

HINTON COMMUNITY SCHOOL DISTRICT

Hinton, Iowa

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Independent Auditor's Reports  
Basic Financial Statements and Supplemental Information  
Schedule of Findings

June 30, 2009

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HINTON COMMUNITY SCHOOL DISTRICT

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Education of  
Hinton 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 Hinton Community School District (the District), Hinton, 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 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 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 January 15, 2010, on our consideration of the 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.



KING, REINSCH, PROSSER & CO., L.L.P.  
Certified Public Accountants

To the Board of Education of  
Hinton Community School District

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 10 and 34 and 35 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, 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 the District's basic financial statements. Other supplementary information included in Schedules 1 through 5 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.

January 15, 2010  
Sioux City, Iowa

*King, Reinsch, Prosser & Co., L.L.P.*

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Hinton Community School District (the 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 \$5,438,572 in fiscal 2008 to \$5,802,617 in fiscal 2009, while General Fund expenditures increased from \$5,460,659 in fiscal 2008 to \$5,922,423 in fiscal 2009. The District's General Fund balance decreased from \$825,558 in fiscal 2008 to \$705,752 in fiscal 2009, a 14.5% decrease.
- The increase in General Fund revenues was primarily attributable to higher levied tax rates and property valuations while state sources for teacher quality monies had higher amounts allotted to the District.
- The increase in General Fund expenditures was primarily attributable to the addition of staff with the intent of maintaining small class sizes.

### **Using This Annual Report**

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

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.
- The Government-Wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of the District as a whole and present an overall view of the District's finances.
- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statement provides financial information about activities for which the District acts solely as an agent or custodian for the benefit of those outside of the District.

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

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

Other Supplementary Information provides detailed information about the nonmajor Special Revenue Funds.

## **Reporting the District's Financial Activities**

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

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

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

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

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

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

The District has three kinds of funds.

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

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

2. **Proprietary Funds** - Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities but provide more detail and additional information, such as cash flows. The District currently has three Enterprise Funds, the School Nutrition Fund, the Before and After School Program, and the Child/Adult Care Food Program.

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

3. **Fiduciary Funds** - These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures

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 includes a statement of 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-1 below provides a summary of the District's net assets at June 30, 2009 and 2008.

Figure A-1 (In Thousands)  
Condensed Statement of Net Assets

	Governmental Activities		Business Type Activities		Total District		Total Percentage Change
	2009	2008	2009	2008	2009	2008	2008-2009
Current and other assets	\$ 4,997	\$ 4,129	\$ 67	\$ 73	\$ 5,064	\$ 4,202	20.5%
Capital assets, net	4,537	4,521	49	50	4,586	4,571	0.3%
Total assets	\$ 9,534	\$ 8,650	\$ 116	\$ 123	\$ 9,650	\$ 8,773	10.0%
Long-term liabilities	\$ 1,689	\$ 974	\$ -	\$ -	\$ 1,689	\$ 974	73.4%
Other liabilities	2,760	2,454	24	21	2,784	2,475	12.5%
Total liabilities	\$ 4,449	\$ 3,428	\$ 24	\$ 21	\$ 4,473	\$ 3,449	29.7%
Net assets:							
Invested in capital assets, net of related debt	\$ 3,742	\$ 3,606	\$ 49	\$ 50	\$ 3,791	\$ 3,656	3.7%
Restricted	640	790	-	-	640	790	-19.0%
Unrestricted	703	826	43	52	746	878	-15.0%
Total net assets	\$ 5,085	\$ 5,222	\$ 92	\$ 102	\$ 5,177	\$ 5,324	-2.8%

The largest portion of the District's net assets is the invested in capital assets (e.g., land, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources from the debt service fund which is funded by a separate tax levy and local option sales tax revenue.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased approximately \$150,000, or 19% over the prior year. The decrease was primarily a result of increased long-term liabilities for early retirement.

During 2009, the District issued a general obligation capital note totaling \$650,000 to purchase land for the purpose of constructing a new elementary school. These proceeds were received; however, the land was purchased subsequent to June 30, 2009.

The unrestricted net assets are available for the day to day District operations and are not subject to constraints established by debt covenants, enabling legislation or other legal requirements.

Figure A-2 shows the changes in net assets for the years ended June 30, 2009 and 2008.

Figure A-2 (In Thousands)  
Change in Net Assets

	Governmental Activities		Business Type Activities		Total District		Total Percentage Change
	2009	2008	2009	2008	2009	2008	2008-2009
Revenues:							
Program revenues:							
Charges for services	\$ 1,310	\$ 1,248	\$ 313	\$ 294	\$ 1,623	\$ 1,542	5.3%
Operating grants, contributions and restricted interest	789	642	81	77	870	719	21.0%
General revenues:							
Property tax	1,835	1,746	-	-	1,835	1,746	5.1%
Unrestricted state grants	2,126	2,111	-	-	2,126	2,111	0.7%
Unrestricted investment earnings	40	70	1	2	41	72	-43.1%
Local surtax	248	261	-	-	248	261	-5.0%
Local option sales tax	366	329	-	-	366	329	11.2%
Other	71	67	-	-	71	67	6.0%
Total revenues	<u>\$ 6,785</u>	<u>\$ 6,474</u>	<u>\$ 395</u>	<u>\$ 373</u>	<u>\$ 7,180</u>	<u>\$ 6,847</u>	<u>4.9%</u>
Program expenses:							
Instruction	\$ 4,568	\$ 4,228	\$ -	\$ -	\$ 4,568	\$ 4,228	8.0%
Support services	2,097	1,757	-	-	2,097	1,757	19.4%
Non-instructional programs	-	-	404	396	404	396	2.0%
Other expenses	257	226	-	-	257	226	13.7%
Total expenses	<u>\$ 6,922</u>	<u>\$ 6,211</u>	<u>\$ 404</u>	<u>\$ 396</u>	<u>\$ 7,326</u>	<u>\$ 6,607</u>	<u>10.9%</u>
Change in net assets	<u>\$ (137)</u>	<u>\$ 263</u>	<u>\$ (9)</u>	<u>\$ (23)</u>	<u>\$ (146)</u>	<u>\$ 240</u>	<u>-160.8%</u>

Property tax and unrestricted state grants account for 55.2% of the total revenue (56.3% in 2008). The District's expenses primarily relate to instruction and support services, which account for 91.0% of the total expenses (90.6% in 2008).

Governmental Activities - Revenues for governmental activities were \$6,784,996 and expenses were \$6,922,279. Governmental activities revenue increased over 2008, however not enough to match the increased expenses primarily as a result of the addition of staff to meet the current and future needs of students and the large increase in support services due to increased early retirement benefits.

The following table presents the total and net cost of the District's major governmental activities for the years ended June 30, 2009 and 2008: instruction, support services, non-instructional programs and other expenses.

Figure A-3 (In Thousands)  
Total and Net Cost of Governmental Activities

	Total Cost of Services		Percent	Net Cost of Services		Percent
	2009	2008	Change	2009	2008	Change
			2008-2009			2008-2009
Instruction	\$ 4,568	\$ 4,228	8.0%	\$ 2,682	\$ 2,536	5.8%
Support services	2,097	1,757	19.4%	2,087	1,750	19.3%
Other expenses	257	226	13.7%	54	35	54.3%
<b>Totals</b>	<b>\$ 6,922</b>	<b>\$ 6,211</b>	<b>11.4%</b>	<b>\$ 4,823</b>	<b>\$ 4,321</b>	<b>11.6%</b>

- The cost financed by users of the District's programs was \$1,310,389 (\$1,248,328 in 2008).
- Federal and state governments subsidized certain programs with grants and contributions totaling \$788,669 (\$642,182 in 2008).
- The net cost of governmental activities was financed with \$2,448,614 in property and other taxes (\$2,336,335 in 2008) and \$2,125,437 in unrestricted state grants (\$2,110,460 in 2008).

Business Type Activities - Revenues for business type activities were \$395,095 (\$372,850 in 2008) and expenses were \$404,129 (\$395,974 in 2008). The District's business type activities include the School Nutrition, Before and After School Program and Child/Adult Care Food Program. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income. Revenue and expense increases were attributable to higher participation in the programs and normal cost increases.

**Governmental Fund Analysis**

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$2,252,457, well above last year's ending fund balances of \$1,692,374. However, the primary reason for the increase in combined fund balances at the end of 2009 is due to \$650,000 of unexpended general obligation capital loan note proceeds received in fiscal 2009. The District's proprietary funds reported end of year net assets of \$92,470, below last year's ending fund balances of \$101,504.

### Governmental Fund Highlights

The District's General Fund balance decreased due to the addition of staff therefore increasing the quality of education currently and maintaining it in the future.

The Capital Projects Fund balance increase was due to decreased expenditures in anticipation of new bonds requiring future outlays of the statewide sales and service tax and large expenditures associated with a new elementary school.

The Special Revenue, Physical Plant and Equipment Levy Fund Balance increased due to proceeds from long-term debt to be used to purchase land for future construction projects.

### Proprietary Fund Highlights

Proprietary fund net assets decreased \$9,034 from \$101,504 in 2008 to \$92,470 in 2009 due to adjustments in fee schedules not keeping up with increased costs.

### Budgetary Highlights

The District amended its budget one time for instruction, support and other instruction programs due to the additional staff hired to maintain small class sizes and in anticipation of the purchase of land for future construction projects.

### Capital Assets and Debt Administration

Capital Assets - At June 30, 2009, the District had invested \$4,585,950, 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-4) More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expense for the year was \$266,844.

The original cost of the District's capital assets was \$8,117,128. Governmental funds account for \$8,033,606, with the remainder of \$83,522 accounted for in the Proprietary, School Nutrition Fund and Before and After School Program.

Figure A-4 (In Thousands)  
Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Percent
	2009	2008	2009	2008	2009	2008	Change
Land	\$ 227	\$ 227	\$ -	\$ -	\$ 227	\$ 227	0.0%
Construction in progress	32	15	-	-	32	15	113.3%
Buildings	2,822	2,870	-	-	2,822	2,870	-1.7%
Improvements other than buildings	787	695	-	-	787	695	13.2%
Furniture and equipment	669	714	49	50	718	764	-6.0%
Totals	<u>\$ 4,537</u>	<u>\$ 4,521</u>	<u>\$ 49</u>	<u>\$ 50</u>	<u>\$ 4,586</u>	<u>\$ 4,571</u>	<u>0.3%</u>

Long-Term Debt - At June 30, 2009, the District had outstanding \$795,000 in school infrastructure sales and services tax revenue bonds, \$650,000 in general obligation capital loan notes, and \$243,921 early retirement payable for total long-term debt of \$1,688,921. Additional information about the District's long-term debt is presented in Note 4 to the financial statements.

Figure A-5 (In Thousands)  
 Outstanding Long-Term Obligations

	Total District		Total
	June 30		Change
	2009	2008	June 30
General obligation capital loan note	\$ 650	\$ -	100.0%
School infrastructure sales and services tax revenue bonds	795	915	-13.1%
Early retirement	244	59	313.6%
Total	\$ 1,689	\$ 974	73.4%

**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 affect its financial health in the future:

- The statewide one (1) percent sales and service tax will continue to provide revenue for capital repairs and improvements, but at a lesser level than in the past due to statewide economic conditions.
- American Recovery and Reinvestment Act of 2009 (ARRA) funds are being used in the District to help save jobs that would have been affected by the reduction in state aid. The District is well aware of the "funding cliff" in 2011 when these funds are exhausted.
- The State of Iowa has seen a reduction in revenue, which has filtered down to school districts. The Governor has proposed a 10 percent across the board cut to funding for the 2009-2010 school year. This cut will be carried over to following school years. Tough financial times are predicted through fiscal year 2013. Loss in funding has lead the District to plan to reinstate the Instructional Support Levy by 2011.

**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 Paula Schreck, District Business Manager, Hinton Community School District, P.O. Box 128, 315 W. Grand, Hinton, Iowa 51024.

# **BASIC FINANCIAL STATEMENTS**

## HINTON COMMUNITY SCHOOL DISTRICT

## STATEMENT OF NET ASSETS

JUNE 30, 2009

<u>ASSETS</u>	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Cash and cash equivalents	\$ 2,778,645	\$ 64,125	\$ 2,842,770
Receivables:			
Property tax:			
Current year	79,463	-	79,463
Succeeding year	2,081,772	-	2,081,772
Accounts	41,907	1,225	43,132
Due from other governments	12,464	-	12,464
Inventories	2,423	2,078	4,501
Capital assets, net of accumulated depreciation	<u>4,536,873</u>	<u>49,077</u>	<u>4,585,950</u>
 Total assets	 <u>\$ 9,533,547</u>	 <u>\$ 116,505</u>	 <u>\$ 9,650,052</u>
 <u>LIABILITIES</u>			
Accounts payable	\$ 76,736	\$ 441	\$ 77,177
Salaries and benefits payable	567,226	17,165	584,391
Accrued interest payable	15,610	-	15,610
Deferred revenue - succeeding year property tax	2,081,772	-	2,081,772
Deferred revenue - other	18,483	6,429	24,912
Long-term liabilities:			
Portion due within one year:			
Early retirement payable	35,156	-	35,156
School infrastructure sales and services tax revenue bonds payable	120,000	-	120,000
General obligation capital loan note	80,000	-	80,000
Portion due after one year:			
Early retirement payable	208,765	-	208,765
School infrastructure sales and services tax revenue bonds payable	675,000	-	675,000
General obligation capital loan note	<u>570,000</u>	<u>-</u>	<u>570,000</u>
Total liabilities	<u>\$ 4,448,748</u>	<u>\$ 24,035</u>	<u>\$ 4,472,783</u>
 <u>NET ASSETS</u>			
Invested in capital assets, net of related debt	\$ 3,741,873	\$ 49,077	\$ 3,790,950
Restricted for:			
Categorical funding	3,096	-	3,096
Capital projects	248,404	-	248,404
Other special revenue purposes	147,020	-	147,020
Debt service	241,750	-	241,750
Unrestricted	<u>702,656</u>	<u>43,393</u>	<u>746,049</u>
Total net assets	<u>\$ 5,084,799</u>	<u>\$ 92,470</u>	<u>\$ 5,177,269</u>
 Total liabilities and net assets	 <u>\$ 9,533,547</u>	 <u>\$ 116,505</u>	 <u>\$ 9,650,052</u>

See notes to financial statements.

HINTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2009

		<u>Program Revenues</u>		
		<u>Charges</u>	<u>Operating</u>	<u>Capital</u>
	<u>Expenses</u>	<u>for Service</u>	<u>Grants,</u>	<u>Grants,</u>
			<u>Contributions</u>	<u>Contributions</u>
			<u>and Restricted</u>	<u>and Restricted</u>
			<u>Interest</u>	<u>Interest</u>
<b>FUNCTIONS/PROGRAMS:</b>				
Governmental activities:				
Instruction:				
Regular instruction	\$ 3,464,419	\$ 941,134	\$ 513,986	\$ -
Special instruction	493,371	84,900	55,586	-
Other instruction	<u>610,085</u>	<u>283,996</u>	<u>6,141</u>	<u>-</u>
	<u>\$ 4,567,875</u>	<u>\$ 1,310,030</u>	<u>\$ 575,713</u>	<u>\$ -</u>
Support services:				
Student services	\$ 241,222	\$ -	\$ -	\$ -
Instructional staff services	122,819	-	-	-
Administration services	1,007,505	-	-	-
Operation and maintenance of plant services	414,847	359	-	-
Transportation services	<u>310,502</u>	<u>-</u>	<u>9,253</u>	<u>-</u>
	<u>\$ 2,096,895</u>	<u>\$ 359</u>	<u>\$ 9,253</u>	<u>\$ -</u>
Other expenses:				
Facilities acquisition	\$ 22,586	\$ -	\$ -	\$ -
Long-term debt interest	31,220	-	-	-
AEA flow through	<u>203,703</u>	<u>-</u>	<u>203,703</u>	<u>-</u>
	<u>\$ 257,509</u>	<u>\$ -</u>	<u>\$ 203,703</u>	<u>\$ -</u>
Total governmental activities	<u>\$ 6,922,279</u>	<u>\$ 1,310,389</u>	<u>\$ 788,669</u>	<u>\$ -</u>
Business type activities:				
Non-instructional programs:				
Food service operations	\$ 277,359	\$ 191,382	\$ 81,341	\$ -
Before and after school program	27,139	20,314	-	-
Child/Adult care food program	<u>99,631</u>	<u>100,747</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 7,326,408</u>	<u>\$ 1,622,832</u>	<u>\$ 870,010</u>	<u>\$ -</u>
<b>GENERAL REVENUES:</b>				
Property tax levied for:				
General purposes				
Management levy				
Physical plant and equipment levy				
Unrestricted state grants				
Unrestricted investment earnings				
Local surtax				
Statewide sales and service tax				
Other				
Total general revenues				
Change in net assets				
Net assets beginning of year				
Net assets end of year				

See notes to financial statements.

Net (Expense) Revenue  
and Changes in Net Assets

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<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
\$ (2,009,299)	\$ -	\$ (2,009,299)
(352,885)	-	(352,885)
<u>(319,948)</u>	<u>-</u>	<u>(319,948)</u>
<u>\$ (2,682,132)</u>	<u>\$ -</u>	<u>\$ (2,682,132)</u>
\$ (241,222)	\$ -	\$ (241,222)
(122,819)	-	(122,819)
(1,007,505)	-	(1,007,505)
(414,488)	-	(414,488)
<u>(301,249)</u>	<u>-</u>	<u>(301,249)</u>
<u>\$ (2,087,283)</u>	<u>\$ -</u>	<u>\$ (2,087,283)</u>
\$ (22,586)	\$ -	\$ (22,586)
(31,220)	-	(31,220)
<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ (53,806)</u>	<u>\$ -</u>	<u>\$ (53,806)</u>
\$ (4,823,221)	\$ -	\$ (4,823,221)
\$ -	\$ (4,636)	\$ (4,636)
-	(6,825)	(6,825)
<u>-</u>	<u>1,116</u>	<u>1,116</u>
<u>\$ (4,823,221)</u>	<u>\$ (10,345)</u>	<u>\$ (4,833,566)</u>
\$ 1,580,471	\$ -	\$ 1,580,471
103,850	-	103,850
150,686	-	150,686
2,125,437	-	2,125,437
40,417	1,311	41,728
247,461	-	247,461
366,146	-	366,146
<u>71,473</u>	<u>-</u>	<u>71,473</u>
<u>\$ 4,685,941</u>	<u>\$ 1,311</u>	<u>\$ 4,687,252</u>
\$ (137,280)	\$ (9,034)	\$ (146,314)
5,222,079	101,504	5,323,583
<u>\$ 5,084,799</u>	<u>\$ 92,470</u>	<u>\$ 5,177,269</u>

HINTON COMMUNITY SCHOOL DISTRICTBALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2009

	<u>General</u>	<u>Physical Plant and Equipment Levy</u>	<u>Capital Projects</u>	<u>Nonmajor Special Revenue</u>	<u>Total</u>
<u>ASSETS</u>					
Cash and pooled investments	\$ 1,282,439	\$ 766,912	\$ 309,958	\$ 419,336	\$ 2,778,645
Receivables:					
Property tax:					
Current year	17,278	1,590	59,446	1,149	79,463
Succeeding year	1,883,695	158,076	-	40,001	2,081,772
Accounts	41,421	-	-	486	41,907
Due from other governments	12,464	-	-	-	12,464
Inventories	-	-	-	2,423	2,423
	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,423</u>	<u>2,423</u>
Total assets	<u>\$ 3,237,297</u>	<u>\$ 926,578</u>	<u>\$ 369,404</u>	<u>\$ 463,395</u>	<u>\$ 4,996,674</u>
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities:					
Accounts payable	\$ 62,141	\$ 11,395	\$ -	\$ 3,200	\$ 76,736
Salaries and benefits payable	567,226	-	-	-	567,226
Deferred revenue:					
Other	18,483	-	-	-	18,483
Succeeding year property tax	<u>1,883,695</u>	<u>158,076</u>	<u>-</u>	<u>40,001</u>	<u>2,081,772</u>
Total liabilities	<u>\$ 2,531,545</u>	<u>\$ 169,471</u>	<u>\$ -</u>	<u>\$ 43,201</u>	<u>\$ 2,744,217</u>
Fund balances:					
Reserved for:					
Categorical funding	\$ 3,096	\$ -	\$ -	\$ -	\$ 3,096
Debt service	-	-	121,000	136,360	257,360
Unreserved	<u>702,656</u>	<u>757,107</u>	<u>248,404</u>	<u>283,834</u>	<u>1,992,001</u>
Total fund balances	<u>\$ 705,752</u>	<u>\$ 757,107</u>	<u>\$ 369,404</u>	<u>\$ 420,194</u>	<u>\$ 2,252,457</u>
Total liabilities and fund balances	<u>\$ 3,237,297</u>	<u>\$ 926,578</u>	<u>\$ 369,404</u>	<u>\$ 463,395</u>	<u>\$ 4,996,674</u>

HINTON 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	\$ 2,252,457
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	4,536,873
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(15,610)
Long-term liabilities, including bonds payable and early retirement, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(1,688,921)</u>
Net assets of governmental activities	<u>\$ 5,084,799</u>

## HINTON COMMUNITY SCHOOL DISTRICT

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -

## GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2009

	<u>General</u>	Physical Plant and Equipment <u>Levy</u>	Capital <u>Projects</u>	Nonmajor Special <u>Revenue</u>	<u>Total</u>
Revenues:					
Local sources:					
Local tax	\$ 1,827,932	\$ 150,686	\$ 366,146	\$ 103,850	\$ 2,448,614
Tuition	974,514	-	-	-	974,514
Other	67,587	2,554	4,003	355,140	429,284
State sources	2,778,873	-	-	-	2,778,873
Federal sources	153,711	-	-	-	153,711
Total revenues	<u>\$ 5,802,617</u>	<u>\$ 153,240</u>	<u>\$ 370,149</u>	<u>\$ 458,990</u>	<u>\$ 6,784,996</u>
Expenditures:					
Current:					
Instruction:					
Regular instruction	\$ 3,314,258	\$ -	\$ -	\$ 86,700	\$ 3,400,958
Special instruction	491,428	-	-	-	491,428
Other instruction	272,680	-	-	326,651	599,331
	<u>\$ 4,078,366</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 413,351</u>	<u>\$ 4,491,717</u>
Support services:					
Student services	\$ 231,566	\$ -	\$ -	\$ -	\$ 231,566
Instructional staff services	34,378	-	-	83,524	117,902
Administration services	719,838	-	-	-	719,838
Operation and maintenance of plant services	356,499	-	-	-	356,499
Transportation services	298,073	-	-	-	298,073
	<u>\$ 1,640,354</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 83,524</u>	<u>\$ 1,723,878</u>
Other expenditures:					
Facilities and equipment acquisition	\$ -	\$ 183,913	\$ 118,622	\$ -	\$ 302,535
Long-term debt:					
Principal	-	-	-	120,000	120,000
Interest and fiscal charges	-	-	-	33,080	33,080
AEA flow through	203,703	-	-	-	203,703
	<u>\$ 203,703</u>	<u>\$ 183,913</u>	<u>\$ 118,622</u>	<u>\$ 153,080</u>	<u>\$ 659,318</u>
Total expenditures	<u>\$ 5,922,423</u>	<u>\$ 183,913</u>	<u>\$ 118,622</u>	<u>\$ 649,955</u>	<u>\$ 6,874,913</u>
(Deficiency) excess of revenues (under) over expenditures	\$ (119,806)	\$ (30,673)	\$ 251,527	\$ (190,965)	\$ (89,917)
Other financing sources (uses):					
General obligation bonds issued	-	650,000	-	-	650,000
Transfers (to) from other funds	-	-	(149,022)	149,022	-
Total other financing sources (uses):	<u>\$ -</u>	<u>\$ 650,000</u>	<u>\$ (149,022)</u>	<u>\$ 149,022</u>	<u>\$ 650,000</u>
(Deficiency) excess of revenues and other financing sources (under) over expenditures	\$ (119,806)	\$ 619,327	\$ 102,505	\$ (41,943)	\$ 560,083
Fund balances beginning of year	<u>825,558</u>	<u>137,780</u>	<u>266,899</u>	<u>462,137</u>	<u>1,692,374</u>
Fund balances end of year	<u>\$ 705,752</u>	<u>\$ 757,107</u>	<u>\$ 369,404</u>	<u>\$ 420,194</u>	<u>\$ 2,252,457</u>

HINTON COMMUNITY SCHOOL DISTRICTRECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES ANDCHANGES IN FUND BALANCES - GOVERNMENTAL FUNDSTO THE STATEMENT OF ACTIVITIESYEAR ENDED JUNE 30, 2009

Net change in fund balances - total governmental funds	\$	560,083
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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 capitalized in the Statement of Net Activities and are expensed over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$	282,429	
Depreciation expense		<u>(266,844)</u>	15,585

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

Issued	\$	(650,000)	
Repaid		<u>120,000</u>	(530,000)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

1,860

Early retirement expenses reported in the Statement of Activities are measured by the amount incurred during the year. However, in the governmental funds, early retirement expenditures are measured by the amount actually paid.

(184,808)

Change in net assets of governmental activities	\$	<u>(137,280)</u>
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## HINTON COMMUNITY SCHOOL DISTRICT

## STATEMENTS OF NET ASSETS - PROPRIETARY FUNDS

JUNE 30, 2009

	<u>School Nutrition</u>	<u>Before and After School Program</u>	<u>Child/Adult Care Food Program</u>	<u>Total</u>
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 49,960	\$ 6,971	\$ 7,194	\$ 64,125
Accounts receivable	536	549	140	1,225
Inventories	2,078	-	-	2,078
Capital assets, net of accumulated depreciation	<u>48,663</u>	<u>414</u>	<u>-</u>	<u>49,077</u>
Total assets	<u>\$ 101,237</u>	<u>\$ 7,934</u>	<u>\$ 7,334</u>	<u>\$ 116,505</u>
<b>LIABILITIES:</b>				
Accounts payable	\$ 256	\$ 47	\$ 138	\$ 441
Salaries and benefits payable	14,608	-	2,557	17,165
Deferred revenue	<u>6,429</u>	<u>-</u>	<u>-</u>	<u>6,429</u>
Total liabilities	<u>\$ 21,293</u>	<u>\$ 47</u>	<u>\$ 2,695</u>	<u>\$ 24,035</u>
<b>NET ASSETS:</b>				
Invested in capital assets, net of related debt	\$ 48,663	\$ 414	\$ -	\$ 49,077
Unrestricted	<u>31,281</u>	<u>7,473</u>	<u>4,639</u>	<u>43,393</u>
Total net assets	<u>\$ 79,944</u>	<u>\$ 7,887</u>	<u>\$ 4,639</u>	<u>\$ 92,470</u>
Total liabilities and net assets	<u>\$ 101,237</u>	<u>\$ 7,934</u>	<u>\$ 7,334</u>	<u>\$ 116,505</u>

HINTON COMMUNITY SCHOOL DISTRICTSTATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS -PROPRIETARY FUNDSYEAR ENDED JUNE 30, 2009

	<u>School Nutrition</u>	<u>Before and After School Program</u>	<u>Child/Adult Care Food Program</u>	<u>Total</u>
Operating revenues:				
Local sources:				
Charges for service	\$ 191,382	\$ 20,314	\$ 100,747	\$ 312,443
Operating expenses:				
Non-instructional programs:				
Food service operations:				
Salaries	\$ 99,126	\$ 19,689	\$ 68,856	\$ 187,671
Benefits	24,198	3,759	17,850	45,807
Purchased services	4,737	-	-	4,737
Supplies	142,292	3,254	12,706	158,252
Miscellaneous	1,129	23	219	1,371
Depreciation	<u>5,877</u>	<u>414</u>	<u>-</u>	<u>6,291</u>
Total operating expenses	\$ 277,359	\$ 27,139	\$ 99,631	\$ 404,129
Operating income (loss)	\$ (85,977)	\$ (6,825)	\$ 1,116	\$ (91,686)
Non-operating revenues:				
Interest income	\$ 1,023	\$ 142	\$ 146	\$ 1,311
State sources	3,497	-	-	3,497
Federal sources	66,291	-	-	66,291
Food distribution	<u>11,553</u>	<u>-</u>	<u>-</u>	<u>11,553</u>
Total non-operating revenues	\$ 82,364	\$ 142	\$ 146	\$ 82,652
Change in net assets	\$ (3,613)	\$ (6,683)	\$ 1,262	\$ (9,034)
Net assets beginning of year	<u>83,557</u>	<u>14,570</u>	<u>3,377</u>	<u>101,504</u>
Net assets end of year	<u>\$ 79,944</u>	<u>\$ 7,887</u>	<u>\$ 4,639</u>	<u>\$ 92,470</u>

## HINTON COMMUNITY SCHOOL DISTRICT

## STATEMENTS OF CASH FLOWS - PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2009

	<u>School Nutrition</u>	<u>Before and After School Program</u>	<u>Child/Adult Care Food Program</u>	<u>Total</u>
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 190,846	\$ -	\$ -	\$ 190,846
Cash received from before/after school parent payments	-	20,680	-	20,680
Cash received from child/adult care food program payments	-	-	100,743	100,743
Cash paid to employees for services	(120,876)	(23,448)	(86,558)	(230,882)
Cash paid to suppliers for goods or services	(136,576)	(3,277)	(13,144)	(152,997)
Net cash (used by) provided by operating activities	<u>\$ (66,606)</u>	<u>\$ (6,045)</u>	<u>\$ 1,041</u>	<u>\$ (71,610)</u>
Cash flows from non-capital financing activities:				
State grants received	\$ 3,497	\$ -	\$ -	\$ 3,497
Federal grants received	66,291	-	-	66,291
Net cash provided by non-capital financing activities	<u>\$ 69,788</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 69,788</u>
Cash flows from capital and related financing activities:				
Acquisition of capital assets	\$ (5,592)	\$ -	\$ -	\$ (5,592)
Net cash used by capital and related financing activities	<u>\$ (5,592)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (5,592)</u>
Cash flows from investing activities:				
Interest on investments	\$ 1,023	\$ 142	\$ 146	\$ 1,311
Net change in cash and cash equivalents	\$ (1,387)	\$ (5,903)	\$ 1,187	\$ (6,103)
Cash and cash equivalents beginning of year	51,347	12,874	6,007	70,228
Cash and cash equivalents end of year	<u>\$ 49,960</u>	<u>\$ 6,971</u>	<u>\$ 7,194</u>	<u>\$ 64,125</u>
Reconciliation of operating (loss) income to net cash (used by) provided by operating activities:				
Operating (loss) income	\$ (85,977)	\$ (6,825)	\$ 1,116	\$ (91,686)
Adjustments to reconcile operating (loss) income to net cash provided by (used by) operating activities:				
Commodities used	11,470	-	-	11,470
Depreciation	5,877	414	-	6,291
Increase in inventories	(144)	-	-	(144)
(Increase) decrease in accounts receivable	(536)	366	(4)	(174)
Increase in salaries and benefits payable	2,448	-	148	2,596
Increase (decrease) in accounts payable	256	-	(219)	37
Net cash (used by) provided by operating activities	<u>\$ (66,606)</u>	<u>\$ (6,045)</u>	<u>\$ 1,041</u>	<u>\$ (71,610)</u>

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

During the year ended June 30, 2009, the District received \$11,553 of federal commodities.

HINTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUND

JUNE 30, 2009

	<u>Agency</u>
<b>ASSETS:</b>	
Cash and cash equivalents	\$ <u>85</u>
Total assets	\$ <u><u>85</u></u>
<b>LIABILITIES:</b>	
Accounts payable	\$ <u>85</u>
Total liabilities	\$ <u>85</u>
<b>NET ASSETS:</b>	
Unrestricted	\$ <u>-</u>
Total net assets	\$ <u>-</u>
Total liabilities and net assets	\$ <u><u>85</u></u>

HINTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Hinton Community School District (the District) is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the City of Hinton, Iowa, and the predominant agricultural territory in Plymouth 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 (GASB).

A. Reporting Entity - For financial reporting purposes, the 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 GASB 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 District has no component units which meet the GASB criteria.

B. Basis of Presentation

Government-Wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary 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 non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in Capital Assets, Net of Related Debt - Consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

HINTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Restricted Net Assets - Result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

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

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

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

The District reports the following major governmental funds:

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

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

The Physical Plant and Equipment Levy Fund accounts for a regular property tax levy and a special voted property tax levy per thousand dollars of assessed valuation in the District for the use in the purchase of equipment, repairs and improving schoolhouse buildings and grounds.

HINTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

The District reports the following major proprietary funds:

The District's major proprietary funds consist of three enterprise funds, the School Nutrition Fund, the Before and After School Program and the Child/Adult Care Food Program. The School Nutrition Fund is used to account for the food service operations. The Before and After School Program Fund is used to account for tuition received and expenses related to this program. The Child/Adult Care Food Program is used to account for payments received and expenses related to this program.

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 Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

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

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

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

HINTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

D. Assets, Liabilities and Fund Equity

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

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value.

HINTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date 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 1-1/2 percent 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.

HINTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair 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 \$1,000 and estimated useful lives in excess of two years.

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

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements 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 and unspent American Recovery and Reinvestment Act proceeds.

HINTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

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

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

Subsequent Events - The District evaluated for subsequent events through January 15, 2010, the date which the District's financial statements were available to be issued.

E. Budgets and Budgetary Accounting

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

NOTE 2 - CASH AND POOLED INVESTMENTS:

The District's deposits in banks 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 ensure 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.

HINTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 3 - CAPITAL ASSETS:

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

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 226,600	\$ -	\$ -	\$ 226,600
Construction in progress	<u>15,163</u>	<u>23,140</u>	<u>6,648</u>	<u>31,655</u>
Total capital assets not being depreciated	<u>\$ 241,763</u>	<u>\$ 23,140</u>	<u>\$ 6,648</u>	<u>\$ 258,255</u>
Capital assets being depreciated:				
Buildings	\$ 4,926,617	\$ 72,221	\$ -	\$ 4,998,838
Improvements other than buildings	1,043,858	128,965	-	1,172,823
Furniture and equipment	<u>1,542,095</u>	<u>71,695</u>	<u>10,100</u>	<u>1,603,690</u>
Total capital assets being depreciated	<u>\$ 7,512,570</u>	<u>\$ 272,881</u>	<u>\$ 10,100</u>	<u>\$ 7,775,351</u>
Less accumulated depreciation for:				
Buildings	\$ 2,056,296	\$ 120,080	\$ -	\$ 2,176,376
Improvements other than buildings	348,399	37,358	-	385,757
Furniture and equipment	<u>828,350</u>	<u>109,406</u>	<u>3,156</u>	<u>934,600</u>
Total accumulated depreciation	<u>\$ 3,233,045</u>	<u>\$ 266,844</u>	<u>\$ 3,156</u>	<u>\$ 3,496,733</u>
Total capital assets being depreciated, net	<u>\$ 4,279,525</u>	<u>\$ 6,037</u>	<u>\$ 6,944</u>	<u>\$ 4,278,618</u>
Governmental activities capital assets, net	<u>\$ 4,521,288</u>	<u>\$ 29,177</u>	<u>\$ 13,592</u>	<u>\$ 4,536,873</u>
Business type activities:				
Furniture and equipment	\$ 77,930	\$ 5,592	\$ -	\$ 83,522
Less accumulated depreciation	<u>28,154</u>	<u>6,291</u>	<u>-</u>	<u>34,445</u>
Business type activities capital assets, net	<u>\$ 49,776</u>	<u>\$ (699)</u>	<u>\$ -</u>	<u>\$ 49,077</u>

HINTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 3 - CAPITAL ASSETS (CONTINUED):

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular	\$ 141,812
Special	20,491
Other	<u>24,991</u>
	<u>\$ 187,294</u>

Support services:

Student	\$ 9,656
Instructional staff	4,916
Administration	30,015
Operation and maintenance of plant	22,534
Transportation	<u>12,429</u>
	<u>\$ 79,550</u>

Total depreciation expense - governmental activities \$ 266,844

Business type activities:

Food service operations	<u>\$ 6,291</u>
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NOTE 4 - LONG-TERM LIABILITIES:

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

	Balance Beginning <u>of Year</u>	<u>Additions</u>	<u>Reductions</u>	Balance End <u>of Year</u>	Due Within <u>One Year</u>
General obligation capital loan note	\$ -	\$ 650,000	\$ -	\$ 650,000	\$ 80,000
School infrastructure sales and services tax revenue bonds	915,000	-	120,000	795,000	120,000
Early retirement	<u>59,113</u>	<u>260,252</u>	<u>75,444</u>	<u>243,921</u>	<u>35,156</u>
Total	<u>\$ 974,113</u>	<u>\$ 910,252</u>	<u>\$ 195,444</u>	<u>\$ 1,688,921</u>	<u>\$ 235,156</u>

HINTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 4 - LONG-TERM LIABILITIES (CONTINUED):

Early Retirement - The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least fifty-five and must have completed ten years of service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee will be based on the age of the applicant as of July 1 and the total salary of the applicant during the most recently completed school year. Early retirement benefits currently offered to new retirees consist of a lump sum cash payment; however, health insurance benefits are being provided to three retirees until they reach age 65.

At June 30, 2009, the District had obligations to three participants with a total liability of \$243,921 extending through June 30, 2019. Early retirement benefits paid during the year ended June 30, 2009 totaled \$75,444. The total liability for early retirement is recorded in the government-wide financial statements and is calculated assuming an annual 10 percent increase in monthly premiums with a 5 percent discount rate.

General Obligation Capital Loan Note - Details of the District's June 30, 2009 general obligation capital loan note indebtedness are as follows:

Year Ending	Capital Loan Note Dated June 29, 2009			
	June 30,	Interest Rates	Principal	Interest
2010		2.00%	\$ 80,000	\$ 17,386
2011		2.25%	85,000	17,252
2012		2.50%	90,000	15,340
2013		2.80%	95,000	13,090
2014		3.15%	95,000	10,430
Thereafter		3.50-3.75%	<u>205,000</u>	<u>11,376</u>
Total			<u>\$ 650,000</u>	<u>\$ 84,874</u>

School Infrastructure Sales and Services Tax Revenue Bonds - Details of the District's June 30, 2009 school infrastructure sales and services tax revenue bonds indebtedness are as follows:

Year Ending	Bond Issue of July 1, 2004			
	June 30,	Interest Rates	Principal	Interest
2010		3.40%	\$ 120,000	\$ 29,180
2011		3.60%	125,000	24,890
2012		4.00%	130,000	20,040
2013		4.05%	135,000	14,706
2014		4.15%	140,000	9,067
Thereafter		4.20%	<u>145,000</u>	<u>3,081</u>
Total			<u>\$ 795,000</u>	<u>\$ 100,964</u>

HINTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 4 - LONG-TERM LIABILITIES (CONTINUED):

The District has pledged future local option (statewide) sales and services tax revenues to repay the \$1,210,000 bonds issued in July 2004. The bonds were issued for the purpose of financing school infrastructure. The bonds are payable solely from the proceeds of the local option (statewide) sales and services tax revenues received by the District and are payable through 2014. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 40 percent of the local option (statewide) sales and services tax revenues. The total principal and interest remaining to be paid on the notes is \$895,964. For the current year, \$153,080 in principal and interest was paid on the bonds and total statewide sales and service tax revenues were \$366,146.

The resolution providing for the issuance of the local option sales and services tax revenue bonds includes the following provisions:

- a) \$121,000 of the proceeds from the issuance of the revenue bonds shall be deposited to a Reserve Account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Account. The balance of the proceeds shall be deposited to the Project Account.
- b) All proceeds from the local option (statewide) sales and services tax shall be placed in a Revenue Account.
- c) Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

The District complied with all of the revenue bond provisions during the year ended June 30, 2009.

HINTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 5 - 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 4.10 percent of their annual covered salary and the District is required to contribute 6.35 percent of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$234,616, \$205,733, and \$165,801, respectively, equal to the required contributions for each year.

NOTE 6 - INTERFUND TRANSFERS:

During the year ended June 30, 2009, \$149,022 was transferred from the Capital Projects Fund to the Debt Service Fund in order to provide for principal and interest payments on the District's long-term debt.

NOTE 7 - RISK MANAGEMENT:

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

NOTE 8 - AREA EDUCATION AGENCY:

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$203,703 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.

HINTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 9 - LEASE COMMITMENT:

The District entered into an operating lease to rent a portable classroom. The minimum lease payments required are as follows:

Year Ended <u>June 30,</u>	Lease <u>Payment</u>
2010	\$ 10,500
2011	<u>10,500</u>
	<u>\$ 21,000</u>

NOTE 10 - SUBSEQUENT EVENTS:

Subsequent to June 30, 2009, the District issued \$3,245,000 School Infrastructure Sales, Services and Use Tax Revenue Bonds for the purpose of partially funding the construction of a new elementary school.

Subsequent to June 30, 2009, the District purchased land for \$580,000 for purposes of constructing a new elementary school using the proceeds from the \$650,000 General Obligation Capital Loan Note (see Note 4).

NOTE 11 - NEW GASB STATEMENT:

The GASB has issued Statement No. 45, *Accounting and Financial Reporting for Employers for Postemployment Benefits Other Than Pensions*. This statement will be implemented by the District during the fiscal year ending June 30, 2010. This statement establishes standards for measuring, recognizing and disclosing other postemployment benefit expenses and the related liabilities.

**REQUIRED SUPPLEMENTARY INFORMATION**

HINTON COMMUNITY SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE 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 Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	Total <u>Actual</u>
Revenues:			
Local sources	\$ 3,852,412	\$ 313,754	\$ 4,166,166
State sources	2,778,873	3,497	2,782,370
Federal sources	<u>153,711</u>	<u>77,844</u>	<u>231,555</u>
Total revenues	<u>\$ 6,784,996</u>	<u>\$ 395,095</u>	<u>\$ 7,180,091</u>
Expenditures/Expenses:			
Instruction	\$ 4,491,717	\$ -	\$ 4,491,717
Support services	1,723,878	-	1,723,878
Non-instructional programs	-	404,129	404,129
Other expenditures	<u>659,318</u>	<u>-</u>	<u>659,318</u>
Total expenditures/expenses	<u>\$ 6,874,913</u>	<u>\$ 404,129</u>	<u>\$ 7,279,042</u>
(Deficiency) excess of revenues (under) over expenditures	\$ (89,917)	\$ (9,034)	\$ (98,951)
Other financing sources, net	<u>650,000</u>	<u>-</u>	<u>650,000</u>
Excess (deficiency) of receipts over (under) expenditures	\$ 560,083	\$ (9,034)	\$ 551,049
Balances beginning of year	<u>1,692,374</u>	<u>101,504</u>	<u>1,793,878</u>
Balances end of year	<u>\$ 2,252,457</u>	<u>\$ 92,470</u>	<u>\$ 2,344,927</u>

See accompanying independent auditor's report.

<u>Budgeted Amounts</u>		<u>Final to</u>
<u>Original</u>	<u>Final</u>	<u>Actual</u>
		<u>Variance</u>
\$ 3,831,415	\$ 3,831,415	\$ 334,751
2,859,696	2,859,696	(77,326)
<u>170,829</u>	<u>170,829</u>	<u>60,726</u>
<u>\$ 6,861,940</u>	<u>\$ 6,861,940</u>	<u>\$ 318,151</u>
\$ 4,078,512	\$ 4,497,695	\$ 5,978
1,948,092	1,975,282	251,404
396,870	396,870	(7,259)
<u>426,568</u>	<u>624,950</u>	<u>(34,368)</u>
<u>\$ 6,850,042</u>	<u>\$ 7,494,797</u>	<u>\$ 215,755</u>
\$ 11,898	\$ (632,857)	\$ 533,906
<u>-</u>	<u>-</u>	<u>650,000</u>
<u>\$ 11,898</u>	<u>\$ (632,857)</u>	<u>\$ 1,183,906</u>

HINTON 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 Government Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$644,755.

During the year ended June 30, 2009, expenditures in the non-instructional and other expenditures programs area exceeded the amount budgeted.

## **OTHER SUPPLEMENTARY INFORMATION**

HINTON COMMUNITY SCHOOL DISTRICTCOMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDSJUNE 30, 2009ASSETS

	<u>Management</u> <u>Levy</u>	<u>Student</u> <u>Activity</u>	<u>Debt</u> <u>Service</u>	<u>Total</u>
Cash and pooled investments	\$ 123,322	\$ 159,654	\$ 136,360	\$ 419,336
Receivables:				
Property tax:				
Current year	1,149	-	-	1,149
Succeeding year	40,001	-	-	40,001
Accounts	486	-	-	486
Inventory	<u>-</u>	<u>2,423</u>	<u>-</u>	<u>2,423</u>
 Total assets	 <u>\$ 164,958</u>	 <u>\$ 162,077</u>	 <u>\$ 136,360</u>	 <u>\$ 463,395</u>

LIABILITIES AND FUND EQUITY

Liabilities:				
Accounts payable	\$ -	\$ 3,200	\$ -	\$ 3,200
Deferred revenue:				
Succeeding year property tax	<u>40,001</u>	<u>-</u>	<u>-</u>	<u>40,001</u>
Total liabilities	<u>\$ 40,001</u>	<u>\$ 3,200</u>	<u>\$ -</u>	<u>\$ 43,201</u>
 Fund equity:				
Reserved for debt service	-	-	136,360	136,360
Unreserved fund balances	<u>124,957</u>	<u>158,877</u>	<u>-</u>	<u>283,834</u>
 Total liabilities and fund equity	 <u>\$ 164,958</u>	 <u>\$ 162,077</u>	 <u>\$ 136,360</u>	 <u>\$ 463,395</u>

HINTON COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN

FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS

YEAR ENDED JUNE 30, 2009

	<u>Management Levy</u>	<u>Student Activity</u>	<u>Debt Service</u>	<u>Total</u>
Revenues:				
Local sources:				
Local tax	\$ 103,850	\$ -	\$ -	\$ 103,850
Other	<u>13,688</u>	<u>341,452</u>	<u>-</u>	<u>355,140</u>
Total revenues	<u>\$ 117,538</u>	<u>\$ 341,452</u>	<u>\$ -</u>	<u>\$ 458,990</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	\$ 86,700	\$ -	\$ -	\$ 86,700
Other instruction	<u>-</u>	<u>326,651</u>	<u>-</u>	<u>326,651</u>
Total instruction	<u>\$ 86,700</u>	<u>\$ 326,651</u>	<u>\$ -</u>	<u>\$ 413,351</u>
Support services:				
Instructional staff services	<u>\$ 83,524</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 83,524</u>
Total support services	<u>\$ 83,524</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 83,524</u>
Other expenditures:				
Long-term debt:				
Principal	\$ -	\$ -	\$ 120,000	\$ 120,000
Interest and fiscal charges	<u>-</u>	<u>-</u>	<u>33,080</u>	<u>33,080</u>
Total long-term debt	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 153,080</u>	<u>\$ 153,080</u>
Total other expenditures	<u>\$ 170,224</u>	<u>\$ 326,651</u>	<u>\$ 153,080</u>	<u>\$ 649,955</u>
(Deficiency) excess of revenues (under) over expenditures	\$ (52,686)	\$ 14,801	\$ (153,080)	\$ (190,965)
Other financing sources:				
Transfers from other funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 149,022</u>	<u>\$ 149,022</u>
Total other financing sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 149,022</u>	<u>\$ 149,022</u>
(Deficiency) excess of revenues and other financing sources (under) over expenditures	\$ (52,686)	\$ 14,801	\$ (4,058)	\$ (41,943)
Fund balances beginning of year	<u>177,643</u>	<u>144,076</u>	<u>140,418</u>	<u>462,137</u>
Fund balances end of year	<u>\$ 124,957</u>	<u>\$ 158,877</u>	<u>\$ 136,360</u>	<u>\$ 420,194</u>

See accompanying independent auditor's report.

## HINTON COMMUNITY SCHOOL DISTRICT

## SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS

YEAR ENDED JUNE 30, 2009

ACCOUNT:	Balance Beginning of Year	Revenues and Interfund Transfers	Expenditures	Intrafund Transfers	Balance End of Year
Interest income	\$ 20,907	\$ 4,462	\$ 1,942	\$ (56)	\$ 23,371
Middle school	746	343	757	42	374
Hinton spirit store	5,620	4,947	3,366	109	7,310
Athletics	37,632	121,256	123,517	3,005	38,376
Birdie fest project	2,292	6,090	2,404	(4,109)	1,869
Physics club	284	-	7	-	277
Superintendents office	796	50	481	238	603
Preschool	(48)	-	-	-	(48)
Spanish club	1,281	-	129	1,055	2,207
Soundsational	3,282	29,243	23,926	(80)	8,519
School nurse	249	-	70	174	353
Speech and drama club	(72)	-	50	-	(122)
National Honor Society	641	330	830	91	232
Cheerleaders	3,195	8,843	12,351	997	684
Drill team	2,302	4,214	5,272	99	1,343
Special education	981	-	135	(21)	825
Math club	374	-	200	167	341
Tag club	845	234	679	175	575
FCCLA	654	3,661	5,665	1,628	278
Instrumental music	4,486	1,758	2,054	278	4,468
Vocal music	1,068	1,079	1,445	478	1,180
Music trip	(34)	-	-	34	-
Music fund raiser	2,825	15,046	9,308	(2,065)	6,498
Musical	1,127	27,412	29,980	2,795	1,354
Elementary music project	-	-	-	90	90
2008 Prom	(579)	12,531	10,687	-	1,265
2007 Prom	1,991	-	755	-	1,236
Yearbook	5,493	9,985	4,990	394	10,882
High school student council	2,202	1,949	2,297	49	1,903
Middle school student council	2,284	1,870	1,954	118	2,318
Elementary student council	1,112	1,127	2,021	285	503
Elementary miscellaneous	1,357	377	581	-	1,153
Elementary trips	(8)	-	-	-	(8)
Wings	6,380	-	1,179	200	5,401
Sixth grade trip	598	979	1,527	471	521
Concession stand	4,148	32,633	18,879	(10,886)	7,016
Soundwaves	3,601	4,526	5,890	(300)	1,937
Climate culture	662	55	40	(662)	15
School cents fund	734	851	1,365	42	262
Music trip student	3,399	-	-	-	3,399
Wrestling cheerleaders	1,024	4,817	5,287	596	1,150
Fourth grade project	220	-	80	153	293
Second grade activity	318	-	20	-	298
Pop fund	(618)	3,940	3,925	1,770	1,167
First grade reading/math	738	-	689	863	912
Book fair	4,287	5,791	6,648	96	3,526
Play	137	1,047	466	-	718
Global days of service	2,245	766	-	(200)	2,811
Kindergarten project	687	-	-	15	702
Hinton School projects	4,233	11,349	12,898	(109)	2,575
Boys basketball fundraiser	1,454	2,740	3,633	-	561
Transitional kindergarten	629	-	454	144	319
English co-curricular	488	-	-	-	488
5th grade project	175	-	29	90	236
Reading recovery	1,543	-	563	201	1,181
D.E.C.A.	387	9,246	7,226	1,010	3,417
Show choir outfits	68	5,272	7,139	314	(1,485)
Playground	167	-	-	-	167
Elementary special education	1,087	633	861	222	1,081
Total	\$ 144,076	\$ 341,452	\$ 326,651	\$ -	\$ 158,877

See accompanying independent auditor's report.

HINTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES

AGENCY FUND

FOR THE YEAR ENDED JUNE 30, 2009

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 375	\$ 43,044	\$ 43,334	\$ 85
Total assets	<u>\$ 375</u>	<u>\$ 43,044</u>	<u>\$ 43,334</u>	<u>\$ 85</u>
<u>LIABILITIES</u>				
Accounts payable	\$ 375	\$ 43,044	\$ 43,334	\$ 85
Total liabilities	<u>\$ 375</u>	<u>\$ 43,044</u>	<u>\$ 43,334</u>	<u>\$ 85</u>

## HINTON COMMUNITY SCHOOL DISTRICT

## SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

## ALL GOVERNMENTAL FUNDS

## FOR THE LAST SIX YEARS

	Modified Accrual Basis					
	2009	2008	2007	2006	2005	2004
Revenues:						
Local sources:						
Local tax	\$ 2,448,614	\$ 2,336,336	\$ 2,367,963	\$ 2,328,933	\$ 2,215,234	\$ 2,003,123
Tuition	974,514	856,571	698,814	530,560	506,980	399,912
Other	429,284	509,357	433,537	398,267	276,356	248,127
State sources	2,778,873	2,648,317	2,293,655	2,430,832	2,335,187	2,098,177
Federal sources	153,711	123,463	91,404	100,625	46,902	49,368
Other financing sources:						
Proceeds from bond issuance, net	650,000	-	-	-	1,186,236	-
Sale of equipment	-	-	-	950	-	-
Total	<u>\$ 7,434,996</u>	<u>\$ 6,474,044</u>	<u>\$ 5,885,373</u>	<u>\$ 5,790,167</u>	<u>\$ 6,566,895</u>	<u>\$ 4,798,707</u>
Expenditures:						
Instruction:						
Regular instruction	\$ 3,400,958	\$ 2,921,517	\$ 2,655,474	\$ 2,312,074	\$ 2,128,669	\$ 2,119,644
Special instruction	491,428	513,038	338,170	317,089	361,222	356,586
Other instruction	599,331	657,471	505,423	665,312	588,864	532,887
Support services:						
Student services	231,566	235,818	247,095	242,045	236,670	167,082
Instructional staff services	117,902	110,906	102,357	77,879	120,358	52,312
Administration services	719,838	644,820	577,894	537,979	510,388	540,771
Operation and maintenance of plant services	356,499	496,992	444,525	375,315	485,129	338,435
Transportation services	298,073	313,981	240,378	215,100	208,621	206,981
Non-instructional programs	-	-	-	-	849	3,612
Other expenditures:						
Facilities acquisition	302,535	252,206	386,705	638,992	444,990	7,992
Long-term debt:						
Principal	120,000	110,000	110,000	255,000	215,000	205,000
Interest and other charges	33,080	36,590	40,290	49,758	39,828	28,095
AEA flow through	203,703	190,931	180,565	163,821	170,233	157,321
Total	<u>\$ 6,874,913</u>	<u>\$ 6,484,270</u>	<u>\$ 5,828,876</u>	<u>\$ 5,850,364</u>	<u>\$ 5,510,821</u>	<u>\$ 4,716,718</u>



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Education of  
Hinton 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 Hinton Community School District (the 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 January 15, 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 the 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 the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the 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, including deficiencies that 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 the 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 the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

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



KING, REINSCH, PROSSER & CO., L.L.P.  
Certified Public Accountants

To the Board of Education  
Hinton Community School District

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items I-A-09 and I-B-09 are material weaknesses.

#### COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the 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, noncompliance 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 noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted two instances of noncompliance 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.

The 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 the 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 the District and other parties to whom the 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 the 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.

January 15, 2010  
Sioux City, Iowa

King, Reinsch, Prosser & Co., L.L.P.

HINTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2009

Part I: Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

MATERIAL WEAKNESSES:

I-A-09 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Incompatible duties, for accounting control purposes, are those duties that place a person in a position where they could both perpetrate and conceal errors or irregularities. To accomplish proper segregation of duties, the system, insofar as possible, should provide for different individuals to perform the functions of (a) authorizing transactions, (b) recording transactions, (c) maintaining custody of the assets that result from transactions, and (d) comparing assets with the related amounts recorded in the accounting records. In performing our audit, we noted that the Business Manager has primary responsibility for many accounting and financial duties.

Recommendation - The size of the District's accounting and administrative staff precludes certain internal controls that would be preferred if the staff were large enough to provide optimum segregation of duties. This situation dictates that the Board of Education and Superintendent remain actively involved in the financial affairs of the District to provide oversight and review functions.

Response - The District understands the nature of the weakness and the necessity for the Board and Superintendent to provide oversight and review functions. The District will review its procedures and implement changes as deemed necessary.

Conclusion - Response accepted.

I-B-09 Preparation of Financial Statements in Accordance with GAAP - The financial statements are the responsibility of the District's management. Part of that responsibility is satisfied by either (a) management preparing the financial statements in accordance with GAAP or (b) management demonstrating the necessary GAAP expertise when reviewing and approving financial statements (that the auditor has assisted in drafting) and the various schedules and calculations used to prepare such financial statements. Management does review draft financial statements prior to issuance but does not fully possess a knowledge of the District's GAAP financial reporting process.

HINTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2009

(CONTINUED)

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

Recommendation - We recommend management review the District's GAAP financial reporting process and seek the necessary guidance/training so as to more fully understand the process to prepare the District's financial statements in accordance with GAAP.

Response - The District understands the nature of the weakness and the necessity for management to further its understanding of GAAP financial reporting. The District will implement changes as deemed necessary.

Conclusion - Response accepted.

Part II: Other Findings Related to Statutory Reporting

II-A-09 Certified Budget - Expenditures for the year ended June 30, 2009 exceeded the certified budget amounts in the non-instructional and other expenditures programs function.

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

Response - Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion - Response accepted.

II-B-09 Questionable Expenditures - No expenditures were detected which failed to meet the requirements of 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 - No business transactions between the District and District officials or employees were noted.

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

HINTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2009

(CONTINUED)

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

- II-F-09     Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.
  
- II-G-09     Certified Enrollment - No variances in the basic enrollment data certified to the Department of Education were noted.
  
- II-H-09     Deposits and Investments - 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 were noted.
  
- II-I-09     Certified Annual Report - The Certified Annual Report was certified to the Department of Education timely.
  
- II-J-09     Categorical Funding - No instances of categorical funding being used to supplant rather than supplement other funds were noted.
  
- 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	\$	-
Statewide sales and services tax revenue		366,146
Expenditures/transfers out:		
School infrastructure:		
Buildings	\$	10,200
Equipment		27,631
Other improvements		80,791
Debt service for school infrastructure:		
School infrastructure sales and services tax revenue bonds		149,022
Ending balance		<u>\$ 98,502</u>

HINTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2009

(CONTINUED)

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

II-L-09     Deficit Balances - Four student activity accounts had deficit balances at June 30, 2009.

Recommendation - The District should continue to investigate alternatives to eliminate these deficits in order to return these accounts to a sound financial condition.

Response - The District will try to eliminate or minimize such deficits in the student activity accounts at the end of the fiscal year.

Conclusion - Response accepted.