

HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

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

June 30, 2006

Table of Contents

		<u>Page</u>
Officials		1
Independent Auditor's Report		2-3
Management's Discussion and Analysis (MD&A)		4-14
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Assets	A	16
Statement of Activities	B	17-18
Governmental Fund Financial Statements:		
Balance Sheet	C	19
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	20
Statement of Revenues, Expenditures and Changes in Fund Balances	E	21
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	22
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	23
Statement of Revenues, Expenses, and Changes in Net Assets	H	24
Statement of Cash Flows	I	25
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Assets	J	26
Statement of Changes in Fiduciary Net Assets	K	27
Notes to Financial Statements		28-36
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		38
Notes to Required Supplementary Information - Budgetary Reporting		39
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	41
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	42
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3	43
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	4	44
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		45-46
Schedule of Findings		47-49

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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, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Harris-Lake Park Community School District at June 30, 2006, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated September 27, 2006, 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, contract and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 14 and 38 through 39 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise 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, 2005, (which are not presented herein). Our opinion for 2003 was qualified because the District had not established a debt sinking fund as required by its revenue bond resolution. We expressed unqualified opinions for 2005 and 2004. 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

September 27, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

Harris-Lake Park Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2006 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$2,511,907 in fiscal 2005 to \$2,454,723 in fiscal 2006, while General Fund expenditures decreased from \$2,704,696 in fiscal 2005 to \$2,640,061 in fiscal 2006. The District's General Fund balance decreased from \$623,362 in fiscal 2005 to \$439,476 in fiscal 2006, a decrease of \$183,886.
- The decrease in General Fund revenues was attributable to a slight decrease in enrollment and the phase out of the budget guarantee related to the Foundation Formula in fiscal 2006. The decrease in expenditures was due primarily through the districts line item budget in an attempt to adjust to the decreasing revenue. The District funded a portion of the current year General Fund deficit from the carryover fund balance.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

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

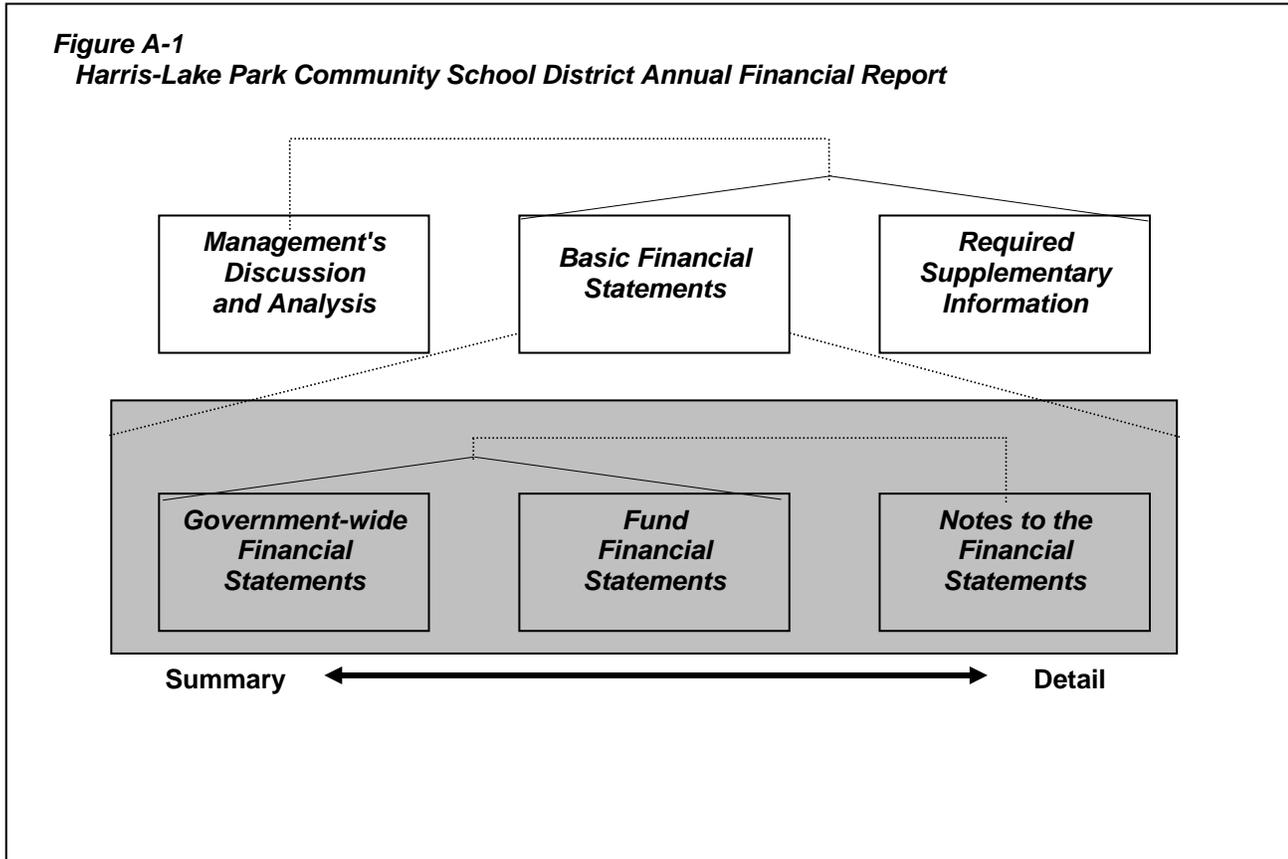


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund. The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District’s net assets at June 30, 2006 compared to June 30, 2005.

Harris-Lake Park School Condensed Statement of Net Assets FY 05-06

	Governmental Activities		Business-type Activities		Total School District		Total Percentage Change
	2005	2006	2005	2006	2005	2006	2005-06
Current and other assets	\$3,151,661	\$2,760,527	\$27,596	\$19,509	\$3,179,257	\$2,780,036	-12.56%
Capital assets	\$7,592,530	\$7,487,511	\$18,447	\$16,606	\$7,610,977	\$7,504,117	-1.40%
Total Assets	\$10,744,191	\$10,248,038	\$46,043	\$36,115	\$10,790,234	\$10,284,153	-4.69%
Long-term debt outstanding	\$4,671,065	\$4,360,848			\$4,671,065	\$4,360,848	-6.64%
Other liabilities	\$1,637,823	\$1,485,570	\$2,039	\$2,103	\$1,639,862	\$1,487,673	-9.28%
Total liabilities	\$6,308,888	\$5,846,418	\$2,039	\$2,103	\$6,310,927	\$5,848,521	-7.33%
Net Assets							
Invested in capital assets, net of related debt	\$2,921,465	\$3,126,663	\$18,447	\$16,606	\$2,939,912	\$3,143,269	6.92%
Restricted	\$686,459	\$835,491			\$686,459	\$835,491	21.71%
Unrestricted	\$827,379	\$439,466	\$25,557	\$17,406	\$852,936	\$456,872	-46.44%
TOTAL NET ASSETS	\$4,435,303	\$4,401,620	\$44,004	\$34,012	\$4,479,307	\$4,435,632	-0.98%

The District’s combined net assets decreased by nearly 1%, or approximately \$43,675, over the prior year. The largest portion of the District’s net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District’s restricted net assets increased approximately \$149,032 over the prior year. The increase was primarily a result of an increase in local option sales tax revenues.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately \$396,064, or nearly 47%. This reduction in unrestricted net assets was a result of the District using carryover fund balance to meet its financial obligations during the year.

Figure A-4 shows the change in net assets for the years ended June 30, 2006 and 2005.

Harris-Lake Park School Changes in Net Assets FY 05-06

	Governmental Activities 2006	Governmental Activities 2005	Business-Type Activities 2006	Business-Type Activities 2005	Total School District 2006	Total School District 2005	Percentage Change 2005-06
Revenues							
Program Revenues							
Charges for services	\$ 298,722	\$ 315,069	\$ 63,599	\$ 66,877	\$ 362,321	\$ 381,946	-5.14%
Operating Grants & Contrib.	\$ 334,975	\$ 377,313	\$ 52,739	\$ 52,922	\$ 387,714	\$ 430,235	-9.88%
Capital Grants & Contrib.	\$ -	\$ 20,173			\$ -	\$ 20,173	-100.00%
General Revenues					\$	\$	
Property taxes & other taxes	\$ 1,729,792	\$ 1,772,649			\$ 1,729,792	\$ 1,772,649	-2.42%
Unrestricted State Grants	\$ 776,021	\$ 793,375			\$ 776,021	\$ 793,375	-2.19%
Other	\$ 96,617	\$ 36,164	\$ 602	\$ 275	\$ 97,219	\$ 36,439	166.80%
Total Revenues	\$ 3,236,127	\$ 3,314,743	\$ 116,940	\$ 120,074	\$ 3,353,067	\$ 3,434,817	-2.38%
Expenses							
Instruction	\$ 1,733,650	\$ 1,779,620			\$ 1,733,650	\$ 1,779,620	-2.58%
Pupil & Instructional Svcs.	\$ 106,359	\$ 164,416			\$ 106,359	\$ 164,416	-35.31%
Administrative & Business	\$ 424,377	\$ 400,082			\$ 424,377	\$ 400,082	6.07%
Maintenance & Operations	\$ 387,050	\$ 340,186			\$ 387,050	\$ 340,186	13.78%
Transportation	\$ 87,556	\$ 82,149			\$ 87,556	\$ 82,149	6.58%
Other	\$ 530,818	\$ 462,003	\$ 126,932	\$ 121,637	\$ 657,750	\$ 583,640	12.70%
Total Expenses	\$ 3,269,810	\$ 3,228,456	\$ 126,932	\$ 121,637	\$ 3,396,742	\$ 3,350,093	1.39%
Transfers In (Out)	\$ -	\$ (9,495)	\$ -	\$ 9,495			
Increase in net assets	\$ (33,683)	\$ 76,792	\$ (9,992)	\$ 7,932	\$ (43,675)	\$ 84,724	-151.55%

Property tax and unrestricted state grants account for 75% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 81% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$3,236,127 and expenses were \$3,269,810. In a difficult budget year, the District was not able to balance the budget by trimming expenses to match available revenues.

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

Harris-Lake Park School Net Cost of Governmental Activities 05-06

	Total Cost of Services 2005	Total Cost of Services 2006	Net Cost of Services 2005	Net Cost of Services 2006
Instruction	\$ 1,779,620	\$ 1,733,650	\$ 1,182,436	\$ 1,198,394
Pupil & Instructional Svcs.	\$ 164,416	\$ 106,359	\$ 164,416	\$ 106,359
Administrative & Business	\$ 400,082	\$ 424,377	\$ 400,082	\$ 424,377
Maintenance & Operations	\$ 340,186	\$ 387,050	\$ 334,986	\$ 386,750
Transportation	\$ 82,149	\$ 87,556	\$ 80,744	\$ 84,920
Other	\$ 462,003	\$ 530,818	\$ 353,237	\$ 435,313
TOTAL	\$ 3,228,456	\$ 3,269,810	\$ 2,515,901	\$ 2,636,113

- The cost financed by users of the District's programs was \$298,722.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$334,975.
- The net cost of governmental activities was financed with \$1,729,792 in property and other taxes and \$776,021 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$116,940 and expenses were \$126,932. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$793,397, below last year's ending fund balances of \$962,785.

Governmental Fund Highlights

- The District's deteriorating General Fund financial position is the result of many factors. The district was not successful at balancing the budget. The District was not able decrease General Fund expenditures enough requiring the District to use its carryover fund balance to meet its financial obligations during the year.
- The General Fund balance decreased from \$623,362 to \$439,476, due in part to the negotiated salary and benefits settlement and existing expenditure commitments of the District.

Proprietary Fund Highlights

School Nutrition Fund net assets decreased from \$44,044 at June 30, 2005 to \$34,012 at June 30, 2006. Revenues decreased slightly while labor and food costs continued to increase.

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 GAAP basis. Over the course of the year, the District amended its certified budget one time for a total of \$783,013 in the areas of "Other Expenditures", Support Services and Non-Instruction (Food Service). Due to the construction of a baseball field, increased utility rates and increased Food Service expenditures.

Total expenditures are approximately \$1,044,625 dollars less than budgeted due primarily to the District's budget for the General Fund and amending the budget for the building project. 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 ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2006, the District had invested \$7,504,117 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of 1.40% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$219,652.

The original cost of the District's capital assets was \$9.3 million for governmental funds. Capital Assets totaling \$57,000 were accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in the other improvements category. The District started the construction of a baseball facility totaling \$41,904 at June 30, 2006.

Harris-Lake Park School Capital Assets (net of depreciation)

Figure A-6

	Governmental Activities		Business-type Activities		Total School District		Total Percentage Change
	2005	2006	2005	2006	2005	2006	2005-06
	Land	\$ 58,075	\$ 58,075			\$ 58,075	\$ 58,075
Construction in progress	\$ -	-					
Buildings	\$ 7,292,463	\$ 7,126,216			\$ 7,292,463	\$ 7,126,216	-2.28%
Other Improvements	\$ -	\$ 41,904				\$ 41,904	
Equipment & Furniture	\$ 241,992	\$ 261,316	\$18,447	\$16,606	\$ 260,439	\$ 277,922	6.71%
TOTAL	\$ 7,592,530	\$ 7,487,511	\$18,447	\$16,606	\$ 7,610,977	\$ 7,504,117	-1.40%

Long-Term Debt

At June 30, 2006, the District had \$4,360,848 in general obligation, revenue and other long-term debt outstanding. This represents a decrease of 6.64% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

05-06 Long Term Liabilities			
Figure A-7			
	Total School District		Total Percentage Change
	2005	2006	2005-06
General Obligations Bonds	\$ 3,800,000	\$ 3,650,000	-3.95%
Local Option Sales and Services Tax Revenue Bonds	\$ 775,000	\$ 660,000	-14.84%
Revenue Bond Anticipation Notes	\$ 96,065	\$ 50,848	-47.07%
TOTAL	\$ 4,671,065	\$ 4,360,848	-6.64%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

Several factors are currently impacting the Harris-Lake Park CSD financial position and there are also some factors on the horizon that will have a future impact on the financial position. These factors will have both a negative and positive impact on the HLP financial position.

Enrollment

Although the Harris-Lake Park student enrollment is now stabilized, enrollment over the past ten years is down. Consequently, the Harris-Lake Park CSD has not received any new money over the last five years. This is a trend that will likely continue. Based on this situation, all salary increases that have been given and will be given in future years are taken out of the General Fund balance. The only way to reduce this impact of this situation is reduction of staff.

Rising Energy and Fuel Costs

Rising energy and fuel costs are also having a negative impact on the district. Natural gas prices are up significantly along with the price of diesel fuel.

Insurance Rates Increasing

The Harris-Lake Park CSD has experienced major increases in insurance premiums over the last five years. This trend will continue and has a negative impact on the budget.

Facility Repairs

The district will be faced with repairs to the original 1955 portion of the Elementary building. Tuck pointing this portion of the building will be required in the next two to three years. Estimates for this are in the \$50,000 range.

Unstable Special Education Population

The Harris-Lake Park CSD has had an unstable Special Education population. This likely will continue. Concerns related to this have been students being sent to alternative educational locations with the district being responsible for the billing. These costs can sometimes be \$25,000 per student. The Special Education Deficit has been over \$50,000 the past two years.

Local Option Sales and Service Tax

Both Dickinson and Osceola Counties have the Local Option Sales and Service Tax. Money that has been coming into the district as a result of these taxes has been greater than originally estimated. A vote to change the use of the Local Option Sales and Service Tax was approved in September. Excess money generated from this tax (most is earmarked for paying back a new building) can be used for regular PPEL expenditures.

Wind Mill Farm

The Harris-Lake Park District has a wind mill farm partially located in the district. There are twenty windmills in the district. They are now coming on the tax rolls after a three year abatement. They are taxed at five percent per year capping at thirty percent. This will have an impact on increased valuation for the district. A second windmill farm is currently under construction in Osceola County.

Housing

The district has seen a significant amount of new housing starts over the last three years. There are signs this will continue. This is already having a positive impact on the district with increased tax valuations.

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, 2006

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and cash equivalents	684,961	14,137	699,098
Receivables:			
Property tax:			
Delinquent	33,782	-	33,782
Succeeding year	1,428,270	-	1,428,270
Accounts	1,750	-	1,750
Accrued interest	2,798	-	2,798
Due from other governments	88,053	-	88,053
Contribution pledges receivable	150,000	-	150,000
Note receivable	370,913	-	370,913
Inventories	-	5,372	5,372
Capital assets, net of accumulated depreciation	7,487,511	16,606	7,504,117
Total assets	10,248,038	36,115	10,284,153
Liabilities			
Accounts payable	17,947	-	17,947
Accrued interest payable	39,353	-	39,353
Deferred revenue:			
Succeeding year property tax	1,428,270	-	1,428,270
Other	-	2,103	2,103
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	155,000	-	155,000
Revenue bonds payable	120,000	-	120,000
Portion due after one year:			
General obligation bonds payable	3,495,000	-	3,495,000
Revenue bonds payable	540,000	-	540,000
Revenue bond anticipation note	50,848	-	50,848
Total liabilities	5,846,418	2,103	5,848,521
Net assets			
Invested in capital assets, net of related debt	3,126,663	16,606	3,143,269
Restricted for:			
Management levy	42,701	-	42,701
Physical plant and equipment levy	467,665	-	467,665
Other special revenue purposes	46,582	-	46,582
Local option sales tax purposes	230,015	-	230,015
Debt service	48,528	-	48,528
Unrestricted	439,466	17,406	456,872
Total net assets	4,401,620	34,012	4,435,632

See notes to financial statements.

HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2006

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental activities:				
Instruction:				
Regular instruction	1,147,894	200,079	154,063	-
Special instruction	282,026	1,496	41,964	-
Other instruction	303,730	96,847	40,807	-
	<u>1,733,650</u>	<u>298,422</u>	<u>236,834</u>	<u>-</u>
Support services:				
Student services	6,098	-	-	-
Instructional staff services	100,261	-	-	-
Administration services	424,377	-	-	-
Operation and maintenance of plant services	387,050	300	-	-
Transportation services	87,556	-	2,636	-
	<u>1,005,342</u>	<u>300</u>	<u>2,636</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	77,617	-	-	-
Long-term debt interest	192,786	-	2,411	-
AEA flowthrough	93,094	-	93,094	-
Depreciation (unallocated)*	167,321	-	-	-
	<u>530,818</u>	<u>-</u>	<u>95,505</u>	<u>-</u>
Total governmental activities	3,269,810	298,722	334,975	-
Business type activities:				
Non-instructional programs:				
Food service operations	126,932	63,599	52,739	-
Total	<u>3,396,742</u>	<u>362,321</u>	<u>387,714</u>	<u>-</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

Net assets end of year

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

Net (Expense) Revenue and Changes in Net Assets

<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
(793,752)	-	(793,752)
(238,566)	-	(238,566)
(166,076)	-	(166,076)
<u>(1,198,394)</u>	<u>-</u>	<u>(1,198,394)</u>
(6,098)	-	(6,098)
(100,261)	-	(100,261)
(424,377)	-	(424,377)
(386,750)	-	(386,750)
(84,920)	-	(84,920)
<u>(1,002,406)</u>	<u>-</u>	<u>(1,002,406)</u>
(77,617)	-	(77,617)
(190,375)	-	(190,375)
-	-	-
<u>(167,321)</u>	<u>-</u>	<u>(167,321)</u>
<u>(435,313)</u>	<u>-</u>	<u>(435,313)</u>
(2,636,113)	-	(2,636,113)
-	(10,594)	(10,594)
<u>(2,636,113)</u>	<u>(10,594)</u>	<u>(2,646,707)</u>
1,145,242	-	1,145,242
272,928	-	272,928
36,180	-	36,180
275,442	-	275,442
776,021	-	776,021
65,253	602	65,855
31,364	-	31,364
<u>2,602,430</u>	<u>602</u>	<u>2,603,032</u>
(33,683)	(9,992)	(43,675)
<u>4,435,303</u>	<u>44,004</u>	<u>4,479,307</u>
<u>4,401,620</u>	<u>34,012</u>	<u>4,435,632</u>

HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2006

	General Fund	Capital Projects	Debt Service	Physical Plant and Equipment Levy	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$	\$
Assets						
Cash and pooled investments	390,771	24,872	81,612	95,911	91,795	684,961
Receivables:						
Property tax:						
Delinquent	25,514	-	6,269	831	1,168	33,782
Succeeding year	1,067,732	-	271,918	38,620	50,000	1,428,270
Accounts	1,750	-	-	-	-	1,750
Accrued interest	2,660	-	-	-	138	2,798
Due from other governments	28,610	59,443	-	-	-	88,053
Contribution pledges receivable	-	150,000	-	-	-	150,000
Note receivable	-	-	-	370,913	-	370,913
Total assets	1,517,037	234,315	359,799	506,275	143,101	2,760,527
Liabilities and Fund Balances						
Accounts payable	9,829	4,300	-	-	3,818	17,947
Deferred revenue:						
Succeeding year property tax	1,067,732	-	271,918	38,620	50,000	1,428,270
Other	-	150,000	-	370,913	-	520,913
Total liabilities	1,077,561	154,300	271,918	409,533	53,818	1,967,130
Fund balances:						
Reserved for:						
Debt service	-	-	87,881	-	-	87,881
Unreserved reported in:						
General fund	439,476	-	-	-	-	439,476
Special revenue funds	-	-	-	96,742	89,283	186,025
Capital projects funds	-	80,015	-	-	-	80,015
Total fund balances	439,476	80,015	87,881	96,742	89,283	793,397
Total liabilities and fund balances:	1,517,037	234,315	359,799	506,275	143,101	2,760,527

HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

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

June 30, 2006

	\$
Total fund balances of governmental funds (Exhibit C)	793,397
<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.	7,487,511
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	520,913
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds	(39,353)
Long-term liabilities, including general obligation bonds payable, revenue bonds payable and revenue bond anticipation notes, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(4,360,848)</u>
Net assets of governmental activities (Exhibit A)	<u><u>4,401,620</u></u>

HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2006

	General Fund	Capital Projects	Debt Service	Physical Plant and Equipment Levy	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources:						
Local tax	1,095,361	265,978	272,992	36,188	50,153	1,720,672
Tuition	188,446	-	-	-	-	188,446
Other	62,331	72,904	2,410	32,595	99,768	270,008
State sources	983,363	9,464	-	-	-	992,827
Federal sources	125,222	-	-	-	-	125,222
Total revenues	<u>2,454,723</u>	<u>348,346</u>	<u>275,402</u>	<u>68,783</u>	<u>149,921</u>	<u>3,297,175</u>
Expenditures:						
Current:						
Instruction:						
Regular instruction	1,135,140	-	-	-	-	1,135,140
Special instruction	282,026	-	-	-	-	282,026
Other instruction	197,747	-	-	-	98,747	296,494
	<u>1,614,913</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>98,747</u>	<u>1,713,660</u>
Support services:						
Student services	6,098	-	-	-	-	6,098
Instructional staff services	100,261	-	-	-	-	100,261
Administration services	420,336	-	-	-	942	421,278
Operation and maintenance of plant services	344,049	-	-	4,114	37,732	385,895
Transportation services	61,310	-	-	53,869	-	115,179
	<u>932,054</u>	<u>-</u>	<u>-</u>	<u>57,983</u>	<u>38,674</u>	<u>1,028,711</u>
Other expenditures:						
Facilities acquisition	-	65,806	-	70,734	-	136,540
Long-term debt:						
Principal	-	-	310,217	-	-	310,217
Interest and fiscal charges	-	-	196,221	-	-	196,221
AEA flowthrough	93,094	-	-	-	-	93,094
	<u>93,094</u>	<u>65,806</u>	<u>506,438</u>	<u>70,734</u>	<u>-</u>	<u>736,072</u>
Total expenditures	<u>2,640,061</u>	<u>65,806</u>	<u>506,438</u>	<u>128,717</u>	<u>137,421</u>	<u>3,478,443</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(185,338)</u>	<u>282,540</u>	<u>(231,036)</u>	<u>(59,934)</u>	<u>12,500</u>	<u>(181,268)</u>
Other financing sources (uses):						
Sales of materials and equipment	1,452	-	-	-	-	1,452
Sale of real property - principal received	-	-	-	10,428	-	10,428
Operating transfers in	-	-	234,042	-	-	234,042
Operating transfers out	-	(194,042)	-	(40,000)	-	(234,042)
Total other financing sources (uses)	<u>1,452</u>	<u>(194,042)</u>	<u>234,042</u>	<u>(29,572)</u>	<u>-</u>	<u>11,880</u>
Net change in fund balances	<u>(183,886)</u>	<u>88,498</u>	<u>3,006</u>	<u>(89,506)</u>	<u>12,500</u>	<u>(169,388)</u>
Fund balances beginning of year	<u>623,362</u>	<u>(8,483)</u>	<u>84,875</u>	<u>186,248</u>	<u>76,783</u>	<u>962,785</u>
Fund balances end of year	<u>439,476</u>	<u>80,015</u>	<u>87,881</u>	<u>96,742</u>	<u>89,283</u>	<u>793,397</u>

See notes to financial statements.

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, 2006

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		(169,388)
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
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. Depreciation expense exceeded capital outlay expenditures in the year as follows:		
Expenditures for capital assets	112,792	
Depreciation expense	<u>(217,811)</u>	(105,019)
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.		
		(62,500)
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.		
		(10,428)
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.		
		310,217
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.		
		<u>3,435</u>
Changes in net assets of governmental activities (Exhibit B)		<u><u>(33,683)</u></u>

HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Fund

June 30, 2006

	Nonmajor School Nutrition
	<u>\$</u>
Assets	
Cash and cash equivalents	14,137
Inventories	5,372
Capital assets, net of accumulated depreciation	<u>16,606</u>
Total assets	36,115
Liabilities	
Deferred revenue	<u>2,103</u>
Net assets	
Invested in capital assets, net of related debt	16,606
Unrestricted	<u>17,406</u>
Total net assets	<u><u>34,012</u></u>

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

Year ended June 30, 2006

	Nonmajor School Nutrition <u> </u> \$
Operating revenue:	
Local sources:	
Charges for service	<u>63,599</u>
Operating expenses:	
Non-instructional programs:	
Salaries	39,279
Benefits	5,162
Supplies	80,650
Depreciation	<u>1,841</u>
	<u>126,932</u>
Operating gain (loss)	<u>(63,333)</u>
Non-operating revenue:	
State sources	1,824
Federal sources	50,915
Interest income	<u>602</u>
Total non-operating revenue	<u>53,341</u>
Change in net assets	(9,992)
Net assets beginning of year	<u>44,004</u>
Net assets end of year	<u><u>34,012</u></u>

HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2006

	Nonmajor School Nutrition
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	63,663
Cash payments to employees for services	(44,441)
Cash payments to suppliers for goods or services	(63,688)
Net cash used by operating activities	<u>(44,466)</u>
Cash flows from non-capital financing activities:	
State grants received	1,824
Federal grants received	39,885
Net cash provided by non-capital financing activities	<u>41,709</u>
Cash flows from capital and related financing activities	<u>-</u>
Cash flows from investing activities:	
Interest on investments	<u>602</u>
Net increase (decrease) in cash and cash equivalents	(2,155)
Cash and cash equivalents at beginning of year	<u>16,292</u>
Cash and cash equivalents at end of year	<u><u>14,137</u></u>
Reconciliation of operating gain (loss) to net cash used by operating activities:	
Operating gain (loss)	(63,333)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:	
Commodities used	11,030
Depreciation	1,841
Decrease (increase) in inventories	5,932
(Decrease) increase in deferred revenue	<u>64</u>
Net cash used in operating activities	<u><u>(44,466)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2006, the District received \$11,030 of federal commodities.

HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Fund

June 30, 2006

	Private Purpose Trust Scholarship <u>\$</u>
Assets	
Cash and pooled investments	4,550
Liabilities	<u>-</u>
Net Assets	
Reserved for scholarships	<u><u>4,550</u></u>

HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
Fiduciary Fund

Year ended June 30, 2006

	Private Purpose Trust Scholarship
	<u>\$</u>
Additions:	
Local sources:	
Gifts and contributions	2,700
Deductions:	
Support services:	
Scholarships awarded	<u>1,450</u>
Change in net assets	1,250
Net assets beginning of year	<u>3,300</u>
Net assets end of year	<u><u>4,550</u></u>

HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2006

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, 2004 assessed property valuations; is for the tax accrual period July 1, 2005, through June 30, 2006, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2005.

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

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

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, 2006 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 as amended by Statement No. 40.

3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2006 is as follows:

Transfer to	Transfer from	Amount
		\$
Debt Service Fund	Capital Projects Fund	194,042
Debt Service Fund	Physical Plant and Equipment Levy Fund	40,000

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

4. 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,	28E Agreement Dated May 2003		
	Principal	Interest	Total
	\$	\$	\$
2007	11,237	28,763	40,000
2008	12,108	27,892	40,000
2009	13,047	26,953	40,000
2010	14,059	25,941	40,000
2011	15,149	24,851	40,000
2012-2024	<u>305,313</u>	<u>174,687</u>	<u>480,000</u>
	<u>370,913</u>	<u>309,087</u>	<u>680,000</u>

5. Capital Assets

Capital assets activity for the year ended June 30, 2006 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Land	58,075	-	-	58,075
Capital assets being depreciated:				
Buildings	8,406,347	-	-	8,406,347
Improvements other than buildings	18,846	42,978	-	61,824
Furniture and equipment	777,575	69,814	39,237	808,152
Total capital assets being deprec.	<u>9,202,768</u>	<u>112,792</u>	<u>39,237</u>	<u>9,276,323</u>

Less accumulated depreciation for:				
Buildings	1,113,884	166,247	-	1,280,131
Improvements other than buildings	18,846	1,074	-	19,920
Furniture and equipment	<u>535,583</u>	<u>50,490</u>	<u>39,237</u>	<u>546,836</u>
Total accumulated depreciation	<u>1,668,313</u>	<u>217,811</u>	<u>39,237</u>	<u>1,846,887</u>
Total capital assets being depreciated, net	<u>7,534,455</u>	<u>(105,019)</u>	<u>-</u>	<u>7,429,436</u>
Governmental activities capital assets, net	<u>7,592,530</u>	<u>(105,019)</u>	<u>-</u>	<u>7,487,511</u>
	Balance			Balance End
	Beginning of			of Year
	Year	Increases	Decreases	
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Business type activities:				
Furniture and equipment	57,090	-	-	57,090
Less accumulated depreciation	<u>38,643</u>	<u>1,841</u>	<u>-</u>	<u>40,484</u>
Business type activities capital assets, net	<u>18,447</u>	<u>(1,841)</u>	<u>-</u>	<u>16,606</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	12,754
Other	7,236
Support services:	
Administration services	3,099
Operation and maintenance of plant services	1,155
Transportation	<u>26,246</u>
	50,490
Unallocated depreciation	<u>167,321</u>
Total depreciation expense – governmental activities	<u>217,811</u>
Business type activities:	
Food services	<u>1,841</u>

6. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2006, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
General obligation bonds	3,800,000	-	150,000	3,650,000	155,000
Local option sales and services tax revenue bonds	775,000	-	115,000	660,000	120,000
Revenue bond anticipation notes	96,065	-	45,217	50,848	-
Total	4,671,065	-	310,217	4,360,848	275,000

General Obligation Bonds Payable

Details of the District's June 30, 2006 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of September 2002			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
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	3.75	180,000	139,594	319,594
2011	4.00	190,000	132,844	322,844
2012-2016	4.125-4.500	1,100,000	537,392	1,637,392
2017-2021	4.50-4.70	1,370,000	269,810	1,639,810
2022	4.75	315,000	14,962	329,962
		<u>3,650,000</u>	<u>1,548,732</u>	<u>5,198,732</u>

Revenue Bonds Payable

Details of the District's June 30, 2006 local option sales and services tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of September 2002			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
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	4.000	140,000	11,400	151,400
2011	4.000	145,000	5,800	150,800
		<u>660,000</u>	<u>81,800</u>	<u>741,800</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:

- 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.

Local Option Sales and Services Tax Revenue Bond Anticipation Notes

During fiscal year 2005 the District issued \$146,500 of local option sales and services tax revenue bond anticipation notes. The note proceeds were used to complete construction projects. The notes bear interest at three percent and are due July 1, 2007. The notes will be repaid with proceeds from the local option sales and services tax.

7. 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, 2006, 2005 and 2004. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2006, 2005, and 2004 were \$88,827 \$84,482 and \$81,631 respectively, equal to the required contributions for each year.

8. Risk Management

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

9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$93,094 for the year ended June 30, 2006 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year ended June 30, 2006

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$		\$	\$
Revenues:						
Local sources	2,179,126	64,201	2,243,327	2,251,793	2,251,793	(8,466)
State sources	992,827	1,824	994,651	1,034,787	1,034,787	(40,136)
Federal sources	125,222	50,915	176,137	185,000	185,000	(8,863)
Total revenues:	<u>3,297,175</u>	<u>116,940</u>	<u>3,414,115</u>	<u>3,471,580</u>	<u>3,471,580</u>	<u>(57,465)</u>
Expenditures:						
Instruction	1,713,660	-	1,713,660	1,900,000	1,900,000	186,340
Support services	1,028,711	-	1,028,711	1,008,000	1,300,000	271,289
Non-instructional programs	-	126,932	126,932	95,000	150,000	23,068
Other expenditures	736,072	-	736,072	863,987	1,300,000	563,928
Total expenditures:	<u>3,478,443</u>	<u>126,932</u>	<u>3,605,375</u>	<u>3,866,987</u>	<u>4,650,000</u>	<u>1,044,625</u>
Deficiency of revenues under expenditures	(181,268)	(9,992)	(191,260)	(395,407)	(1,178,420)	987,160
Other financing sources (uses) net	<u>11,880</u>	<u>-</u>	<u>11,880</u>	<u>-</u>	<u>-</u>	<u>11,880</u>
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures	(169,388)	(9,992)	(179,380)	(395,407)	(1,178,420)	999,040
Balance beginning of year	<u>962,785</u>	<u>44,004</u>	<u>1,006,789</u>	<u>980,054</u>	<u>980,054</u>	<u>26,735</u>
Balance end of year	<u><u>793,397</u></u>	<u><u>34,012</u></u>	<u><u>827,409</u></u>	<u><u>584,647</u></u>	<u><u>(198,366)</u></u>	<u><u>1,025,775</u></u>

HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2006

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated 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 expenditures by \$783,013.

OTHER SUPPLEMENTARY INFORMATION

HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2006

	<u>Special Revenue Funds</u>		
	Management	Student	Total
	Levy	Activity Fund	
Assets	\$	\$	\$
Cash and pooled investments	41,951	49,844	91,795
Receivables:			
Property tax:			
Delinquent	1,168	-	1,168
Succeeding year	50,000	-	50,000
Accrued interest	-	138	138
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u><u>93,119</u></u>	<u><u>49,982</u></u>	<u><u>143,101</u></u>
Liabilities & Fund Balances			
Liabilities:			
Accounts payable	418	3,400	3,818
Deferred revenue:			
Succeeding year property tax	50,000	-	50,000
Total liabilities	<u>50,418</u>	<u>3,400</u>	<u>53,818</u>
Fund balances:			
Unreserved reported in:			
Special revenue funds	<u>42,701</u>	<u>46,582</u>	<u>89,283</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u><u>93,119</u></u>	<u><u>49,982</u></u>	<u><u>143,101</u></u>

HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2006

	<u>Special Revenue Funds</u>		
	Management	Student	Total
	Levy	Activity	
	\$	\$	\$
Revenues:			
Local sources:			
Local tax	50,153	-	50,153
Other	792	98,976	99,768
Total revenues	<u>50,945</u>	<u>98,976</u>	<u>149,921</u>
Expenditures:			
Current:			
Instruction:			
Other instruction	-	98,747	98,747
Support services:			
Administration services	942	-	942
Operation and maintenance of plant services	<u>37,732</u>	<u>-</u>	<u>37,732</u>
Total expenditures	<u>38,674</u>	<u>98,747</u>	<u>137,421</u>
Net change in fund balances	12,271	229	12,500
Fund balances beginning of year	<u>30,430</u>	<u>46,353</u>	<u>76,783</u>
Fund balances end of year	<u><u>42,701</u></u>	<u><u>46,582</u></u>	<u><u>89,283</u></u>

HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2006

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Intra-Fund Transfers</u>	<u>Balance End of Year</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Elem. activity	83	9,015	1,415	(6,576)	1,107
Des Moines trip	4,897	161	6,014	6,576	5,620
Vocal music	625	4,821	4,110	-	1,336
Instrumental music	492	1,063	878	-	677
Co-ed athletics	2,776	2,610	1,892	(2,396)	1,098
Boys & girls golf	-	125	460	500	165
Boys basketball	4,374	5,311	6,468	(1,700)	1,517
Football	-	5,814	6,310	496	-
Baseball	(419)	6,119	6,462	1,600	838
Wrestling	227	-	41	-	186
Girls basketball	4,277	5,334	6,382	-	3,229
Volleyball	3,184	3,720	4,170	-	2,734
Softball	(874)	3,436	3,237	1,500	825
Cheerleading	1,804	4,511	3,496	-	2,819
Junior class concessions	1,014	11,408	11,056	(1,020)	346
FFA	11,430	11,970	14,811	-	8,589
Hosa	82	-	-	-	82
Class of 2011	-	20	-	-	20
Class of 2010	18	16	-	-	34
Class of 2009	33	20	-	-	53
Class of 2008	36	174	154	-	56
Class of 2007	31	7,585	4,736	1,020	3,900
Class of 2006	2,281	152	1,217	-	1,216
Class of 2005	1,209	-	1,133	-	76
Student council	2,807	2,146	2,536	-	2,417
Peer helper	9	-	-	-	9
Spanish club	50	-	-	-	50
Middle school	3,813	10,743	8,744	-	5,812
Athletic activity account	94	772	601	-	265
Weight room	2,000	1,930	2,424	-	1,506
Total	46,353	98,976	98,747	-	46,582

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			
	2006	2005	2004	2003
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	1,720,672	1,772,649	1,797,475	1,493,965
Tuition	188,446	191,571	164,820	158,254
Other	270,008	244,187	399,534	228,872
State sources	992,827	983,330	1,963,658	1,127,102
Federal sources	125,222	190,854	147,030	84,957
Total revenues	<u>3,297,175</u>	<u>3,382,591</u>	<u>4,472,517</u>	<u>3,093,150</u>
Expenditures:				
Instruction:				
Regular instruction	1,135,140	1,163,857	1,030,966	985,238
Special instruction	282,026	358,362	355,373	398,597
Other instruction	296,494	238,589	193,736	189,287
Support services:				
Student services	6,098	46,127	66,877	64,715
Instructional staff services	100,261	118,289	106,434	105,456
Administration services	421,278	397,760	336,327	312,969
Operation and maintenance of plant services	385,895	369,866	232,002	229,109
Transportation services	115,179	58,753	75,461	69,619
Central support services	-	-	-	230
Other expenditures:				
Facilities acquisition	136,540	423,615	6,188,543	761,597
Long-term debt:				
Principal	310,217	345,435	180,000	34,493
Interest and other charges	196,221	207,942	338,898	5,629
AEA flowthrough	93,094	92,089	94,118	101,981
Total expenditures	<u>3,478,443</u>	<u>3,820,684</u>	<u>9,198,735</u>	<u>3,258,920</u>

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

To the Board of Education of
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 as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated September 27, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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 opinions on the financial statements and not to provide an opinion 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 judgment, 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 reportable 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 caused by error or fraud 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 item 06-I-A is a material weakness.

Compliance and Other Matters

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 grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. We noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2006 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.

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of 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

September 27, 2006

HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2006

Part I: Findings Related to the Financial Statements:

Instances of Noncompliance:

No matters were reported

Reportable Conditions:

06-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.

HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2006

Part II: Other Findings Related To Statutory Reporting:

06-II-A Certified Budget: Expenditures for the year ended June 30, 2006, did not exceed the amounts budgeted.

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

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

06-II-D 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	2,082
Shelley Heikens, Board Member	Part-time Employee to monitor fitness center	388

These transactions do not appear to represent conflicts of interest since the dollar amounts were less than \$2,500.

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

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

06-II-G Certified Enrollment: No variances in the basic enrollment data certified to the Department of Education were noted.

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

06-II-I Certified Annual Report (CAR): Our audit was completed before the CAR due date.

06-II-J Student Activity Fund Transactions: We noted expenditures in the Student Activity Fund for field trips. The Student Activity Fund should only be used to account for the District's extra-curricular and co-curricular student activities.

Recommendation: The District should review the types of transactions in the Student Activity Fund. Transactions for items other than student clubs and athletics should be recorded in the General Fund.

HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2006

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

District Response: We will review the types of transactions recorded in the Student Activity Fund.

Conclusion: Response accepted.