

HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT

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

June 30, 2009

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Hubbard-Radcliffe Community School District, Hubbard, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Hubbard-Radcliffe Community School District at June 30, 2009, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 3, 2010, on our consideration of Hubbard-Radcliffe Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and Budgetary Comparison Information on pages 4 through 13 and 37 through 38 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hubbard-Radcliffe Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the five years ended June 30, 2008, (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 7, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

March 3, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

Hubbard-Radcliffe Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 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 \$4,880,233 in fiscal 2008 to \$5,124,373 in fiscal 2009, while General Fund expenditures increased from \$4,886,977 in fiscal 2008 to \$5,105,644 in fiscal 2009. The District's General Fund balance increased from \$440,335 in fiscal 2008 to \$459,164 in fiscal 2009, a 4.3% increase.
- The increase in General Fund revenues was attributable to an increase in property tax and state and federal grant revenue in fiscal 2009. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits and restricted grant expenditures. One reason the General Fund balance increased is because expenditures were less than General Fund revenue for fiscal 2009. As a result, the District was able to increase the carryover fund balance.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Hubbard-Radcliffe Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Hubbard-Radcliffe Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Hubbard-Radcliffe Community School District acts solely as an agent or custodian for the benefit of those outside of District government.

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

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

Other Supplementary Information provides detailed information about the nonmajor funds.

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

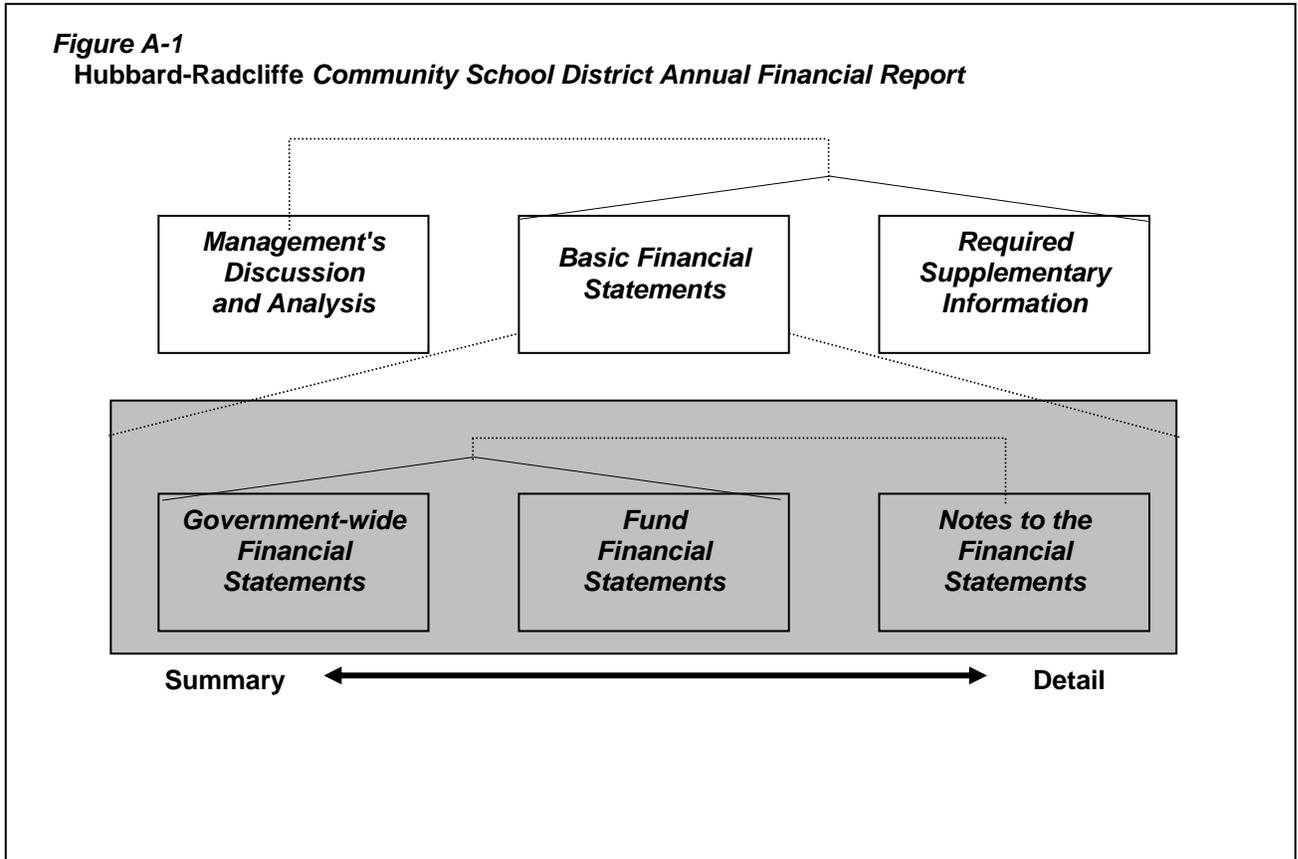


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has three Enterprise Funds, the School Nutrition Fund, Child Care Fund and the Preschool Fund. The District uses *internal service funds*, the other kind of proprietary fund, to report activities that provide supplies and services for its other programs and

activities. The District currently has one internal service fund used to account for the District's employee flexible benefit plan.

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

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

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

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2009 compared to June 30, 2008.

Figure A-3

	Condensed Statement of Net Assets						Percentage Change 2008-2009
	Governmental Activities		Business-type Activities		Total School District		
	2009	2008	2009	2008	2009	2008	
	\$	\$	\$	\$	\$	\$	
Current and other assets	\$6,286,901	\$5,450,330	\$54,876	\$44,738	\$6,341,777	\$5,495,068	15.4%
Capital assets	\$2,532,190	\$874,985	\$30,417	\$21,729	\$2,562,607	\$896,714	185.8%
Total assets	\$8,819,091	\$6,325,315	\$85,293	\$66,467	\$8,904,384	\$6,391,782	39.3%
Long-term liabilities	\$1,641,576	\$53,081	\$0	\$0	\$1,641,576	\$53,081	2992.6%
Other liabilities	\$4,033,922	\$3,563,366	\$9,939	\$13,862	\$4,043,861	\$3,577,228	13.0%
Total liabilities	\$5,675,498	\$3,616,447	\$9,939	\$13,862	\$5,685,437	\$3,630,309	56.6%
Net Assets:							
Invested in capital assets, net of related debt	\$1,228,941	\$874,985	\$30,417	\$21,729	\$1,259,358	\$896,714	40.4%
Restricted	\$1,476,508	\$1,508,299	\$0	\$0	\$1,476,508	\$1,508,299	-2.1%
Unrestricted	\$438,144	\$325,584	\$44,937	\$30,876	\$483,081	\$356,460	35.5%
TOTAL NET ASSETS	\$3,143,593	\$2,708,868	\$75,354	\$52,605	\$3,218,947	\$2,761,473	16.6%

The District's combined total assets increased by 39%, or approximately \$2,512,000, over the prior year. The largest portion of the District's net assets is the invested in cash & receivables. The district issued \$1,965,000 of capital loan notes to finance the construction of a new sixth grade classroom wing, instrumental/vocal music room, and middle office suite.

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 \$32,000 or 2% from the prior year. The decrease was primarily a result of increased expenditures in the Categorical Funding and the Physical Plant and Equipment Levy Fund.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately \$127,000, or 35%. This increase in unrestricted net assets was a result of the District's continued Whole Grade Sharing agreement with Eldora-New Providence and other expense containment measures.

Figure A-4 shows the change in net assets for the years ended June 30, 2009 and 2008.

Figure A-4

	Change in Net Assets						Percentage Change 2008-2009
	Governmental Activities		Business-type Activities		Total School District		
	2009	2008	2009	2008	2009	2008	
	\$	\$	\$	\$	\$	\$	
Revenues							
Program Revenues:							
Charges for services	\$1,126,729	\$1,211,915	\$106,219	\$96,881	\$1,232,948	\$1,308,796	-5.8%
Operating grants & contributions	\$635,307	\$529,913	\$96,038	\$118,778	\$731,345	\$648,691	12.7%
Capital grants & contributions	\$52,101	\$25,000	\$0	\$0	\$52,101	\$25,000	108.4%
General Revenues:							
Property taxes	\$2,414,309	\$2,247,417	\$0	\$0	\$2,414,309	\$2,247,417	7.4%
Income Surtax							
Statewide sales tax	\$301,507	\$266,006	\$0	\$0	\$301,507	\$266,006	13.3%
Unrestricted state grants	\$1,406,145	\$1,441,053	\$0	\$0	\$1,406,145	\$1,441,053	-2.4%
ARRA stabilization grants	\$38,195	\$0	\$0	\$0	\$38,195	\$0	100%
Unrestricted investment earnings	\$50,136	\$62,984	\$2,064	\$1,499	\$52,200	\$64,483	-19.0%
Other revenue	\$57,873	\$57,613	\$0	\$0	\$57,873	\$57,613	.4%
Total Revenues	\$6,082,302	\$5,841,901	\$204,321	\$217,158	\$6,286,623	\$6,059,059	3.7%
Expenses:							
Instruction	\$3,790,591	\$3,575,182	\$0	\$0	\$3,790,591	\$3,575,182	6.0%
Support services	\$1,442,671	\$1,440,176	\$0	\$0	\$1,442,671	\$1,440,176	.2%
Non-instructional programs	\$127	\$1,192	\$193,820	\$208,388	\$193,947	\$209,580	-7.4%
Other expenditures	\$401,940	\$330,772	\$0	\$0	\$401,940	\$330,772	21.5%
Total expenses	\$5,635,329	\$5,347,322	\$193,820	\$208,388	\$5,829,149	\$5,555,710	4.9%
Change in net assets before transfers	\$446,973	\$494,579	\$10,501	\$8,770	\$457,474	\$503,349	
Transfers	\$(12,248)	\$(24,097)	\$12,248	\$24,097	\$0	\$0	
CHANGE IN NET ASSETS	\$434,725	\$470,482	\$22,749	\$32,867	\$457,474	\$503,349	
Net assets beginning of year	\$2,708,868	\$2,238,386	\$52,605	\$19,738	\$2,761,473	\$2,258,124	
Net assets end of year	\$3,143,593	\$2,708,868	\$75,354	\$52,605	\$3,218,947	\$2,761,473	

In fiscal year 2009 property taxes and unrestricted state grants account for 61% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 90% of the total expenses.

As shown in figure A-4, the District as a whole experienced a 3.7% increase in revenues and a 4.9% increase in expenses. Property taxes increased \$167,000 to fund increases in expenses. The increases in expenses related to increases in the negotiated salaries and benefits. However the district has been able to implement cost cutting measures to control spending so that expenses were less than revenue.

Governmental Activities

Revenues for governmental activities were \$6,082,302 and expenses were \$5,635,329. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

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

Figure A-5

	Total Cost of Services			Net Cost of Services		
	2009 \$	2008 \$	Change 2008-2009	2009 \$	2008 \$	Change 2008-2009
Instruction	\$3,790,591	\$3,575,182	6.0%	\$2,201,101	\$1,988,421	10.7%
Support Services	\$1,442,671	\$1,440,176	.2%	\$1,432,197	\$1,437,857	-.4%
Non-instructional Programs	\$ 127	\$ 1,192	-89.3%	\$ 127	\$ 1,192	-89.3%
Other Expenses	\$401,940	\$ 330,772	21.5%	\$187,767	\$153,024	22.7%
TOTAL	\$5,635,329	\$5,347,322	5.4%	\$3,821,192	\$3,580,494	6.7%

For the year ended June 30, 2009

- The cost financed by users of the District's programs was \$1,126,729. Most of these revenues are derived from the whole-grade sharing agreement, student registration fees, tuition charged to other school districts and from student activities.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$687,408.
- The net cost of governmental activities was financed with \$2,414,309 in property taxes and \$1,406,145 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$204,321 and expenses were \$193,820. The District's business type activities include the School Nutrition Fund, Preschool Fund and Child Care Center Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2009, the District increased meal prices to help offset the increased expenses to the School Nutrition Fund. The District continues to closely monitor the School Nutrition fund and look for ways to make the program more efficient.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a combined fund balance of \$2,356,274, well above last year's ending fund balances of \$1,904,574. However, the primary reason for the increase in combined fund balances in fiscal 2009 is due to approximately \$500,000 of unexpended general obligation bond proceeds received in fiscal 2009.

Governmental Fund Highlights

- The District's deteriorating General Fund financial position has been watched closely. Growth during the year in tax and grants resulted in an increase in revenues. With careful cost cutting measures, the District was able to offset the increase in General Fund expenditures without using the carryover fund balance to meet its financial obligations during the year. We would like to see the General Fund balance continue to grow to give us more cushion in tough economic years.
- The General Fund balance increased from \$440,335 to \$459,164, due in part to trimming or sharing positions wherever possible and reducing expenditures.
- The Physical Plant and Equipment Levy (PPEL) Fund balance decreased from \$322,828 in fiscal 2008 to \$219,687 in fiscal 2009. While revenues remained approximately the same, the District increased spending from the PPEL Fund partially due to continued school facility improvement projects and payments on our general obligation capital notes for our Hubbard building construction project. The District does plan to reduce future expenditures from this fund to improve the financial condition of the fund.
- The Capital Projects Fund balance increased due to the sale of \$1,965,000 in general obligation capital loan notes during fiscal 2009. Fiscal 2009 ended with a balance of \$1,268,602 consisting primarily of unexpended bond proceeds which will be expended as the project is completed.

Proprietary Fund Highlights

The enterprise fund consists of School Nutrition Fund, Preschool Fund and Child Care Center Fund. The net assets increased from \$52,605 at June 30, 2008 to \$75,354 at June 30, 2009, representing an increase of approximately 43%. For fiscal 2009, the District increased meal prices, resulting in the increase in net assets.

BUDGETARY HIGHLIGHTS

Over the course of the year, Hubbard-Radcliffe Community School District amended its annual budget one time to reflect additional revenue and expenditures associated with the middle school building and elementary building capital project activities.

The District's receipts were \$496,509 more than budgeted receipts, a variance of 8%. The most significant variance resulted from the District receiving revenue from whole-grade sharing with Eldora-New Providence and other local sources than we had predicted .

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

In spite of the District's budgetary practice, the certified budget was exceeded in the other expenditures functional area due to two construction projects going on simultaneously and the district's inability to predict the unexpected additional costs that occurred when problems were discovered during construction. Also we had increased expenses in preparation for the construction projects.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

On June 30, 2009 the District had invested \$2.56 million, net of accumulated depreciation, in a broad range of capital assets, including buildings, computers, technology equipment, and transportation equipment. (See Figure A-6) This represents a net increase of 185.8% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$125,065.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$1,637,594 on June 30, 2009 compared to \$55,892 reported on June 30, 2008. This significant increase resulted from construction activity financed by the issuance of general obligation capital loan notes totaling \$1,965,000 in fiscal 2009 for construction of a new middle school wing.

Figure A-6

Capital Assets (net of depreciation)

	Governmental		Business type		Total		Percentage Change 2008-2009
	Activities		Activities		School District		
	2009	2008	2009	2008	2009	2008	
	\$	\$	\$	\$	\$	\$	
Land	\$8,000	\$8,000	\$0	\$0	\$8,000	\$8,000	0%
Construction in progress	\$1,637,594	\$55,892	\$0	\$0	\$1,637,594	\$55,892	2,829.9%
Buildings & Impr.	\$516,456	\$427,517	\$0	\$0	\$516,456	\$427,517	20.8%
Equipment & furniture	\$370,140	\$383,576	\$30,417	\$21,729	\$400,557	\$405,305	-1.2%
TOTAL	\$2,532,190	\$874,985	\$30,417	\$21,729	\$2,562,607	\$896,714	185.8%

Long-Term Debt

On June 30, 2009 the District had \$1,834,994 in general obligation, revenue and other long-term debt outstanding. This represents an increase of approximately 1880.3% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 7 to the financial statements.

In July 2008 the District's school board authorized the issuance of \$1,965,000 in general obligation capital loan notes to pay for construction of a new middle school wing at Hubbard. Planning for the project started in fiscal 2008 and the bonds were sold during fiscal 2009. In April 2009 the District started planning for the issuance of \$2,185,000 of local option sales and services tax revenue bonds for the Radcliffe project in fiscal 2010. The District had total outstanding bonded indebtedness at June 30, 2009 of \$1,780,000.

**Figure A-7
Outstanding Long-Term Obligations**

	Total School District		Percentage
	2009	2008	Change
			2008-2009
	\$	\$	
Capital loan notes	\$1,780,000	\$0	100%
Early retirement	\$28,735	\$61,174	-53.0%
Compensated absences	\$26,259	\$31,486	-16.6%
	<u>\$1,834,994</u>	<u>\$92,660</u>	<u>1,880.3%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- School financing is highly dependent upon student enrollment. The District sees the large number of students open enrolled out of the district continuing to shrink. The District continues to look for ways to attract new families to the district or open enrolled students back to their home district.
- The District will be adversely affected if the State does not provide us with the financial commitment that we budgeted for fiscal 2010.
- The District negotiates a new contract with the Hubbard-Radcliffe Education Teacher Association (HREA). Settlements in excess of "new money" or allowable growth in state funding will have an adverse effect on the District's General Fund budget and related fund balance.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Debra England, Board Secretary/Business Manager, Hubbard-Radcliffe Community School District, 200 E. Chestnut, PO Box 129, Hubbard, Iowa, 50122.

BASIC FINANCIAL STATEMENTS

HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2009

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and cash equivalents	2,477,486	50,511	2,527,997
Receivables:			
Property tax:			
Delinquent	26,591	-	26,591
Succeeding year	2,608,090	-	2,608,090
Accounts	3,289	34	3,323
Due from other governments	1,122,716	-	1,122,716
Inventories	-	4,331	4,331
Debt issue costs	48,729	-	48,729
Capital assets, net of accumulated depreciation	2,532,190	30,417	2,562,607
Total assets	8,819,091	85,293	8,904,384
Liabilities			
Accounts payable	96,951	3,620	100,571
Salaries and benefits payable	262,645	4,905	267,550
Due to other governments	845,428	-	845,428
Accrued interest payable	5,540	-	5,540
Deferred revenue:			
Succeeding year property tax	2,608,090	-	2,608,090
Other	-	1,414	1,414
Bond good faith deposit	21,850	-	21,850
Long-term liabilities:			
Portion due within one year:			
Notes payable	170,000	-	170,000
Termination benefits	17,053	-	17,053
Compensated absences	6,365	-	6,365
Portion due after one year:			
Notes payable	1,610,000	-	1,610,000
Termination benefits	11,682	-	11,682
Compensated absences	19,894	-	19,894
Total liabilities	5,675,498	9,939	5,685,437
Net assets			
Invested in capital assets, net of related debt	1,228,941	30,417	1,259,358
Restricted for:			
Categorical funding	84,884	-	84,884
Management levy	350,450	-	350,450
Physical plant and equipment levy	219,687	-	219,687
Other special revenue purposes	29,636	-	29,636
Sales tax capital projects	791,851	-	791,851
Unrestricted	438,144	44,937	483,081
Total net assets	3,143,593	75,354	3,218,947

See notes to financial statements.

HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2009

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	2,689,603	723,839	381,134	-
Special	819,183	354,438	51,138	-
Other	281,805	39,058	39,883	-
	<u>3,790,591</u>	<u>1,117,335</u>	<u>472,155</u>	<u>-</u>
Support services:				
Student	48,732	-	-	-
Instructional staff	77,079	-	-	-
Administration	468,580	-	-	-
Operation and maintenance of plant	476,105	-	-	-
Transportation	372,175	9,394	1,080	-
	<u>1,442,671</u>	<u>9,394</u>	<u>1,080</u>	<u>-</u>
Non-instructional programs	<u>127</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	150,723	-	-	52,101
Long-term debt interest	58,957	-	-	-
AEA flowthrough	162,072	-	162,072	-
Depreciation (unallocated)*	30,188	-	-	-
	<u>401,940</u>	<u>-</u>	<u>162,072</u>	<u>52,101</u>
Total governmental activities	<u>5,635,329</u>	<u>1,126,729</u>	<u>635,307</u>	<u>52,101</u>
Business type activities:				
Non-instructional programs:				
Food service operations	183,746	95,359	90,199	-
Preschool	10,074	10,860	5,839	-
Total business-type activities	<u>193,820</u>	<u>106,219</u>	<u>96,038</u>	<u>-</u>
Total	<u>5,829,149</u>	<u>1,232,948</u>	<u>731,345</u>	<u>52,101</u>
General Revenues:				
Property taxes levied for:				
General purposes				
Capital outlay				
Statewide sales and services tax				
Unrestricted state grants				
ARRA stabilization grants				
Unrestricted investment earnings				
Other				
Total general revenues				
Transfers				
Total general revenues and transfers				

Change in net assets

Net assets beginning of year

Net assets end of year

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

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$	\$	\$
(1,584,630)	-	(1,584,630)
(413,607)	-	(413,607)
(202,864)	-	(202,864)
<u>(2,201,101)</u>	<u>-</u>	<u>(2,201,101)</u>
(48,732)	-	(48,732)
(77,079)	-	(77,079)
(468,580)	-	(468,580)
(476,105)	-	(476,105)
(361,701)	-	(361,701)
<u>(1,432,197)</u>	<u>-</u>	<u>(1,432,197)</u>
<u>(127)</u>	<u>-</u>	<u>(127)</u>
(98,622)	-	(98,622)
(58,957)	-	(58,957)
-	-	-
<u>(30,188)</u>	<u>-</u>	<u>(30,188)</u>
<u>(187,767)</u>	<u>-</u>	<u>(187,767)</u>
(3,821,192)	-	(3,821,192)
-	1,812	1,812
-	6,625	6,625
<u>-</u>	<u>8,437</u>	<u>8,437</u>
<u>(3,821,192)</u>	<u>8,437</u>	<u>(3,812,755)</u>
2,115,136	-	2,115,136
299,173	-	299,173
301,507	-	301,507
1,406,145	-	1,406,145
38,195	-	38,195
50,136	2,064	52,200
57,873	-	57,873
4,268,165	2,064	4,270,229
<u>(12,248)</u>	<u>12,248</u>	<u>-</u>
<u>4,255,917</u>	<u>14,312</u>	<u>4,270,229</u>
434,725	22,749	457,474
<u>2,708,868</u>	<u>52,605</u>	<u>2,761,473</u>
<u><u>3,143,593</u></u>	<u><u>75,354</u></u>	<u><u>3,218,947</u></u>

See notes to financial statements.

HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2009

	General Fund	Capital Projects	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Assets				
Cash and pooled investments	533,921	1,313,037	628,059	2,475,017
Receivables:				
Property tax:				
Delinquent	21,644	-	4,947	26,591
Succeeding year	2,141,691	-	466,399	2,608,090
Accounts	2,516	-	773	3,289
Due from other governments	1,077,130	45,586	-	1,122,716
Total assets	3,776,902	1,358,623	1,100,178	6,235,703
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	21,040	68,171	5,271	94,482
Salaries and benefits payable	262,645	-	-	262,645
Due to other governments	845,428	-	-	845,428
Deferred revenue:				
Succeeding year property tax	2,141,691	-	466,399	2,608,090
Other	46,934	-	-	46,934
Bond good faith deposit	-	21,850	-	21,850
Total liabilities	3,317,738	90,021	471,670	3,879,429
Fund balances:				
Reserved for:				
Categorical funding	84,884	-	-	84,884
Unreserved reported in:				
General fund	374,280	-	-	374,280
Special revenue funds	-	-	628,508	628,508
Capital projects funds	-	1,268,602	-	1,268,602
Total fund balances	459,164	1,268,602	628,508	2,356,274
	3,776,902	1,358,623	1,100,178	6,235,703

HUBBARD-RADCLIFFE 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 (Exhibit C)	2,356,274
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	2,532,190
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	46,934
Bond issue costs are reported as an asset in the statement of net assets and are amortized over the life of the bonds.	48,729
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.	(5,540)
Long-term liabilities, including compensated absences and termination benefits, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(1,834,994)</u>
Net assets of governmental activities (Exhibit A)	<u><u>3,143,593</u></u>

HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2009

	General Fund	Capital Projects	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	1,965,128	301,507	449,181	2,715,816
Tuition	1,020,659	-	-	1,020,659
Other	84,148	70,085	68,375	222,608
State sources	1,899,018	-	244	1,899,262
Federal sources	155,420	-	-	155,420
Total revenues	<u>5,124,373</u>	<u>371,592</u>	<u>517,800</u>	<u>6,013,765</u>
Expenditures:				
Current:				
Instruction:				
Regular	2,621,337	-	61,393	2,682,730
Special	815,785	-	-	815,785
Other	227,100	-	51,569	278,669
	<u>3,664,222</u>	<u>-</u>	<u>112,962</u>	<u>3,777,184</u>
Support services:				
Student	48,732	-	-	48,732
Instructional staff	77,079	-	20,125	97,204
Administration	440,727	51,823	24,759	517,309
Operation and maintenance of plant	385,461	-	142,516	527,977
Transportation	327,224	-	8,491	335,715
	<u>1,279,223</u>	<u>51,823</u>	<u>195,891</u>	<u>1,526,937</u>
Non-instructional programs	<u>127</u>	<u>-</u>	<u>-</u>	<u>127</u>
Other expenditures:				
Facilities acquisition	-	1,812,124	51,676	1,863,800
Long-term debt:				
Principal	-	-	185,000	185,000
Interest and fiscal charges	-	-	53,816	53,816
AEA flowthrough	162,072	-	-	162,072
	<u>162,072</u>	<u>1,812,124</u>	<u>290,492</u>	<u>2,264,688</u>
Total expenditures	<u>5,105,644</u>	<u>1,863,947</u>	<u>599,345</u>	<u>7,568,936</u>
Excess (deficiency) of revenues over (under) expenditures	<u>18,729</u>	<u>(1,492,355)</u>	<u>(81,545)</u>	<u>(1,555,171)</u>
Other financing sources (uses):				
Compensation for loss of fixed assets	-	23,445	17,927	41,372
Proceeds from long-term loans	-	-	1,965,000	1,965,000
Accrued interest	-	-	399	399
Sales of materials and equipment	100	-	-	100
Operating transfers in	-	1,950,651	238,816	2,189,467
Operating transfers out	-	-	(2,189,467)	(2,189,467)
Total other financing sources (uses)	<u>100</u>	<u>1,974,096</u>	<u>32,675</u>	<u>2,006,871</u>
Net change in fund balances	18,829	481,741	(48,870)	451,700
Fund balances beginning of year	<u>440,335</u>	<u>786,861</u>	<u>677,378</u>	<u>1,904,574</u>
Fund balances end of year	<u>459,164</u>	<u>1,268,602</u>	<u>628,508</u>	<u>2,356,274</u>

See notes to financial statements.

HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2009

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		451,700
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:		
Gain on disposal of capital assets	2,100	
Expenditures for capital assets	1,776,610	
Depreciation expense	<u>(121,505)</u>	1,657,205
Receivables not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities.		24,965
Bond issue costs are reported as an expense in the governmental fund financial statements, but are capitalized and amortized over the life of the bonds in the government-wide financial statements.		48,729
Repayment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		185,000
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.		(5,540)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Termination benefits	32,439	
Compensated absences	<u>5,227</u>	37,666
Proceeds from issuing long-term liabilities are included in the governmental funds but increase long-term liabilities in the Statement of Net Assets.		<u>(1,965,000)</u>
Changes in net assets of governmental activities (Exhibit B)		<u><u>434,725</u></u>

HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2009

	Nonmajor Enterprise Funds	Governmental Activities - Internal Service Fund
	\$	\$
Assets		
Cash and cash equivalents	50,511	2,469
Accounts receivable	34	-
Inventories	4,331	-
Capital assets, net of accumulated depreciation	30,417	-
	<u>85,293</u>	<u>2,469</u>
Total assets	<u>85,293</u>	<u>2,469</u>
Liabilities		
Accounts payable	3,620	2,469
Salaries and benefits payable	4,905	-
Deferred revenue	1,414	-
	<u>9,939</u>	<u>2,469</u>
Total liabilities	<u>9,939</u>	<u>2,469</u>
Net assets		
Invested in capital assets	30,417	-
Unrestricted	44,937	-
	<u>75,354</u>	<u>-</u>
Total net assets	<u>75,354</u>	<u>-</u>

HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2009

	Nonmajor Enterprise Funds	Governmental Activities - Internal Service Fund
	\$	\$
Operating revenue:		
Local sources:		
Charges for service	<u>106,219</u>	<u>11,197</u>
Operating expenses:		
Salaries	70,780	-
Benefits	16,439	11,197
Purchased services	1,351	-
Supplies	101,290	-
Depreciation	3,560	-
Other	400	-
Total operating expenses	<u>193,820</u>	<u>11,197</u>
Operating gain (loss)	<u>(87,601)</u>	<u>-</u>
Non-operating revenues:		
State sources	8,447	-
Federal sources	87,591	-
Interest income	2,064	-
Total non-operating revenues	<u>98,102</u>	<u>-</u>
Gain (loss) before contributions	10,501	-
Capital contributions	<u>12,248</u>	<u>-</u>
Change in net assets	22,749	-
Net assets beginning of year	<u>52,605</u>	<u>-</u>
Net assets end of year	<u><u>75,354</u></u>	<u><u>-</u></u>

HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2009

	Nonmajor Enterprise Funds	Governmental Activities - Internal Service Fund
	\$	\$
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	95,756	-
Cash received from services	14,426	11,197
Cash payments to employees for services	(94,385)	(8,728)
Cash payments to suppliers for goods or services	(92,285)	-
Net cash (used) provided by operating activities	<u>(76,488)</u>	<u>2,469</u>
Cash flows from non-capital financing activities:		
State grants received	8,447	-
Federal grants received	81,077	-
Net cash provided by non-capital financing activities	<u>89,524</u>	<u>-</u>
Cash flows from capital and related financing activities	<u>-</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	2,078	-
Net increase (decrease) in cash and cash equivalents	15,114	2,469
Cash and cash equivalents at beginning of year	<u>35,397</u>	<u>-</u>
Cash and cash equivalents at end of year	<u>50,511</u>	<u>2,469</u>
Reconciliation of operating gain (loss) to net cash used by operating activities:		
Operating gain (loss)	(87,601)	-
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:		
Commodities used	6,514	-
Depreciation	3,560	-
Decrease (increase) in inventories	1,430	-
Decrease (increase) in accounts receivable	3,532	-
(Decrease) increase in accounts payable	2,812	2,469
(Decrease) increase in salaries and benefits payable	(7,166)	-
(Decrease) increase in deferred revenue	431	-
Net cash (used) provided by operating activities	<u>(76,488)</u>	<u>2,469</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2009, the District received \$6,514 of federal commodities.

During the year ended June 30, 2009 the School Nutrition Fund received \$12,248 of equipment that was purchased by other funds.

HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2009

	Private Purpose Trust Scholarship
	<u>\$</u>
Assets	
Cash and pooled investments	25,718
Liabilities	
	<u>-</u>
Net Assets	
Reserved for scholarships	<u><u>25,718</u></u>

HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2009

	Private Purpose Trust Scholarship
	<u>\$</u>
Additions:	
Local sources:	
Interest	1,261
Deductions:	
Support services:	
Scholarships awarded	<u>5,100</u>
Change in net assets	(3,839)
Net assets beginning of year	<u>29,557</u>
Net assets end of year	<u><u>25,718</u></u>

HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2009

1. Summary of Significant Accounting Policies

Hubbard-Radcliffe Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the Cities of Hubbard and Radcliffe, Iowa and the predominately agricultural territory in a portion of Hardin and Hamilton Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Hubbard-Radcliffe Community School District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The Hubbard-Radcliffe Community School District has no component units that meet the Governmental Accounting Standards Board criteria.

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

B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

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

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year.

However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds became due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2008.

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

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

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

<u>Asset Class</u>	<u>Amount</u>
	\$
Land	-
Buildings	25,000
Improvements other than buildings	25,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	5,000

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

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

The District's collection of library books and other similar materials are not capitalized. These collections are unencumbered, held for public exhibition and education, protected, cared for and preserved and subject to District policy that requires proceeds from the sale of these items, if any, to be used to acquire other collection items.

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

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

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

Compensated Absences - District employees accumulate a limited amount of earned but unused sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2009. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

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

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

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, expenditures in the other expenditures function exceeded the amount budgeted.

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 insure there will be no loss of public funds.

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

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

Diversified Portfolio

Amortized Cost
\$ 2,469

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

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

3. Interfund Transfers

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

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
		\$
Capital Projects Fund	Nonmajor Governmental: Physical Plant and Equipment Levy Fund	1,950,651
Nonmajor Government: Debt Service Fund	Nonmajor Governmental: Physical Plant and Equipment Levy Fund	238,816

These transfers moved revenue from the fund statutorily required to receive the money to the fund statutorily required to expend the money.

4. Capital Assets

Capital assets activity for the year ended June 30, 2009 is 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:				
Construction in progress	55,892	1,581,702	-	1,637,594
Land	8,000	-	-	8,000
Total capital assets not being depr.	<u>63,892</u>	<u>1,581,702</u>	<u>-</u>	<u>1,645,594</u>
Capital assets being depreciated:				
Buildings	2,846,748	119,127	-	2,965,875
Improvements other than buildings	62,380	-	-	62,380
Furniture and equipment	1,199,623	77,881	16,251	1,261,253
Total capital assets being deprec.	<u>4,108,751</u>	<u>197,008</u>	<u>16,251</u>	<u>4,289,508</u>
Less accumulated depreciation for:				
Buildings	2,419,231	30,188	-	2,449,419
Improvements other than buildings	62,380	-	-	62,380
Furniture and equipment	816,047	91,317	16,251	891,113
Total accumulated depreciation	<u>3,297,658</u>	<u>121,505</u>	<u>16,251</u>	<u>3,402,912</u>
Total capital assets being depreciated, net	<u>811,093</u>	<u>75,503</u>	<u>-</u>	<u>886,596</u>
Governmental activities capital assets, net	<u>874,985</u>	<u>1,657,205</u>	<u>-</u>	<u>2,532,190</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	107,201	12,248	-	119,449
Less accumulated depreciation	85,472	3,560	-	89,032
Business type activities capital assets, net	<u>21,729</u>	<u>8,688</u>	-	<u>30,417</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	44,539
Special	3,398
Other	3,136
Support services:	
Operation and maintenance of plant services	3,784
Transportation	36,460
	<u>91,317</u>
Unallocated depreciation	<u>30,188</u>
Total depreciation expense – governmental activities	<u>121,505</u>
Business type activities:	
Food service operations	<u>3,560</u>

5. Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Capital loan notes	-	1,965,000	185,000	1,780,000	170,000
Termination benefits	61,174	16,148	48,587	28,735	17,053
Compensated absences	31,486	2,382	7,609	26,259	6,365
Total	<u>92,660</u>	<u>1,983,530</u>	<u>241,196</u>	<u>1,834,994</u>	<u>193,418</u>

Termination Benefits

The District offered a voluntary early retirement plan to its employees fiscal years 2009 and 2006. Eligible employees for the fiscal year 2009 plan must have completed at least twenty-five years of full-time service to the District and must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commenced. The application for early retirement was subject to approval by the Board of Education.

For the fiscal year 2009 plan the District will make one \$15,000 payment by December 31 of the year of retirement.

For the fiscal year 2006 plan; the District will pay the retiree a monthly payment, beginning in the first month following the completion of the current contract, until the retiree reaches 65 years of age, an amount equal to one percent of the salary received during the year prior to retirement. The District will also pay up to \$160 per month toward premium for single coverage health insurance.

At June 30, 2009, the District has obligations to six participants with a total liability of \$28,735. Actual early retirement expenditures for the year ended June 30, 2009 totaled \$48,587.

Capital Loan Notes

The District issued \$1,965,000 of capital loan notes during the year ended June 30, 2009. These notes and the interest will be paid from the Special Revenue, Physical Plant and Equipment Levy Fund. Details of the capital loan notes are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2010	3.05	170,000	66,483	236,483
2011	3.25	175,000	61,297	236,297
2012	3.45	185,000	55,610	240,610
2013	3.60	190,000	49,228	239,228
2014	3.75	195,000	42,387	237,387
2015-2018	3.90-4.20	865,000	90,495	955,495
		1,780,000	365,500	2,145,500

During the year ended June 30, 2009 the District made principal and interest payments totaling \$238,816 under the note agreements.

6. Pension and Retirement Benefits

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

Plan members are required to contribute 4.10% of their annual covered salary and the District is required to contribute 6.35% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2009, 2008, and 2007 were \$135,382, \$119,793 and \$118,310 respectively, equal to the required contributions for each year.

7. Risk Management

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

8. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$162,072 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.

9. Lease Commitment

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

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

10. Construction Commitment

The District has entered into contracts totaling \$3,416,239 for school remodeling. As of June 30, 2009 costs of \$1,342,891 had been incurred against the contracts. The balances remaining at June 30, 2009 will be paid as work on the project progresses.

11. Subsequent Events

The District issued \$2,185,000 of sales tax revenue bonds in July 2009.

REQUIRED SUPPLEMENTARY INFORMATION

HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year ended June 30, 2009

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	3,959,083	108,283	4,067,366	3,344,104	3,344,104	723,262
Intermediate sources	-	-	-	40,000	40,000	(40,000)
State sources	1,899,262	8,447	1,907,709	2,115,367	2,115,367	(207,658)
Federal sources	155,420	87,591	243,011	222,106	222,106	20,905
Total revenues	<u>6,013,765</u>	<u>204,321</u>	<u>6,218,086</u>	<u>5,721,577</u>	<u>5,721,577</u>	<u>496,509</u>
Expenditures/Expenses:						
Instruction	3,777,184	10,074	3,787,258	3,099,800	4,100,000	312,742
Support services	1,526,937	-	1,526,937	1,753,500	1,753,500	226,563
Non-instructional programs	127	183,746	183,873	430,000	430,000	246,127
Other expenditures	2,264,688	-	2,264,688	1,376,194	1,876,194	(388,494)
Total expenditures/expenses	<u>7,568,936</u>	<u>193,820</u>	<u>7,762,756</u>	<u>6,659,494</u>	<u>8,159,694</u>	<u>396,938</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	(1,555,171)	10,501	(1,544,670)	(937,917)	(2,438,117)	893,447
Other financing sources (uses) net	<u>2,006,871</u>	<u>12,248</u>	<u>2,019,119</u>	<u>4,000</u>	<u>1,969,000</u>	<u>50,119</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses	451,700	22,749	474,449	(933,917)	(469,117)	943,566
Balance beginning of year	<u>1,904,574</u>	<u>52,605</u>	<u>1,957,179</u>	<u>2,164,866</u>	<u>2,164,866</u>	<u>(207,687)</u>
Balance end of year	<u><u>2,356,274</u></u>	<u><u>75,354</u></u>	<u><u>2,431,628</u></u>	<u><u>1,230,949</u></u>	<u><u>1,695,749</u></u>	<u><u>735,879</u></u>

HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2009

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$1,500,200.

During the year ended June 30, 2009, expenditures in the other expenditures function exceeded the amount budgeted.

OTHER SUPPLEMENTARY INFORMATION

HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2009

Assets	Special Revenue Funds			Total
	Management	Student	Physical	
	Levy	Activity	Plant and	
		Fund	Equipment	
	\$	\$	Levy	\$
Cash and pooled investments	377,588	31,991	218,480	628,059
Receivables:				
Property tax:				
Delinquent	1,648	-	3,299	4,947
Succeeding year	150,000	-	316,399	466,399
Accounts	-	-	773	773
Total assets	529,236	31,991	538,951	1,100,178
Liabilities & Fund Balances				
Liabilities:				
Accounts payable	51	2,355	2,865	5,271
Deferred revenue:				
Succeeding year property tax	150,000	-	316,399	466,399
Total liabilities	150,051	2,355	319,264	471,670
Fund balances:				
Unreserved reported in:				
Special revenue funds	379,185	29,636	219,687	628,508
Total liabilities and fund balances	529,236	31,991	538,951	1,100,178

HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2009

	Special Revenue Funds				Total
	Management	Student	Physical	Debt	
	Levy	Activity	Plant and	Service	
		Equipment			
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	150,008	-	299,173	-	449,181
Other	21,134	40,175	7,066	-	68,375
State sources	81	-	163	-	244
Total revenues	<u>171,223</u>	<u>40,175</u>	<u>306,402</u>	<u>-</u>	<u>517,800</u>
Expenditures:					
Current:					
Instruction:					
Regular	61,393	-	-	-	61,393
Other	-	51,569	-	-	51,569
Support services:					
Instructional staff	-	-	20,125	-	20,125
Administration	10,011	-	14,748	-	24,759
Operation and maintenance of plant	25,663	-	116,853	-	142,516
Transportation	8,491	-	-	-	8,491
Other expenditures:					
Facilities acquisition	-	-	51,676	-	51,676
Long-term debt:					
Principal	-	-	-	185,000	185,000
Interest and fiscal charges	-	-	-	53,816	53,816
Total expenditures	<u>105,558</u>	<u>51,569</u>	<u>203,402</u>	<u>238,816</u>	<u>599,345</u>
Excess (deficiency) of revenues over (under) expenditures	65,665	(11,394)	103,000	(238,816)	(81,545)
Other financing sources (uses):					
Compensation for loss of fixed assets	-	-	17,927	-	17,927
Proceeds from long-term loans	-	-	1,965,000	-	1,965,000
Accrued interest	-	-	399	-	399
Operating transfers in	-	-	-	238,816	238,816
Operating transfers out	-	-	(2,189,467)	-	(2,189,467)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(206,141)</u>	<u>238,816</u>	<u>32,675</u>
Net change in fund balances	65,665	(11,394)	(103,141)	-	(48,870)
Fund balances beginning of year	313,520	41,030	322,828	-	677,378
Fund balances end of year	<u>379,185</u>	<u>29,636</u>	<u>219,687</u>	<u>-</u>	<u>628,508</u>

HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT

Combining Schedule of Net Assets
Nonmajor Enterprise Funds

June 30, 2009

	Nonmajor Enterprise Funds			Total
	School Nutrition	Preschool	Child Care Center	
	\$	\$	\$	\$
Assets				
Cash and cash equivalents	10,211	33,566	6,734	50,511
Accounts receivable	34	-	-	34
Inventories	4,331	-	-	4,331
Capital assets, net of accumulated depreciation	30,417	-	-	30,417
Total assets	<u>44,993</u>	<u>33,566</u>	<u>6,734</u>	<u>85,293</u>
Liabilities				
Accounts payable	695	2,925	-	3,620
Salaries and benefits payable	4,905	-	-	4,905
Deferred revenue	1,414	-	-	1,414
Total liabilities	<u>7,014</u>	<u>2,925</u>	<u>-</u>	<u>9,939</u>
Net assets				
Invested in capital assets	30,417	-	-	30,417
Unrestricted	7,562	30,641	6,734	44,937
Total net assets	<u>37,979</u>	<u>30,641</u>	<u>6,734</u>	<u>75,354</u>

HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2009

	Nonmajor Enterprise Funds			Total
	School Nutrition	Preschool	Child Care Center	
	\$	\$		\$
Operating revenue:				
Local sources:				
Charges for service	95,359	10,860	-	106,219
Operating expenses:				
Salaries	65,964	4,816	-	70,780
Benefits	15,839	600	-	16,439
Purchased services	253	1,098	-	1,351
Supplies	97,730	3,560	-	101,290
Depreciation	3,560	-	-	3,560
Other	400	-	-	400
Total operating expenses	183,746	10,074	-	193,820
Operating gain (loss)	(88,387)	786	-	(87,601)
Non-operating revenues:				
State sources	2,608	5,839	-	8,447
Federal sources	87,591	-	-	87,591
Interest income	736	1,109	219	2,064
Total non-operating revenues	90,935	6,948	219	98,102
Gain (loss) before contributions	2,548	7,734	219	10,501
Capital contributions	12,248	-	-	12,248
Change in net assets	14,796	7,734	219	22,749
Net assets beginning of year	23,183	22,907	6,515	52,605
Net assets end of year	37,979	30,641	6,734	75,354

HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT

Combining Schedule of Cash Flows
Nonmajor Enterprise Funds

Year ended June 30, 2009

	Nonmajor Enterprise Funds			
	School Nutrition	Preschool	Child Care Center	Total
	\$	\$	\$	\$
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	95,756	-	-	95,756
Cash received from services	-	14,426	-	14,426
Cash payments to employees for services	(87,831)	(6,554)	-	(94,385)
Cash payments to suppliers for goods or services	(90,246)	(2,039)	-	(92,285)
Net cash (used) provided by operating activities	<u>(82,321)</u>	<u>5,833</u>	<u>-</u>	<u>(76,488)</u>
Cash flows from non-capital financing activities:				
State grants received	2,608	5,839	-	8,447
Federal grants received	81,077	-	-	81,077
Net cash provided by non-capital financing activities	<u>83,685</u>	<u>5,839</u>	<u>-</u>	<u>89,524</u>
Cash flows from capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from investing activities:				
Interest on investments	<u>750</u>	<u>1,109</u>	<u>219</u>	<u>2,078</u>
Net increase (decrease) in cash and cash equivalents	2,114	12,781	219	15,114
Cash and cash equivalents at beginning of year	<u>8,097</u>	<u>20,785</u>	<u>6,515</u>	<u>35,397</u>
Cash and cash equivalents at end of year	<u>10,211</u>	<u>33,566</u>	<u>6,734</u>	<u>50,511</u>
Reconciliation of operating gain (loss) to net cash used by operating activities:				
Operating gain (loss)	(88,387)	786	-	(87,601)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:				
Commodities used	6,514	-	-	6,514
Depreciation	3,560	-	-	3,560
Decrease (increase) in inventories	1,430	-	-	1,430
Decrease (increase) in accounts receivable	(34)	3,566	-	3,532
(Decrease) increase in accounts payable	193	2,619	-	2,812
(Decrease) increase in salaries and benefits payable	(6,028)	(1,138)	-	(7,166)
(Decrease) increase in deferred revenue	431	-	-	431
Net cash (used) provided by operating activities	<u>(82,321)</u>	<u>5,833</u>	<u>-</u>	<u>(76,488)</u>

HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2009

	Balance Beginning of Year	Revenues	Expenditures	Intra-Fund Transfers	Balance End of Year
	\$	\$	\$	\$	\$
Athletics	(405)	653	16,702	8,079	(8,375)
Girls basketball	70	-	-	(70)	-
Football	3,673	-	-	(3,673)	-
Volleyball	3,178	-	-	(3,178)	-
Wrestling	395	-	-	(395)	-
Cross country	6	-	-	(6)	-
Softball	757	-	-	(757)	-
Concessions	-	6,130	4,294	-	1,836
Interest	11,687	1,117	1,659	-	11,145
Vocal/instrumental music	1,286	7,732	5,650	-	3,368
Fifth grade	253	-	-	(253)	-
Yearbook	1,037	-	-	-	1,037
Student Council MS	14,597	20,897	20,951	-	14,543
Elementary council	4,496	3,646	2,313	253	6,082
Total	<u>41,030</u>	<u>40,175</u>	<u>51,569</u>	<u>-</u>	<u>29,636</u>

HUBBARD-RADCLIFFE 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	2,715,816	2,513,423	2,528,008	2,253,036	2,200,881	2,156,433
Tuition	1,020,659	1,136,748	29,586	84,864	44,568	39,597
Other	222,608	180,198	226,845	157,339	262,537	243,150
State sources	1,899,262	1,818,506	1,831,432	1,807,043	1,692,362	1,508,423
Federal sources	155,420	155,491	144,144	125,405	121,244	172,435
Total revenues	<u>6,013,765</u>	<u>5,804,366</u>	<u>4,760,015</u>	<u>4,427,687</u>	<u>4,321,592</u>	<u>4,120,038</u>
Expenditures:						
Instruction:						
Regular	2,682,730	2,636,782	2,055,842	1,916,754	1,954,037	1,965,947
Special	815,785	772,538	411,256	361,299	326,630	383,177
Other	278,669	174,720	247,180	465,147	429,607	304,244
Support services:						
Student	48,732	74,462	87,798	91,791	96,488	111,425
Instructional staff	97,204	178,271	86,143	161,187	204,951	104,988
Administration	517,309	404,632	457,328	471,691	443,695	461,871
Operation and maintenance	527,977	508,840	516,341	436,886	437,174	413,990
Transportation	335,715	269,133	200,653	287,920	183,955	168,062
Non-instructional programs	127	1,192	531	131	17,250	20,565
Other expenditures:						
Facilities acquisition	1,863,800	362,267	105,716	288,708	209,833	175,239
Long-term debt:						
Principal	185,000	21,237	19,507	-	55,258	55,635
Interest and other charges	53,816	1,530	3,260	-	1,429	2,787
AEA flowthrough	162,072	152,748	148,045	142,709	141,865	145,421
Total expenditures	<u>7,568,936</u>	<u>5,558,352</u>	<u>4,339,600</u>	<u>4,624,223</u>	<u>4,502,172</u>	<u>4,313,351</u>

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Hubbard-Radcliffe Community School District as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 3, 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 Hubbard-Radcliffe Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Hubbard-Radcliffe Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Hubbard-Radcliffe Community School District's internal control over financial reporting.

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

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

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

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

Compliance and Other Matters

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

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.

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

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

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

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

March 3, 2010

HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2009

Part I: Findings Related to the Financial Statements:

Significant deficiencies:

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

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

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

Conclusion: Response accepted.

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

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

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

Conclusion: Response accepted.

09-I-C Financial Reporting: During the audit, we identified material amounts of construction accounts payable not recorded in the District's financial records. We also identified errors with recording the issuance of capital loan notes and the related transfer of the proceeds to the Capital Projects Fund. Also, the good faith deposit received on the sales tax revenue bond issue was incorrectly reported as a revenue, it should have been a liability. Adjustments were subsequently made by the District to properly include these amounts in the financial statements.

HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2009

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

Recommendation: The District should implement procedures to ensure all payables are identified and included in the District's financial statements. The District should also implement procedures to ensure all entries to record proceeds from the issuance of long-term debt are correct

District Response: We will double check these in the future to avoid missing any payables or recording errors.

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported.

HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2009

Part II: Other Findings Related to Statutory Reporting:

09-II-A Certified Budget: Expenditures for the year ended June 30, 2009, exceeded the amount budgeted in the other expenditures functional area.

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

District Response: We did amend the budget, but year-end construction costs were more than anticipated.

Conclusion: Response accepted.

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

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

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

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

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

09-II-G Certified Enrollment: The number of basic resident students reported to the Iowa Department of Education on Line 7 of the Certified Enrollment Certification Form for October 2008, was overstated by one student.

Recommendation: The District should review its procedures for compiling the lists of students to report for certified enrollment.

District Response: The Iowa Department of Education changed the certified enrollment reporting method for the October 2009 enrollment. Their changes should eliminate reporting errors.

Conclusion: Response accepted.

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

HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2009

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

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

09-II-J Categorical Funding: Except as noted, no instances were noted of categorical funding being used to supplant rather than supplement other funds. The District allocated \$42,726 for administrative costs to the District's Returning Dropouts and Dropout Prevention program. The \$42,726 cost allocation does not appear to be an allowable cost for this program in accordance with Chapter 256D.2 of the Code of Iowa and Iowa Department of Education administrative rules. The District corrected the allocation before the CAR was filed.

According to proposed administrative rules, "Categorical funding shall not be commingled with other funding. School districts shall use a project code and program code as defined by Uniform Financial Accounting." We noted that during the year some categorical funding expenditures were commingled with other General Fund expenditures, and then were reclassified as categorical spending at the end of the year.

Recommendation: All categorical funding expenditures should be posted to the correct expenditure accounts as the expenditures are incurred.

Response: We have revised our procedures for identifying categorical expenditures so that they will be coded to the correct expenditure accounts as incurred.

Conclusion: Response accepted.

09-II-K Statewide Sales and Services Tax: The statewide sales tax may be used to purchase equipment with a unit cost exceeding \$500. There is no provision to spend sales tax revenues for software or equipment repairs. We noted that statewide sales tax expenditures included \$4,370 for computer cables, \$1,674 for software and \$1,250 for tractor repairs. These items do not appear to be allowable from the statewide sales tax revenues.

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

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

Conclusion: Response accepted.

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:

HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2009

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

	\$	\$
Beginning balance		-
Statewide sales and services tax revenue		301,507
Expenditures/transfers out:		
School infrastructure:		
Buildings and building improvements	190,522	
Equipment	95,801	
Other	7,294	293,617
	<u> </u>	<u> </u>
Ending balance		<u> 7,890</u>

09-II-L Physical Plant and Equipment Levy (PPEL) Expenditures: The physical plant and equipment property tax levy may be used to purchase equipment with a unit cost exceeding \$500. We noted that PPEL expenditures included \$1,281 for tables with a unit cost of less than \$500.

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

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

Conclusion: Response accepted.

09-II-M Old Outstanding Checks: We noted that the District's bank reconciliations included approximately \$565 of old outstanding checks. Iowa Code Section 566 specifies that holder's unclaimed property, which includes outstanding checks, must file a report with and send the unclaimed property to the Treasurer of Iowa.

Recommendation: The District should investigate the status of all old outstanding checks. Checks that were issued in error or in duplicate should be voided and removed from the list of outstanding checks. The District should search for the owners of all other outstanding checks, then, reissue new checks if the owners are found. If the owners can not be found, the District must file an unclaimed property report with and send the money to the Treasurer State of Iowa.

Response: We will begin investigating the status of old outstanding checks and we will file an unclaimed property report with the Treasurer of Iowa if necessary.

Conclusion: Response accepted.

HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2009

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

09-II-N Deficit Balances: The Student Activity Fund, athletic account has a deficit balance at June 30, 2009.

Recommendation: The District should monitor this account and investigate alternatives to eliminate the deficit.

District Response: We are working on ways to eliminate the deficit.

Conclusion: Response accepted.