u>(96,772)</u>	<u>(10,039)</u>	<u>(106,811)</u>
Non-operating revenues:			
State sources	2,021	18,321	20,342
Federal sources	70,686	-	70,686
Interest income	49	21	70
Total non-operating revenues	<u>72,756</u>	<u>18,342</u>	<u>91,098</u>
Gain (loss) before contributions and transfers	(24,016)	8,303	(15,713)
Capital contributions	7,548	-	7,548
Transfers in	18,000	-	18,000
Change in net assets	1,532	8,303	9,835
Net assets beginning of year	<u>9,903</u>	<u>-</u>	<u>9,903</u>
Net assets end of year	<u><u>11,435</u></u>	<u><u>8,303</u></u>	<u><u>19,738</u></u>

## HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT

Combining Schedule of Cash Flows  
Nonmajor Enterprise Funds

Year ended June 30, 2007

	Nonmajor Enterprise Funds		
	School Nutrition	Daycare	Total
	\$	\$	\$
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	80,737	-	80,737
Cash received from preschool services	-	16,350	16,350
Cash payments to employees for services	(83,874)	(22,919)	(106,793)
Cash payments to suppliers for goods or services	(70,153)	(2,339)	(72,492)
Net cash used by operating activities	<u>(73,290)</u>	<u>(8,908)</u>	<u>(82,198)</u>
Cash flows from non-capital financing activities:			
Transfer from General Fund	18,000	-	18,000
State grants received	2,021	18,321	20,342
Federal grants received	55,397	-	55,397
Net cash provided by non-capital financing activities	<u>75,418</u>	<u>18,321</u>	<u>93,739</u>
Cash flows from capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from investing activities:			
Interest on investments	<u>49</u>	<u>21</u>	<u>70</u>
Net increase (decrease) in cash and cash equivalents	2,177	9,434	11,611
Cash and cash equivalents at beginning of year	<u>2,803</u>	<u>-</u>	<u>2,803</u>
Cash and cash equivalents at end of year	<u><u>4,980</u></u>	<u><u>9,434</u></u>	<u><u>14,414</u></u>
<b>Reconciliation of operating gain (loss) to net cash used by operating activities:</b>			
Operating gain (loss)	(96,772)	(10,039)	(106,811)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:			
Commodities used	15,289	-	15,289
Depreciation	1,013	-	1,013
Decrease (increase) in inventories	3,040	-	3,040
Decrease (increase) in accounts receivable	(28)	-	(28)
(Decrease) increase in accounts payable	-	1,131	1,131
(Decrease) increase in salaries and benefits payable	3,654	-	3,654
(Decrease) increase in deferred revenue	514	-	514
Net cash used in operating activities	<u><u>(73,290)</u></u>	<u><u>(8,908)</u></u>	<u><u>(82,198)</u></u>

## HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2007

	Balance Beginning of Year	Revenues	Expenditures	Intra-Fund Transfers	Balance End of Year
	\$	\$	\$	\$	\$
Athletics	1,491	13,773	15,140	-	124
Drill Team	177	-	-	-	177
Boys basketball	145	1,327	1,514	42	-
Girls basketball	734	945	1,016	-	663
Baseball	39	96	1,381	1,246	-
Football	3,673	-	-	-	3,673
Volleyball	3,911	-	322	-	3,589
Wrestling	945	-	-	-	945
Track	1,865	-	-	-	1,865
Cross country	6	-	-	-	6
Softball	707	200	150	-	757
FCCLA	480	-	-	-	480
Electric car	255	-	255	-	-
Field trips	-	40	270	230	-
Drama	-	-	106	106	-
FFA	2,398	682	884	-	2,196
Cheerleaders	273	-	-	-	273
Class of 2006	(70)	-	-	70	-
Class of 2007	815	-	414	-	401
Class of 2008	-	5,161	3,411	-	1,750
Interest	14,193	1,487	1,409	(4,898)	9,373
Vocal/instrumental music	2	7,828	8,076	246	-
Fifth grade	456	-	203	-	253
Yearbook	3	8,434	11,395	2,958	-
Spanish club	2,662	-	-	-	2,662
Student Council HS	3,236	-	1,173	-	2,063
Student Council MS	7,119	-	400	-	6,719
Elementary council	4,685	1,233	-	-	5,918
June 30, 2006 accrual entries	(1,687)	1,549	(138)	-	-
<b>Total</b>	<b>48,513</b>	<b>42,755</b>	<b>47,381</b>	<b>-</b>	<b>43,887</b>

## HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT

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

For the Last Four Years

	Modified Accrual Basis			
	2007	2006	2005	2004
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	2,528,008	2,253,036	2,200,881	2,156,433
Tuition	29,586	84,864	44,568	39,597
Other	226,845	157,339	262,537	243,150
State sources	1,831,432	1,807,043	1,692,362	1,508,423
Federal sources	144,144	125,405	121,244	172,435
<b>Total revenues</b>	<b>4,760,015</b>	<b>4,427,687</b>	<b>4,321,592</b>	<b>4,120,038</b>
Expenditures:				
Instruction:				
Regular	2,055,842	1,916,754	1,954,037	1,965,947
Special	411,256	361,299	326,630	383,177
Other	247,180	465,147	429,607	304,244
Support services:				
Student	87,798	91,791	96,488	111,425
Instructional staff	86,143	161,187	204,951	104,988
Administration	457,328	471,691	443,695	461,871
Operation and maintenance of plant	516,341	436,886	437,174	413,990
Transportation	200,653	287,920	183,955	168,062
Non-instructional programs	531	131	17,250	20,565
Other expenditures:				
Facilities acquisition	105,716	288,708	209,833	175,239
Long-term debt:				
Principal	19,507	-	55,258	55,635
Interest and other charges	3,260	-	1,429	2,787
AEA flowthrough	148,045	142,709	141,865	145,421
<b>Total expenditures</b>	<b>4,339,600</b>	<b>4,624,223</b>	<b>4,502,172</b>	<b>4,313,351</b>

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

To the Board of Education of  
Hubbard-Radcliffe Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Hubbard-Radcliffe Community School District as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 19, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Hubbard-Radcliffe Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Hubbard-Radcliffe Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Hubbard-Radcliffe Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Hubbard-Radcliffe Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Hubbard-Radcliffe Community School District's financial statements that is more than inconsequential will not be prevented or detected by Hubbard-Radcliffe Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings and Responses to be significant deficiencies in internal control over financial reporting.

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

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

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hubbard-Radcliffe 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.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Hubbard-Radcliffe 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

February 19, 2008

HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2007

Part I: Findings Related to the Financial Statements:

Significant deficiencies:

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

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

District Response: The District is aware of the lack of complete segregation of duties. We have made changes to segregate duties and will consider ways to increase our monitoring activities.

Conclusion: Response accepted.

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

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

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

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported.

HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2007

Part II: Other Findings Related to Statutory Reporting:

- 07-II-A Certified Budget: Expenditures for the year ended June 30, 2007, did not exceed the amounts budgeted.
- 07-II-B Questionable Expenditures: We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- 07-II-C Travel Expenses: No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- 07-II-D Business Transactions: No business transactions between the District and District officials or employees were noted.
- 07-II-E Bond Coverage: Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of bond coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- 07-II-F Board Minutes: We noted no transactions requiring Board approval that had not been approved by the Board.
- 07-II-G Certified Enrollment: We noted no variances in the basic enrollment data certified to the Department of Education.
- 07-II-H Deposits and Investments: We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- 07-II-I Certified Annual Report (CAR): The Certified Annual Report was certified to the Iowa Department of Education timely.