

HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT

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

June 30, 2012

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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, 2012, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Hubbard-Radcliffe Community School District at June 30, 2012, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated January 31, 2013, 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.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 13 and 40 through 42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the

required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 eight years ended June 30, 2011, (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 9, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information 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

January 31, 2013

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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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, 2012. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### 2012 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$5,199,978 in fiscal 2011 to \$5,230,911 in fiscal 2012, while General Fund expenditures increased from \$4,787,809 in fiscal 2011 to \$5,010,434 in fiscal 2012. The District's General Fund balance increased from \$994,496 in fiscal 2011 to \$1,202,133 in fiscal 2012, a 20.9% increase.
- The fiscal year 2012 increase in General Fund revenues were attributable to increases in property tax and state grant revenue. 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 the negotiated salary and benefits settlement was less than the District's increase in General Fund revenue for fiscal 2012 so we protected our 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 the 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 the 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, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the nonmajor funds.

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

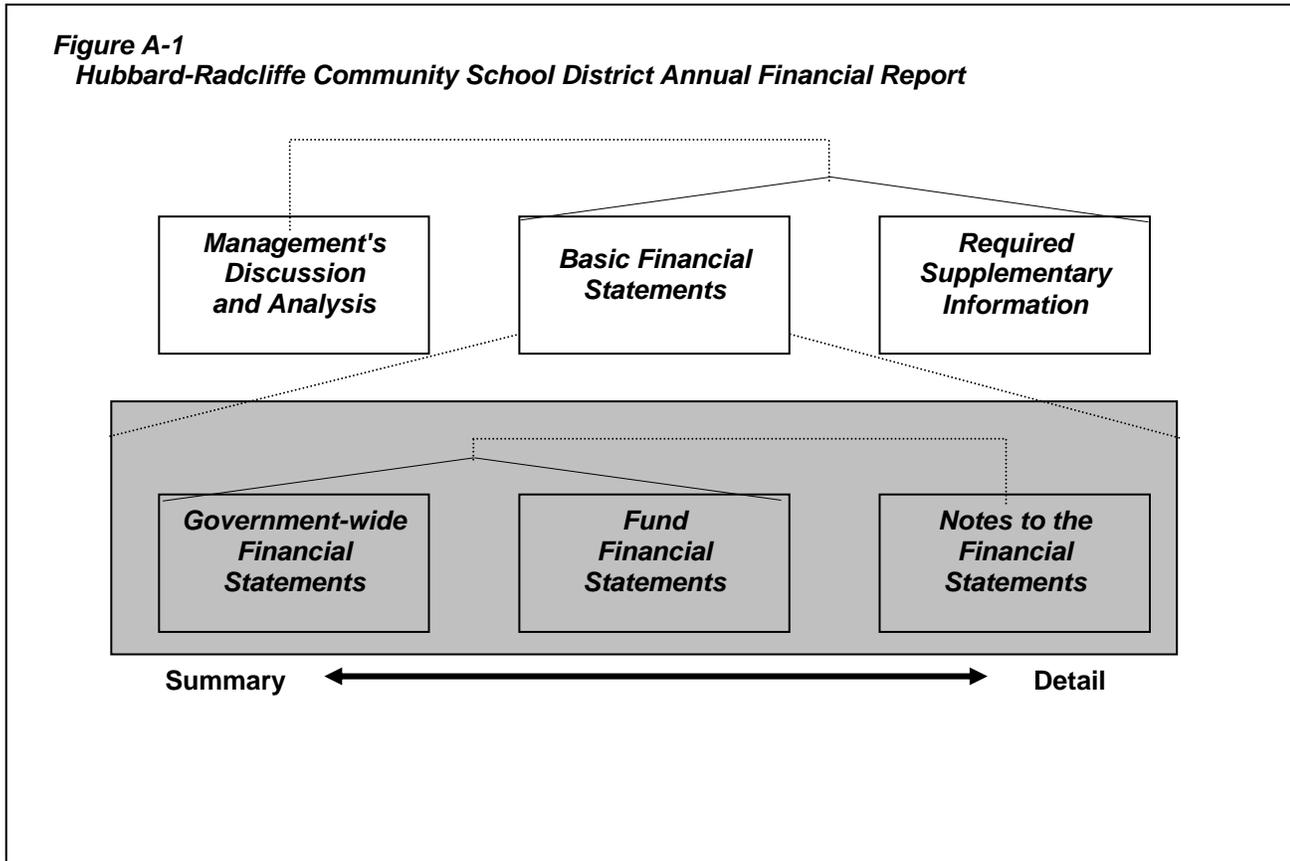


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

## REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

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

The two government-wide financial statements report the District’s net assets and how they have changed. Net assets – the difference between the District’s assets and liabilities – are one way to measure the District’s financial health or financial position. Over time, increases or decreases in the District’s net assets are an indicator of whether financial position is improving or deteriorating. To assess the District’s overall health,

additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

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

### *Fund Financial Statements*

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

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

The District has three kinds of funds:

- 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 two Enterprise Funds, the School Nutrition Fund and 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 Fund.

- 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, 2012 compared to June 30, 2011.

Figure A-3

	Condensed Statement of Net Assets						Percentage Change 2011-2012 %
	Governmental Activities		Business-type Activities		Total School District		
	2011	2012	2011	2012	2011	2012	
	\$	\$	\$	\$	\$	\$	
Current and other assets	\$6,900,206	\$6,523,281	\$44,805	\$63,763	\$6,945,011	\$6,587,044	-5.1%
Capital assets	\$4,929,254	\$4,931,519	\$42,648	\$49,195	\$4,971,902	\$4,980,714	.2%
<b>Total assets</b>	<b>\$11,829,460</b>	<b>\$11,454,800</b>	<b>\$87,453</b>	<b>\$112,958</b>	<b>\$11,916,913</b>	<b>\$11,567,758</b>	<b>-2.9%</b>
Long-term liabilities	\$3,217,848	\$2,901,070	\$833	\$1,493	\$3,218,681	\$2,902,563	-9.8%
Other liabilities	\$4,426,317	\$4,013,026	\$9,855	\$3,942	\$4,436,172	\$4,016,968	-9.4%
<b>Total liabilities</b>	<b>\$7,644,165</b>	<b>\$6,914,096</b>	<b>\$10,688</b>	<b>\$5,435</b>	<b>\$7,654,853</b>	<b>\$6,919,531</b>	<b>-9.6%</b>
Net Assets:							
Invested in capital assets, net of related debt	\$1,444,254	\$1,771,519	\$42,648	\$49,195	\$1,486,902	\$1,820,714	22.4%
Restricted	\$1,846,573	\$1,647,207	\$0	\$0	\$1,846,573	\$1,647,207	-10.8%
Unrestricted	\$894,468	\$1,121,978	\$34,117	\$58,328	\$928,585	\$1,180,306	27.1%
<b>TOTAL NET ASSETS</b>	<b>\$4,185,295</b>	<b>\$4,540,704</b>	<b>\$76,765</b>	<b>\$107,523</b>	<b>\$4,262,060</b>	<b>\$4,648,227</b>	<b>9.1%</b>

The District's combined total assets decreased by nearly 3%, or approximately \$349,000, over the prior year. The largest portion of the District's assets is invested in cash & receivables.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased approximately \$199,000 or 11% over the prior year. The decrease was primarily a result of increased expenditures in the Capital Projects Physical Plant and Equipment Levy account and Sales Tax account.

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 \$252,000, or 27%. 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, 2012 and 2011.

Figure A-4

	Change in Net Assets						Percentage Change 2011-2012 %
	Governmental Activities		Business-type Activities		Total School District		
	2011 \$	2012 \$	2011 \$	2012 \$	2011 \$	2012 \$	
Revenues							
Program Revenues:							
Charges for services	\$1,137,148	\$1,064,748	\$142,301	\$144,211	\$1,279,449	\$1,208,959	-5.5%
Operating grants & contributions	\$691,947	\$685,018	\$111,981	\$115,867	\$803,928	\$800,885	-.4%
Capital grants & contributions	\$40,503	\$1,202	\$10,307	\$0	\$50,810	\$1,202	-97.6%
General Revenues:							
Property taxes	\$2,701,878	\$2,869,476	\$0	\$0	\$2,701,878	\$2,869,476	6.2%
Sales tax	\$316,515	\$285,203	\$0	\$0	\$316,515	\$285,203	-9.9%
Unrestricted state grants	\$1,142,789	\$1,164,913	\$0	\$0	\$1,142,789	\$1,164,913	1.9%
Unrestricted investment earnings	\$20,421	\$23,813	\$775	\$613	\$21,196	\$24,426	15.2%
Other revenue	\$23,977	\$13,741	\$0	\$0	\$23,977	\$13,741	-42.7%
<b>Total Revenues</b>	<b>\$6,075,178</b>	<b>\$6,108,114</b>	<b>\$265,364</b>	<b>\$260,691</b>	<b>\$6,340,542</b>	<b>\$6,368,805</b>	<b>.5%</b>
Expenses:							
Instruction	\$3,443,054	\$3,684,574	\$0	\$0	\$3,443,054	\$3,684,574	7.0%
Support services	\$1,468,207	\$1,482,455	\$0	\$0	\$1,468,207	\$1,482,455	1.0%
Non-instructional programs	\$795	\$1,341	\$259,861	\$241,567	\$260,656	\$242,908	-6.8%
Other expenditures	\$544,077	\$572,701	\$0	\$0	\$544,077	\$572,701	5.3%
<b>Total expenses</b>	<b>\$5,456,133</b>	<b>\$5,741,071</b>	<b>\$259,861</b>	<b>\$241,567</b>	<b>\$5,715,994</b>	<b>\$5,982,638</b>	<b>4.7%</b>
<b>Change in net assets before transfers</b>	<b>\$619,045</b>	<b>\$367,043</b>	<b>\$5,503</b>	<b>\$19,124</b>	<b>\$624,548</b>	<b>\$386,167</b>	
Transfers	\$7,610	\$(11,634)	\$(7,610)	\$11,634	\$0	\$0	
<b>CHANGE IN NET ASSETS</b>	<b>\$626,655</b>	<b>\$355,409</b>	<b>\$(2,107)</b>	<b>\$30,758</b>	<b>\$624,548</b>	<b>\$386,167</b>	
Net assets beginning of year	\$3,558,640	\$4,185,295	\$78,872	\$76,765	\$3,637,512	\$4,262,060	
Net assets end of year	\$4,185,295	\$4,540,704	\$76,765	\$107,523	\$4,262,060	\$4,648,227	

In fiscal year 2012 property tax and unrestricted state grants account for 63% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 86.4% of the total expenses.

As shown in figure A-4, the District as a whole experienced a .5% increase in revenues and a 4.7% increase in expenses. Property tax increased \$167,600 to fund increases in expenses. The increases in expenses related to increases in the negotiated salaries and benefits. However the district continues to implement tighter financial control of spending so that expenses were less than revenue.

### Governmental Activities

Revenues for governmental activities were \$6,108,114 and expenses were \$5,741,071. 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		
	2011	2012	Percent Change 2011-2012	2011	2012	Percent Change 2011-2012
	\$	\$	%	\$	\$	%
Instruction	\$3,443,054	\$3,684,574	7.0%	\$1,876,705	\$2,111,633	12.5%
Support Services	\$1,468,207	\$1,482,455	1.0%	\$1,394,374	\$1,472,696	5.6%
Non-instructional Programs	\$795	\$1,341	68.7%	\$795	\$1,341	68.7%
Other Expenses	\$544,077	\$572,701	5.3%	\$314,661	\$404,433	28.5%
<b>TOTAL</b>	<b>\$5,456,133</b>	<b>\$5,741,071</b>	<b>5.2%</b>	<b>\$3,586,535</b>	<b>\$3,990,103</b>	<b>11.2%</b>

For the year ended June 30, 2012:

- The cost financed by users of the District’s programs was \$1,064,748. 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 \$686,220.
- The net cost of governmental activities was financed with \$2,869,476 in property and local other taxes and \$1,164,913 in unrestricted state grants.

**Business Type Activities**

Revenues for business type activities were \$260,691 and expenses were \$241,567. The District’s business type activities include the School Nutrition Fund and Preschool Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2012, the District increased meal prices slightly to help offset expenses to the School Nutrition Fund. The District continues to closely monitor the School Nutrition Fund and looks 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 \$2,791,909, slightly above last year’s ending fund balances of \$2,747,132.

**Governmental Fund Highlights**

- The General Fund balance increased from \$994,496 to \$1,202,133, due in part to the continued trimming or sharing of positions wherever possible and reducing expenditures.
- The District’s improving General Fund financial position is the result of many factors. Growth during the year in tax and grants resulted in an increase in revenues. However, the increase in revenues was offset by the District’s increase in General Fund expenditures. However with careful monitoring of the District’s finances, the District has not needed to use carryover fund balance to meet its financial obligations during the year.

- The Capital Projects Fund balance decreased from \$1,045,096 to \$787,397 due to expenditures and financial obligations of loan notes. The district did reduce its over-expenditures by about half from the prior year in order to improve the financial condition of this fund. Plans are to continue to reduce future expenditures until able to pass a voter-approved bond.
- The Management Fund is used to account for the proceeds from the management property tax levy. This money may be used for property and liability insurance premiums, unemployment benefits, legal judgments and settlements and early retirement benefits. The fund balance in the Management fund increased from \$505,788 to \$584,679.

### **Proprietary Fund Highlights**

The enterprise fund consists of the School Nutrition Fund and Preschool Fund. The net assets increased from \$76,765 at June 30, 2011 to \$107,523 at June 30, 2012, representing an increase of approximately 40%. For fiscal 2012, the District increased meal prices, resulting in the increase in revenue. The District also increased the Preschool fees. With these changes and staffing changes, the district experienced an increase in both revenue and net assets.

### **BUDGETARY HIGHLIGHTS**

The District's receipts were \$59,574 less than budgeted receipts, a variance of 1%. The most significant variance resulted from the District receiving less in state aid than originally anticipated.

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

### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

#### **Capital Assets**

At June 30, 2012, the District had invested \$4.9 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 .2% 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 \$230,260.

The largest change in capital asset activity during the year occurred in the furniture and equipment category. The District's furniture and equipment totaled \$425,318 at June 30, 2012 compared to \$406,434 reported at June 30, 2011. This increase resulted mainly from the purchase of computers for both buildings.

Figure A-6

Capital Assets (net of depreciation)

	Governmental		Business type		Total		Percentage Change 2011-2012
	Activities		Activities		School District		
	2011	2012	2011	2012	2011	2012	
	\$	\$	\$	\$	\$	\$	%
Land	\$8,500	\$8,500	\$0	\$0	\$8,500	\$8,500	0%
Construction in progress	\$0	\$42,720	\$0	\$0	\$0	\$42,720	0%
Buildings	\$4,524,476	\$4,468,019	\$0	\$0	\$4,524,476	\$4,468,019	-1.2%
Improvements	\$32,492	\$30,757	\$0	\$0	\$32,492	\$30,757	-5.3%
Equipment & furniture	\$363,786	\$376,123	\$42,648	\$49,195	\$406,434	\$425,318	4.6%
Intangible assets	\$0	\$5,400	\$0	\$0	\$0	\$5,400	0%
<b>TOTAL</b>	<b>\$4,929,254</b>	<b>\$4,931,519.00</b>	<b>\$42,648</b>	<b>\$49,195</b>	<b>\$4,971,902</b>	<b>\$4,980,714</b>	<b>.2%</b>

Long-Term Debt

At June 30, 2012 the District had \$3,255,631 in general obligation, revenue and other long-term debt outstanding. This represents a decrease of approximately 8.3% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

The District had total outstanding bonded indebtedness at June 30, 2012 of \$3,160,000 due to bonds sold in prior fiscal years.

The District continues to carry a bond rating of A/Stable assigned by national rating agencies to the District's debt since June of 2009.

The constitution of the State of Iowa limits the amount of debt school districts can issue to 5% of the assessed value of all taxable property within the district. The District's outstanding bonded and note indebtedness is significantly below its constitutional debt limit of approximately \$10 million.

Figure A-7  
Outstanding Long-Term Obligations

	Total School District		Percentage Change 2011-2012
	2011	2012	
	\$	\$	%
Revenue bonds	\$2,050,000	\$1,910,000	-6.8%
Capital loan notes	\$1,435,000	\$1,250,000	-12.9%
Early retirement	\$3,678	\$16,148	339.0%
Compensated absences	\$34,361	\$31,617	-8.0%
Net OPEB liability	\$26,682	\$47,866	79.4%
	<b>\$3,549,721</b>	<b>\$3,255,631</b>	<b>-8.3%</b>

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

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

- Hardin and Hamilton Counties had tiffed a large windmill project and the tiffed valuations have started to appear on the tax roll.
- School financing is highly dependent upon student enrollment. The District's October 2012 enrollment increased by twenty-six students. This increase in enrollment will increase the District's funding for fiscal year 2014.
- The District asked voters to approve an \$8.4 million General Obligation Bond in April 2012 but the proposal was defeated. They plan to hold another special election in December 2012 to gain approval for the measure.
- Fiscal 2013 is the last year of a two-year contract with the Hubbard-Radcliffe Education Association (HREA). The District will negotiate a new agreement during fiscal 2013. 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. It is also challenging to negotiate this year with the uncertainty. Since the state legislature did not set allowable growth last year, it may be decided after negotiations are completed.

## **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, IA 50122.

## BASIC FINANCIAL STATEMENTS

## HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2012

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
<b>Assets</b>			
Cash and cash equivalents	2,901,535	55,315	2,956,850
Receivables:			
Property tax:			
Delinquent	32,181	-	32,181
Succeeding year	2,492,133	-	2,492,133
Accounts	15,173	21	15,194
Due from other governments	1,034,165	2,359	1,036,524
Inventories	-	6,068	6,068
Debt issue costs	48,094	-	48,094
Capital assets, net of accumulated depreciation	4,931,519	49,195	4,980,714
<b>Total assets</b>	<b>11,454,800</b>	<b>112,958</b>	<b>11,567,758</b>
<b>Liabilities</b>			
Accounts payable	93,406	450	93,856
Salaries and benefits payable	286,050	1,716	287,766
Due to other governments	749,182	-	749,182
Accrued interest payable	39,187	-	39,187
Deferred revenue:			
Succeeding year property tax	2,492,133	-	2,492,133
Other	-	1,776	1,776
Long-term liabilities:			
Portion due within one year:			
Revenue bonds payable	145,000	-	145,000
Notes payable	190,000	-	190,000
Termination benefits	16,148	-	16,148
Compensated absences	1,920	-	1,920
Portion due after one year:			
Revenue bonds payable	1,765,000	-	1,765,000
Notes payable	1,060,000	-	1,060,000
Compensated absences	29,697	-	29,697
Net OPEB liability	46,373	1,493	47,866
<b>Total liabilities</b>	<b>6,914,096</b>	<b>5,435</b>	<b>6,919,531</b>
<b>Net assets</b>			
Invested in capital assets, net of related debt	1,771,519	49,195	1,820,714
Restricted for:			
Categorical funding	112,766	-	112,766
Management levy	568,531	-	568,531
Physical plant and equipment levy	61,226	-	61,226
Student activities	35,354	-	35,354
School infrastructure	507,671	-	507,671
Debt service	361,659	-	361,659
Unrestricted	1,121,978	58,328	1,180,306
<b>Total net assets</b>	<b>4,540,704</b>	<b>107,523</b>	<b>4,648,227</b>

HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2012

<b>Functions/Programs</b>	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	2,490,601	639,549	421,703	-
Special	850,430	356,993	56,991	-
Other	343,543	59,110	38,595	-
	<u>3,684,574</u>	<u>1,055,652</u>	<u>517,289</u>	<u>-</u>
Support services:				
Student	63,368	-	-	-
Instructional staff	140,834	-	-	-
Administration	491,132	-	-	-
Operation and maintenance of plant	465,154	-	-	-
Transportation	321,967	9,096	663	-
	<u>1,482,455</u>	<u>9,096</u>	<u>663</u>	<u>-</u>
Non-instructional programs	1,341	-	-	-
Other expenditures:				
Facilities acquisition	159,263	-	-	1,202
Long-term debt interest	127,248	-	4,280	-
AEA flowthrough	162,786	-	162,786	-
Depreciation (unallocated)*	123,404	-	-	-
	<u>572,701</u>	<u>-</u>	<u>167,066</u>	<u>1,202</u>
Total governmental activities	5,741,071	1,064,748	685,018	1,202
Business type activities:				
Non-instructional programs:				
Food service operations	203,141	95,524	115,867	-
Preschool	38,426	48,687	-	-
Total business-type activities	<u>241,567</u>	<u>144,211</u>	<u>115,867</u>	<u>-</u>
Total	<u>5,982,638</u>	<u>1,208,959</u>	<u>800,885</u>	<u>1,202</u>
<b>General Revenues:</b>				
Property taxes levied for:				
General purposes				
Capital outlay				
Statewide sales, services and use tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				
Transfers				
Total general revenues and transfers				

**Change in net assets**

Net assets beginning of year

Net assets end of year

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

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$	\$	\$
(1,429,349)	-	(1,429,349)
(436,446)	-	(436,446)
(245,838)	-	(245,838)
<u>(2,111,633)</u>	<u>-</u>	<u>(2,111,633)</u>
(63,368)	-	(63,368)
(140,834)	-	(140,834)
(491,132)	-	(491,132)
(465,154)	-	(465,154)
(312,208)	-	(312,208)
<u>(1,472,696)</u>	<u>-</u>	<u>(1,472,696)</u>
(1,341)	-	(1,341)
(158,061)	-	(158,061)
(122,968)	-	(122,968)
-	-	-
(123,404)	-	(123,404)
<u>(404,433)</u>	<u>-</u>	<u>(404,433)</u>
(3,990,103)	-	(3,990,103)
-	8,250	8,250
-	<u>10,261</u>	<u>10,261</u>
-	<u>18,511</u>	<u>18,511</u>
<u>(3,990,103)</u>	<u>18,511</u>	<u>(3,971,592)</u>
2,522,489	-	2,522,489
346,987	-	346,987
285,203	-	285,203
1,164,913	-	1,164,913
23,813	613	24,426
13,741	-	13,741
4,357,146	613	4,357,759
<u>(11,634)</u>	<u>11,634</u>	<u>-</u>
<u>4,345,512</u>	<u>12,247</u>	<u>4,357,759</u>
355,409	30,758	386,167
<u>4,185,295</u>	<u>76,765</u>	<u>4,262,060</u>
<u>4,540,704</u>	<u>107,523</u>	<u>4,648,227</u>

See notes to financial statements.

## HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT

Balance Sheet  
Governmental Funds

June 30, 2012

	General	Capital Projects	Management Levy	Nonmajor Governmental	Total
	\$	\$	\$	\$	\$
<b>Assets</b>					
Cash and pooled investments	1,306,424	805,943	583,109	205,504	2,900,980
Receivables:					
Property tax:					
Delinquent	26,719	3,892	1,570	-	32,181
Succeeding year	2,036,227	355,906	100,000	-	2,492,133
Accounts	195	-	-	12,728	12,923
Due from other governments	986,171	47,994	-	-	1,034,165
<b>Total assets</b>	<b>4,355,736</b>	<b>1,213,735</b>	<b>684,679</b>	<b>218,232</b>	<b>6,472,382</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	16,974	70,432	-	532	87,938
Salaries and benefits payable	286,050	-	-	-	286,050
Due to other governments	749,182	-	-	-	749,182
Deferred revenue:					
Succeeding year property tax	2,036,227	355,906	100,000	-	2,492,133
Other	65,170	-	-	-	65,170
Total liabilities	3,153,603	426,338	100,000	532	3,680,473
Fund balances:					
Restricted for:					
Categorical funding	112,766	-	-	-	112,766
Debt service	-	218,500	-	182,346	400,846
Management levy	-	-	584,679	-	584,679
Student activities	-	-	-	35,354	35,354
School infrastructure	-	507,671	-	-	507,671
Physical plant and equipment	-	61,226	-	-	61,226
Unassigned	1,089,367	-	-	-	1,089,367
Total fund balances	1,202,133	787,397	584,679	217,700	2,791,909
<b>Total liabilities and fund balances</b>	<b>4,355,736</b>	<b>1,213,735</b>	<b>684,679</b>	<b>218,232</b>	<b>6,472,382</b>

## HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT

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

June 30, 2012

	\$
<b>Total fund balances of governmental funds (Exhibit C)</b>	2,791,909
<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.	4,931,519
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	65,170
Bond issue costs are reported as an asset in the statement of net assets and are amortized over the life of the bonds.	48,094
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.	(39,187)
An internal service fund is used by the District's management to charge the costs of the employee flexible benefit program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.	(2,663)
Long-term liabilities, including bonds payable, notes payable, compensated absences, termination benefits, and other postemployment benefits, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(3,254,138)</u>
<b>Net assets of governmental activities (Exhibit A)</b>	<u><u>4,540,704</u></u>

## HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2012

	General	Capital Projects	Management Levy	Nonmajor Governmental	Total
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	2,382,441	632,190	140,048	-	3,154,679
Tuition	896,249	-	-	-	896,249
Other	120,220	8,079	15,912	57,015	201,226
State sources	1,649,824	154	62	-	1,650,040
Federal sources	182,177	-	-	-	182,177
Total revenues	<u>5,230,911</u>	<u>640,423</u>	<u>156,022</u>	<u>57,015</u>	<u>6,084,371</u>
Expenditures:					
Current:					
Instruction:					
Regular	2,390,530	-	23,149	-	2,413,679
Special	846,458	-	-	-	846,458
Other	299,469	-	-	54,633	354,102
	<u>3,536,457</u>	<u>-</u>	<u>23,149</u>	<u>54,633</u>	<u>3,614,239</u>
Support services:					
Student	62,706	-	-	-	62,706
Instructional staff	135,911	91,544	-	-	227,455
Administration	465,560	-	15,611	-	481,171
Operation and maintenance of plant	375,023	64,657	29,186	-	468,866
Transportation	270,650	-	9,185	-	279,835
	<u>1,309,850</u>	<u>156,201</u>	<u>53,982</u>	<u>-</u>	<u>1,520,033</u>
Non-instructional programs	1,341	-	-	-	1,341
Other expenditures:					
Facilities acquisition	-	288,175	-	-	288,175
Long-term debt:					
Principal	-	-	-	325,000	325,000
Interest and fiscal charges	-	500	-	128,680	129,180
AEA flowthrough	162,786	-	-	-	162,786
	<u>162,786</u>	<u>288,675</u>	<u>-</u>	<u>453,680</u>	<u>905,141</u>
Total expenditures	<u>5,010,434</u>	<u>444,876</u>	<u>77,131</u>	<u>508,313</u>	<u>6,040,754</u>
Excess (deficiency) of revenues over (under) expenditures	<u>220,477</u>	<u>195,547</u>	<u>78,891</u>	<u>(451,298)</u>	<u>43,617</u>
Other financing sources (uses):					
Sales equipment	1,160	-	-	-	1,160
Operating transfers in	-	-	-	467,246	467,246
Operating transfers out	(14,000)	(453,246)	-	-	(467,246)
Total other financing sources (uses)	<u>(12,840)</u>	<u>(453,246)</u>	<u>-</u>	<u>467,246</u>	<u>1,160</u>
Net change in fund balances	207,637	(257,699)	78,891	15,948	44,777
Fund balances beginning of year	994,496	1,045,096	505,788	201,752	2,747,132
Fund balances end of year	<u>1,202,133</u>	<u>787,397</u>	<u>584,679</u>	<u>217,700</u>	<u>2,791,909</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, 2012

	\$	\$
<b>Net change in fund balances - total governmental funds (Exhibit E)</b>		44,777
<b>Amounts reported for governmental activities in the Statement of Activities are different because:</b>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures, loss on disposal of capital assets and depreciation expense in the current year are as follows:		
Loss on disposal of capital assets	(317)	
Expenditures for capital assets	227,755	
Depreciation expense	<u>(225,173)</u>	2,265
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.		22,900
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.		(7,313)
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.		325,000
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.		1,932
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	(12,470)	
Compensated absences	2,744	
Other postemployment benefits	<u>(20,524)</u>	(30,250)
An internal service fund is used by the District's management to charge the costs of the employee flexible benefit program to the individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities.		<u>(3,902)</u>
<b>Changes in net assets of governmental activities (Exhibit B)</b>		<u><u>355,409</u></u>

## HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT

Statement of Net Assets  
Proprietary Funds

June 30, 2012

	Nonmajor Enterprise Funds	Governmental Activities - Internal Service Fund
	\$	\$
<b>Assets</b>		
Cash and cash equivalents	55,315	555
Accounts receivable	21	2,250
Due from other governments	2,359	-
Inventories	6,068	-
Capital assets, net of accumulated depreciation	49,195	-
	<u>112,958</u>	<u>2,805</u>
<b>Total assets</b>	<u>112,958</u>	<u>2,805</u>
<b>Liabilities</b>		
Accounts payable	450	5,468
Salaries and benefits payable	1,716	-
Deferred revenue	1,776	-
Net OPEB liability	1,493	-
	<u>5,435</u>	<u>5,468</u>
<b>Total liabilities</b>	<u>5,435</u>	<u>5,468</u>
<b>Net assets</b>		
Invested in capital assets	49,195	-
Unrestricted	58,328	(2,663)
	<u>107,523</u>	<u>(2,663)</u>
<b>Total net assets</b>	<u><u>107,523</u></u>	<u><u>(2,663)</u></u>

## HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2012

	Nonmajor Enterprise Funds	Governmental Activities - Internal Service Fund
	\$	\$
Operating revenue:		
Local sources:		
Charges for service	144,211	13,500
Operating expenses:		
Salaries	87,428	-
Benefits	18,333	17,402
Purchased services	18,817	-
Supplies	111,312	-
Depreciation	5,087	-
Other	590	-
Total operating expenses	241,567	17,402
Operating income (loss)	(97,356)	(3,902)
Non-operating revenues:		
State sources	1,927	-
Federal sources	113,940	-
Interest income	613	-
Total non-operating revenues	116,480	-
Income (loss) before capital contributions	19,124	(3,902)
Capital contributions	11,634	-
Change in net assets	30,758	(3,902)
Net assets beginning of year	76,765	1,239
Net assets end of year	107,523	(2,663)

## HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows  
Proprietary Funds

Year ended June 30, 2012

	Nonmajor Enterprise Funds	Governmental Activities - Internal Service Fund
	\$	\$
<b>Cash flows from operating activities:</b>		
Cash received from sale of lunches and breakfasts	95,934	-
Cash received from services	17,964	14,023
Cash received from preschool services	48,687	-
Cash payments to employees for services	(111,895)	(18,212)
Cash payments to suppliers for goods or services	(121,085)	-
Net cash used by operating activities	<u>(70,395)</u>	<u>(4,189)</u>
<b>Cash flows from non-capital financing activities:</b>		
State grants received	1,927	-
Federal grants received	99,317	-
Net cash provided by non-capital financing activities	<u>101,244</u>	<u>-</u>
Cash flows from capital and related financing activities	<u>-</u>	<u>-</u>
<b>Cash flows from investing activities:</b>		
Interest on investments	613	-
Net increase (decrease) in cash and cash equivalents	31,462	(4,189)
Cash and cash equivalents at beginning of year	23,853	4,744
Cash and cash equivalents at end of year	<u>55,315</u>	<u>555</u>
<b>Reconciliation of operating income (loss) to net cash used by operating activities:</b>		
Operating income (loss)	(97,356)	(3,902)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:		
Commodities used	12,264	-
Depreciation	5,087	-
Decrease (increase) in inventories	(3,080)	-
Decrease (increase) in accounts receivable	17,943	523
(Decrease) increase in accounts payable	450	(810)
(Decrease) increase in salaries and benefits payable	(6,794)	-
(Decrease) increase in deferred revenue	431	-
(Decrease) increase in other postemployment benefits	660	-
Net cash used by operating activities	<u>(70,395)</u>	<u>(4,189)</u>

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

During the year ended June 30, 2012, the District received \$12,264 of federal commodities.

During the year ended June 30, 2012 the School Nutrition Fund received \$11,634 of equipment that was purchased by other funds.

HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets  
Fiduciary Funds

June 30, 2012

	Private Purpose Trust Scholarship
	<u>\$</u>
<b>Assets</b>	
Cash and pooled investments	2,152
<b>Liabilities</b>	<u>-</u>
<b>Net Assets</b>	
Reserved for scholarships	<u><u>2,152</u></u>

## HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds

Year ended June 30, 2012

	Private Purpose Trust Scholarship
	<u>\$</u>
Additions:	
Local sources:	
Interest	43
Deductions:	
Support services	<u>-</u>
Change in net assets	43
Net assets beginning of year	<u>2,109</u>
Net assets end of year	<u><u>2,152</u></u>

# HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2012

### 1. Summary of Significant Accounting Policies

Hubbard-Radcliffe Community School District is a political subdivision of the State of Iowa and provides public education 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. Combining schedules are also included for the Capital Project Fund accounts.

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 and other capital assets.

The Management Fund is used to account for the revenues from the management property tax levy.

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

The District's Internal Service Fund is also reported as a proprietary fund. The Internal Service Fund is used to account for the District's employee flexible benefit program.

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

The 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.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the district's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned, and then unassigned fund balances.

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, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2011.

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 and intangibles, 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
Intangibles	5,000
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
Intangibles	2-20 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, 2012. 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 fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in other classifications.

#### E. Budgeting and Budgetary Control

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

## 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2012 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, 2012, the District had investments in the Iowa Schools Joint Investment Trust, which are valued at an amortized cost of \$182,346 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 AAAm by Standard & Poor's Financial Services.

## 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

Transfer To	Transfer From	Amount
		\$
Nonmajor Governmental, Debt Service Fund	Capital Projects Fund	453,246
Nonmajor Governmental, Student Activity Fund	General Fund	14,000

The transfer from the Capital Projects Fund to the Debt Service Fund moved revenue from the fund statutorily required to receive the money to the fund statutorily required to expend the money. The transfer from the General Fund to the Student Activity Fund was to support middle school athletic programs that do not generate revenue.

## 4. Capital Assets

Capital assets activity for the year ended June 30, 2012 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Construction in progress	-	42,720	-	42,720
Land	8,500	-	-	8,500
Total capital assets not being depr.	<u>8,500</u>	<u>42,720</u>	<u>-</u>	<u>51,220</u>
Capital assets being depreciated:				
Buildings	7,160,980	65,212	-	7,226,192
Improvements other than buildings	97,095	-	-	97,095
Furniture and equipment	1,397,669	113,823	9,539	1,501,953
Intangible assets	-	6,000	-	6,000
Total capital assets being deprec.	<u>8,655,744</u>	<u>185,035</u>	<u>9,539</u>	<u>8,831,240</u>

Less accumulated depreciation for:				
Buildings	2,636,504	121,669	-	2,758,173
Improvements other than buildings	64,603	1,735	-	66,338
Furniture and equipment	1,033,883	101,169	9,222	1,125,830
Intangible assets	-	600	-	600
Total accumulated depreciation	<u>3,734,990</u>	<u>225,173</u>	<u>9,222</u>	<u>3,950,941</u>
Total capital assets being depreciated, net	<u>4,920,754</u>	<u>(40,138)</u>	<u>317</u>	<u>4,880,299</u>
Governmental activities capital assets, net	<u>4,929,254</u>	<u>2,582</u>	<u>317</u>	<u>4,931,519</u>
	Balance			Balance End
	Beginning of			of Year
	Year	Increases	Decreases	
	\$	\$	\$	\$
<b>Business type activities:</b>				
Furniture and equipment	139,336	11,634	-	150,970
Less accumulated depreciation	<u>96,688</u>	<u>5,087</u>	<u>-</u>	<u>101,775</u>
Business type activities capital assets, net	<u>42,648</u>	<u>6,547</u>	<u>-</u>	<u>49,195</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	51,376
Other	3,810
Support services:	
Operation and maintenance of plant services	4,451
Transportation	<u>42,132</u>
	101,769
Unallocated depreciation	<u>123,404</u>
	<u>225,173</u>
Business type activities:	
Food service operations	4,787
Preschool operations	<u>300</u>
	<u>5,087</u>

## 5. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2012 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Governmental activities:					
Revenue bonds	2,050,000	-	140,000	1,910,000	145,000
Capital loan notes	1,435,000	-	185,000	1,250,000	190,000
Termination benefits	3,678	16,148	3,678	16,148	16,148
Compensated absences	34,361	-	2,744	31,617	1,920
Net OPEB liability	25,849	20,524	-	46,373	-
<b>Total</b>	<b>3,548,888</b>	<b>36,672</b>	<b>331,422</b>	<b>3,254,138</b>	<b>353,068</b>

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Business type activities:					
Net OPEB liability	833	660	-	1,493	-

#### Termination Benefits

The District offered a voluntary early retirement plan to its employees in fiscal years 2006 and 2012. For the fiscal year 2012 plan, the District will pay \$15,000 on or before December 31, 2012.

At June 30, 2012, the District has an obligation to one participant with a total liability of \$16,148. Actual early retirement expenditures for the year ended June 30, 2012 totaled \$3,678.

#### 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 Capital Projects, Physical Plant and Equipment Levy. Details of the capital loan notes are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2013	3.60	190,000	49,228	239,228
2014	3.75	195,000	42,387	237,387
2015	3.90	205,000	35,075	240,075
2016	4.00	210,000	27,080	237,080
2017	4.10	220,000	18,680	238,680
2017-2018	4.20	230,000	9,660	239,660
		<u>1,250,000</u>	<u>182,110</u>	<u>1,432,110</u>

During the year ended June 30, 2012 the District made principal and interest payments totaling \$240,610 under the note agreements.

#### Revenue Bonds

Details of the District's June 30, 2012 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of July 2009			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2013	2.40	145,000	68,430	213,430
2014	2.80	165,000	64,380	229,380
2015	3.20	165,000	59,430	224,430
2016	3.40	170,000	53,900	223,900
2017	3.60	170,000	47,950	217,950
2018-2022	3.78-4.30	905,000	137,430	1,042,430
2023	4.45	190,000	4,228	194,228
		<u>1,910,000</u>	<u>435,748</u>	<u>2,345,748</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$2,185,000 bonds issued in July 2009. The bonds were issued for the purpose of financing elementary school remodeling. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2023. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 80% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$2,345,748. For the current year, principal and interest of \$211,570 were paid on the bonds and total statewide sales, services and use tax revenues were \$285,203.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds include the following provisions:

- \$218,500 of the proceeds from the bonds issue have been placed in a reserve account with a trustee. The reserve account may be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The reserve account is part of the District's Capital Projects Fund.
- Proceeds from the statewide sales, services and use tax shall be placed in a revenue account. Monies in the revenue account shall be transferred from the revenue account to the sinking account. Money in the sinking account shall be used to pay the interest and principal on the bonds. Any surplus monies remaining in the revenue fund, after the required transfer to the sinking account, may be used for any lawful purpose. The sinking fund is part of the Debt Service Fund.

## 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 5.38% of their annual covered salary and the District is required to contribute 8.07% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2012, 2011, and 2010 were \$176,115, \$146,745 and \$143,349 respectively, equal to the required contributions for each year.

**7. Other Postemployment Benefits (OPEB)**

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 67 active and 4 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

	\$
Annual required contribution	23,863
Interest on net OPEB obligation	667
Adjustment to annual required contribution	<u>(2,121)</u>
Annual OPEB cost	22,409
Contributions made	<u>1,225</u>
Increase in net OPEB obligation	21,184
Net OPEB obligation beginning of year	<u>26,682</u>
Net OPEB obligation end of year	<u>47,866</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2012.

For the year ended June 30, 2012, the District contributed \$1,225 to the medical plan.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2012 are summarized as follows:

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
	\$	%	\$
2010	20,668	47.5%	10,864
2011	20,637	23.3%	26,682
2012	22,409	5.5%	47,866

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$96,125, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$96,125. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,260,000, and the ratio of the UAAL to covered payroll was 7.6%. As of June 30, 2012, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions includes a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6.0%.

Mortality rates are from the 94 Group Annuity Mortality Table projected to 2000.

The UAAL is being amortized over 30 years.

## **8. 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.

## **9. 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 \$162,786 for the year ended June 30, 2012 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

## **10. Lease Commitment**

The District entered into contracts to lease copy machines. The payments the District will make over the next five years are as follows:

<u>Year Ended June 30</u>	<u>Lease Payment</u> \$
2013	10,620
2014	10,304
2015	6,828
2016	5,928
2017	2,334

### 11. Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2012 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
	\$
Gifted and talented	27,003
Teacher salary supplement	3,166
Home school assistance program	63,524
Preschool	12,118
Educator quality, professional development	6,196
Market factor	519
Mentoring	240
	<u>112,766</u>

### 12. Construction Commitment

The District has entered into a \$91,250 contract for building improvements. As of June 30, 2012 costs of \$25,905 had been incurred against the contract. The balance remaining at June 30, 2012 will be paid as work on the project progresses.

### 13. Subsequent Event

The voters of the District approved an \$8.4 million bond issue in December, 2012.

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, 2012

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	4,252,154	144,824	4,396,978	4,439,557	4,439,557	(42,579)
State sources	1,650,040	1,927	1,651,967	1,700,079	1,700,079	(48,112)
Federal sources	182,177	113,940	296,117	265,000	265,000	31,117
Total revenues	<u>6,084,371</u>	<u>260,691</u>	<u>6,345,062</u>	<u>6,404,636</u>	<u>6,404,636</u>	<u>(59,574)</u>
Expenditures/Expenses:						
Instruction	3,614,239	38,126	3,652,365	4,125,000	4,125,000	472,635
Support services	1,520,033	258	1,520,291	1,648,000	1,648,000	127,709
Non-instructional programs	1,341	203,183	204,524	227,000	227,000	22,476
Other expenditures	905,141	-	905,141	949,083	949,083	43,942
Total expenditures/expenses	<u>6,040,754</u>	<u>241,567</u>	<u>6,282,321</u>	<u>6,949,083</u>	<u>6,949,083</u>	<u>666,762</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	43,617	19,124	62,741	(544,447)	(544,447)	607,188
Other financing sources (uses) net	<u>1,160</u>	<u>11,634</u>	<u>12,794</u>	<u>500</u>	<u>500</u>	<u>12,294</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses	44,777	30,758	75,535	(543,947)	(543,947)	619,482
Balance beginning of year	<u>2,747,132</u>	<u>76,765</u>	<u>2,823,897</u>	<u>1,897,035</u>	<u>1,897,035</u>	<u>926,862</u>
Balance end of year	<u><u>2,791,909</u></u>	<u><u>107,523</u></u>	<u><u>2,899,432</u></u>	<u><u>1,353,088</u></u>	<u><u>1,353,088</u></u>	<u><u>1,546,344</u></u>

HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2012

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 did not amend its budget.

HUBBARD-RADCLIFFE

Schedule of Funding Progress for the Retiree Health Plan

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets ( a ) \$	Actuarial Accrued Liability (AAL) ( b ) \$	Unfunded AAL (UAAL) ( b-a ) \$	Funded Ratio ( a/b ) %	Covered Payroll ( c ) \$	UAAL as a Percentage of Covered Payroll ( (b-a)/c ) %
2010	July 1, 2009	-	112,814	112,814	0.00%	1,036,000	10.9%
2011	July 1, 2009	-	106,322	106,322	0.00%	1,270,000	8.4%
2012	July 1, 2009	-	96,125	96,125	0.00%	1,260,000	7.6%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

SUPPLEMENTARY INFORMATION

## HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2012

	Special Revenue Fund		Total
	Student Activity	Debt Service	
<b>Assets</b>	\$	\$	\$
Cash and pooled investments	23,158	182,346	205,504
Receivables:			
Accounts	12,728	-	12,728
<b>Total assets</b>	<u>35,886</u>	<u>182,346</u>	<u>218,232</u>
<b>Liabilities &amp; Fund Balances</b>			
Liabilities:			
Accounts payable	532	-	532
Fund balances:			
Restricted for:			
Debt service	-	182,346	182,346
Student activities	35,354	-	35,354
Total fund balances	<u>35,354</u>	<u>182,346</u>	<u>217,700</u>
<b>Total liabilities and fund balances</b>	<u>35,886</u>	<u>182,346</u>	<u>218,232</u>

## HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2012

	Special Revenue Fund		
	Student Activity	Debt Service	Total
	\$	\$	\$
Revenues:			
Local sources:			
Other	52,735	4,280	57,015
Expenditures:			
Current:			
Instruction:			
Other	54,633	-	54,633
Other expenditures:			
Long-term debt:			
Principal	-	325,000	325,000
Interest and fiscal charges	-	128,680	128,680
Total expenditures	54,633	453,680	508,313
Excess (deficiency) of revenues over (under) expenditures	(1,898)	(449,400)	(451,298)
Other financing sources (uses):			
Operating transfers in	14,000	453,246	467,246
Net change in fund balances	12,102	3,846	15,948
Fund balances beginning of year	23,252	178,500	201,752
Fund balances end of year	35,354	182,346	217,700

## HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT

Combining Schedule of Net Assets  
Nonmajor Enterprise Funds

June 30, 2012

	Nonmajor Enterprise Funds		
	School		
	Nutrition	Preschool	Total
	\$	\$	\$
<b>Assets</b>			
Cash and cash equivalents	25,211	30,104	55,315
Accounts receivable	21	-	21
Due from other governments	2,359	-	2,359
Inventories	6,068	-	6,068
Capital assets, net of accumulated depreciation	46,056	3,139	49,195
<b>Total assets</b>	<b>79,715</b>	<b>33,243</b>	<b>112,958</b>
<b>Liabilities</b>			
Accounts payable	450	-	450
Salaries and benefits payable	568	1,148	1,716
Deferred revenue	1,776	-	1,776
Net OPEB liability	1,493	-	1,493
<b>Total liabilities</b>	<b>4,287</b>	<b>1,148</b>	<b>5,435</b>
<b>Net assets</b>			
Invested in capital assets	46,056	3,139	49,195
Unrestricted	29,372	28,956	58,328
<b>Total net assets</b>	<b>75,428</b>	<b>32,095</b>	<b>107,523</b>

## HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2012

	Nonmajor Enterprise Funds		
	School		
	Nutrition	Preschool	Total
	\$	\$	\$
Operating revenue:			
Local sources:			
Charges for service	95,524	48,687	144,211
Operating expenses:			
Salaries	58,270	29,158	87,428
Benefits	9,736	8,597	18,333
Purchased services	18,697	120	18,817
Supplies	111,061	251	111,312
Depreciation	4,787	300	5,087
Other	590	-	590
Total operating expenses	203,141	38,426	241,567
Operating income (loss)	(107,617)	10,261	(97,356)
Non-operating revenues:			
State sources	1,927	-	1,927
Federal sources	113,940	-	113,940
Interest income	342	271	613
Total non-operating revenues	116,209	271	116,480
Change in net assets before capital contributions	8,592	10,532	19,124
Capital contributions	11,634	-	11,634
Change in net assets	20,226	10,532	30,758
Net assets beginning of year	55,202	21,563	76,765
Net assets end of year	75,428	32,095	107,523

## HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT

Combining Schedule of Cash Flows  
Nonmajor Enterprise Funds

Year ended June 30, 2012

	Nonmajor Enterprise Funds		
	School		
	Nutrition	Preschool	Total
	\$	\$	\$
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	95,934	-	95,934
Cash received from shared services	17,964	-	17,964
Cash received from preschool services	-	48,687	48,687
Cash payments to employees for services	(69,682)	(42,213)	(111,895)
Cash payments to suppliers for goods or services	(120,714)	(371)	(121,085)
Net cash (used) provided by operating activities	<u>(76,498)</u>	<u>6,103</u>	<u>(70,395)</u>
Cash flows from non-capital financing activities:			
State grants received	1,927	-	1,927
Federal grants received	99,317	-	99,317
Net cash provided by non-capital financing activities	<u>101,244</u>	<u>-</u>	<u>101,244</u>
Cash flows from capital and related financing activities:	-	-	-
Cash flows from investing activities:			
Interest on investments	342	271	613
Net increase (decrease) in cash and cash equivalents	25,088	6,374	31,462
Cash and cash equivalents at beginning of year	123	23,730	23,853
Cash and cash equivalents at end of year	<u>25,211</u>	<u>30,104</u>	<u>55,315</u>
<b>Reconciliation of operating income (loss) to net cash used by operating activities:</b>			
Operating income (loss)	(107,617)	10,261	(97,356)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:			
Commodities used	12,264	-	12,264
Depreciation	4,787	300	5,087
Decrease (increase) in inventories	(3,080)	-	(3,080)
Decrease (increase) in accounts receivable	17,943	-	17,943
(Decrease) increase in accounts payable	450	-	450
(Decrease) increase in salaries and benefits payable	(2,336)	(4,458)	(6,794)
(Decrease) increase in deferred revenue	431	-	431
(Decrease) increase in other postemployment benefits	660	-	660
Net cash (used) provided by operating activities	<u>(76,498)</u>	<u>6,103</u>	<u>(70,395)</u>

## HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet  
Capital Projects Accounts

June 30, 2012

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>Assets</b>	\$	\$	\$
Cash and pooled investments	747,489	58,454	805,943
Receivables:			
Property tax:			
Delinquent	-	3,892	3,892
Succeeding year	-	355,906	355,906
Due from other governments	47,994	-	47,994
<b>Total assets</b>	<u>795,483</u>	<u>418,252</u>	<u>1,213,735</u>
<b>Liabilities &amp; Fund Balances</b>			
Liabilities:			
Accounts payable	69,312	1,120	70,432
Deferred revenue:			
Succeeding year property tax	-	355,906	355,906
Total liabilities	<u>69,312</u>	<u>357,026</u>	<u>426,338</u>
Fund balances:			
Restricted for:			
Debt service	218,500	-	218,500
School infrastructure	507,671	-	507,671
Physical plant and equipment	-	61,226	61,226
Total fund balances	<u>726,171</u>	<u>61,226</u>	<u>787,397</u>
<b>Total liabilities and fund balances</b>	<u>795,483</u>	<u>418,252</u>	<u>1,213,735</u>

## HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances  
Capital Project Accounts

Year ended June 30, 2012

	Capital Projects		
	Statewide Sales, Services and Use Tax \$	Physical Plant and Equipment Levy \$	Total \$
Revenues:			
Local sources:			
Local tax	285,203	346,987	632,190
Other	5,316	2,763	8,079
State sources	-	154	154
Total revenues	<u>290,519</u>	<u>349,904</u>	<u>640,423</u>
Expenditures:			
Current:			
Support services:			
Instructional staff services	37,721	53,823	91,544
Operation and maintenance of plant	-	64,657	64,657
Other expenditures:			
Facilities acquisition	227,847	60,328	288,175
Long-term debt fiscal charges	-	500	500
Total expenditures	<u>265,568</u>	<u>179,308</u>	<u>444,876</u>
Excess (deficiency) of revenues over (under) expenditures	<u>24,951</u>	<u>170,596</u>	<u>195,547</u>
Other financing sources (uses):			
Operating transfers out	<u>(212,636)</u>	<u>(240,610)</u>	<u>(453,246)</u>
Net change in fund balance	(187,685)	(70,014)	(257,699)
Fund balances beginning of year	<u>913,856</u>	<u>131,240</u>	<u>1,045,096</u>
Fund balance end of year	<u><u>726,171</u></u>	<u><u>61,226</u></u>	<u><u>787,397</u></u>

## HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2012

	Balance Beginning of Year	Revenues	Expenditures	Interfund Transfers	Balance End of Year
	\$	\$	\$	\$	\$
Athletics	297	13,873	15,290	14,000	12,880
Concessions	880	9,262	6,968	-	3,174
Interest	4,101	255	367	-	3,989
Vocal/instrumental music	3,899	2,037	1,304	-	4,632
DC trip	2,123	18,040	16,617	-	3,546
Yearbook	194	2,250	1,597	-	847
Student Council MS	8,042	6,379	11,639	-	2,782
Elementary council	3,716	639	851	-	3,504
	<u>23,252</u>	<u>52,735</u>	<u>54,633</u>	<u>14,000</u>	<u>35,354</u>
Total	<u>23,252</u>	<u>52,735</u>	<u>54,633</u>	<u>14,000</u>	<u>35,354</u>

## HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT

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

For the Last Nine Years

	Modified Accrual Basis								
	2012	2011	2010	2009	2008	2007	2006	2005	2004
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues:									
Local sources:									
Local tax	3,154,679	3,018,393	2,933,033	2,715,816	2,513,423	2,528,008	2,253,036	2,200,881	2,156,433
Tuition	896,249	956,233	974,668	1,020,659	1,136,748	29,586	84,864	44,568	39,597
Other	201,226	233,569	257,689	222,608	180,198	226,845	157,339	262,537	243,150
State sources	1,650,040	1,639,519	1,462,811	1,899,262	1,818,506	1,831,432	1,807,043	1,692,362	1,508,423
Federal sources	182,177	216,044	346,574	155,420	155,491	144,144	125,405	121,244	172,435
Total revenues	<u>6,084,371</u>	<u>6,063,758</u>	<u>5,974,775</u>	<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	2,413,679	2,319,924	2,499,108	2,682,730	2,636,782	2,055,842	1,916,754	1,954,037	1,965,947
Special	846,458	763,729	853,260	815,785	772,538	411,256	361,299	326,630	383,177
Other	354,102	310,733	311,321	278,669	174,720	247,180	465,147	429,607	304,244
Support services:									
Student	62,706	58,665	49,960	48,732	74,462	87,798	91,791	96,488	111,425
Instructional staff	227,455	139,770	87,913	97,204	178,271	86,143	161,187	204,951	104,988
Administration	481,171	447,262	458,426	517,309	404,632	457,328	471,691	443,695	461,871
Operation and maintenance	468,866	498,748	510,552	527,977	508,840	516,341	436,886	437,174	413,990
Transportation	279,835	350,865	266,193	335,715	269,133	200,653	287,920	183,955	168,062
Non-instructional programs	1,341	795	-	127	1,192	531	131	17,250	20,565
Other expenditures:									
Facilities acquisition	288,175	657,774	2,161,090	1,863,800	362,267	105,716	288,708	209,833	175,239
Long-term debt:									
Principal	325,000	310,000	170,000	185,000	21,237	19,507	-	55,258	55,635
Interest and other charges	129,180	137,231	105,680	53,816	1,530	3,260	-	1,429	2,787
AEA flowthrough	162,786	182,816	181,512	162,072	152,748	148,045	142,709	141,865	145,421
Total expenditures	<u>6,040,754</u>	<u>6,178,312</u>	<u>7,655,015</u>	<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>

See accompanying independent auditor's report.

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, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 31, 2013. 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

The management of Hubbard-Radcliffe Community School District is responsible for establishing and maintaining effective 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 an 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings and Responses as items 12-I-A, 12-I-B and 12-I-C to be 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 or 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, 2012 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, and 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

January 31, 2013

HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2012

Part I: Findings Related to the Financial Statements:

Internal Control Deficiencies:

12-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, payroll processing, 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.

12-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.

12-I-C School Expenditure Supporting Documentation: We tested \$28,604 of credit card payments as part of our testing of District expenditures. The District did not have supporting documentation of \$1,645 of the credit card payments tested.

Recommendation: All District payments should be supported by detailed invoices, receipts, contracts or other documents prepared by or signed by entities outside of the District. These documents should specify exactly what the District is paying for and the amount to be paid.

HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2012

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

District Response: We will be more diligent in obtaining detailed receipts for all credit card expenditures.

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported.

HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2012

Part II: Other Findings Related to Statutory Reporting:

- 12-II-A Certified Budget: Expenditures for the year ended June 30, 2012, did not exceed the amounts budgeted.
- 12-II-B Questionable Expenditures: No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- 12-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.
- 12-II-D Business Transactions: No business transactions between the District and District officials or employees were noted.
- 12-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.
- 12-II-F Board Minutes: We noted no transactions requiring Board approval that had not been approved by the Board.
- 12-II-G Certified Enrollment: No variances in the basic enrollment data certified to the Department of Education were noted.
- 12-II-H Supplementary Weighting: No variances regarding supplementary weighting certified to the Department of Education were noted.
- 12-II-I 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.
- 12-II-J Certified Annual Report (CAR): The Certified Annual Report was certified to the Iowa Department of Education timely.
- 12-II-K Categorical Funding: No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- 12-II-L Statewide Sales, Services and Use Tax: No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2012, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2012

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

Beginning balance	\$	\$	913,856
Revenues/transfers in:			
Statewide sales, services and use tax revenue	285,203		
Interest	5,316		290,519
			<hr/>
Expenditures/transfers out:			
School infrastructure construction	180,562		
Equipment	47,284		
Other	37,722		
Transfers to debt service fund	212,636		478,204
			<hr/>
Ending balance			<hr/> <u>726,171</u>

For the year ended June 30, 2012, the District did not reduce any levies as a result of the moneys received under Chapter 423e or 423F of the Code of Iowa.