

HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT

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

June 30, 2008

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Independent Auditor's Report

To the Board of Education of
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, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Hubbard-Radcliffe Community School District at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 19, 2009, 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, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 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, 2007, (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

March 19, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS FY 2007-2008

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, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2008 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$3,893,016 in fiscal 2007 to \$4,880,233 in fiscal 2008, while General Fund expenditures increased from \$3,932,690 in fiscal 2007 to \$4,886,977 in fiscal 2008. The District's General Fund balance decreased from \$448,791 in fiscal 2007 to \$440,335 in fiscal 2008, a 1.9% decrease. Expenditures continued to exceed and out pace revenues.
- 2008 was the first year of a whole grade sharing agreement between Hubbard-Radcliffe and Eldora-New Providence schools. The large increase in revenues was the result of charges to Eldora-New Providence for their students that attended school in Hubbard and the large increase in expenditures was the result of amounts owed to Eldora-New Providence for Hubbard-Radcliffe students that attended school in Eldora.
- Expenditures also increased due to an increase in the negotiated salary and benefits. The General Fund balance decreased is because the negotiated salary and benefits settlement was greater than the District's increase in General Fund revenue for fiscal 2008. As a result, the District funded a portion of the current year General Fund salaries and benefits from the carryover fund balance.
- The district has taken steps to reduce the amount of General Fund balance deficit spending but continued measures must be taken to reverse the negative trend.
- The district's solvency ratio decreased to 6.9% in FY 2008, from 8.1% 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.

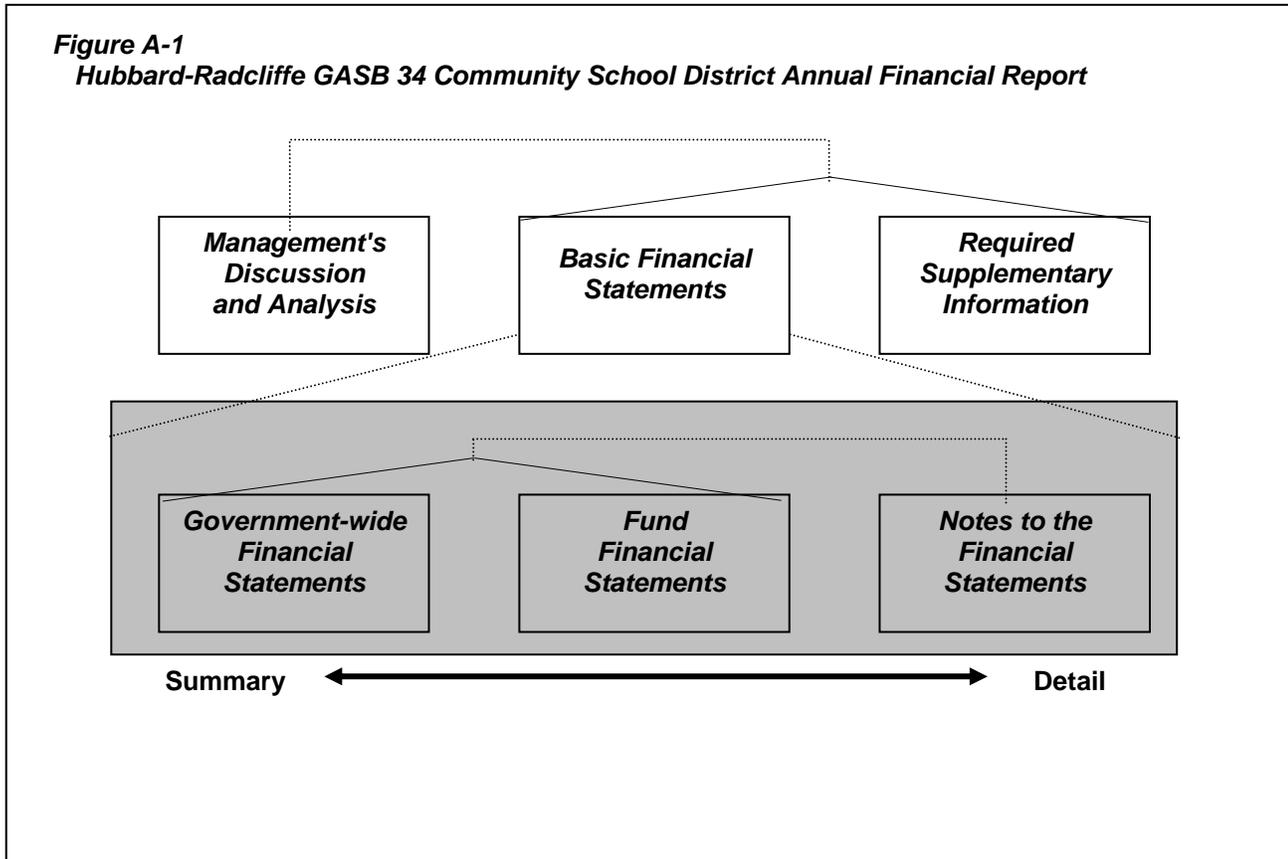


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements				
	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"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
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:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, 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.

2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District'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 three Enterprise Funds—the School Nutrition Fund, the Child Care Center Fund and the Preschool Fund. 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 current 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.

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

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

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, 2008 compared to June 30, 2007.

Figure A-3

	Condensed Statement of Net Assets						Percentage Change 2007-2008
	Governmental Activities		Business-type Activities		Total School District		
	2007	2008	2007	2008	2007	2008	
Current and other assets	\$4,229,040	\$5,450,330	\$17,475	\$44,738	\$4,246,515	\$5,495,068	29.4%
Capital assets	\$809,228	\$874,985	\$9,227	\$21,729	\$818,455	\$896,714	9.6%
Total assets	\$5,038,268	\$6,325,315	\$26,702	\$66,467	\$5,064,970	\$6,391,782	26.2%
Long-term liabilities	\$88,371	\$53,081	\$0	\$0	\$88,371	\$53,081	-39.9%
Other liabilities	\$2,711,511	\$3,563,366	\$6,964	\$13,862	\$2,718,475	\$3,577,228	31.6%
Total liabilities	\$2,799,882	\$3,616,447	\$6,964	\$13,862	\$2,806,846	\$3,630,309	29.3%
Net Assets:							
Invested in capital assets, net of related debt	\$787,991	\$874,985	\$9,227	\$21,729	\$797,218	\$896,714	12.5%
Restricted	\$1,164,512	\$1,508,299	\$0	\$0	\$1,164,512	\$1,508,299	29.5%
Unrestricted	\$285,883	\$325,584	\$10,511	\$30,876	\$296,394	\$356,460	20.3%
TOTAL NET ASSETS	\$2,238,386	\$2,708,868	\$19,738	\$52,605	\$2,258,124	\$2,761,473	22.3%

The District's combined total assets increased by 26%, or approximately \$1,326,812, over the prior year. The largest portion of the District's net assets is the invested in cash & receivables. Most of the increase is due to a large receivable for whole grade sharing at the end of 2008. Also most of the increase in other liabilities is do to a large payable for whole grade sharing at the end of 2008.

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 \$343,787 or 29% over the prior year. The increase was primarily a result of decreased expenditures in the Management Levy Fund, Physical Plant and Equipment Levy Fund and the 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 \$60,066, or 20.3%. This increase in unrestricted net assets was a result of the District entering into a Whole Grade Sharing agreement with Eldora-New Providence and other expense containment measures.

Figure A-4 shows the change in net assets for the years ended June 30, 2008 and 2007.

Figure A-4

	Change in Net Assets						Percentage Change 2007-2008
	Governmental Activities		Business-type Activities		Total School District		
	2008	2007	2008	2007	2008	2007	
Revenues							
Program Revenues:							
Charges for services	\$1,211,915	\$97,830	\$96,881	\$96,601	\$1,308,796	\$194,431	573.1%
Operating grants & contributions	\$529,913	\$494,619	\$118,778	\$91,028	\$648,691	\$585,647	10.8%
Capital grants & contributions	\$25,000	\$735	\$0	\$0	\$25,000	\$735	3301.4%
General Revenues:							
Property taxes	\$2,247,417	\$2,252,110	\$0	\$0	\$2,247,417	\$2,252,110	-.2%
Local option sales tax	\$266,006	\$275,898	\$0	\$0	\$266,006	\$275,898	-3.6%
Unrestricted state grants	\$1,441,053	\$1,457,071	\$0	\$0	\$1,441,053	\$1,457,071	-1.1%
Unrestricted investment earnings	\$62,984	\$62,737	\$1,499	\$70	\$64,483	\$62,807	2.7%
Other revenue	\$57,613	\$119,075	\$0	\$0	\$57,613	\$119,075	-51.6%
Total Revenues	\$5,841,901	\$4,760,075	\$217,158	\$187,699	\$6,059,059	\$4,947,774	22.5%
Expenses:							
Instruction	\$3,575,182	\$2,704,219	\$0	\$0	\$3,575,182	\$2,704,219	32.2%
Support services	\$1,440,176	\$1,332,867	\$0	\$0	\$1,440,176	\$1,332,867	8.0%
Non-instructional programs	\$1,192	\$531	\$208,388	\$203,412	\$209,580	\$203,943	2.8%
Other expenditures	\$330,772	\$285,422	\$0	\$0	\$330,772	\$285,422	15.9%
Total expenses	\$5,347,322	\$4,323,039	\$208,388	\$203,412	\$5,555,710	\$4,526,451	22.7%
Change in net assets before transfers	\$494,579	\$437,036	\$8,770	\$(15,713)	\$503,349	\$421,323	
Transfers	\$(24,097)	\$(25,548)	\$24,097	\$25,548	\$0	\$0	
CHANGE IN NET ASSETS	\$470,482	\$411,488	\$32,867	\$9,835	\$503,349	\$421,323	
Net assets beginning of year	\$2,238,386	\$1,826,898	\$19,738	\$9,903	\$2,258,124	\$1,836,801	
Net assets end of year	\$2,708,868	\$2,238,386	\$52,605	\$19,738	\$2,761,473	\$2,258,124	

Property tax and unrestricted state grants account for 61% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 90% of the total expenses. Overall total revenue increased by 22.5% in 2008 and expenses increased by 22.7%. This was the first year of the Whole Grade Sharing Agreement so the district still needs to watch for cost cutting measures. However the district did not spend more than their total revenue which is a positive sign.

Governmental Activities

Revenues for governmental activities were \$5,841,901 and expenses were \$5,347,322. 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. Even with there being many start-up costs with the whole-grade sharing agreement with Eldora-New Providence, despite all the unknowns of the first year the district was still able to avoid outspending revenues.

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.

	<u>Total Cost of Services</u>			<u>Net Cost of Services</u>		
	<u>2007</u>	<u>2008</u>	<u>Change 2007-2008</u>	<u>2007</u>	<u>2008</u>	<u>Change 2007-2008</u>
Instruction	\$2,704,219	\$3,575,182	32.2%	\$2,262,123	\$1,988,421	-12.1%
Support Services	\$1,332,867	\$1,440,176	8.0%	\$1,330,559	\$1,437,857	8.1%
Non-instructional Programs	\$531	\$1,192	124.5%	\$531	\$1,192	124.5%
Other Expenses	\$285,422	\$330,772	15.9%	\$136,642	\$153,024	12.0%
TOTAL	\$4,323,039	\$5,347,322	23.7%	\$3,729,855	\$3,580,494	-4.0%

- The cost financed by users of the District's programs was \$1,211,915. Most of these revenues are derived from the whole-grade sharing agreement, student registration fees, tuition charged to other school districts and from student activities.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$554,913.
- The net cost of governmental activities was financed with \$2,247,417 in property and local other taxes, \$1,441,053 is state foundation aid, \$266,006 in local sales & services taxes, and \$120,597 in interest and other income.

Business Type Activities

Revenues for business type activities were \$217,158 and expenses were \$208,388. The District's business type activities include the School Nutrition Fund, Preschool and Child Care Center. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2008, the District increased meal prices to help offset the increased expenses to the School Nutrition Fund. The District continues to closely monitor the School Nutrition Fund and look 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 \$1,904,574, well above last year's ending fund balances of \$1,582,844. However, the primary reason for the increase in combined fund balances in fiscal 2008 is due to carry over balances in the Physical Plant and Equipment Levy (PPEL), Capital Projects Local Option Sales Tax (SILO) Fund and Management Fund which more than 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 tuition and state sources resulted in an increase in revenues. However, the increase in revenues 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 \$448,791 to \$440,335, 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 \$177,336 in fiscal 2007 to \$322,828 in fiscal 2008. Revenues increased slightly and the District tried to maintain level spending from the PPEL Fund in order to improve the financial condition of the fund.
- The Capital Projects Fund balance increased from \$752,849 in fiscal 2007 to \$786,861 in fiscal 2008. This fund is used to account for the proceeds from the local option sales tax. The carry over-balance will be used in 2008-09 when the District starts its capital improvement projects at both locations.

Proprietary Fund Highlights

The composition of the enterprise fund changed again during fiscal year 2008. In addition to the School Nutrition Fund and Preschool Fund, a Day Care Fund was established for future use. The net assets of the Enterprise Fund increased from \$19,738 in fiscal 2007 to \$52,605 in fiscal 2008, representing an increase of approximately 166.5%. For fiscal 2008, the District increased meal prices, resulting in the increase in net assets. We continue to look for ways to make the School Nutrition Program more budget neutral.

BUDGETARY HIGHLIGHTS

The District's receipts were \$884,337 more than budgeted receipts. Most of this variance resulted from the District entering the whole-grade sharing with Eldora-New Providence and our inability to predict what the revenue would be for this venture.

Total expenditures were 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.

In spite of the District's budgetary practice, the certified budget was exceeded in the instruction area due to the additional expenses of whole-grade sharing. The final cost proration was done at the end of the fiscal year and did not leave sufficient time to amend the certified budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2008, the District had invested \$896,714, net of accumulated depreciation, in a broad range of capital assets, including buildings, computers, technology equipment and transportation equipment. (See Figure A-6) This represents a net increase of 9.6% from last year. More detailed information about the District's capital assets is presented in Note 6 to the financial statements. Depreciation expense for the year was \$118,866.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$55,892 at June 30, 2008 compared to \$0 reported at June 30, 2007. This significant increase resulted from preliminary construction activity that will be in full progress in the fall of 2008 to construct a new middle school wing.

Figure A-6

Capital Assets (net of depreciation)

	Governmental Activities		Business type Activities		Total School District		Percentage Change 2007-2008
	2007	2008	2007	2008	2007	2008	
Land	\$8,000	\$8,000	\$0	\$0	\$8,000	\$8,000	0%
Construction in progress	\$0	\$55,892	\$0	\$0	\$0	\$55,892	100%
Buildings	\$419,647	\$427,517	\$0	\$0	\$419,647	\$427,517	1.9%
Improvements	\$0	\$0	\$0	\$0	\$0	\$0	0%
Equipment & Furniture	\$381,581	\$383,576	\$9,227	\$21,729	\$390,808	\$405,305	3.7%
TOTAL	\$809,228	\$874,985	\$9,227	\$21,729	\$818,445	\$896,714	9.6%

Long-Term Debt

At June 30, 2008 the District had \$92,660 in general obligation, revenue and other long-term debt outstanding. This represents a decrease of approximately 39.2% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 7 to the financial statements.

Figure A-7

Outstanding Long-Term Obligations

	Total School District		Percentage Change 2007-2008
	2007	2008	
Capital Leases	\$21,237	\$ -	-100%
Early Retirement	\$101,235	\$61,174	-39.6%
Compensated Absences	\$29,811	\$31,486	5.6%
	\$152,283	\$92,660	-39.2%

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 sees the large number of students open enrolled out of the District leveling off. The District continues to look for ways to attract some of the open enrolled students back to the district. The District plans to construct new classrooms for the 6th grade students at the Middle School building in Hubbard in 2008-09.
- The District negotiates a new contract with the Hubbard-Radcliffe Education Teacher Association every year. Settlements in excess of "new money" or allowable growth in state funding will have an adverse effect on the District's General Fund budget and related fund balance.

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, 2008

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and cash equivalents	1,735,552	35,397	1,770,949
Receivables:			
Property tax:			
Delinquent	36,117	-	36,117
Succeeding year	2,419,430	-	2,419,430
Accounts	-	3,566	3,566
Accrued interest	10,787	14	10,801
Due from other governments	1,248,444	-	1,248,444
Inventories	-	5,761	5,761
Capital assets, net of accumulated depreciation	874,985	21,729	896,714
Total assets	6,325,315	66,467	6,391,782
Liabilities			
Warrants issued in excess of bank balance	731,083	-	731,083
Accounts payable	132,923	808	133,731
Salaries and benefits payable	240,351	12,071	252,422
Deferred revenue:			
Succeeding year property tax	2,419,430	-	2,419,430
Other	-	983	983
Long-term liabilities:			
Portion due within one year:			
Termination benefits	31,970	-	31,970
Compensated absences	7,609	-	7,609
Portion due after one year:			
Termination benefits	29,204	-	29,204
Compensated absences	23,877	-	23,877
Total liabilities	3,616,447	13,862	3,630,309
Net assets			
Invested in capital assets, net of related debt	874,985	21,729	896,714
Restricted for:			
State categorical aid	105,234	-	105,234
Management levy	252,346	-	252,346
Physical plant and equipment levy	322,828	-	322,828
Other special revenue purposes	41,030	-	41,030
Local option sales tax capital projects	786,861	-	786,861
Unrestricted	325,584	30,876	356,460
Total net assets	2,708,868	52,605	2,761,473

HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2008

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	2,640,075	811,673	311,659	-
Special	757,251	375,267	26,728	-
Other	177,856	24,075	37,359	-
	<u>3,575,182</u>	<u>1,211,015</u>	<u>375,746</u>	<u>-</u>
Support services:				
Student	74,462	-	-	-
Instructional staff	166,776	-	-	-
Administration	404,632	-	-	-
Operation and maintenance of plant	511,993	-	-	-
Transportation	282,313	900	1,419	-
	<u>1,440,176</u>	<u>900</u>	<u>1,419</u>	<u>-</u>
Non-instructional programs	<u>1,192</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	151,542	-	-	25,000
Long-term debt interest	127	-	-	-
AEA flowthrough	152,748	-	152,748	-
Depreciation (unallocated)*	26,355	-	-	-
	<u>330,772</u>	<u>-</u>	<u>152,748</u>	<u>25,000</u>
Total governmental activities	<u>5,347,322</u>	<u>1,211,915</u>	<u>529,913</u>	<u>25,000</u>
Business type activities:				
Non-instructional programs:				
Food service operations	183,866	83,356	87,915	-
Preschool	23,984	13,525	23,984	-
Child Care	538	-	6,879	-
Total business-type activities	<u>208,388</u>	<u>96,881</u>	<u>118,778</u>	<u>-</u>
Total	<u>5,555,710</u>	<u>1,308,796</u>	<u>648,691</u>	<u>25,000</u>

General Revenues:

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.

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$	\$	\$
(1,516,743)	-	(1,516,743)
(355,256)	-	(355,256)
(116,422)	-	(116,422)
<u>(1,988,421)</u>	<u>-</u>	<u>(1,988,421)</u>
(74,462)	-	(74,462)
(166,776)	-	(166,776)
(404,632)	-	(404,632)
(511,993)	-	(511,993)
(279,994)	-	(279,994)
<u>(1,437,857)</u>	<u>-</u>	<u>(1,437,857)</u>
<u>(1,192)</u>	<u>-</u>	<u>(1,192)</u>
(126,542)	-	(126,542)
(127)	-	(127)
-	-	-
<u>(26,355)</u>	<u>-</u>	<u>(26,355)</u>
<u>(153,024)</u>	<u>-</u>	<u>(153,024)</u>
(3,580,494)	-	(3,580,494)
-	(12,595)	(12,595)
-	13,525	13,525
-	6,341	6,341
<u>-</u>	<u>7,271</u>	<u>7,271</u>
<u>(3,580,494)</u>	<u>7,271</u>	<u>(3,573,223)</u>
1,967,898	-	1,967,898
279,519	-	279,519
266,006	-	266,006
1,441,053	-	1,441,053
62,984	1,499	64,483
57,613	-	57,613
<u>4,075,073</u>	<u>1,499</u>	<u>4,076,572</u>
<u>(24,097)</u>	<u>24,097</u>	<u>-</u>
<u>4,050,976</u>	<u>25,596</u>	<u>4,076,572</u>
470,482	32,867	503,349
<u>2,238,386</u>	<u>19,738</u>	<u>2,258,124</u>
<u>2,708,868</u>	<u>52,605</u>	<u>2,761,473</u>

See notes to financial statements.

HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2008

	General Fund	Physical Plant and Equipment Levy	Capital Projects Local Option Sales Tax	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
Assets					
Cash and pooled investments	234,391	326,749	814,519	359,893	1,735,552
Receivables:					
Property tax:					
Delinquent	27,545	4,490	-	4,082	36,117
Succeeding year	1,969,296	300,134	-	150,000	2,419,430
Accrued interest	10,787	-	-	-	10,787
Due from other governments	1,202,194	-	46,250	-	1,248,444
Total assets	<u>3,444,213</u>	<u>631,373</u>	<u>860,769</u>	<u>513,975</u>	<u>5,450,330</u>
Liabilities and Fund Balances					
Liabilities:					
Warrants issued in excess of bank balance	724,638	-	-	6,445	731,083
Accounts payable	47,624	8,411	73,908	2,980	132,923
Salaries and benefits payable	240,351	-	-	-	240,351
Deferred revenue:					
Succeeding year property tax	1,969,296	300,134	-	150,000	2,419,430
Other	21,969	-	-	-	21,969
Total liabilities	<u>3,003,878</u>	<u>308,545</u>	<u>73,908</u>	<u>159,425</u>	<u>3,545,756</u>
Fund balances:					
Reserved for:					
State categorical aid	105,234	-	-	-	105,234
Unreserved reported in:					
General fund	335,101	-	-	-	335,101
Special revenue funds	-	322,828	-	354,550	677,378
Capital projects funds	-	-	786,861	-	786,861
Total fund balances	<u>440,335</u>	<u>322,828</u>	<u>786,861</u>	<u>354,550</u>	<u>1,904,574</u>
	<u>3,444,213</u>	<u>631,373</u>	<u>860,769</u>	<u>513,975</u>	<u>5,450,330</u>

HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT

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

June 30, 2008

	\$
Total fund balances of governmental funds (Exhibit C)	1,904,574
<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.	874,985
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	21,969
Long-term liabilities, including 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>(92,660)</u>
Net assets of governmental activities (Exhibit A)	<u><u>2,708,868</u></u>

HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2008

	General Fund	Physical Plant and Equipment Levy	Capital Projects Local Option Sales Tax	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	1,692,749	279,519	266,006	275,149	2,513,423
Tuition	1,136,748	-	-	-	1,136,748
Other	102,073	8,834	25,806	43,485	180,198
State sources	1,818,172	168	-	166	1,818,506
Federal sources	130,491	25,000	-	-	155,491
Total revenues	<u>4,880,233</u>	<u>313,521</u>	<u>291,812</u>	<u>318,800</u>	<u>5,804,366</u>
Expenditures:					
Current:					
Instruction:					
Regular	2,568,041	-	-	68,741	2,636,782
Special	772,538	-	-	-	772,538
Other	147,316	-	-	27,404	174,720
	<u>3,487,895</u>	<u>-</u>	<u>-</u>	<u>96,145</u>	<u>3,584,040</u>
Support services:					
Student	74,462	-	-	-	74,462
Instructional staff	162,031	16,240	-	-	178,271
Administration	390,525	-	-	14,107	404,632
Operation and maintenance of plant	362,471	89,983	12,000	44,386	508,840
Transportation	255,653	-	-	13,480	269,133
	<u>1,245,142</u>	<u>106,223</u>	<u>12,000</u>	<u>71,973</u>	<u>1,435,338</u>
Non-instructional programs	<u>1,192</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,192</u>
Other expenditures:					
Facilities acquisition	-	51,757	310,510	-	362,267
Long-term debt:					
Principal	-	-	-	21,237	21,237
Interest and fiscal charges	-	-	-	1,530	1,530
AEA flowthrough	152,748	-	-	-	152,748
	<u>152,748</u>	<u>51,757</u>	<u>310,510</u>	<u>22,767</u>	<u>537,782</u>
Total expenditures	<u>4,886,977</u>	<u>157,980</u>	<u>322,510</u>	<u>190,885</u>	<u>5,558,352</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(6,744)</u>	<u>155,541</u>	<u>(30,698)</u>	<u>127,915</u>	<u>246,014</u>
Other financing sources (uses):					
Compensation for loss of fixed assets	3,291	12,718	64,710	-	80,719
Sales of materials and equipment	3,997	-	-	-	3,997
Operating transfers in	-	-	-	22,767	22,767
Operating transfers out	(9,000)	(22,767)	-	-	(31,767)
Total other financing sources (uses)	<u>(1,712)</u>	<u>(10,049)</u>	<u>64,710</u>	<u>22,767</u>	<u>75,716</u>
Net change in fund balances	<u>(8,456)</u>	<u>145,492</u>	<u>34,012</u>	<u>150,682</u>	<u>321,730</u>
Fund balances beginning of year	<u>448,791</u>	<u>177,336</u>	<u>752,849</u>	<u>203,868</u>	<u>1,582,844</u>
Fund balances end of year	<u>440,335</u>	<u>322,828</u>	<u>786,861</u>	<u>354,550</u>	<u>1,904,574</u>

See notes to financial statements.

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, 2008

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		321,730
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:		
Gain on disposal of capital assets	11,569	
Expenditures for capital assets	170,459	
Depreciation expense	<u>(116,271)</u>	65,757
Receivables not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities.		21,969
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.		21,237
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.		1,403
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	40,061	
Compensated absences	<u>(1,675)</u>	<u>38,386</u>
Changes in net assets of governmental activities (Exhibit B)		<u><u>470,482</u></u>

HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2008

	Nonmajor Enterprise Funds
	<u> </u>
	\$
Assets	
Cash and cash equivalents	35,397
Accounts receivable	3,566
Interest receivable	14
Inventories	5,761
Capital assets, net of accumulated depreciation	<u>21,729</u>
Total assets	<u>66,467</u>
Liabilities	
Accounts payable	808
Salaries and benefits payable	12,071
Deferred revenue	<u>983</u>
Total liabilities	<u>13,862</u>
Net assets	
Invested in capital assets, net of related debt	21,729
Unrestricted	<u>30,876</u>
Total net assets	<u><u>52,605</u></u>

HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2008

	Nonmajor Enterprise Funds
	<u>\$</u>
Operating revenue:	
Local sources:	
Charges for service	<u>96,881</u>
Operating expenses:	
Non-instructional programs:	
Salaries	88,536
Benefits	30,218
Purchased services	2,098
Supplies	84,639
Depreciation	2,595
Other	<u>302</u>
Total operating expenses	<u>208,388</u>
Operating gain (loss)	<u>(111,507)</u>
Non-operating revenues:	
State sources	26,049
Federal sources	85,850
Donations	6,879
Interest income	<u>1,499</u>
Total non-operating revenues	<u>120,277</u>
Gain (loss) before contributions and transfers	8,770
Capital contributions	15,097
Transfers in	<u>9,000</u>
Change in net assets	32,867
Net assets beginning of year	<u>19,738</u>
Net assets end of year	<u><u>52,605</u></u>

HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2008

	Nonmajor Enterprise Funds
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	83,853
Cash received from services	9,959
Cash payments to employees for services	(112,002)
Cash payments to suppliers for goods or services	(79,361)
Net cash used by operating activities	<u>(97,551)</u>
Cash flows from non-capital financing activities:	
Transfer from General Fund	9,000
Donations	6,879
State grants received	26,049
Federal grants received	75,121
Net cash provided by non-capital financing activities	<u>117,049</u>
Cash flows from capital and related financing activities	<u>-</u>
Cash flows from investing activities:	
Interest on investments	<u>1,485</u>
Net increase (decrease) in cash and cash equivalents	20,983
Cash and cash equivalents at beginning of year	<u>14,414</u>
Cash and cash equivalents at end of year	<u><u>35,397</u></u>
Reconciliation of operating gain (loss) to net cash used by operating activities:	
Operating gain (loss)	(111,507)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:	
Commodities used	10,729
Depreciation	2,595
Decrease (increase) in inventories	(2,728)
Decrease (increase) in accounts receivable	(3,538)
(Decrease) increase in accounts payable	(323)
(Decrease) increase in salaries and benefits payable	6,752
(Decrease) increase in deferred revenue	469
Net cash used by operating activities	<u><u>(97,551)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2008, the District received \$10,729 of federal commodities.

During the year ended June 30, 2008 the School Nutrition Fund received \$15,097 of equipment that was purchased by other funds.

HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2008

	Private Purpose Trust <u>Scholarship</u> \$
Assets	
Cash and pooled investments	29,557
Liabilities	<u>-</u>
Net Assets	
Reserved for scholarships	<u><u>29,557</u></u>

HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2008

	Private Purpose Trust Scholarship
	<u>\$</u>
Additions:	
Local sources:	
Interest	1,395
Deductions:	
Support services:	
Scholarships awarded	<u>7,600</u>
Change in net assets	(6,205)
Net assets beginning of year	<u>35,762</u>
Net assets end of year	<u><u>29,557</u></u>

HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2008

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

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

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

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

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

The District reports the following major governmental funds:

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

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

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

The District's proprietary funds include the Enterprise, School Nutrition Fund, the Enterprise Preschool Fund and the Enterprise Child Care Fund. These funds are used to account for the food service operations, preschool operations and daycare 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 the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from 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, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2007.

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

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

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

<u>Asset Class</u>	<u>Amount</u>
	\$
Land	-
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, 2008. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

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

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

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, expenditures in the instruction function exceeded the amount budgeted.

2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2008 were entirely covered by federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2008, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
	\$
Diversified Portfolio	2,254

The investment is valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk: The investment in the Iowa Schools Joint Investment Trust was rated Aaa by Moody's Investors Service.

3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

Transfer To	Transfer From	Amount \$
Nonmajor Enterprise: School Nutrition Fund	General Fund	9,000
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, 2008 is as follows:

	Balance Beginning of Year \$	Increases \$	Decreases \$	Balance End of Year \$
Governmental activities:				
Capital assets not being depreciated:				
Construction in progress	-	55,892	-	55,892
Land	8,000	-	-	8,000
Total capital assets not being depr.	<u>8,000</u>	<u>55,892</u>	<u>-</u>	<u>63,892</u>
Capital assets being depreciated:				
Buildings	2,812,523	34,225	-	2,846,748
Improvements other than buildings	62,380	-	-	62,380
Furniture and equipment	1,139,212	96,411	36,000	1,199,623
Total capital assets being deprec.	<u>4,014,115</u>	<u>130,636</u>	<u>36,000</u>	<u>4,108,751</u>
Less accumulated depreciation for:				
Buildings	2,392,876	26,355	-	2,419,231
Improvements other than buildings	62,380	-	-	62,380
Furniture and equipment	757,631	89,916	31,500	816,047
Total accumulated depreciation	<u>3,212,887</u>	<u>116,271</u>	<u>31,500</u>	<u>3,297,658</u>
Total capital assets being depreciated, net	<u>801,228</u>	<u>14,365</u>	<u>4,500</u>	<u>811,093</u>
Governmental activities capital assets, net	<u>809,228</u>	<u>70,257</u>	<u>4,500</u>	<u>874,985</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	92,104	15,097	-	107,201
Less accumulated depreciation	<u>82,877</u>	<u>2,595</u>	-	<u>85,472</u>
Business type activities capital assets, net	<u>9,227</u>	<u>12,502</u>	-	<u>21,729</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	41,679
Special	1,699
Other	3,136
Support services:	
Operation and maintenance of plant services	3,153
Transportation	<u>40,249</u>
	89,916
Unallocated depreciation	<u>26,355</u>
Total depreciation expense – governmental activities	<u>116,271</u>
Business type activities:	
Food service operations	<u>2,595</u>

5. Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Capital leases	21,237	-	21,237	-	-
Termination benefits	101,235	-	40,061	61,174	31,970
Compensated absences	29,811	4,287	2,612	31,486	7,609
Total	<u>152,283</u>	<u>4,287</u>	<u>63,910</u>	<u>92,660</u>	<u>39,579</u>

Termination Benefits

The District offered a voluntary early retirement plan to its employees in a prior year. 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 commenced. 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, 2008, the District has obligations to five participants with a total liability of \$61,174. Actual early retirement expenditures for the year ended June 30, 2008 totaled \$40,061.

6. Pension and Retirement Benefits

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

Plan members are required to contribute 3.90% of their annual covered salary and the District is required to contribute 6.05% of annual covered payroll for the years ended June 30, 2008, 2007 and 2006. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2008, 2007, and 2006 were \$119,793, \$118,310 and \$125,176 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 \$152,748 for the year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

9. 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 four years are as follows:

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

10. Subsequent Event

The District issued \$1,965,000 of capital loan notes on September 1, 2008 to finance construction at the Middle School.

REQUIRED SUPPLEMENTARY INFORMATION

HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year ended June 30, 2008

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	3,830,369	105,259	3,935,628	3,039,576	3,039,576	896,052
State sources	1,818,506	26,049	1,844,555	1,894,611	1,894,611	(50,056)
Federal sources	155,491	85,850	241,341	203,000	203,000	38,341
Total revenues	<u>5,804,366</u>	<u>217,158</u>	<u>6,021,524</u>	<u>5,137,187</u>	<u>5,137,187</u>	<u>884,337</u>
Expenditures/Expenses:						
Instruction	3,584,040	24,522	3,608,562	2,906,000	2,906,000	(702,562)
Support services	1,435,338	-	1,435,338	1,683,000	1,683,000	247,662
Non-instructional programs	1,192	183,866	185,058	253,000	253,000	67,942
Other expenditures	537,782	-	537,782	1,360,789	1,360,789	823,007
Total expenditures/expenses	<u>5,558,352</u>	<u>208,388</u>	<u>5,766,740</u>	<u>6,202,789</u>	<u>6,202,789</u>	<u>436,049</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	246,014	8,770	254,784	(1,065,602)	(1,065,602)	1,320,386
Other financing sources (uses) net	<u>75,716</u>	<u>24,097</u>	<u>99,813</u>	<u>-</u>	<u>-</u>	<u>99,813</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses	321,730	32,867	354,597	(1,065,602)	(1,065,602)	1,420,199
Balance beginning of year	<u>1,582,844</u>	<u>19,738</u>	<u>1,602,582</u>	<u>1,305,761</u>	<u>1,305,761</u>	<u>296,821</u>
Balance end of year	<u><u>1,904,574</u></u>	<u><u>52,605</u></u>	<u><u>1,957,179</u></u>	<u><u>240,159</u></u>	<u><u>240,159</u></u>	<u><u>1,717,020</u></u>

HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2008

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

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

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

During the year ended June 30, 2008, expenditures in the instruction function exceeded the amount budgeted.

OTHER SUPPLEMENTARY INFORMATION

HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2008

Assets	Special Revenue Funds		
	Management	Student	Total
	Levy	Activity	
	\$	\$	\$
Cash and pooled investments	317,500	42,393	359,893
Receivables:			
Property tax:			
Delinquent	4,082	-	4,082
Succeeding year	150,000	-	150,000
Total assets	471,582	42,393	513,975
Liabilities & Fund Balances			
Liabilities:			
Warrants issued in excess of bank balances	6,445	-	6,445
Accounts payable	1,617	1,363	2,980
Deferred revenue:			
Succeeding year property tax	150,000	-	150,000
Total liabilities	158,062	1,363	159,425
Fund balances:			
Unreserved reported in:			
Special revenue funds	313,520	41,030	354,550
Total liabilities and fund balances	471,582	42,393	513,975

HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2008

	Special Revenue Funds			Total
	Management Levy	Student Activity Fund	Debt Service	
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	275,149	-	-	275,149
Other	18,938	24,547	-	43,485
State sources	166	-	-	166
Total revenues	<u>294,253</u>	<u>24,547</u>	<u>-</u>	<u>318,800</u>
Expenditures:				
Current:				
Instruction:				
Regular	68,741	-	-	68,741
Other	-	27,404	-	27,404
Support services:				
Administration	14,107	-	-	14,107
Operation and maintenance of plant	44,386	-	-	44,386
Transportation	13,480	-	-	13,480
Other expenditures:				
Long-term debt:				
Principal	-	-	21,237	21,237
Interest and fiscal charges	-	-	1,530	1,530
Total expenditures	<u>140,714</u>	<u>27,404</u>	<u>22,767</u>	<u>190,885</u>
Excess (deficiency) of revenues over (under) expenditures	153,539	(2,857)	(22,767)	127,915
Other financing sources (uses):				
Operating transfers in	-	-	22,767	22,767
Net change in fund balances	153,539	(2,857)	-	150,682
Fund balances beginning of year	159,981	43,887	-	203,868
Fund balances end of year	<u>313,520</u>	<u>41,030</u>	<u>-</u>	<u>354,550</u>

HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT

Combining Schedule of Net Assets
Nonmajor Enterprise Funds

June 30, 2008

	Nonmajor Enterprise Funds			Total
	School	Preschool	Child Care	
	Nutrition		Center	
	\$	\$	\$	\$
Assets				
Cash and cash equivalents	8,097	20,785	6,515	35,397
Accounts receivable	-	3,566	-	3,566
Interest receivable	14	-	-	14
Inventories	5,761	-	-	5,761
Capital assets, net of accumulated depreciation	21,729	-	-	21,729
Total assets	35,601	24,351	6,515	66,467
Liabilities				
Accounts payable	502	306	-	808
Salaries and benefits payable	10,933	1,138	-	12,071
Deferred revenue	983	-	-	983
Total liabilities	12,418	1,444	-	13,862
Net assets				
Invested in capital assets, net of related debt	21,729	-	-	21,729
Unrestricted	1,454	22,907	6,515	30,876
Total net assets	23,183	22,907	6,515	52,605

HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2008

	Nonmajor Enterprise Funds			Total
	School Nutrition	Preschool	Child Care Center	
	\$	\$		
Operating revenue:				
Local sources:				
Charges for service	83,356	13,525	-	96,881
Operating expenses:				
Non-instructional programs:				
Salaries	74,948	13,588	-	88,536
Benefits	21,754	8,464	-	30,218
Purchased services	1,024	1,074	-	2,098
Supplies	83,243	858	538	84,639
Depreciation	2,595	-	-	2,595
Other	302	-	-	302
Total operating expenses	183,866	23,984	538	208,388
Operating gain (loss)	(100,510)	(10,459)	(538)	(111,507)
Non-operating revenues:				
State sources	2,065	23,984	-	26,049
Federal sources	85,850	-	-	85,850
Donations	-	-	6,879	6,879
Interest income	246	1,079	174	1,499
Total non-operating revenues	88,161	25,063	7,053	120,277
Gain (loss) before contributions and transfers	(12,349)	14,604	6,515	8,770
Capital contributions	15,097	-	-	15,097
Transfers in	9,000	-	-	9,000
Change in net assets	11,748	14,604	6,515	32,867
Net assets beginning of year	11,435	8,303	-	19,738
Net assets end of year	23,183	22,907	6,515	52,605

HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT

Combining Schedule of Cash Flows
Nonmajor Enterprise Funds

Year ended June 30, 2008

	Nonmajor Enterprise Funds			
	School Nutrition	Preschool	Child Care Center	Total
	\$	\$	\$	\$
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	83,853	-	-	83,853
Cash received from services	-	9,959	-	9,959
Cash payments to employees for services	(91,088)	(20,914)	-	(112,002)
Cash payments to suppliers for goods or services	(76,066)	(2,757)	(538)	(79,361)
Net cash used by operating activities	<u>(83,301)</u>	<u>(13,712)</u>	<u>(538)</u>	<u>(97,551)</u>
Cash flows from non-capital financing activities:				
Transfer from General Fund	9,000	-	-	9,000
Donations	-	-	6,879	6,879
State grants received	2,065	23,984	-	26,049
Federal grants received	75,121	-	-	75,121
Net cash provided by non-capital financing activities	<u>86,186</u>	<u>23,984</u>	<u>6,879</u>	<u>117,049</u>
Cash flows from capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from investing activities:				
Interest on investments	<u>232</u>	<u>1,079</u>	<u>174</u>	<u>1,485</u>
Net increase (decrease) in cash and cash equivalents	3,117	11,351	6,515	20,983
Cash and cash equivalents at beginning of year	<u>4,980</u>	<u>9,434</u>	<u>-</u>	<u>14,414</u>
Cash and cash equivalents at end of year	<u>8,097</u>	<u>20,785</u>	<u>6,515</u>	<u>35,397</u>
Reconciliation of operating gain (loss) to net cash used by operating activities:				
Operating gain (loss)	(100,510)	(10,459)	(538)	(111,507)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:				
Commodities used	10,729	-	-	10,729
Depreciation	2,595	-	-	2,595
Decrease (increase) in inventories	(2,728)	-	-	(2,728)
Decrease (increase) in accounts receivable	28	(3,566)	-	(3,538)
(Decrease) increase in accounts payable	502	(825)	-	(323)
(Decrease) increase in salaries and benefits payable	5,614	1,138	-	6,752
(Decrease) increase in deferred revenue	469	-	-	469
Net cash used by operating activities	<u>(83,301)</u>	<u>(13,712)</u>	<u>(538)</u>	<u>(97,551)</u>

HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2008

	Balance Beginning of Year	Revenues	Expenditures	Intra-Fund Transfers	Balance End of Year
	\$	\$	\$	\$	\$
Athletics	124	2,319	10,119	7,271	(405)
Drill Team	177	-	-	(177)	-
Girls basketball	663	-	593	-	70
Football	3,673	-	-	-	3,673
Volleyball	3,589	-	411	-	3,178
Wrestling	945	-	550	-	395
Track	1,865	-	-	(1,865)	-
Cross country	6	-	-	-	6
Softball	757	-	-	-	757
FCCLA	480	-	-	(480)	-
FFA	2,196	-	1,946	(250)	-
Cheerleaders	273	-	273	-	-
Class of 2007	401	-	-	(401)	-
Class of 2008	1,750	94	1,844	-	-
Interest	9,373	3,224	1,137	227	11,687
Vocal/instrumental music	-	1,286	-	-	1,286
Fifth grade	253	-	-	-	253
Yearbook	-	1,424	387	-	1,037
Spanish club	2,662	-	-	(2,662)	-
Student Council HS	2,063	-	-	(2,063)	-
Student Council MS	6,719	14,374	6,896	400	14,597
Elementary council	5,918	1,826	3,248	-	4,496
	<u>43,887</u>	<u>24,547</u>	<u>27,404</u>	<u>-</u>	<u>41,030</u>
Total					

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			
	2008	2007	2006	2005
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	2,513,423	2,528,008	2,253,036	2,200,881
Tuition	1,136,748	29,586	84,864	44,568
Other	180,198	226,845	157,339	262,537
State sources	1,818,506	1,831,432	1,807,043	1,692,362
Federal sources	155,491	144,144	125,405	121,244
Total revenues	<u>5,804,366</u>	<u>4,760,015</u>	<u>4,427,687</u>	<u>4,321,592</u>
Expenditures:				
Instruction:				
Regular	2,636,782	2,055,842	1,916,754	1,954,037
Special	772,538	411,256	361,299	326,630
Other	174,720	247,180	465,147	429,607
Support services:				
Student	74,462	87,798	91,791	96,488
Instructional staff	178,271	86,143	161,187	204,951
Administration	404,632	457,328	471,691	443,695
Operation and maintenance of plant	508,840	516,341	436,886	437,174
Transportation	269,133	200,653	287,920	183,955
Non-instructional programs	1,192	531	131	17,250
Other expenditures:				
Facilities acquisition	362,267	105,716	288,708	209,833
Long-term debt:				
Principal	21,237	19,507	-	55,258
Interest and other charges	1,530	3,260	-	1,429
AEA flowthrough	152,748	148,045	142,709	141,865
Total expenditures	<u>5,558,352</u>	<u>4,339,600</u>	<u>4,624,223</u>	<u>4,502,172</u>

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

To the Board of Education of
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, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 19, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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 08-I-A, 08-I-B and 08-I-C 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, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

March 19, 2009

HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2008

Part I: Findings Related to the Financial Statements:

Significant deficiencies:

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

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

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

Conclusion: Response accepted.

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

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

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

Conclusion: Response accepted.

08-I-C Financial Reporting: During the audit, we identified material amounts accounts payable not recorded in the District's financial records. We also discovered that the School Nutrition Fund had not been adjusted for equipment additions, depreciation expense, commodities revenue and expense, and changes in inventory balances. Adjustments were subsequently made by the District to properly include these amounts in the financial statements.

HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2008

Part I: Findings Related to the Financial Statements (continued):

Recommendation: The District should implement procedures to ensure all payables are identified and included in the District's financial statements. The District should also implement procedures to ensure all adjusting entries necessary to convert the School Nutrition Fund accounting records to the full accrual basis of accounting are prepared and posted.

District Response: We will double check these in the future to avoid missing any payables or year-end accrual adjustments.

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported.

HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2008

Part II: Other Findings Related to Statutory Reporting:

08-II-A Certified Budget: Expenditures for the year ended June 30, 2008, exceeded the amount budgeted in the instruction function.

Recommendation: The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

District Response: Fiscal year 2008 was the first year of a whole grade sharing agreement. Bills for services between the two Districts were not calculated until the end of the year. By the time we got the bill it was too late to amend the budget. Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion: Response accepted.

08-II-B Questionable Expenditures: We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

08-II-C Travel Expenses: No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

08-II-D Business Transactions: No business transactions between the District and District officials or employees were noted.

08-II-E Bond Coverage: Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of bond coverage should be reviewed annually to insure that the coverage is adequate for current operations.

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

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

08-II-H Deposits and Investments: We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

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

08-II-J Physical Plant and Equipment Levy (PPEL) and Local Option Sales Tax Expenditures: The physical plant and equipment property tax levy and the local option sales tax may be used to purchase equipment with a unit cost exceeding \$500. We noted that PPEL expenditures included \$416 and local option sales tax expenditures included approximately \$1,988 for individual items of equipment with a unit cost of less than \$500.

HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2008

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

Recommendation: The District should be aware of the limitation on types of expenditures allowed from this fund and consider reimbursing the Physical Plant and Equipment Levy and Capital Projects Funds for the purchases.

District Response: We will monitor the expenditures from this fund and have General Fund make the reimbursement.

Conclusion: Response accepted.