

HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

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

June 30, 2004

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Independent Auditor's Report

To the Board of Education of
Harris-Lake Park 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 Harris-Lake Park Community School District, Lake Park, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions 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 Harris-Lake Park Community School District as of June 30, 2004, 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.

As described in Note 11 to the financial statements, during the year ended June 30, 2004, Harris-Lake Park Community School District adopted Governmental Accounting Standards Board Statement Number 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement Number 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; Statement Number 38, Certain Financial Statement Note Disclosures; Statement Number 41, Budgetary Comparison Schedule - Perspective Differences; and Interpretation Number 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

In accordance with Government Auditing Standards, we have also issued our reports dated October 7, 2004, on our consideration of Harris-Lake Park Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 14 and 41 through 43 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Harris-Lake Park Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2003, (none of which are presented herein). Our opinion for 2003 was qualified because the District has not established a debt sinking fund as required by its revenue bond resolution. We expressed unqualified opinions for 2002 and 2001. The supplemental information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

October 7, 2004

HARRIS-LAKE PARK SCHOOL DISTRICT

Management Discussion & Analysis

For the year ended June 30, 2004

This section of the Harris-Lake Park Community School District's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ending June 30, 2004. The analysis focuses on the District's financial performance as a whole. Efforts have been made to provide comparison to prior year data when such data is available. In subsequent years, comparison to prior year data will be provided for all key financial information. Please read it in conjunction with the District's financial statements, which immediately follow this section.

Financial Highlights

The State of Iowa imposed a 2.5 % reduction in State Foundation aid, which reduced the General Fund revenues by \$39,078.

The District responded to the reduction by a combination of reducing expenditures and using a portion of fund balance.

In spite of this reduction, the District's General Fund balance increased by \$30,017 in fiscal year 2004.

A decline in interest rates during the past three fiscal years combined with less cash available for investing resulted in interest earnings in the General Fund alone to drop from \$18,907 in fiscal year 2003 to \$13,203 in fiscal year 2004.

The General Fund ending fund balance increased from \$782,083 in fiscal year 2003 to \$812,100 in fiscal year 2004.

The district is nearing completion of its \$7,244,878 Middle/High School and Arts and Recreation Complex.

Overview of the Financial Statements

This report consists of three parts: management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *Government-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the Government-wide statements.
- The *governmental funds statements* explain how basic services such as regular and special education were financed in the short term as well as what remains for future spending.

- *Proprietary funds statements* offer short-term and long-term financial information about the activities the District operates like businesses, such as food services.
- The statements for *fiduciary funds* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District’s budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-1

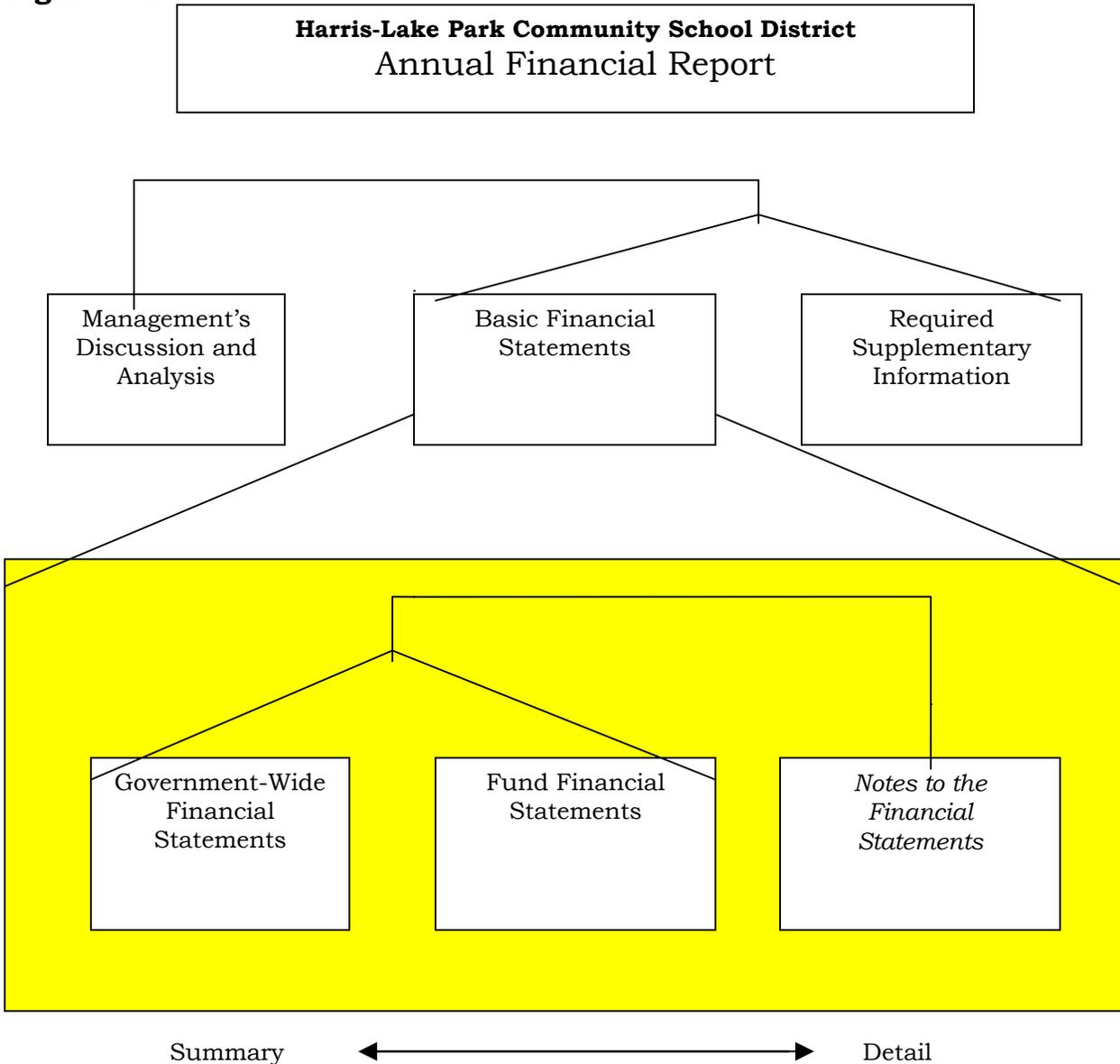


Figure A-2 summarizes the major features of the District’s financial statements, including the

portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2: Major Features of the Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund Financial 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 is included here	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of cash flows • Statement of revenues, expenses and changes in net assets 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial 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, and 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 and payable	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

Government-wide Statements

The Government-wide 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 statements report the District's *net assets* and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

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 taxes 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 food service program would be 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:

- *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 funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the Government-wide statements, additional information at the bottom of the governmental funds statements explains the relationship or differences between the two statements. The District's governmental funds

include the General Fund; Special Revenue Funds; Debt Service Fund and Capital Projects Funds.

- *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 statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund which is the School Nutrition Fund.
- *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund. The District accounts for outside donations for scholarships for individual students in this fund. The District is responsible for ensuring that the assets reported in these 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.

Financial Analysis of the District as a Whole

Net assets: Figure A-3 below provides a summary of the District's net assets for the year ending June 30, 2004 compared to 2003.

Figure A-3

Harris -Lake Park School Condensed Statement of Net Assets FY 03-04

	Governmental Activities		Business-type Activities		Total School District		Total Percentage Change 2003-04
	2003	2004	2003	2004	2003	2004	
Current and other assets	\$ 7,718,242	\$ 3,703,058	\$ 28,332	\$ 33,660	\$ 7,746,574	\$ 3,736,718	-51.76%
Capital assets	\$ 1,665,870	\$ 7,380,126	\$ 4,838	\$ 4,328	\$ 1,670,708	\$ 7,384,454	342.00%
Total Assets	\$ 9,384,112	\$ 11,083,184	\$ 33,170	\$ 37,988	\$ 9,417,282	\$ 1,121,172	18.09%
Long-term debt outstanding	\$ 5,050,071	\$ 4,870,000			\$ 5,050,071	\$ 4,870,000	-3.57%
Other liabilities	\$ 1,932,543	\$ 1,854,673	\$ 1,955	\$ 1,916	\$ 1,934,498	\$ 1,856,589	-4.03%
Total liabilities	\$ 6,982,614	\$ 6,724,673	\$ 1,955	\$ 1,916	\$ 6,984,569	\$ 6,726,589	-3.69%
Net Assets							
Invested in capital assets, Net of related debt	\$ 1,541,967	\$ 2,567,869	\$ 4,838	\$ 4,328	\$ 1,546,805	\$ 2,572,197	66.29%
Restricted	\$ 248,011	\$ 325,020			\$ 248,011	\$ 325,020	31.05%
Unrestricted	\$ 611,520	\$ 1,465,622	\$ 26,377	\$ 31,744	\$ 637,897	\$ 1,497,366	134.73%
TOTAL NET ASSETS	\$ 2,401,498	\$ 4,358,511	\$ 31,215	\$ 36,072	\$ 2,432,713	\$ 4,394,583	80.65%

The District's total net assets increased by 81 % to \$4,394,583. The net assets of the District's business-type activities increased \$4,857. The district financial position has improved due to the growth in capital assets of \$5,713,746.

Capital assets have increased due to a 7.3 million dollar Arts and Recreation Complex. This project was possible due to the proceeds from a \$4.0 million dollar General Obligation Bond, \$1.1 million from a Community Attraction and Tourism Grant from Vision Iowa and \$990,000 in Local Option Sales Tax Bonds.

Changes in net assets – Figure A-4 shows the changes in net assets for the year ending June 30, 2004. Since this is the first year for preparation of financial statements in accordance with GASB statement 34, revenue and expense comparisons to fiscal year 2003 are not available. Comparison data will be presented in subsequent years.

Figure A-4

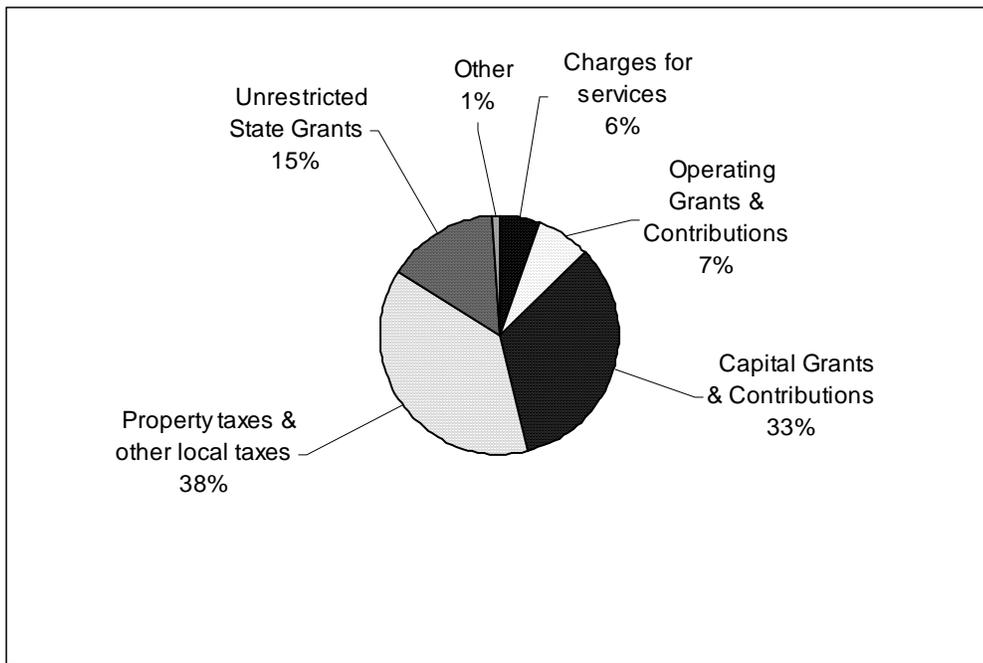
Harris-Lake Park School Changes in Net Assets from Operating Results FY 03-04

	Governmental Activities 2004	Business Type Activities 2004	Total School District 2004	
Revenues			\$ -	
Program Revenues:			\$ -	
Charges for services	\$ 261,009	\$ 57,890	\$ 318,899	6.58%
Operating Grants & Contributions	\$ 344,524	\$ 56,081	\$ 400,605	8.26%
Capital Grants & Contributions	\$ 1,572,475	\$ -	\$ 1,572,475	32.43%
General Revenues:				
Property taxes & Other Taxes	\$ 1,797,475	\$ -	\$ 1,797,475	37.07%
Unrestricted State Grants	\$ 711,551	\$ -	\$ 711,551	14.67%
Other	\$ 47,983	\$ 251	\$ 48,234	0.99%
Total Revenues	\$ 4,735,017	\$ 114,222	\$ 4,849,239	100.00%
Expenses				
Instruction	\$ 1,594,305	\$ -	\$ 1,594,305	55.22%
Pupil & Instructional Svcs	\$ 173,311	\$ -	\$ 173,311	6.00%
Administrative & Business	\$ 337,800	\$ -	\$ 337,800	11.70%
Maintenance & Operations	\$ 233,157	\$ -	\$ 233,157	8.08%
Transportation	\$ 106,299	\$ -	\$ 106,299	3.68%
Other	\$ 333,132	\$ 109,365	\$ 442,497	15.33%
Total Expenses	\$ 2,778,004	\$ 109,365	\$ 2,887,369	100.00%
Increase (decrease) in net assets	\$ 1,957,013	\$ 4,857	\$ 1,961,870	

As shown in figure A-5, property tax and state aid provide 53% of the funding for governmental programs. 33% of the funding for governmental programs is provided by capital grants and

contributions. This is largely due to the one time contribution of the Community Attraction and Tourism Grant from Vision Iowa of 1.1 million dollars. Charges for services and operating grants and contributions make up 99% of the funding for business type activities.

Figure A-5



The District had total revenues of \$4,849,239 of which \$4,735,017 was for governmental activities and \$114,222 was business type activities.

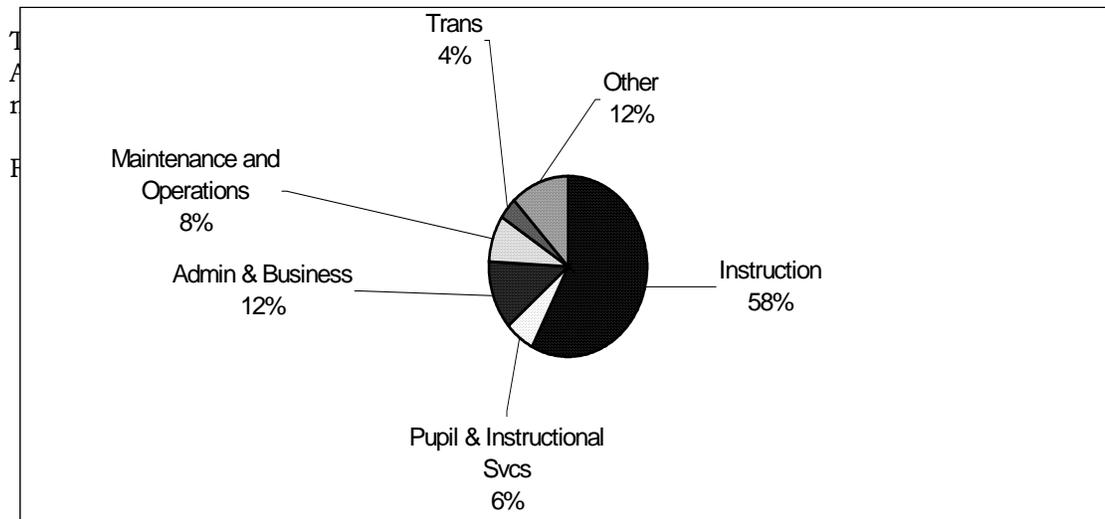


Figure A-6.
expenses

Governmental Activities

Revenues for the District’s governmental activities were \$4,735,017 while total expenses amounted to \$2,778,004. Figure A-7 represents the cost of six major District activities: instruction, pupil and instructional services, administration and business, maintenance and operations, transportation and other. The table shows each activity’s net cost (Total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the District’s taxpayers by each of these functions.

Figure A-7
Harris-Lake Park School Net Cost of Governmental Activities 03-04

	Total Cost of Services 2004	Net Cost of Services 2004
Instruction	\$ 1,594,305	\$ 1,106,042
Pupil & Instructional Svcs	\$ 173,311	\$ 173,311
Administrative & Business	\$ 337,800	\$ 318,738
Maintenance & Operations	\$ 233,157	\$ 232,057
Transportation	\$ 106,299	\$ 103,309
Other	\$ 333,132	\$ (1,333,461)
TOTAL	\$ 2,778,004	\$ 599,996

The cost of all governmental activities this year was \$2,778,004.

- The federal and state government subsidized certain programs with grants and contributions totaling over \$1.9 million.
- Most of the District’s net costs of \$599,996, were financed by the district and state taxpayers.

Business Type Activities

The District’s business type activities include only the School Nutrition Fund. Revenues of these activities were comprised of charges for services, federal and state reimbursements and investment income.

Business Type activities revenues exceeded expenses by \$4,857.

Revenues increased during the 03-04 school due to an increase in student meal prices from

\$1.25 to \$1.35 per meal. Adult meal prices increased from \$1.60 to \$1.75.

Expenses decreased due to the purchase of bread/bun making machines in the 02-03 school year. Savings are being realized due to making bread products rather than purchasing.

Financial Analysis of the District's Funds

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

Governmental funds. The focus of the Harris-Lake Park Community School District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Harris-Lake Park School's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Governmental Fund Highlights

The General Fund is the chief operating fund of the Harris-Lake Park School. At the end of the fiscal year, the unreserved fund balance of the general fund was \$812,100 while total liabilities and fund equity totaled \$840,036.

The General Fund balance increased by \$30,017. The district was able to increase the General Fund balance by decreasing some areas in the line item budget.

The Physical Plant and Equipment Levy (PPEL) Fund balance increased by \$56,775. These funds are being retained to tear down the 1915 Harris School building.

The Debt Service Fund balance increased \$73,110 due to reserves required by the local option sales tax revenue bonds.

The Capital Projects Fund balance decreased \$4,868,351 due to the expenditure of bond proceeds received in the prior year.

Budgetary Highlights

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 blended component units, internal service funds, permanent funds and agency funds. This is referred to as the certified budget. The certified budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's certified budget is prepared on the cash basis (in accordance with generally accepted accounting principles) Over the course of the year, the District amended its certified budget one time for a total of \$1,098,363.00 in the area of "Other Expenditures". Due to a weather related delay in the start of construction of the new 6-12 school/arts and recreation complex, more expenses were pushed into the 03-04 fiscal year.

Total expenditures are approximately one million dollars 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 limit. The District then controls General Fund spending through its line item budget.

School districts have two levels of budgetary control. One form of budgetary control exists through the “certified budget”, which includes all funds of the District as noted above. This budget is certified with the County Auditor and Department of Management each year. Iowa school districts may not certify a general fund budget in excess of its spending authority.

The other level of budgetary control is the “unspent (maximum) authorized budget” and pertains only to the General Fund of the District. The maximum authorized budget is the total “spending authority” in the General Fund of the District. The unspent balance is a budgetary concept and does not mean the “actual General Fund cash.” It is imperative for users of District financial information to make this important distinction. The unspent balance is the amount of spending authority that is carried over into the next fiscal year. The unspent balance is a budgetary carryover and does not represent actual dollars (General Fund cash) or actual financial position (unreserved, undesignated General Fund balance) of the District.

Capital Asset and Debt Administration

Capital Assets

By the end of fiscal 2004, the District had invested \$7,384,454, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers and audio-visual equipment, transportation equipment, and administrative offices. More detailed information about capital assets is available in the following financial statements. Depreciation expense for the year was approximately \$74,797.

Harris-Lake Park School Capital Assets (net of depreciation)							
	Governmental		Business-type		Total		Total
	Activities		Activities		School District		Percentage
	2003	2004	2003	2004	2003	2004	2003-04
Land	\$ 68,075	\$ 68,075			\$ 68,075	\$ 68,075	0.00%
Construction in progress	\$ 735,892	\$ 6,524,435			\$ 735,892	\$ 6,524,435	786.60%
Buildings	\$ 655,060	\$ 628,540			\$ 655,060	\$ 628,540	-4.05%
Other Improvements	\$ 1,884	\$ 942			\$ 1,884	\$ 942	-50.00%
Equipment & Furniture	\$ 204,959	\$ 158,134	\$ 4,838	\$ 4,328	\$ 209,797	\$ 162,462	-22.56%
TOTAL	\$1,665,870	\$7,380,126	\$ 4,838	\$ 4,328	\$ 1,670,708	\$ 7,384,454	342.00%

As of June 30, 2004 there were several items that needed to be completed in the construction of the Harris-Lake Park Middle/High School Arts and recreation complex.

- Curtains and lighting in the auditorium
- Technology hook-up via underground fiber
- Telephone system
- Paging/Audio System
- Vo-Ag Greenhouse
- Grounds improvements such as sod and grass
- Several Contractors had punch list items to take care of
- Parking Lot and Drive
- Walking Trails

Long-Term Debt

At year-end, the district had \$3,955,000 in General Obligation Bond debt, \$885,000 in Local Option Sales Tax Bonds and \$30,000 in loans payable in the PPEL Fund. Additional information about long-term debt is available in Note 5 to the financial statements.

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:

All bargaining unit contracts are one year contracts and open for re-negotiation for next year. Salary and benefits represent 73 % of general fund expenditures. Salary and benefit settlements with any employee group exceeding 4% will have an adverse impact upon the District's General Fund budget.

The national recession that has adversely impacted the State of Iowa's budget has translated into reduced levels of state aid funding for education. Future increases in state aid to schools (allowable growth) will be predicated upon the condition of the national economy. State funding growth for public schools for fiscal year 2004 and 2005 was 2%. The allowable growth for fiscal year 2006 is set at 4%.

District enrollment declined in fiscal year 2003-2004 by 16.5 students or 5.3% and increased by 1.8 students in fiscal year 2004-2005 in total budgeted enrollment. Under Iowa's school funding formula, District funding is highly dependant upon District enrollments. Future enrollment stability is a critical element in maintaining a sound financial foundation.

Fiscal year 2004-2005 marked the 4th consecutive year in which health insurance rates increased significantly. The school district had been part of the ISEBA (Principal) insurance system. A change has been made for the 2004-2005 fiscal year to go with Starmark Insurance and a high deductible plan. Insurance costs continue to be unstable and it is predicted that insurance rates will continue to rise. This situation presents an uncertain picture for all district employees and the school district as a whole.

The state is looking at requiring two additional professional development days for teachers. However, no decision has been made if the state will provide money for this to happen. The district may be put into a position to add two contract days to all certified employee contracts and be required to fund this initiative without state support.

The Harris-Lake Park CSD is a predominantly rural district. Property tax dollars generated

from agriculture land make up a large part of the district's overall funding. Property tax assessment of agricultural land is based on production and is recalculated on an every other year basis. Due to the unpredictable nature of agriculture production, agriculture land valuation has the ability fluctuate a great deal from year to year. This greatly impacts the districts overall assessed valuation and can greatly impact the districts overall tax rate. PPEL dollars in particular can be limited if the valuation decreases.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, and 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: Tim Christensen, Superintendent or Mindy Gunderson, School Board Secretary, Harris-Lake Park School, 905 South Market St., PO Box 8, Lake Park, IA 51347, Phone 712-832-3809, Fax 712-832-3812.

BASIC FINANCIAL STATEMENTS

HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2004

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and cash equivalents	1,426,396	25,237	1,451,633
Receivables:			
Property tax:			
Delinquent	32,247	-	32,247
Succeeding year	1,460,831	-	1,460,831
Accounts	18,763	-	18,763
Accrued interest	1,199	-	1,199
Due from other governments	110,103	-	110,103
Contribution pledges receivable	262,500	-	262,500
Note receivable	391,019	-	391,019
Inventories	-	8,423	8,423
Capital assets, net of accumulated depreciation	7,380,126	4,328	7,384,454
Total assets	11,083,184	37,988	11,121,172
Liabilities			
Accounts payable	347,197	-	347,197
Salaries and benefits payable	863	-	863
Accrued interest payable	45,782	-	45,782
Deferred revenue:			
Succeeding year property tax	1,460,831	-	1,460,831
Other	-	1,916	1,916
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	155,000	-	155,000
Revenue bonds payable	110,000	-	110,000
Capital loan notes payable	30,000	-	30,000
Early retirement	-	-	-
Portion due after one year:			
General obligation bonds payable	3,800,000	-	3,800,000
Revenue bonds payable	775,000	-	775,000
Capital loan notes payable	-	-	-
Total liabilities	6,724,673	1,916	6,726,589
Net assets			
Invested in capital assets, net of related debt	2,567,869	4,328	2,572,197
Restricted for:			
Management levy	56,834	-	56,834
Physical plant and equipment levy	189,677	-	189,677
Other special revenue purposes	42,482	-	42,482
Debt service	36,027	-	36,027
Unrestricted	1,465,622	31,744	1,497,366
Total net assets	4,358,511	36,072	4,394,583

See notes to financial statements.

HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2004

<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
\$	\$	\$

HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2004

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
Governmental activities:				
Instruction:				
Regular instruction	1,042,401	179,638	146,810	-
Special instruction	355,373	-	73,085	-
Other instruction	196,531	80,271	8,459	-
	<u>1,594,305</u>	<u>259,909</u>	<u>228,354</u>	<u>-</u>
Support services:				
Student services	66,877	-	-	-
Instructional staff services	106,434	-	-	-
Administration services	337,800	-	19,062	-
Operation and maintenance of plant services	233,157	1,100	-	-
Transportation services	106,299	-	2,990	-
	<u>850,567</u>	<u>1,100</u>	<u>22,052</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	-	-	-	1,572,475
Long-term debt interest	212,494	-	-	-
AEA flowthrough	94,118	-	94,118	-
Depreciation (unallocated)*	26,520	-	-	-
	<u>333,132</u>	<u>-</u>	<u>94,118</u>	<u>1,572,475</u>
Total governmental activities	2,778,004	261,009	344,524	1,572,475
Business type activities				
Non-instructional programs:				
Food service operations	109,365	57,890	56,081	-
Total	<u>2,887,369</u>	<u>318,899</u>	<u>400,605</u>	<u>1,572,475</u>
General Revenues:				
Property taxes levied for:				
General purposes				
Debt service				
Capital outlay				
Local option sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				

Change in net assets

Net assets beginning of year, as restated

Net assets end of year

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

HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2004

<u>Net (Expense) Revenue and Changes in Net Assets</u>		
<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
(715,953)	-	(715,953)
(282,288)	-	(282,288)
(107,801)	-	(107,801)
<u>(1,106,042)</u>	<u>-</u>	<u>(1,106,042)</u>
(66,877)	-	(66,877)
(106,434)	-	(106,434)
(318,738)	-	(318,738)
(232,057)	-	(232,057)
(103,309)	-	(103,309)
<u>(827,415)</u>	<u>-</u>	<u>(827,415)</u>
1,572,475	-	1,572,475
(212,494)	-	(212,494)
-	-	-
<u>(26,520)</u>	<u>-</u>	<u>(26,520)</u>
<u>1,333,461</u>	<u>-</u>	<u>1,333,461</u>
(599,996)	-	(599,996)
-	4,606	4,606
<u>(599,996)</u>	<u>4,606</u>	<u>(595,390)</u>
1,180,512	-	1,180,512
287,508	-	287,508
88,338	-	88,338
241,117	-	241,117
711,551	-	711,551
45,907	251	46,158
2,076	-	2,076
<u>2,557,009</u>	<u>251</u>	<u>2,557,260</u>
1,957,013	4,857	1,961,870
<u>2,401,498</u>	<u>31,215</u>	<u>2,432,713</u>
<u>4,358,511</u>	<u>36,072</u>	<u>4,394,583</u>

HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2004

	General Fund	Capital Projects	Debt Service	Physical Plant and Equipment Levy	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$	\$
Assets						
Cash and pooled investments	751,534	310,563	75,860	187,849	100,590	1,426,396
Receivables:						
Property tax:						
Delinquent	24,057	-	5,949	1,828	413	32,247
Succeeding year	1,105,798	-	282,594	62,434	10,005	1,460,831
Accounts	1,763	17,000	-	-	-	18,763
Accrued interest	1,149	-	-	-	50	1,199
Due from other governments	61,533	48,570	-	-	-	110,103
Contribution pledges receivable	-	262,500	-	-	-	262,500
Note receivable	-	-	-	391,019	-	391,019
Total assets	1,945,834	638,633	364,403	643,130	111,058	3,703,058
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	27,073	318,387	-	-	1,737	347,197
Salaries and benefits payable	863	-	-	-	-	863
Deferred revenue:						
Succeeding year property tax	1,105,798	-	282,594	62,434	10,005	1,460,831
Other	-	262,500	-	391,019	-	653,519
Total liabilities	<u>1,133,734</u>	<u>580,887</u>	<u>282,594</u>	<u>453,453</u>	<u>11,742</u>	<u>2,462,410</u>
Fund balances:						
Reserved for:						
Debt service	-	-	81,809	-	-	81,809
Unreserved	812,100	57,746	-	189,677	99,316	1,158,839
Total fund balances	<u>812,100</u>	<u>57,746</u>	<u>81,809</u>	<u>189,677</u>	<u>99,316</u>	<u>1,240,648</u>
Total liabilities and fund balances	1,945,834	638,633	364,403	643,130	111,058	3,703,058

HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

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

June 30, 2004

Total fund balances of governmental funds (Exhibit C)	1,240,648
<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.	7,380,126
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	653,519
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	(45,782)
Long-term liabilities, including general obligation bonds payable, revenue bonds payable and capital loan notes, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(4,870,000)</u>
Net assets of governmental activities (Exhibit A)	<u><u>4,358,511</u></u>

HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2004

	General Fund	Capital Projects	Debt Service	Physical Plant and Equipment Levy	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources:						
Local tax	1,160,548	241,117	287,508	88,338	19,964	1,797,475
Tuition	164,820	-	-	-	-	164,820
Other	28,280	255,362	-	33,056	82,836	399,534
State sources	909,045	1,054,613	-	-	-	1,963,658
Federal sources	147,030	-	-	-	-	147,030
Total revenues	<u>2,409,723</u>	<u>1,551,092</u>	<u>287,508</u>	<u>121,394</u>	<u>102,800</u>	<u>4,472,517</u>
Expenditures:						
Current:						
Instruction:						
Regular instruction	1,030,966	-	-	-	-	1,030,966
Special instruction	355,373	-	-	-	-	355,373
Other instruction	115,301	-	-	-	78,435	193,736
	<u>1,501,640</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>78,435</u>	<u>1,580,075</u>
Support services:						
Student services	66,877	-	-	-	-	66,877
Instructional staff services	106,434	-	-	-	-	106,434
Administration services	335,433	-	-	-	894	336,327
Operation and maintenance of plant services	199,743	-	-	-	32,259	232,002
Transportation services	75,461	-	-	-	-	75,461
	<u>783,948</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,153</u>	<u>817,101</u>
Other expenditures:						
Facilities acquisition	-	6,188,543	-	-	-	6,188,543
Long-term debt:						
Principal	-	-	180,000	-	-	180,000
Interest and fiscal charges	-	-	338,898	-	-	338,898
AEA flowthrough	94,118	-	-	-	-	94,118
	<u>94,118</u>	<u>6,188,543</u>	<u>518,898</u>	<u>-</u>	<u>-</u>	<u>6,801,559</u>
Total expenditures	<u>2,379,706</u>	<u>6,188,543</u>	<u>518,898</u>	<u>-</u>	<u>111,588</u>	<u>9,198,735</u>
Excess (deficiency) of revenues over (under) expenditures	<u>30,017</u>	<u>(4,637,451)</u>	<u>(231,390)</u>	<u>121,394</u>	<u>(8,788)</u>	<u>(4,726,218)</u>
Other financing sources (uses):						
Sale of real property - principal received	-	-	-	8,981	-	8,981
Operating transfers in	-	-	304,500	-	-	304,500
Operating transfers out	-	(230,900)	-	(73,600)	-	(304,500)
Total other financing sources (uses)	<u>-</u>	<u>(230,900)</u>	<u>304,500</u>	<u>(64,619)</u>	<u>-</u>	<u>8,981</u>
Net change in fund balances	30,017	(4,868,351)	73,110	56,775	(8,788)	(4,717,237)
Fund balances beginning of year, as restated	782,083	4,926,097	8,699	132,902	108,104	5,957,885
Fund balances end of year	<u>812,100</u>	<u>57,746</u>	<u>81,809</u>	<u>189,677</u>	<u>99,316</u>	<u>1,240,648</u>

HARRIS-LAKE PARK 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, 2004

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		(4,717,237)

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

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

Expenditures for capital assets	6,188,543	
Depreciation expense	<u>(74,287)</u>	6,114,256

Pledges for donations that will not be collected for several years 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.

262,500

Receipts from payment of principal on a note receivable are reported as revenues in the governmental funds, but the payments reduce notes receivable in the statement of net assets.

(8,981)

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.

180,000

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.

126,404

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement		<u>71</u>
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Changes in net assets of governmental activities (Exhibit B)		<u><u>1,957,013</u></u>
---------------------------------------------------------------------	--	--------------------------------

HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Fund

June 30, 2004

	Nonmajor School Nutrition
	<u> </u>
	\$
Assets	
Cash and cash equivalents	25,237
Inventories	8,423
Capital assets, net of accumulated depreciation	<u>4,328</u>
Total assets	37,988
Liabilities	
Deferred revenue	<u>1,916</u>
Net assets	
Invested in capital assets, net of related debt	4,328
Unrestricted	<u>31,744</u>
Total net assets	<u><u>36,072</u></u>

HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Fund

Year ended June 30, 2004

	<u>Nonmajor School Nutrition</u> \$
Operating revenue:	
Local sources:	
Charges for service	<u>57,890</u>
Operating expenses:	
Non-instructional programs:	
Salaries	35,946
Benefits	5,455
Purchased services	
Supplies	67,454
Depreciation	<u>510</u>
	<u>109,365</u>
Operating gain (loss)	<u>(51,475)</u>
Non-operating revenue:	
State sources	1,866
Federal sources	54,215
Interest income	<u>251</u>
Total non-operating revenue	<u>56,332</u>
Change in net assets	4,857
Net assets beginning of year	<u>31,215</u>
Net assets end of year	<u><u>36,072</u></u>

HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2004

	Nonmajor School Nutrition
	<u>\$</u>
Cash flows form operating activities:	
Cash received from sale of lunches and breakfasts	57,851
Cash payments to employees for services	(41,401)
Cash payments to suppliers for goods or services	(49,676)
Net cash used by operating activities	<u>(33,226)</u>
Cash flows from non-capital financing activities:	
State grants received	1,866
Federal grants received	41,372
Net cash provided by non-capital financing activities	<u>43,238</u>
Cash flows from capital and related financing activities	<u>-</u>
Cash flows from investing activities:	
Interest on investments	<u>251</u>
Net increase (decrease) in cash and cash equivalents	10,263
Cash and cash equivalents at beginning of year	<u>14,974</u>
Cash and cash equivalents at end of year	<u><u>25,237</u></u>
Reconciliation of operating gain (loss) to net cash used by operating activities:	
Operating gain (loss)	(51,475)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:	
Commodities used	12,843
Depreciation	510
Decrease (increase) in inventories	4,935
(Decrease) increase in deferred revenue	<u>(39)</u>
Net cash used in operating activities	<u><u>(33,226)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2004, the District received \$12,843 of federal commodities.

HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Fund

June 30, 2004

	Private Purpose Trust Scholarship
	<u>\$</u>
Assets	
Cash and pooled investments	3,650
Liabilities	<u>-</u>
Net Assets	
Reserved for scholarships	<u><u>3,650</u></u>

HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
Fiduciary Fund

Year ended June 30, 2004

	Private Purpose Trust Scholarship
	<u>\$</u>
Additions:	
Local sources:	
Gifts and contributions	3,800
Deductions:	
Support services:	
Scholarships awarded	<u>2,200</u>
Change in net assets	1,600
Net assets beginning of year	<u>2,050</u>
Net assets end of year	<u><u>3,650</u></u>

HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2004

1. Summary of Significant Accounting Policies

Harris-Lake Park Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the Cities of Harris and Lake Park, Iowa and the predominately agricultural territory in a portion of Dickinson and Osceola 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, Harris-Lake Park 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 Harris-Lake Park 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 that are attributed 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 that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

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

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

The District reports the following major governmental funds:

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

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

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's long-term debt.

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

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

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

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

C. Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as

soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

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, 2002 assessed property valuations; is for the tax accrual period July 1, 2003, through June 30, 2004, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2003.

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

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

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

<u>Asset Class</u>	<u>Amount</u>
	\$
Land	-
Buildings	2,000
Improvements other than buildings	2,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,000

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

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

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, amounts received in advance for meal sales 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 vacation and sick leave hours for subsequent use. Employees are not paid for unused vacation and sick leave benefits when employment with the District ends.

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

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

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

E. Budgeting and Budgetary Control

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

2. **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2004 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.

The District had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3.

3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2004 is as follows:

Transfer to	Transfer from	Amount
		\$
Debt Service Fund	Capital Projects Fund	230,900
Debt Service Fund	Special Revenue: Physical Plant and Equipment Levy Fund	73,600

These transfers moved revenues from the funds statutorily required to collect the resources to the fund statutorily required to expend the resources.

3. Notes Receivable

The Harris-Lake Park Community School District and the City of Lake Park have entered into an Iowa Code Chapter 28E agreement whereby the School issued general obligation bonds and constructed a \$400,000 community center for the City of Lake Park. The City of Lake Park is to pay the School 20 yearly payments of \$40,000 and will become the sole owner of the community center. The Harris-Lake Park Community School District is reporting a note receivable on its financial statements and is using a discount rate of 7.75%. The District received the first payment during the year ended June 30, 2004. Payments should be received as follows:

Year Ending June 30,	28 E Agreement Dated May 2003		
	Principal	Interest	Total
	\$	\$	\$
2005	9,678	30,322	40,000
2006	10,428	29,572	40,000
2007	11,237	28,763	40,000
2008	12,108	27,892	40,000
2009	13,047	26,953	40,000
2010-2024	<u>334,521</u>	<u>225,479</u>	<u>560,000</u>
	<u>391,019</u>	<u>368,981</u>	<u>760,000</u>

4. Capital Assets

Capital assets activity for the year ended June 30, 2004 is as follows:

	Balance Beginning of Year, as Restated	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Construction in progress	735,892	6,188,543	400,000	6,524,435
Land	68,075	-	-	68,075
Total capital assets not being depr.	<u>803,967</u>	<u>6,188,543</u>	<u>400,000</u>	<u>6,592,510</u>
Capital assets being depreciated:				
Buildings	1,631,400	400,000	400,000	1,631,400
Improvements other than buildings	18,846	-	-	18,846
Furniture and equipment	665,099	-	-	665,099
Total capital assets being deprec.	<u>2,315,345</u>	<u>400,000</u>	<u>400,000</u>	<u>2,315,345</u>
Less accumulated depreciation for:				
Buildings	976,340	26,520	-	1,002,860
Improvements other than buildings	16,962	942	-	17,904
Furniture and equipment	460,140	46,825	-	506,965
Total accumulated depreciation	<u>1,453,442</u>	<u>74,287</u>	<u>-</u>	<u>1,527,729</u>
Total capital assets being depreciated, net	<u>861,903</u>	<u>325,713</u>	<u>400,000</u>	<u>787,616</u>
Governmental activities capital assets, net	<u>1,665,870</u>	<u>6,514,256</u>	<u>800,000</u>	<u>7,380,126</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	41,131	-	-	41,131
Less accumulated depreciation	36,293	510	-	36,803
Business type activities capital assets, net	<u>4,838</u>	<u>(510)</u>	<u>-</u>	<u>4,328</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	11,435
Other	2,795
Support services:	
Administration services	1,544
Operation and maintenance of plant services	1,155
Transportation	30,838
	47,767
Unallocated depreciation	26,520
	74,287
 Business type activities:	
Food services	510

5. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2004, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
General obligation bonds	4,000,000	-	45,000	3,955,000	155,000
Local option sales and services					
tax revenue bonds	990,000	-	105,000	885,000	110,000
Capital loan notes	60,000	-	30,000	30,000	30,000
Early Retirement	71	-	71	-	-
	5,050,071	-	180,071	4,870,000	295,000
Total	5,050,071	-	180,071	4,870,000	295,000

General Obligation Bonds Payable

Details of the District's June 30, 2004 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of May, 1998			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2005	3.50	155,000	167,594	322,594
2006	3.50	150,000	162,168	312,168
2007	3.50	155,000	156,918	311,918
2008	3.50	165,000	151,494	316,494
2009	3.50	175,000	145,718	320,718
2010-2014	3.75-4.25	1,000,000	622,744	1,622,744
2015-2019	4.5	1,255,000	385,590	1,640,590
2020-2022	4.63-4.75	900,00	86,268	986,268
		3,955,000	1,878,494	5,833,494

Revenue Bonds Payable

Details of the District's June 30, 2004 local option sales and services tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of May 2001			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2005	4.000	110,000	35,400	145,400
2006	4.000	115,000	31,000	146,000
2007	4.000	120,000	26,400	146,400
2008	4.000	125,000	21,600	146,600
2009	4.000	130,000	16,600	146,600
2010-2011	4.000	285,000	17,200	302,200
		<u>885,000</u>	<u>148,200</u>	<u>1,033,200</u>

The local option sales and services tax revenue bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The bonds are payable solely from the proceeds of the local option sales and services tax revenues received by the District. The bonds are not a general obligation of the District. The debt, however, is subject to the constitutional debt limitation of the District.

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

- The proceeds from the issuance of the revenue bonds shall be deposited to a Project Fund and expended therefrom for the purposes of the issuance.
- All proceeds from the local option sales and services tax shall be placed in a Revenue Fund.
- Monies in the Revenue Fund shall be disbursed to make deposits into a Sinking Fund to pay the principal and interest requirements of the revenue bonds for the fiscal year. The required amount to be deposited in the Sinking Fund in any month shall be an amount equal to 1/6th of the installment of interest coming due on the next interest payment date on the then outstanding bonds, plus 1/12th of the installment of principal coming due on such bonds on the next succeeding principal payment date. Money in the Sinking Fund shall be used solely for the purpose of paying principal and interest on the revenue bonds. The Sinking Fund is part of the District's Debt Service Fund.
- Any monies remaining in the Revenue Fund, after the required transfer to the Sinking Fund, may be transferred to the Project Fund to be used for any lawful purpose.

Capital Loan Notes

The District issued \$250,000 of capital loan notes during the year ended June 30, 1995. These notes and the interest will be paid from the Special Revenue, Physical Plant and Equipment Levy Fund. Details of the capital loan notes are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2005	6.0	<u>30,000</u>	<u>1,800</u>	<u>31,800</u>

During the year ended June 30, 2004 the District made principal and interest payments totaling \$33,600 under the note agreements.

6. Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2004, 2003 and 2002. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$81,631, \$79,301, and \$79,014 respectively, equal to the required contributions for each year.

7. Risk Management

Harris-Lake Park Community School District is a member in the Iowa School Employees Benefits Association, an Iowa Code Chapter 28E organization. The Iowa School Employees Benefits Association (ISEBA) is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. ISEBA was formed July 1999 for the purpose of managing and funding employee benefits. ISEBA provides coverage and protection in the following categories: medical, dental, vision, and prescription drugs.

Each member's contributions to ISEBA fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, ISEBA's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital.

The District's contributions to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. The District's annual contributions to ISEBA for the year ended June 30, 2004, were \$140,716.

Payments from participating members are the sole source for paying claims and establishing reserves for the ISEBA self-funded programs. Stop loss insurance is purchased by ISEBA to protect against large claims but the potential exists for claims to exceed the premium payments made by members into the program. In the event that claims exceed premiums and reserves, an assessment may be necessary to pay claims and replenish reserves in the program.

The District does not report a liability for losses in excess of stop loss insurance unless it is deemed probable that such losses have occurred and the amount of such a loss can be reasonably estimated. Accordingly, at June 30, 2004, no liability has been recorded in the District's financial statements. As of June 30, 2004, settled claims have not exceeded the risk pool or reinsurance company coverage.

Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 30 days prior written notice may withdraw. ISEBA will pay claims incurred before the termination date.

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

8. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$94,118 for the year ended June 30, 2004 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

9. Construction Commitment

The District has entered into contracts totaling approximately \$6,187,000 for the construction of a high school and a community center as of June 30, 2004 costs of approximately \$6,038,000 had been incurred against the contracts. The balances remaining at June 30, 2004 will be paid as work on the project progresses.

10. Subsequent Events

The District issued \$430,000 of local option sales and services tax revenue bond anticipation notes after June 30, 2004.

11. Accounting Change and Restatement

Governmental Accounting Standards Board (GASB) Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements was implemented for the year ended June 30, 2004. The interpretation modifies when compensated absence and early retirement liabilities are recorded under the modified accrual basis of accounting.

Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule - Perspective Differences, were implemented for the year ended June 30, 2004. The statements create new basic financial statements for reporting the District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements separate the District's programs between governmental and business type activities. The beginning net assets for governmental activities has been restated to include capital assets, long-term liabilities, and the changes in assets and liabilities at July 1, 2003 caused by the conversion to the accrual basis of accounting.

The effects of the accounting change and other restatements in the governmental activities are summarized as follows:

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>PPEL</u>	<u>Nonmajor</u>	<u>Total</u>
	\$	\$	\$	\$	\$	\$
Net assets, June 30, 2003, as previously reported	782,083	4,926,097	8,699	132,902	108,033	5,957,814
GASB Interpretation 6 adjustments	-	-	-	-	71	71
Net assets, July 1, 2003, as restated for governmental funds	<u>782,083</u>	<u>4,926,097</u>	<u>8,699</u>	<u>132,902</u>	<u>108,104</u>	5,957,885
GASB 34 adjustments:						
Capital assets net of accumulated depreciation of \$1,453,442						1,665,870
Long-term liabilities:						
Early retirement					71	
General obligation bonds					4,000,000	
Revenue bonds					990,000	
Capital loan notes					<u>60,000</u>	(5,050,071)
Accrued interest payable						<u>(172,186)</u>
Net assets, July 1, 2003, as restated						<u>2,401,498</u>

REQUIRED SUPPLEMENTARY INFORMATION

HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Receipts, Disbursements, and Changes in Balances -
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2004

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$		\$	\$
Receipts:						
Local sources	2,321,547	58,102	2,379,649	2,262,662	2,262,662	116,987
State sources	1,942,670	1,866	1,944,536	1,496,655	1,496,655	447,881
Federal sources	124,490	54,215	178,705	212,000	212,000	(33,295)
Total receipts	<u>4,388,707</u>	<u>114,183</u>	<u>4,502,890</u>	<u>3,971,317</u>	<u>3,971,317</u>	<u>531,573</u>
Disbursements:						
Instruction	1,406,107	-	1,406,107	1,900,000	1,900,000	493,893
Support services	970,043	-	970,043	1,073,000	1,073,000	102,957
Non-instructional programs	-	103,920	103,920	155,000	155,000	51,080
Other expenditures	6,681,973	-	6,681,973	5,901,637	7,000,000	318,027
Total disbursements	<u>9,058,123</u>	<u>103,920</u>	<u>9,162,043</u>	<u>9,029,637</u>	<u>10,128,000</u>	<u>965,957</u>
Excess (deficiency) of receipts over (under) disbursements	(4,669,416)	10,263	(4,659,153)	(5,058,320)	(6,156,683)	1,497,530
Other financing sources (uses) net	<u>8,981</u>	<u>-</u>	<u>8,981</u>	<u>5,000</u>	<u>5,000</u>	<u>3,981</u>
Excess (deficiency) of receipts and other financing sources (uses) over (under) disbursements	(4,660,435)	10,263	(4,650,172)	(5,053,320)	(6,151,683)	1,501,511
Balance beginning of year	<u>6,086,831</u>	<u>14,974</u>	<u>6,101,805</u>	<u>5,446,651</u>	<u>6,545,014</u>	<u>(443,209)</u>
Balance end of year	<u>1,426,396</u>	<u>25,237</u>	<u>1,451,633</u>	<u>393,331</u>	<u>393,331</u>	<u>1,058,302</u>

HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2004

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
	\$	\$	\$
Revenues	4,388,707	83,810	4,472,517
Expenditures	9,058,123	140,612	9,198,735
Net	(4,669,416)	(56,802)	(4,726,218)
Other financing sources (uses) net	8,981	-	8,981
Beginning fund balances	6,086,831	(128,946)	5,957,885
Ending fund balances	<u>1,426,396</u>	<u>(185,748)</u>	<u>1,240,648</u>

	Proprietary Fund		
	Enterprise		
	Cash Basis	Accrual Adjustments	Accrual Basis
	\$	\$	\$
Revenues	114,183	39	114,222
Expenditures	103,920	5,445	109,365
Net	10,263	(5,406)	4,857
Beginning fund balances	14,974	16,241	31,215
Ending fund balances	<u>25,237</u>	<u>10,835</u>	<u>36,072</u>

HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2004

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the [cash basis](#). Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted disbursements by [\\$1,098,363](#).

OTHER SUPPLEMENTARY INFORMATION

HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2004

Assets	Special Revenue Funds		
	Management	Student	Total
	Levy	Activity Fund	
	\$	\$	\$
Cash and pooled investments	56,421	44,169	100,590
Receivables:			
Property tax:			
Delinquent	413	-	413
Succeeding year	10,005	-	10,005
Accrued interest	-	50	50
Total assets	66,839	44,219	111,058
Liabilities & Fund Balances			
Liabilities:			
Accounts payable	-	1,737	1,737
Deferred revenue:			
Succeeding year property tax	10,005	-	10,005
Total liabilities	10,005	1,737	11,742
Fund balances:			
Unreserved fund balance	56,834	42,482	99,316
Total liabilities and fund balances	66,839	44,219	111,058

HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2004

	<u>Special Revenue Funds</u>		
	Management Levy	Student Activity Fund	Total
	\$	\$	\$
Revenues:			
Local sources:			
Local tax	19,964	-	19,964
Other	1,888	80,948	82,836
Total revenues	<u>21,852</u>	<u>80,948</u>	<u>102,800</u>
Expenditures:			
Current:			
Instruction:			
Other instruction	-	78,435	78,435
Support services:			
Administration services	894	-	894
Operation and maintenance of plant services	32,259	-	32,259
Total expenditures	<u>33,153</u>	<u>78,435</u>	<u>111,588</u>
Excess (deficiency) of revenues over (under) expenditures	(11,301)	2,513	(8,788)
Fund balances beginning of year, as restated	<u>68,135</u>	<u>39,969</u>	<u>108,104</u>
Fund balances end of year	<u><u>56,834</u></u>	<u><u>42,482</u></u>	<u><u>99,316</u></u>

HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2004

<u>Account</u>	Balance Beginning of Year	Revenues	Expenditures	Intra-Fund Transfers	Balance End of Year
	\$	\$	\$	\$	\$
Elem. activity	529	2,034	2,269	-	294
Des Moines trip	11,114	8,730	8,001	-	11,843
Vocal music	(835)	3,753	3,374	456	-
Instrumental music	9	1,397	1,923	517	-
Co-ed athletics	1,726	5,480	9,517	2,361	50
Boys & girls golf	(464)	82	261	547	(96)
Boys basketball	6,610	4,833	3,995	(4,320)	3,128
Football	(2,518)	4,253	3,019	1,284	-
Baseball	(1,954)	1,724	1,863	1,932	(161)
Wrestling	227	-	-	-	227
Girls basketball	4,042	3,570	2,287	(2,321)	3,004
Volleyball	1,172	3,609	2,007	-	2,774
Softball	(3,335)	1,922	2,199	3,600	(12)
Cheerleading	1,419	7,465	5,628	-	3,256
Junior class concessions	-	7,019	6,194	(825)	-
FFA	12,162	8,887	11,604	-	9,445
Hosa	82	-	-	-	82
Class of 2009	-	17	-	-	17
Class of 2008	-	28	-	-	28
Class of 2007	24	41	30	-	35
Class of 2006	44	150	128	-	66
Class of 2005	34	5,777	4,147	-	1,664
Class of 2004	1,354	17	337	(1,034)	-
Class of 2003	2,341	-	144	(2,197)	-
Student council	2,058	1,130	936	-	2,252
Peer helper	9	-	-	-	9
Spanish club	50	-	-	-	50
Middle school	3,008	7,845	6,773	-	4,080
Athletic activity account	1,061	1,185	1,799	-	447
Total	39,969	80,948	78,435	-	42,482

HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

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

For the Last Four Years

	Modified Accrual Basis			
	2004	2003	2002	2001
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	1,797,475	1,493,965	1,368,602	1,213,255
Tuition	164,820	158,254	143,219	129,470
Other	399,534	228,872	157,798	154,944
State sources	1,963,658	1,127,102	1,101,271	1,183,272
Federal sources	147,030	84,957	133,835	80,533
Total revenues	<u>4,472,517</u>	<u>3,093,150</u>	<u>2,904,725</u>	<u>2,761,474</u>
Expenditures:				
Instruction:				
Regular instruction	1,030,966	985,238	954,594	975,096
Special instruction	355,373	398,597	425,002	444,222
Other instruction	193,736	189,287	179,334	102,739
Support services:				
Student services	66,877	64,715	47,684	49,315
Instructional staff services	106,434	105,456	100,119	96,992
Administration services	336,327	312,969	443,566	411,054
Operation and maintenances of plant services	232,002	229,109	201,366	229,671
Transportation services	75,461	69,619	135,199	82,180
Central support services	-	230	558	9,635
Other expenditures:				
Facilities acquisition	6,188,543	761,597	20,925	62,196
Long-term debt:				
Principal	180,000	34,493	29,097	28,736
Interest and other charges	338,898	5,629	7,560	9,351
AEA flowthrough	94,118	101,981	102,023	107,075
Total expenditures	<u>9,198,735</u>	<u>3,258,920</u>	<u>2,647,027</u>	<u>2,608,262</u>

Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting

To the Board of Education of the
[Harris-Lake Park](#) Community School District:

We have audited the financial statements of the [Harris-Lake Park](#) Community School District as of and for the year ended June 30, [2004](#), and have issued our report thereon dated [October 7, 2004](#). We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether [Harris-Lake Park](#) 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 grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. [However, we noted certain immaterial instances of noncompliance that are described in Part II of the accompanying Schedule of Findings.](#)

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, [2004](#) 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. Prior year statutory comments have all been resolved except for item [04-II-E](#).

Internal Control over Financial Reporting

In planning and performing our audit, we considered [Harris-Lake Park](#) Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe items [04-I-A](#) and [04-I-B](#) are material weaknesses. Prior year reportable conditions have all been resolved except for items [04-I-A](#) and [04-I-B](#).

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the [Harris-Lake Park](#) Community School District and other parties to whom the District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of [Harris-Lake Park](#) 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

[October 7, 2004](#)

HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2004

Part I: Findings Related to the Financial Statements:

Instances of Noncompliance:

No matters were reported

Reportable Conditions:

04-I-A Segregation of Duties: The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks and bank reconciliations, 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 implement monitoring procedures to obtain the maximum internal control possible under the circumstances.

District Response: The District is aware of the lack of complete segregation of duties and will make changes as the opportunity arises.

Conclusion: Response accepted.

04-I-B Signature Stamp: We noted that the Board Secretary has access to a stamp bearing the signature of the Board President. This practice negates the internal control procedure established by requiring two signatures on a check.

Recommendation: We recommend that this practice cease. The Board may designate a person other than the Board President to cosign checks. If a signature stamp is used, it should remain under the control of the person whose name the stamp bears at all times.

District Response: We will discuss methods to limit access to the signature stamp.

Conclusion: Response accepted.

HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2004

Part II: Other Findings Related To Statutory Reporting:

04-II-A Official Depositories: Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2004.

04-II-B Certified Budget: Disbursements for the year ended June 30, 2004, did not exceed the amounts budgeted.

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

04-II-D 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.

04-II-E Business Transactions: We noted the following transactions between the District and District officials or employees.

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u> \$
Art Schumacher, board member, owner of Schumacher Construction	Construction	2,480

The transaction does not appear to represent a conflict of interest since the dollar amount was less than \$2,500 as provided by the Code of Iowa.

04-II-F 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.

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

04-II-H Certified Enrollment: The number of basic resident students reported to the Iowa Department of Education on Line 1 of the Certified Enrollment Certification Form for September 2003, was overstated by eight students.

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

District Response: We will contact these departments.

Conclusion: Response accepted.

04-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.

04-II-J Certified Annual Report (CAR): The CAR was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.

HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2004

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

04-II-K Construction Contract Change Orders: We noted that the Board of Directors did not approve change orders.

Recommendation: All contract changes should be approved by the Board and documented in the minutes.

District Response: All future contract changes will be documented in the minutes.

Conclusion: Response accepted.

04-II-L Allocation of Interest: We noted that interest from a pooled bank account is not being allocated to the Debt Service Fund.

Recommendation: The District should allocate interest revenue to each fund within a pooled bank account.

District Response: We will review our procedures and make any necessary adjustments.

Conclusion: Response accepted.

04-II-M Fund Transfers: We noted a \$40,000 fund transfer between the Physical Plant and Equipment Levy Fund and the Debt Service fund for which we could find no documentation of approval by the board.

Recommendation: All fund transfers should be approved by the board and documented in the minutes.

District Response: The District received a \$40,000 payment from the City of Lake Park for the sale of the Community Center to the City of Lake Park. The payment was recorded in the Physical Plant and Equipment Levy Fund as required by Iowa law. The District transferred the money to the Debt Service Fund because we intend to use the proceeds from the sale of the community center to pay off the bonds that were issued to build the center. We will document approval of all fund transfers, in the minutes, in the future.

Conclusion: Response accepted.