

HAMBURG COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2009

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Hamburg Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2008 Election)		
Bill Green	President	2010
Greg Warden	Vice President	2010
Hilary Christiansen	Board Member	2009
Mary Ann Gregg	Board Member	2008
Charles Dovel	Board Member	2008
Board of Education (After September 2008 Election)		
Bill Green	President	2011*
Greg Warden	Vice President	2009*
Hilary Christiansen	Board Member	2009
Lori Burge	Board Member	2011
Charles Dovel	Board Member	2011
School Officials		
Dr. Paul Sellon	Superintendent	2009
Rhonda Shirley	Board Secretary/ District Treasurer	2009
Gruhn Law Firm	Attorney	2009

* Board term changed per the District's transition plan for changing Board terms from 3 to 4 years in accordance with Chapter 39.24 of the Code of Iowa.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Hamburg 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 the Hamburg Community School District, Hamburg, Iowa as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

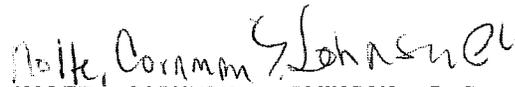
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain 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 that 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 the Hamburg Community School District at June 30, 2009, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 24, 2010 on our consideration of the Hamburg 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 12 and 35 through 36 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 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 Hamburg 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 five years ended June 30, 2008 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 6, 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.


NOLTE, CORNMAN & JOHNSON, P.C.

March 24, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

Hamburg Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2009 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$2,814,473 in fiscal 2008 to \$2,841,536 in fiscal 2009, while General Fund expenditures decreased from \$2,978,297 in fiscal 2008 to \$2,955,609 in fiscal 2009. This resulted in a decrease in the District's General Fund balance from a deficit balance of \$52,341 in fiscal 2008 to a deficit balance of \$166,414 in fiscal 2009, a 217.95% decrease from the prior year.
- The increase in General Fund revenues was attributable to the District receiving more in local tax revenue during fiscal year 2009. The decrease in expenditures was due primarily to the decrease in expenditures in the support services functional area.

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 Hamburg 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 Hamburg 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 Hamburg Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the 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-1
Hamburg Community School District Annual Financial Report

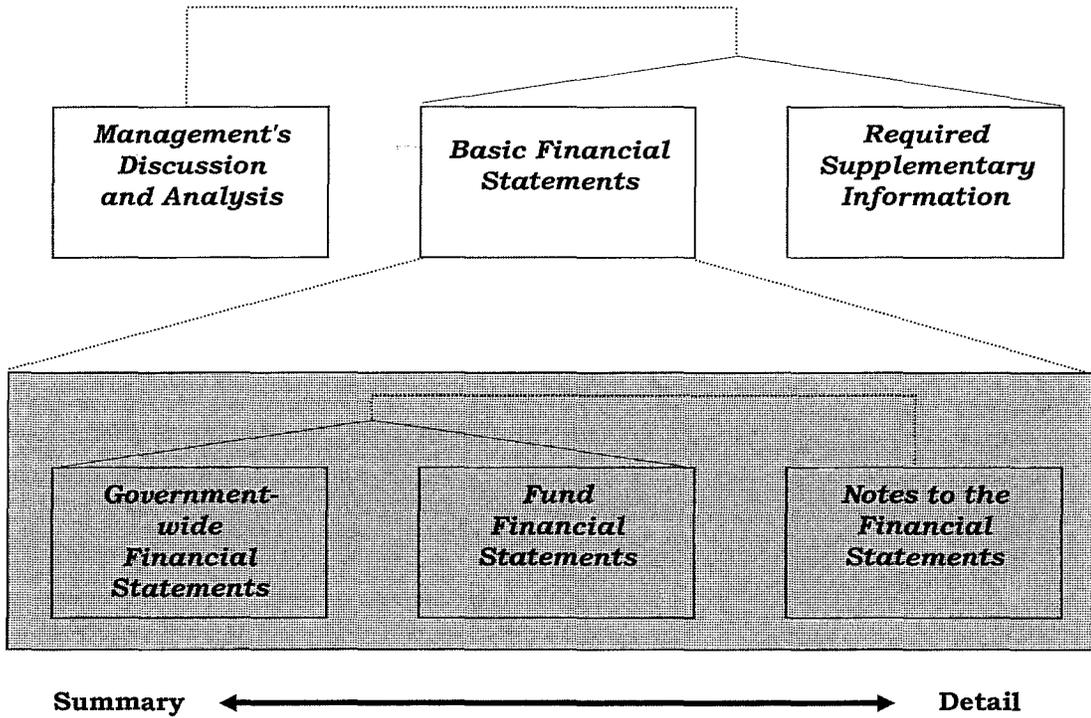


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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 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, the Special Revenues Funds, the Capital Projects Fund.

The required financial statements for the 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 one Enterprise Fund, the School Nutrition Fund.

The required financial statements for the 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 include Private-Purpose Trust Funds.

- Private-Purpose Trust Fund - The District accounts for the 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, 2009 compared to June 30, 2008.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
Current and other assets	\$ 4,218,580	3,018,355	14,244	47,879	4,232,824	3,066,234	38.05%
Capital assets	866,004	949,936	13,806	17,376	879,810	967,312	-9.05%
Total assets	5,084,584	3,968,291	28,050	65,255	5,112,634	4,033,546	26.75%
Long-term liabilities	41,828	58,328	0	0	41,828	58,328	-28.29%
Other liabilities	2,970,712	1,875,393	7,680	6,573	2,978,392	1,881,966	58.26%
Total liabilities	3,012,540	1,933,721	7,680	6,573	3,020,220	1,940,294	55.66%
Net assets:							
Invested in capital assets	866,004	949,936	13,806	17,376	879,810	967,312	-9.05%
Restricted	1,368,275	1,143,602	0	0	1,368,275	1,143,602	19.65%
Unrestricted	(162,235)	(58,968)	6,564	41,306	(155,671)	(17,662)	-781.39%
Total net assets	\$ 2,072,044	2,034,570	20,370	58,682	2,092,414	2,093,252	-0.04%

The District's combined net assets decreased by 0.04%, or \$838, from the prior year. A portion of the District's net assets is invested in capital assets (e.g., land, infrastructure, buildings, and equipment).

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 \$224,673, or 19.65% from the prior year. The increase was primarily a result of the District's increase in the Special Revenue, Physical Plant and Equipment Levy Fund and Capital Projects Fund balances.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$138,009, or 781.39%. This decrease in unrestricted net assets was primarily a result of the decrease in the General Fund balance.

Figure A-4 shows the changes in net assets for the year ended June 30, 2009 compared to June 30, 2008.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business Type Activities		Total School District		Total Change
	2009	2008	2009	2008	2009	2008	2008-09
Revenues and transfers:							
Program revenues:							
Charges for services	\$ 174,560	170,098	67,164	39,984	241,724	210,082	15.06%
Operating grants and contributions and restricted interest	550,771	490,770	101,830	102,415	652,601	593,185	10.02%
General revenues:							
Property tax	1,283,048	1,239,033	0	0	1,283,048	1,239,033	3.55%
Income surtax	49,995	18,279	0	0	49,995	18,279	173.51%
Statewide sales and services tax	165,246	178,880	0	0	165,246	178,880	-7.62%
Unrestricted state grants	1,091,667	1,203,957	0	0	1,091,667	1,203,957	-9.33%
Unrestricted investment earnings	17,596	50,996	424	1,911	18,020	52,907	-65.94%
Other	37,817	18,405	0	0	37,817	18,405	105.47%
Transfers	(60,094)	0	0	0	(60,094)	0	-100.00%
Total revenues and transfers	3,310,606	3,370,418	169,418	144,310	3,480,024	3,514,728	-0.99%
Program expenses:							
Governmental activities:							
Instructional	2,164,244	2,031,859	0	0	2,164,244	2,031,859	6.52%
Support services	902,879	1,087,001	0	0	902,879	1,087,001	-16.94%
Non-instructional programs	0	0	207,730	159,427	207,730	159,427	30.30%
Other expenditures	206,009	175,005	0	0	206,009	175,005	17.72%
Total expenses	3,273,132	3,293,865	207,730	159,427	3,480,862	3,453,292	0.80%
Changes in net assets	37,474	76,553	(38,312)	(15,117)	(838)	61,436	-101.36%
Beginning net assets	2,034,570	1,958,017	58,682	73,799	2,093,252	2,031,816	3.02%
Ending net assets	\$ 2,072,044	2,034,570	20,370	58,682	2,092,414	2,093,252	-0.04%

In fiscal 2009, property tax, income surtax, statewide sales and services tax, and unrestricted state grants account for 74.06% of the revenue from governmental activities while charges for services and operating grants and contributions account for 99.75% of the revenue from business type activities.

The District's total revenues were approximately \$3.5 million of which \$3.3 million was for governmental activities and \$0.2 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 0.99% decrease in revenues and a 0.80% increase in expenses. The increase in expenses was a result of the increases in the negotiated salaries and benefits.

Governmental Activities

Revenues for governmental activities were \$3,310,606 and expenses were \$3,273,132 for the year ended June 30, 2009.

The following table presents the total and net cost of the District’s major governmental activities: instruction, support services, and other expenses, for the year ended June 30, 2009.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2009	2008	Change 2008-09	2009	2008	Change 2008-09
Instruction	\$ 2,164,244	2,031,859	6.52%	1,542,766	1,472,970	4.74%
Support services	902,879	1,087,001	-16.94%	902,879	1,087,001	-16.94%
Other expenses	206,009	175,005	17.72%	102,156	73,026	39.89%
Totals	\$ 3,273,132	3,293,865	-0.63%	2,547,801	2,632,997	-3.24%

For the year ended June 30, 2009

- The cost financed by users of the District’s programs was \$174,560.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$550,771.
- The net cost of governmental activities was financed with \$1,283,048 in property tax, \$49,995 in income surtax, \$165,246 in statewide sales and services tax, \$1,091,667 in unrestricted state grants, \$17,596 in interest income and \$37,817 in other income.

Business Type Activities

Revenues of the District’s business type activities were \$169,418 and expenses were \$207,730 for the year ended June 30, 2009. The District’s business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Hamburg 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 combined fund balances of \$1,202,168, above last year’s ending fund balances of \$1,099,811. However, the primary reason for the increase in combined fund balances in fiscal 2009 is due to controlled spending in the Physical Plant and Equipment Levy Fund and Capital Projects Fund.

Governmental Fund Highlights

- The District’s deteriorating General Fund financial position from a deficit balance of \$52,341 to a deficit balance of \$166,414 is the product of many factors. Although revenues increased and expenditures decreased in the General Fund compared to the prior year, total revenues were not enough to offset total expenditures resulting in the fund balance to decrease.

- The Physical Plant and Equipment Levy Fund balance increased from \$363,700 in fiscal 2008 to \$465,642 in fiscal 2009. This increase was due primarily to the revenues being greater than the expenditures.
- The Capital Projects Fund balance increased from \$602,865 in fiscal 2008 to \$772,454 in fiscal 2009. This was due primarily to the decrease in expenditures from the prior year.

Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from \$58,682 at June 30, 2008 to \$20,370 at June 30, 2009, representing a decrease of 65.29%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$311,826 more than budgeted revenues, a variance of 9.67%. The most significant variance resulted from the District receiving more in state source revenues than originally anticipated.

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.

During the year ended June 30, 2009 expenditures in the instruction and non-instructional programs functional areas exceeded the amounts budgeted.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2009, the District had invested \$879,810, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 6 to the financial statements. Depreciation expense for the year was \$111,943.

The original cost of the District's capital assets was \$3,454,716. Governmental funds account for \$3,397,224 with the remainder of \$57,492 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$123,806 at June 30, 2008, compared to \$155,219 reported at June 30, 2008. This decrease resulted from the disposal of a van during the year as well as depreciation expense for the fiscal year.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
Land	\$ 42,707	42,707	0	0	42,707	42,707	0.00%
Buildings	651,216	700,827	0	0	651,216	700,827	-7.62%
Land improvements	62,080	68,559	0	0	62,080	68,559	-10.44%
Machinery and equipment	110,001	137,843	13,806	17,376	123,807	155,219	-25.37%
Total	\$ 866,004	949,936	13,806	17,376	879,810	967,312	-9.05%

Long-Term Debt

At June 30, 2009, the District had total outstanding Early Retirement payable from the Special Revenue – Management Fund of \$41,828. This represents a decrease of 28.29% from last year. (See Figure A-7) More detailed information about the District’s long-term liabilities is available in Note 7 to the financial statements.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2009	2008	2008-09
Early retirement	\$ 41,828	58,328	-28.29%

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:

- With the District’s current financial challenges, the FY 2010 state budget cut of 10% results in a significant decrease in General Fund revenue, shifting funding on property taxes and other revenue sources. As a result of these lost revenues, the District will explore all opportunities to reduce expenditures and/or increase revenues.
- Low allowable growth over several years and enrollment decreases is negatively impacting the District’s spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- The budget guarantee (whereby Districts are guaranteed 100% of their current budget for the upcoming year) is being phased out over a ten year period beginning in fiscal year 2005.

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 Denise Stevens, Board Secretary, Hamburg Community School District, 105 E Street, Hamburg, Iowa, 51640.

BASIC FINANCIAL STATEMENTS

HAMBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2009

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and cash equivalents:			
ISCAP	\$ 1,147,678	0	1,147,678
Other	1,470,377	120,163	1,590,540
Receivables:			
Property tax:			
Delinquent	18,159	0	18,159
Succeeding year	1,340,160	0	1,340,160
Income surtax	45,700	0	45,700
Interfund	121,233	(121,233)	0
Accrued ISCAP interest	3,913	0	3,913
Accounts	0	8,509	8,509
Due from other governments	71,360	5,711	77,071
Inventories	0	1,094	1,094
Capital assets, net of accumulated depreciation	866,004	13,806	879,810
TOTAL ASSETS	5,084,584	28,050	5,112,634
LIABILITIES			
Accounts payable	81,818	0	81,818
Salaries and benefits payable	334,217	7,680	341,897
ISCAP warrants payable	1,131,000	0	1,131,000
ISCAP interest payable	5,613	0	5,613
ISCAP unamortized premiums payable	18,447	0	18,447
Deferred revenue:			
Succeeding year property tax	1,340,160	0	1,340,160
Other	59,457	0	59,457
Long-term liabilities:			
Portion due within one year:			
Early retirement payable	15,686	0	15,686
Portion due after one year:			
Early retirement payable	26,142	0	26,142
TOTAL LIABILITIES	3,012,540	7,680	3,020,220
NET ASSETS			
Invested in capital assets	866,004	13,806	879,810
Restricted for:			
Categorical funding	41,521	0	41,521
Management levy	86,619	0	86,619
Capital projects	772,454	0	772,454
Physical plant and equipment levy	465,642	0	465,642
Other special revenue purposes	2,039	0	2,039
Unrestricted	(162,235)	6,564	(155,671)
TOTAL NET ASSETS	\$ 2,072,044	20,370	2,092,414

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

HAMBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2009

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, and Restricted Contributions Interest	Governmental Activities	Business Type Activities	
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 1,521,676	88,268	431,364	(1,002,044)	0	(1,002,044)
Special	369,333	4,720	15,554	(349,059)	0	(349,059)
Other	273,235	81,572	0	(191,663)	0	(191,663)
	<u>2,164,244</u>	<u>174,560</u>	<u>446,918</u>	<u>(1,542,766)</u>	<u>0</u>	<u>(1,542,766)</u>
Support services:						
Student	26,029	0	0	(26,029)	0	(26,029)
Instructional staff	70,577	0	0	(70,577)	0	(70,577)
Administration	408,866	0	0	(408,866)	0	(408,866)
Operation and maintenance of plant	274,845	0	0	(274,845)	0	(274,845)
Transportation	122,562	0	0	(122,562)	0	(122,562)
	<u>902,879</u>	<u>0</u>	<u>0</u>	<u>(902,879)</u>	<u>0</u>	<u>(902,879)</u>
Other expenditures:						
Facilities acquisitions	44,852	0	0	(44,852)	0	(44,852)
AEA flowthrough	103,853	0	103,853	0	0	0
Depreciation(unallocated)*	57,304	0	0	(57,304)	0	(57,304)
	<u>206,009</u>	<u>0</u>	<u>103,853</u>	<u>(102,156)</u>	<u>0</u>	<u>(102,156)</u>
Total governmental activities	<u>3,273,132</u>	<u>174,560</u>	<u>550,771</u>	<u>(2,547,801)</u>	<u>0</u>	<u>(2,547,801)</u>
Business Type activities:						
Support services:						
Administration	19,229	0	0	0	(19,229)	(19,229)
Operation and maintenance of plant	32,160	0	0	0	(32,160)	(32,160)
	<u>51,389</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(51,389)</u>	<u>(51,389)</u>
Non-instructional programs:						
Nutrition services	156,341	67,164	101,830	0	12,653	12,653
Total business type activities	<u>207,730</u>	<u>67,164</u>	<u>101,830</u>	<u>0</u>	<u>(38,736)</u>	<u>(38,736)</u>
Total	<u>\$ 3,480,862</u>	<u>241,724</u>	<u>652,601</u>	<u>(2,547,801)</u>	<u>(38,736)</u>	<u>(2,586,537)</u>
General Revenues and transfers:						
General revenues:						
Property tax levied for:						
General purposes				\$ 1,121,686	0	1,121,686
Capital outlay				161,362	0	161,362
Income surtax				49,995	0	49,995
Statewide sales and services tax				165,246	0	165,246
Unrestricted state grants				1,091,667	0	1,091,667
Unrestricted investment earnings				17,596	424	18,020
Other				37,817	0	37,817
Transfers				(60,094)	0	(60,094)
Total general revenues and transfers				<u>2,585,275</u>	<u>424</u>	<u>2,585,699</u>
Changes in net assets				37,474	(38,312)	(838)
Net assets beginning of year				<u>2,034,570</u>	<u>58,682</u>	<u>2,093,252</u>
Net assets end of year				<u>\$ 2,072,044</u>	<u>20,370</u>	<u>2,092,414</u>

* This amount excludes the depreciation that is included in the direct expense of various programs

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

HAMBURG COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009

	General	Physical Plant and Equipment Levy	Capital Projects	Other Nonmajor Governmental Funds	Total
ASSETS					
Cash and pooled investments:					
ISCAP	\$ 1,147,678	0	0	0	1,147,678
Other	77,705	463,312	750,276	179,084	1,470,377
Receivables:					
Property tax:					
Delinquent	14,427	2,330	0	1,402	18,159
Succeeding year	1,207,582	32,578	0	100,000	1,340,160
Income surtax	45,700	0	0	0	45,700
Interfund	171,233	0	0	0	171,233
Accrued ISCAP interest	3,913	0	0	0	3,913
Due from other governments	49,182	0	22,178	0	71,360
TOTAL ASSETS	\$ 2,717,420	498,220	772,454	280,486	4,268,580
LIABILITIES AND FUND BALANCES					
Liabilities:					
Interfund payable	\$ 0	0	0	50,000	50,000
Accounts payable	81,818	0	0	0	81,818
Salaries and benefits payable	334,217	0	0	0	334,217
ISCAP warrants payable	1,131,000	0	0	0	1,131,000
ISCAP interest payable	5,613	0	0	0	5,613
ISCAP unamortized premiums payable	18,447	0	0	0	18,447
Deferred revenue:					
Succeeding year property tax	1,207,582	32,578	0	100,000	1,340,160
Income surtax	45,700	0	0	0	45,700
Other	59,457	0	0	0	59,457
Total liabilities	2,883,834	32,578	0	150,000	3,066,412
Fund balances:					
Reserved for:					
Categorical funding	41,521	0	0	0	41,521
Unreserved:					
Designated for special purposes by the Board(Bunker Donation)	27,361	0	0	0	27,361
Undesignated	(235,296)	465,642	772,454	130,486	1,133,286
Total fund balances	(166,414)	465,642	772,454	130,486	1,202,168
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,717,420	498,220	772,454	280,486	4,268,580

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

HAMBURG COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2009

Total fund balances of governmental funds (page 15)	\$	1,202,168
 <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.		866,004
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.		45,700
Long-term liabilities, including early retirement payable are not due and payable in the current period and, therefore, are not reported in the governmental funds.		<u>(41,828)</u>
Net assets of governmental activities (page 13)	\$	<u><u>2,072,044</u></u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

HAMBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2009

	General	Physical Plant and Equipment Levy	Capital Projects	Other Nonmajor Governmental Funds	Total
REVENUES:					
Local sources:					
Local tax	\$ 1,069,811	161,362	165,246	99,321	1,495,740
Tuition	91,603	0	0	0	91,603
Other	38,452	7,566	4,343	88,777	139,138
State sources	1,508,235	0	0	0	1,508,235
Federal sources	131,789	0	0	0	131,789
Total revenues	2,839,890	168,928	169,589	188,098	3,366,505
EXPENDITURES:					
Current:					
Instruction:					
Regular	1,487,028	0	0	22,560	1,509,588
Special	366,222	0	0	0	366,222
Other	179,538	0	0	91,582	271,120
	2,032,788	0	0	114,142	2,146,930
Support services:					
Student	25,768	0	0	0	25,768
Instructional staff	76,388	0	0	0	76,388
Administration services	387,535	0	0	14,958	402,493
Operation and maintenance of plant	219,529	793	0	54,005	274,327
Transportation	109,748	12,200	0	0	121,948
	818,968	12,993	0	68,963	900,924
Other expenditures:					
Facilities acquisitions	0	53,993	0	0	53,993
AEA flowthrough	103,853	0	0	0	103,853
	103,853	53,993	0	0	157,846
Total expenditures	2,955,609	66,986	0	183,105	3,205,700
Excess(deficiency)of revenues over(under) expenditures	(115,719)	101,942	169,589	4,993	160,805
OTHER FINANCING SOURCES(USES):					
Transfer out	0	0	0	(60,094)	(60,094)
Proceeds from disposal of equipment	1,646	0	0	0	1,646
Total other financing sources(uses)	1,646	0	0	(60,094)	(58,448)
Net change in fund balances	(114,073)	101,942	169,589	(55,101)	102,357
Fund balance beginning of year	(52,341)	363,700	602,865	185,587	1,099,811
Fund balance end of year	\$ (166,414)	465,642	772,454	130,486	1,202,168

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

HAMBURG COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2009

Net change in fund balances - total governmental funds (page 17) \$ 102,357

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

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

Expenditures for capital assets	\$ 24,441	
Depreciation expense	<u>(108,373)</u>	(83,932)

Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds. 2,549

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:

Early retirement payable		<u>16,500</u>
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Changes in net assets of governmental activities (page 14) \$ 37,474

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

HAMBURG COMMUNITY SCHOOL DISTRICT
 STATEMENT OF NET ASSETS
 PROPRIETARY FUND
 JUNE 30, 2009

	School Nutrition
ASSETS	
Cash and cash equivalents	\$ 120,163
Accounts receivable	8,509
Due from other governments	5,711
Inventories	1,094
Capital assets, net of accumulated depreciation	13,806
TOTAL ASSETS	149,283
LIABILITIES	
Interfund payable	121,233
Salaries and benefits payable	7,680
TOTAL LIABILITIES	128,913
NET ASSETS	
Invested in capital assets	13,806
Unrestricted	6,564
TOTAL NET ASSETS	\$ 20,370

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

HAMBURG COMMUNITY SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 PROPRIETARY FUND
 YEAR ENDED JUNE 30, 2009

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 67,164
OPERATING EXPENSES:	
Support services:	
Administration:	
Salaries	14,173
Benefits	5,056
Operation and maintenance of plant:	
Salaries	24,858
Benefits	7,302
Total support services	51,389
Non-instructional programs:	
Food service operations:	
Salaries	57,457
Benefits	13,600
Services	1,108
Supplies	80,533
Depreciation	3,570
Other	73
Total non-instructional programs	156,341
TOTAL OPERATING EXPENSES	207,730
OPERATING LOSS	(140,566)
NON-OPERATING REVENUES:	
State sources	1,894
Federal sources	99,936
Interest income	424
TOTAL NON-OPERATING REVENUES	102,254
Change in net assets	(38,312)
Net assets beginning of year	58,682
Net assets end of year	\$ 20,370

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

HAMBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2009

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 58,140
Cash received from miscellaneous sources	409
Cash payments to employees for services	(121,233)
Cash payments to suppliers for goods or services	(73,564)
Net cash used in operating activities	(136,248)
Cash flows from non-capital financing activities:	
Borrowings from the General Fund	50,943
State grants received	1,894
Federal grants received	91,980
Net cash provided by non-capital financing activities	144,817
Cash flows from investing activities:	
Interest on investments	424
Net increase in cash and cash equivalents	8,993
Cash and cash equivalents at beginning of year	111,170
Cash and cash equivalents at end of year	\$ 120,163
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (140,566)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	8,820
Depreciation	3,570
Increase in inventories	(670)
Increase in accounts receivable	(8,509)
Increase in salaries and benefits payable	1,213
Decrease in unearned revenue	(106)
Net cash used in operating activities	\$ (136,248)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2009, the District received Federal commodities valued at \$8,820.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

HAMBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2009

	<u>Private Purpose</u>
	<u>Trust</u>
	<u>Scholarship</u>
Assets	
Cash and pooled investments	\$ 53,594
Liabilities	<u>0</u>
Net Assets	
Reserved for scholarships	<u>\$ 53,594</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

HAMBURG COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUND
 YEAR ENDED JUNE 30, 2009

	<u>Private Purpose Trust Scholarship</u>
DEDUCTIONS:	
Instruction:	
Regular	6,500
Change in net assets before other financing sources	(6,500)
OTHER FINANCING SOURCES:	
Transfer in	60,094
Change in net assets	53,594
Net assets beginning of year	0
Net assets end of year	<u>\$ 53,594</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

HAMBURG COMMUNITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2008

(1) **Summary of Significant Accounting Policies**

The Hamburg Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the City of Hamburg, Iowa, and the predominate agricultural territory in Fremont County. 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, Hamburg 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 Hamburg Community School District has no component units which 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 Fremont County Assessors' 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 consists of capital assets, net of accumulated depreciation.

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

Unrestricted net asset 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 that are 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 other 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 is utilized to account for resources used to acquire equipment and capital facility improvements.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through Enterprise Funds.

The District reports the following proprietary funds:

The District's proprietary fund is the Enterprise, School Nutrition Fund. The School Nutrition Fund is used to account for the food service 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 judgments, 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 nonoperating revenues and expenses.

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

D. Assets, Liabilities and Fund Balances

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2008.

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

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

Capital Assets - Capital assets, which include property, machinery, 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.

Asset Class	Amount
Land	\$ 0
Buildings	1,000
Land improvements	1,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,000

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-20 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which is 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 represents 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 succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenues - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary, School Nutrition 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 Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Designated for Special Purposes by the Board - In the governmental fund financial statements, designated funds are not available for appropriation but are set aside for a specific purpose. The designated fund balance is the balance remaining from the Bunker Inheritance Donation of \$27,361.

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 imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, expenditures in the instruction and non-instructional programs areas exceeded the amounts budgeted by the District.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2009 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of

deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2009, the District had investments in the Iowa Schools Joint Investment Trust, as follows:

	Cost
Iowa Schools Joint Investment Trust	<u>\$ 1,053,218</u>

(3) Due from and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2009 is as follows:

Receivable Fund	Payable Fund	Amount
General	School Nutrition	\$ 121,233
General	Special Revenue, Student Activity	50,000
		<u>\$ 171,233</u>

(4) Transfers

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

Transfer to	Transfer from	Amount
Private Purpose Trust	Special Revenue - Expendable Trust	<u>\$ 60,094</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(5) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2009 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2008-09B	1/21/09	1/21/10	\$ 413,230	3,822	408,000	5,365
2009-10A	6/25/09	6/23/10	734,448	91	723,000	248
Total			<u>\$ 1,147,678</u>	<u>3,913</u>	<u>1,131,000</u>	<u>5,613</u>

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

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

Series	Interest Rates on Warrants	Interest Rates on Investments
2008-09B	3.000%	2.110%
2009-10A	2.500%	0.902%

(6) Capital Assets

Capital assets activity for the year ended June 30, 2009 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 42,707	0	0	42,707
Total capital assets not being depreciated	<u>42,707</u>	<u>0</u>	<u>0</u>	<u>42,707</u>
Capital assets being depreciated:				
Buildings	2,046,296	0	0	2,046,296
Land improvements	257,003	0	0	257,003
Machinery and equipment	1,045,677	24,441	18,900	1,051,218
Total capital assets being depreciated	<u>3,348,976</u>	<u>24,441</u>	<u>18,900</u>	<u>3,354,517</u>
Less accumulated depreciation for:				
Buildings	1,345,469	49,611	0	1,395,080
Land improvements	188,444	6,479	0	194,923
Machinery and equipment	907,834	52,283	18,900	941,217
Total accumulated depreciation	<u>2,441,747</u>	<u>108,373</u>	<u>18,900</u>	<u>2,531,220</u>
Total capital assets being depreciated, net	<u>907,229</u>	<u>(83,932)</u>	<u>0</u>	<u>823,297</u>
Governmental activities capital assets, net	<u>\$ 949,936</u>	<u>(83,932)</u>	<u>0</u>	<u>866,004</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 57,492	0	0	57,492
Less accumulated depreciation	40,116	3,570	0	43,686
Business type activities capital assets, net	<u>\$ 17,376</u>	<u>(3,570)</u>	<u>0</u>	<u>13,806</u>

Depreciation expense was charged by the District as follows:

Governmental activities:			
Instruction:			
Regular			\$ 22,111
Special			3,111
Other			2,115
Support services:			
Student			261
Instructional staff			666
Administration			6,373
Operation and maintenance of plant			518
Transportation			15,914
			<u>51,069</u>
Unallocated depreciation			<u>57,304</u>
			<u>\$ 108,373</u>
Business type activities:			
Food services			<u>\$ 3,570</u>

(7) Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Early Retirement	\$ 58,328	6,060	22,560	41,828	15,686

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed twenty-five years of service to the District. Employees must complete an application which is required to be approved by the Board of Education. The District will pay health insurance benefits until the retiree reaches age sixty-five. A liability has been recorded in the Statement of Net Assets for government-wide activities for these early retirement benefits. Early retirement benefits paid during the year ended June 30, 2009, totaled \$22,560.

(8) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a

publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.1% of their annual salary and the District is required to contribute 6.35% of annual covered payroll for the years ended June 30, 2009, 2008 and 2007. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$111,830, \$100,903 and \$92,951 respectively, equal to the required contributions for each year.

(9) Other Postemployment Benefits (OPEB)

GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, issued June 2004, will be effective for the District beginning with its year ending June 30, 2010. This Statement establishes standards for the measurement, recognition and display of other postemployment benefits expenses and related liabilities or assets, note disclosures and, if applicable, required supplementary information in the financial reports. The District is in the process of obtaining an actuarial opinion to be in compliance with GASB Statement No. 45 for the year ended June 30, 2010.

(10) Risk Management

Hamburg 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.

(11) 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 \$103,853 for the year ended June 30, 2009 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(12) Deficit Fund Balance/Unrestricted Net Assets

The District has a deficit undesignated fund balance in the General Fund of \$235,296. The District also had deficit unrestricted net assets in the governmental activities of \$162,235.

(13) Budget Overexpenditure

During the year ended June 30, 2009 expenditures in the instruction and the non-instructional programs functional areas exceeded the amounts budgeted.

(14) Categorical Funding

The District's categorical funding balances for the year ended June 30, 2009 are as follows:

<u>Project</u>	<u>Amount</u>
Dropout and Dropout Prevention	\$ 4,086
Market Factor Incentives	2,384
Educator Quality, Professional Development	1,073
Teacher Development Academies	2,433
Market Factor Grants	22,931
Market Factor	566
Model Core Curriculum	2,051
Salary Improvement	4,985
Home School Assistance Program (HSAP)	1,012
Total	<u>\$ 41,521</u>

REQUIRED SUPPLEMENTARY INFORMATION

HAMBURG COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES
 AND CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2009

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Fund Types Actual	Fund Type Actual		Original	Final	
Revenues:						
Local sources	\$ 1,726,481	67,588	1,794,069	1,607,237	1,607,237	186,832
Intermediary sources	0	0	0	215,000	215,000	(215,000)
State sources	1,508,235	1,894	1,510,129	1,249,860	1,249,860	260,269
Federal sources	131,789	99,936	231,725	152,000	152,000	79,725
Total revenues	<u>3,366,505</u>	<u>169,418</u>	<u>3,535,923</u>	<u>3,224,097</u>	<u>3,224,097</u>	<u>311,826</u>
Expenditures/Expenses:						
Instruction	2,146,930	0	2,146,930	2,038,200	2,038,200	(108,730)
Support services	900,924	51,389	952,313	1,845,201	1,845,201	892,888
Non-instructional programs	0	156,341	156,341	80,049	80,049	(76,292)
Other expenditures	157,846	0	157,846	305,520	305,520	147,674
Total expenditures/expenses	<u>3,205,700</u>	<u>207,730</u>	<u>3,413,430</u>	<u>4,268,970</u>	<u>4,268,970</u>	<u>855,540</u>
Excess(deficiency)of revenues over(under)expenditures/expenses	160,805	(38,312)	122,493	(1,044,873)	(1,044,873)	1,167,366
Other financing sources, net	(58,448)	0	(58,448)	0	0	(58,448)
Excess(deficiency)of revenues and other financing sources over(under)expenditures/expenses	102,357	(38,312)	64,045	(1,044,873)	(1,044,873)	1,108,918
Balance beginning of year	1,099,811	58,682	1,158,493	1,330,409	1,330,409	(171,916)
Balance end of year	<u>\$ 1,202,168</u>	<u>20,370</u>	<u>1,222,538</u>	<u>285,536</u>	<u>285,536</u>	<u>937,002</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

HAMBURG COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION -- BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2009

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison 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 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 the GAAP basis.

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

During the year ended June 30, 2009, expenditures in the instruction and non-instructional programs functions exceeded the amounts budgeted.

OTHER SUPPLEMENTARY INFORMATION

HAMBURG COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2009

	Manage- ment Levy	Student Activity	Total
ASSETS			
Cash and pooled investments	\$ 127,045	52,039	179,084
Receivables:			
Property tax:			
Delinquent	1,402	0	1,402
Succeeding year	100,000	0	100,000
TOTAL ASSETS	\$ 228,447	52,039	280,486
LIABILITIES AND FUND BALANCES			
Liabilities:			
Interfund payable	\$ 0	50,000	50,000
Deferred revenue:			
Succeeding year property tax	100,000	0	100,000
TOTAL LIABILITIES	100,000	50,000	150,000
UNRESERVED FUND BALANCES	128,447	2,039	130,486
TOTAL LIABILITIES AND FUND BALANCES	\$ 228,447	52,039	280,486

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

HAMBURG COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 YEAR ENDED JUNE 30, 2009

	Manage- ment Levy	Student Activity	Expendable Trust	Total
REVENUES:				
Local sources:				
Local tax	\$ 99,321	0	0	99,321
Other	7,032	81,745	0	88,777
TOTAL REVENUES	106,353	81,745	0	188,098
EXPENDITURES:				
Current:				
Instruction:				
Regular	22,560	0	0	22,560
Other	0	91,582	0	91,582
Support services:				
Administration	14,958	0	0	14,958
Operation and maintenance of plant	50,379	3,626	0	54,005
TOTAL EXPENDITURES	87,897	95,208	0	183,105
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	18,456	(13,463)	0	4,993
OTHER FINANCING USES:				
Transfer out	0	0	(60,094)	(60,094)
Net Change in fund balances	18,456	(13,463)	(60,094)	(55,101)
Fund balance beginning of the year	109,991	15,502	60,094	185,587
Fund balance end of the year	\$ 128,447	2,039	0	130,486

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

HAMBURG COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2009

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Interest	\$ 173	2,339	9,603	(7,091)
Drama	0	4,567	2,467	2,100
Chorus	0	820	1,634	(814)
Band	0	3,452	4,827	(1,375)
HS Athletics	0	21,630	24,797	(3,167)
HS Athletics Resale	0	6,957	8,268	(1,311)
JH Athletics	233	2,581	3,829	(1,015)
HS Cheerleading	3,081	6,452	4,776	4,757
JH Cheerleading	374	255	0	629
Art	68	0	0	68
Class of 2002	0	290	0	290
Class of 2003	0	0	4,901	(4,901)
Class of 2007	0	700	0	700
Class of 2008	0	1,064	473	591
Class of 2009	9,568	506	2,104	7,970
Class of 2010	1,354	17,844	16,886	2,312
Class of 2011	197	1,540	636	1,101
Class of 2012	378	288	0	666
Student Council	0	714	839	(125)
Yearbook	0	6,241	6,285	(44)
Elementary Activity	0	2,615	1,842	773
Elementary Music Activity	0	0	138	(138)
Elementary Yearbook	76	890	903	63
Total	\$ 15,502	81,745	95,208	2,039

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

HAMBURG COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 FIDUCIARY FUND, PRIVATE PURPOSE TRUST
 JUNE 30, 2009

		Private Purpose Trust - Scholarship Fund							
		Class of							
		Boldra	1953	Activities	Other	Rice	Hensleigh	Pepsi	
		Scholarship	Scholarship	Scholarship	Scholarship	Scholarship	Scholarship	Scholarship	Total
ASSETS									
Cash and pooled investments	\$	6,148	550	350	100	21,612	24,832	2	53,594
		6,148	550	350	100	21,612	24,832	2	53,594
LIABILITIES		0	0	0	0	0	0	0	0
NET ASSETS									
Reserved for scholarships	\$	6,148	550	350	100	21,612	24,832	2	53,594

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

HAMBURG COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN NET ASSETS
 FIDUCIARY FUND, PRIVATE PURPOSE TRUST
 YEAR ENDED JUNE 30, 2009

	Private Purpose Trust - Scholarship Fund							Total
	Class of Boldra Scholarship	1953 Scholarship	Activities Scholarship	Other Scholarship	Rice Scholarship	Hensleigh Scholarship	Pepsi Scholarship	
DEDUCTIONS:								
Instruction:								
Regular:								
Scholarships awarded	3,500	0	0	0	3,000	0	0	6,500
Deficiency of revenues under expenditures	(3,500)	0	0	0	(3,000)	0	0	(6,500)
OTHER FINANCING SOURCES:								
Transfers in	9,648	550	350	100	24,612	24,832	2	60,094
Changes in net assets	6,148	550	350	100	21,612	24,832	2	53,594
Net assets beginning of year	0	0	0	0	0	0	0	0
Net assets end of year	\$ 6,148	550	350	100	21,612	24,832	2	53,594

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

HAMBURG COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST SIX YEARS

	Modified Accrual Basis					
	Years Ended June 30,					
	2009	2008	2007	2006	2005	2004
Revenues:						
Local sources:						
Local tax	\$ 1,495,740	1,433,070	1,390,820	1,435,744	1,444,051	1,304,312
Tuition	91,603	107,798	75,449	75,210	85,975	61,534
Other	139,138	131,701	144,440	140,650	237,461	141,160
State sources	1,508,235	1,547,915	1,438,664	1,285,828	1,293,041	1,306,026
Federal sources	131,789	146,812	150,327	99,339	244,371	194,325
Total	\$ 3,366,505	3,367,296	3,199,700	3,036,771	3,304,899	3,007,357
Expenditures:						
Current:						
Instruction:						
Regular	\$ 1,509,588	1,332,653	1,314,265	1,223,556	1,106,577	1,169,307
Special	366,222	402,759	303,217	329,945	423,240	341,609
Other	271,120	274,313	326,518	335,126	251,490	162,934
Support services:						
Student	25,768	68,177	58,196	80,629	85,886	93,353
Instructional staff	76,388	94,482	81,216	47,723	42,790	40,715
Administration	402,493	488,458	444,707	440,965	416,633	404,342
Operation and maintenance of plant	274,327	298,480	306,839	282,213	335,478	236,005
Transportation	121,948	132,236	151,007	100,356	67,945	84,713
Central support	0	0	0	0	4,145	7,824
Non-instructional programs	0	0	458	0	7,800	7,750
Other expenditures:						
Facilities acquisitions	53,993	47,296	40,092	100,016	259,022	422,899
AEA flow-through	103,853	101,979	96,137	91,789	91,840	94,675
Total	\$ 3,205,700	3,240,833	3,122,652	3,032,318	3,092,846	3,066,126

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3050

Telephone (641) 792-1910

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 the
Hamburg 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 Hamburg Community School District as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 24, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Hamburg 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 Hamburg Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Hamburg 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 Hamburg 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 Hamburg Community School District's financial statements that is more than inconsequential will not be prevented or detected by Hamburg Community School District's internal control. We consider the deficiencies in internal control described in Part I of the Findings Related to the Basic Financial Statements.

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 Hamburg 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 item I-A-09 is a material weakness.

Compliance and Other Matters

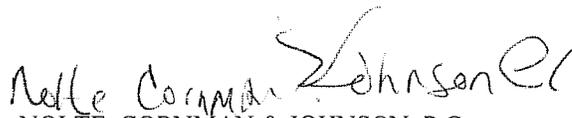
As part of obtaining reasonable assurance about whether Hamburg Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Hamburg Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Hamburg 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 Hamburg Community School District and other parties to whom Hamburg Community School District may report, including federal awarding agencies and pass-through entities. 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 Hamburg 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.


NOLTE, CORNMAN & JOHNSON, P.C.

March 24, 2010

HAMBURG COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2009

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

I-A-09 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

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

Response - New policies and procedures were set up to strengthen the internal control structure of the school accounting to include cash receipts listing, bank deposits and posting of cash receipts to the cash journal. Procedures were implemented to restructure how monies would be received, documented, deposited and posted. All monies received for school lunches, extra-curricular activity (including, but not limited to, athletic functions, school plays, etc.) book fees and tuition fees are collected by the Elementary and Secondary school secretaries. The school secretaries receipt and deposit the money. Deposit ledger and deposit receipts are then provided to the Business Manager to post to the cash journal. This procedure has strengthened the internal controls of the school accounting system.

Conclusion - Response acknowledged. An independent individual should compare the deposits to the posted receipts. In addition, the numerical sequence of the receipts issued should be monitored and reviewed to ensure that all receipts issued are included in the deposit by an independent individual.

CONTROL DEFICIENCIES:

I-B-09 Reliable Financial Statements - Iowa School Districts are required to record the financial records on a GAAP Basis of Accounting. The financial records are normally converted at year end, after a year of cash based records. The recognition of receivables, payables, inventory, long-term debt recognition and depreciation of capital assets are all pieces which the accounting personnel is expected to be completing. The individuals performing the accounting function needs to be well trained in all areas to be effective in completing the Certified Annual Report. The Iowa Association of School Business Officials provides training to its members as does the Department of Education and Software Unlimited. This training helps in providing instruction as well as promotes networking of other accounting personnel. The District's records required numerous end of year adjustments. There were no end of year adjustments made to the Nutrition Fund to convert the financial statements to GAAP basis.

Recommendation - The maintenance of reliable accounting records has and continues to be important in every district. The necessity of the numerous adjustments for the financial statements may indicate that additional training is necessary for the accounting

personnel. The District should consider sending their accounting staff to end-of-year training in an effort to provide more reliable financial statements.

Response - The former Business Manager was removed and her position was changed. She has left employment with the District. The current Business Manager has six years of experience and graduated from the IASBO Academy in 2005. She currently is shared with the Farragut School District. Her financial statements are clear, concise, and easy to read.

Conclusion - Response acknowledged.

I-C-09 Grants - We noted during our audit, that when expenditures for specific projects were posted they were not always properly posted to those projects.

Recommendation - The District should review the coding of bills, to ensure that all bills paid for a specific grant or project are properly coded. The project numbers may be obtained from the Uniform Financial Accounting for Iowa LEAs and AEAs. The proper coding also allows the district to maintain accountability of the grants by matching the revenues to the expenditures.

Response - The District will use the recommendations provided. The new Business Manager currently uses these procedures.

Conclusion - Response accepted.

I-D-09 Sponsor Procedures - During our audit it was noted that sponsors were not turning in collected receipts to the central office for deposit in a timely manner. It was noted that some receipts were held by sponsors for up to five months. It appeared that some sponsors maintained the cash collection in their office/classroom until they had time to turn the funds into the office or until all the funds were collected. We noted that once collected at the office, these were handled in a comparable manner as receipts directly delivered to the office, where receipts are given and deposited. The copies of the receipts issued at the buildings are provided to the central office for posting and reconciling the bank statement. There does not appear to be controls in place to document monies collected and turned in from sponsors to be reconciled to the actual deposits.

The breakdown of control procedures for the receipting process becomes apparent as the sponsor maintains the collected revenue. The maintenance of the undeposited funds in the office/classroom provides a risk of loss due to possible theft, improper use or loss, as well as lack of reporting of the funds. The District is required to maintain records for the Student Activity Fund.

Recommendation - The District actually maintains multiple layers of receipting from sponsors, to the building office, to the central office. When sponsors or fundraising chairpersons submit money to the office for previously collected receipts, they should provide documentation of their receipts. The District should take necessary steps to require all sponsors to turn in collected money on a timely basis with a detailed receipt or another form of detailed documentation. This detailed documentation should at a minimum include the individual that the sponsor received the money from, the purpose, the fund/organization/club that needs to be credited, the date and amount. The central office should receive invoices from the vendor directly. If the sponsor does receive invoices from the sponsor, then the sponsor should get them to the central office in a more timely manner.

Response - We will follow the recommendation provided.

Conclusion - Response accepted.

I-E-09 Gate Admissions - During our audit we noted that the District doesn't utilize pre-numbered tickets for all events that require admission.

Recommendation - The District should have internal control procedures established for handling cash for all activity events, including athletic events and communicate the policies and procedures to individuals involved. The Board would of course, approve any policies and the District's business office should be involved in developing the detailed procedures. At a minimum these procedures should include:

- a. Cash or change boxes should be established with a specified amount.
- b. The District should use pre-numbered tickets.
- c. Two or more individuals should be involved in the cash collection/ticket sales process. In addition to cash collection/ticket sales procedures, the individuals should be instructed to not leave the cash/change boxes unattended under any circumstances.
- d. At the end of the event, cash should be counted and reconciled (by two or more individuals) to sales/pre-numbered tickets sold including the amount of the beginning cash.
- e. To reconcile, the next unsold ticket number less the beginning ticket number determines the number of tickets sold. This number times the price per ticket equals total sales. Total sales compared to total collected should reconcile. Variances, if any should be minimal.
- f. A reconciliation form should be completed and signed off by the individuals responsible for counting and reconciling cash.
- g. The cash and change box should be turned into the Athletic Director (AD) or designee responsible for the "accounting" of the event.
- h. The AD or designee should be required to take the cash collections to the night depository at the bank or at a minimum, lock the cash collections in the District's vault or other secure location at the District's office for deposit on the next working day. District procedures should prohibit individuals from taking cash collections home.
- i. A pre-numbered receipt should be issued by the Business Office the next working day in the amount of the confirmed deposit.
- j. Administrative personnel should periodically review/test the process to ensure procedures are working as prescribed.

Response - Each cash box will begin with an established amount of cash (\$200). A minimum of two individuals will be responsible for gate collection and will be instructed in writing, not to leave the cash box unattended for any amount of time for any reason.

Pre-numbered tickets will be utilized to document each entry fee. At the end of the event the cash box will be counted and reconciled to the number of tickets sold. The next unsold ticket, less the beginning ticket number will determine the number of tickets sold. The number of tickets sold times the price of the ticket will determine the amount of cash at the end of the event, less the established beginning cash amount.

The cash will be reconciled and signed off for by the individuals responsible for the gate collection. Following the event the cash box is turned into the Event Administrator who secures the box in a locked cabinet until the following business day.

At that time, the cash box will be reconciled to match the tickets sold once again in the business office. The school secretary receipts the cash and any checks received in a pre-number receipt book. The cash and checks are then prepared for deposit and deposited by someone other than the school secretary. The pre-numbered receipt, tickets sold, and the reconciled signoff sheet will be filed with the deposit slip and cash receipt report from our accounting software.

Conclusion - Response accepted.

- I-F-09 Supporting Documents for Meal Reimbursements - During our audit we noted instances of meal reimbursements which lacked a detailed receipt for supporting documentation.

Recommendation - The District has a policy in place stating that employees seeking reimbursement must turn in detailed receipts for all actual and necessary travel expenses. The District should follow their policy and require receipts before expenses are reimbursed.

Response - All employees will be required to hand in detailed receipts for expenses that will be reimbursed.

Conclusion - Response accepted.

- I-G-09 Payroll Procedures - We noted during our audit that the District did not maintain documentation on hours worked by coaches and non-certified staff for wage and hour purposes, as required by the Department of Labor.

We also noted during our audit that the District had employees officiate athletic events and did not run those services through payroll.

Recommendation - The District should require documentation of hours worked for coaches who are not exempt. The District should monitor for minimum wage as well as overtime. The District should also run services provided by employees for athletic events through the District's payroll system so the wage can be subjected to the appropriate payroll taxes.

Response - The District will follow the recommendation provided.

Conclusion - Response accepted.

- I-H-09 Scholarship Awards - We noted that when scholarships were awarded to the student, the check was being written directly to the student.

Recommendation - The District should write scholarship checks to the trade school/university the student is attending once that student has supplied adequate documentation to the District that the student is attending a trade school/university.

Response - The District will require scholarship award recipients to provide proper documentation of attendance to the trade school/university and the address and contact information for the trade school/university's business office. Scholarship checks will be made out to and mailed directly to the trade school/university's business office.

Conclusion - Response accepted.

HAMBURG COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2009

Part II: Other Findings Related to Required Statutory Reporting:

II-A-09 Certified Budget - District expenditures for the year ended June 30, 2009 exceeded the amount budgeted in the instruction and non-instructional programs functional areas.

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

Response - The District will monitor expenses and avoid exceeding budgeted amounts.

Conclusion - Response accepted.

II-B-09 Questionable Disbursements - We noted no expenditures that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-C-09 Travel Expense - 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.

II-D-09 Business Transactions - Business transactions between the District and District officials are noted as follows:

Name, Title and Business Connection	Transaction Description	Amount
Luke Miller, Teacher	Painting services	\$1,814

According to Attorney General's Opinion dated July 2, 1990 the above transactions with the bus teacher do not appear to represent a conflict of interest.

II-E-09 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-09 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

II-G-09 Certified Enrollment - We noted that the number of resident students reported to the Iowa Department of Education on line 1 of the Certified Enrollment Certification Form for October 2008 was overstated by 17.0 students.

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

Response - We will contact the Iowa Department of Education and the Department of Management .

Conclusion - Response accepted.

II-H-09 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

II-I-09 Certified Annual Report - The Certified Annual Report was not filed with the Department of Education timely.

Recommendation - In the future, the District should ensure the Certified Annual Report is certified in a timely manner.

Response - The new Business Manager will file the Certified Annual Report in a timely manner.

Conclusion - Response accepted.

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

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

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

Beginning Balance	\$	0
Statewide sales and services tax revenue		165,246
Expenditures/transfers out:		0
Ending balance	\$	<u>165,246</u>

II-L-09 Financial Condition - The District had a deficit undesignated fund balance of \$235,296 in the General Fund and deficit unrestricted net assets in the governmental activities of \$162,235. The District also had several deficit accounts in the Special Revenue, Student Activity Fund totaling \$19,981.

Recommendation - The District should continue to monitor these fund balances and investigate alternatives to eliminate the deficit. The District should also review purchase approval procedures for the Student Activity Fund and may wish to require additional approval before ordering goods or services from these accounts.

Response - The District will monitor fund balances and investigate alternatives to eliminate the deficit. The District has a new purchase order system for all accounts. Purchase orders must be signed by the building principal before getting a number and signature from the superintendent. There are no exceptions to this rule.

Conclusion - Response accepted.

II-M-09 PPEL Expenditures - We noted that the District is currently making purchases from Special Revenue, Physical Plant and Equipment Levy(PPEL) Fund which do not appear to be in compliance with Chapter 298.3 of the Code of Iowa. The District purchased furniture under the \$500/unit threshold, which is not allowable from the PPEL Fund.

Recommendation - The District should review Chapter 298.3 of the Code of Iowa to ensure that purchases made from this fund are compliant. The District should make a corrective transfer from the General Fund to the PPEL Fund in the amount of \$2,715.80 to cover this expense.

Response - The District will review the code and replace the funds.

Conclusion - Response accepted.

- II-N-09 Supporting Documents for Payments to Officials - We noted during the audit that payments were made to athletic officials from the Student Activity Fund, however, there were not always copies of the contracts with the paid bills.

Recommendation - Pursuant to a valid contractual agreement between the school board and the officials, which includes terms and conditions for payment and compliance with Chapters 279.29 and 279.30 of the Code of Iowa, officials could be paid after the service has been rendered. For non-contract officials or substitute officials, payment should be made after services have been rendered and audited and allowed similar to other vendor payments. The district should have a policy and (athletic) officials should be informed that payment will be made in this manner unless a valid contract exists. Copies of the signed contracts should be supplied to the accounting staff before checks are issued. The signed contract should then be kept with the paid bills.

Response - The District will follow the recommendation provided.

Conclusion - Response accepted.

- II-O-09 Officiating Contracts - We noted during our audit that the Board President was not signing Activity Fund officiating contracts. According to 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

Recommendation - The District should have the Board President sign all contracts entered into by the District.

Response - The District will follow the recommendation provided.

Conclusion - Response accepted.

- II-P-09 Checks Outstanding - We noted during our audit that the District had checks included in the bank reconciliations that have been outstanding for over a year.

Recommendation - The District needs to determine if the checks need to be voided, reissued or submitted to the State Treasurer as unclaimed property. Per Chapter 556.1(10) and 556.11 of the Code of Iowa the District is required to report unclaimed property to the State Treasurer annually before November 1st.

Response - The District will follow the recommendation provided.

Conclusion - Response accepted.

- II-Q-09 Student Activity Fund - During our audit issues arose about the properness of certain accounts or certain receipts and expenditures collected/paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. The student activity fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales,

textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the cocurricular program defined in department of education administrative rules (298A.8). Fundraisers and donations made to the school should be recorded in the fund in which they could be expended from. More specific examples of these instances are as follows:

We noted that the District holds several fundraisers within the Activity Fund, however we noted that the Board has not been approving those fundraisers.

Recommendation - The purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for the students established under Iowa Administrative Code 281-12.6(1). The District should review the propriety of receipts and expenditures that are recorded in the Student Activity Fund. It would appear that some of the accounts appear to be more administratively maintained in nature, rather than maintained by a club or organization. Therefore, they need to be corrected or transferred to the proper fund where these monies can be receipted and expended.

Response - The District will follow the recommendation provided and have the Board approve all fundraisers.

Conclusion - Response accepted.