

HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

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

June 30, 2008

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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, 2008, 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, 2008, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated January 2, 2009, 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 13 and 37 through 38 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise 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, 2007, (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary 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

January 2, 2009

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, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2008 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$2,708,062 in fiscal 2007 to \$2,753,129 in fiscal 2008, as General Fund expenditures increased from \$2,590,975 in fiscal 2007 to \$2,627,373 in fiscal 2008. The District's General Fund balance increased from \$566,196 in fiscal 2007 to \$691,952 in fiscal 2008, an increase of \$125,756.
- The increase in General Fund revenues was attributable to an increase in tuition revenue, state and property tax revenue. The increase in expenditures was due primarily to an increase in teacher quality payments to staff. The General Fund balance increase of \$125,756 is largely due to a decrease in administrative staff.

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 funds.

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

Figure A-1
Harris-Lake Park Community School District Annual Financial Report

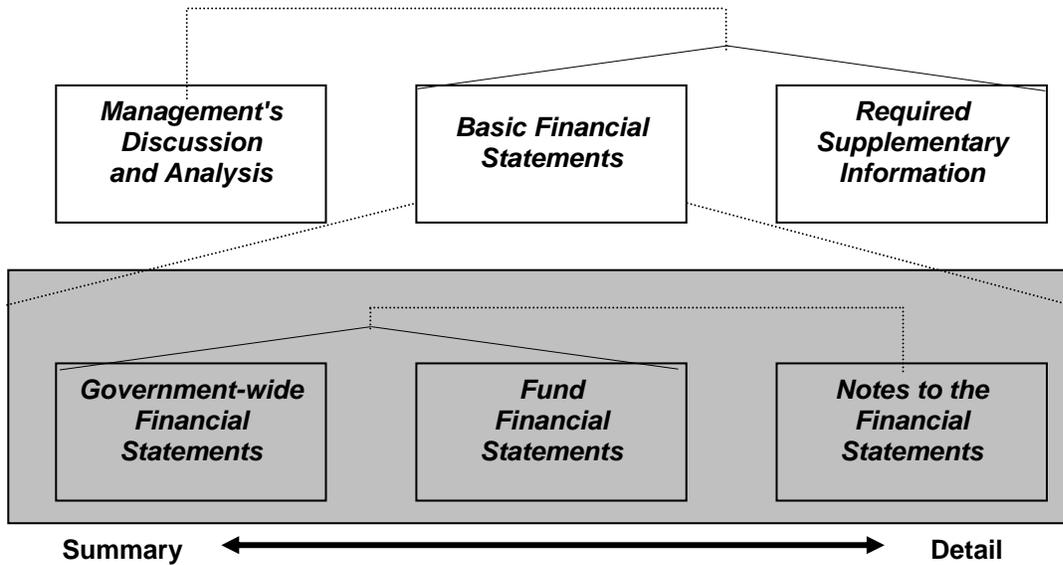


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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, 2008 compared to June 30, 2007.

Harris-Lake Park School Condensed Statement of Net Assets FY 07-08

	Governmental Activities		Business-type Activities		Total School District		Total Percentage Change
	2007	2008	2007	2008	2007	2008	2007-08
Current and other assets	\$2,961,571	\$3,183,729	\$24,814	\$26,964	\$2,986,385	\$3,210,693	7.51%
Capital assets	\$7,479,903	\$7,302,938	\$17,461	\$15,377	\$7,497,364	\$7,318,315	-2.39%
Total Assets	\$10,441,474	\$10,486,667	\$42,275	\$42,341	\$10,483,749	\$10,529,008	0.43%
Long-term debt outstanding	\$4,035,000	\$3,440,000			\$4,035,000	\$3,440,000	-14.75%
Other liabilities	\$1,599,224	\$1,902,560	\$2,289	\$2,590	\$1,601,513	\$1,905,150	18.96%
Total liabilities	\$5,634,224	\$5,342,560	\$2,289	\$2,590	\$5,636,513	\$5,345,150	-5.17%
Net Assets							
Invested in capital assets, net of related debt	\$3,444,903	\$3,557,938	\$17,461	\$15,377	\$3,462,364	\$3,573,315	3.20%
Restricted	\$796,789	\$887,020			\$796,789	\$887,020	11.32%
Unrestricted	\$565,558	\$699,149	\$22,525	\$24,374	\$588,083	\$723,523	23.03%
TOTAL NET ASSETS	\$4,807,250	\$5,144,107	\$39,986	\$39,751	\$4,847,236	\$5,183,858	6.94%

The District’s combined net assets increased by 6.94%, or approximately \$336,622, 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 \$90,231 over the prior year. The increase was primarily a result of a increase in local option sales tax ending balance.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately \$133,591, or nearly 23.03%. This increase in unrestricted net assets was a result of decreased expenditures in General and Capital Projects Funds.

Figure A-4 shows the change in net assets for the years ended June 30, 2008 and 2007

Harris-Lake Park School Changes in Net Assets FY 07-08

	Governmental Activities 2008	Governmental Activities 2007	Business- Type Activities 2008	Business- Type Activities 2007	Total School District 2008	Total School District 2007	% Change 2008
Revenues							
Program Revenues:							
Charges for services	\$ 444,764	\$ 377,705	\$ 65,845	\$ 63,156	\$ 510,609	\$ 440,861	15.82%
Operating Grants & Contributions	\$ 354,489	\$ 376,367	\$ 66,214	\$ 59,949	\$ 420,703	\$ 436,316	-3.58%
Capital Grants & Contributions	\$ -	\$ 6,621			\$ -	\$ 6,621	-100.00%
General Revenues:							
Property taxes & other taxes	\$ 1,833,289	\$ 1,772,183			\$ 1,833,289	\$ 1,772,183	3.45%
Unrestricted State Grants	\$ 842,557	\$ 870,383			\$ 842,557	\$ 870,383	-3.20%
Other	\$ 81,920	\$ 145,364	\$ 738	\$ 870	\$ 82,658	\$ 146,234	-43.48%
Total Revenues	\$ 3,557,019	\$ 3,548,623	\$ 132,797	\$ 123,975	\$ 3,689,816	\$ 3,672,598	.47%
Expenses:							
Instruction	\$ 1,887,006	\$ 1,748,882			\$ 1,887,006	\$ 1,748,882	7.90%
Pupil & Instructional Svcs	\$ 86,490	\$ 104,159			\$ 86,490	\$ 104,159	-16.96%
Administrative & Business	\$ 269,904	\$ 398,494			\$ 269,904	\$ 398,494	-32.27%
Maintenance & Operations	\$ 375,558	\$ 331,991			\$ 375,558	\$ 331,991	13.12%
Transportation	\$ 87,519	\$ 95,222			\$ 87,519	\$ 95,222	-8.09%
Other	\$ 513,685	\$ 461,305	\$ 133,032	\$ 120,941	\$ 646,717	\$ 582,246	11.07%
Total Expenses	\$ 3,220,162	\$ 3,140,053	\$ 133,032	\$ 120,941	\$ 3,353,194	\$ 3,260,994	2.83%
Transfers In (Out)	\$ -	\$ -2,940	\$ -	\$ 2,940	\$ -	\$ -	
Increase in net assets	\$ 336,857	\$ 405,630	\$ (235)	\$ 5,974	\$ 336,622	\$ 411,604	-18.22%

Property tax and unrestricted state grants account for 73% 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 \$3,557,019 and expenses were \$3,220,162. In this budget year, the District was able to balance the budget by trimming expenses to match available revenues.

Salaries and the related employee benefits decreased expenses in certain areas. The School Board combined the Superintendent and Secondary Principal Position. This decreased salaries in the support services areas. Revenues increased largely due to increased teacher quality revenue.

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.

Net Cost of Governmental Activities

Harris-Lake Park School Net Cost of Governmental Activities 07-08

	Total Cost of Services 2007	Total Cost of Services 2008	Net Cost of Services 2007	Net Cost of Services 2008
Instruction	\$ 1,748,882	\$ 1,887,006	\$ 1,096,939	\$ 1,190,733
Pupil & Instructional Svcs	\$ 104,159	\$ 86,490	\$ 104,159	\$ 86,490
Administrative & Business	\$ 398,494	\$ 269,904	\$ 398,494	\$ 269,904
Maintenance & Operations	\$ 331,991	\$ 375,558	\$ 331,991	\$ 375,458
Transportation	\$ 95,222	\$ 87,519	\$ 92,881	\$ 86,417
Other	\$ 461,305	\$ 513,685	\$ 354,896	\$ 411,907
TOTAL	\$ 3,140,053	\$ 3,220,162	\$ 2,379,360	\$ 2,420,909

- The cost financed by users of the District's programs was \$444,764.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$354,489.
- The net cost of governmental activities was financed with \$1,833,289 in property and other taxes and \$842,557 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$132,797 and expenses were \$133,032. 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 \$1,234,310, increased from last year's ending fund balances of \$951,220.

Governmental Fund Highlights

- The District's increased General Fund financial position is the result of many factors. The District was successful at balancing the budget. The District was able decrease General Fund expenditures by hiring our secondary principal as the Superintendent/Secondary Principal. The General Fund balance increased from \$566,196 to \$691,952, due in part to the decrease in salaries.
- The Capital Projects Fund balance increased from \$82,813 at June 30, 2007 to \$231,158 at June 30, 2008. This balance will be used to finance future capital improvements and equipment purchases.

Proprietary Fund Highlights

School Nutrition Fund net assets decreased slightly from \$39,986 at June 30, 2007 to \$39,751 at June 30, 2008.

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 \$50,000 in the area of Instruction. This is to allow for the increased revenue and expenditures for teacher quality salary.

Total expenditures are approximately \$429,689 dollars less than budgeted due primarily to the District's budget for the General Fund and amending the budget for the Teacher Quality salaries. Total receipts are approximately \$28,000 less than originally budgeted. 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. As a result, the Districts certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practices, the certified budget was exceeded in the non-instructional programs functional areas due to the timing of expenditures at year-end without sufficient time to amend the certified 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, 2008, the District had invested \$7,318,315 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 2.39% 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 \$219,838.

The original cost of the District's capital assets was \$9.6 million for governmental funds. Capital Assets totaling \$60,000 were accounted for in the Proprietary, School Nutrition Fund.

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

	Governmental		Business-type		Total		Total Percentage Change 2007-08
	Activities		Activities		School District		
	2007	2008	2007	2008	2007	2008	
Land	\$58,075	\$ 58,075			\$ 58,075	\$ 58,075	0.00%
Buildings	\$6,961,008	\$ 6,795,799			\$6,961,008	\$ 6,795,799	-2.37%
Other Improvements	\$227,950	\$ 237,013			\$ 227,950	\$ 237,013	3.98%
Equipment & Furniture	\$ 232,870	\$ 212,051	\$ 17,461	\$ 15,377	\$ 250,331	\$ 227,428	-9.15%
TOTAL	\$ 7,479,903	\$ 7,302,938	\$ 17,461	\$15,377	\$7,497,364	\$ 7,318,315	-2.39%

Long-Term Debt

At June 30, 2008, the District had \$3,745,000 in general obligation and revenue debt outstanding. This represents a decrease of 7.19% 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.

07-08 Long Term Liabilities

	Total	Total	Total
	School District	School District	Percentage
	2007	2008	2007-08
General Obligations Bonds	\$ 3,495,000	\$ 3,330,000	-4.72%
Local Option Sales and Services Tax Revenue Bonds	\$ 540,000	\$ 415,000	-23.15%
TOTAL	\$ 4,035,000	\$ 3,745,000	-7.19%

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 received very little 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. The District did receive the Pre-School grant for the 08-09 school year. This allows the district to count pre-school students when calculating the certified enrollment. Counting Pre-School students will stabilize the downward enrollment trend along with elementary grades with larger enrollment than secondary grades.

State and regional economics and employment opportunities could have a big impact on our enrollment and state funding (Harris-Lake Park has had a \$18,437 cut in state aid). The district will need to watch economic trends and state funding carefully and make needed preparations and adjustments.

Economy

Due to an economic recession the district is likely to see an impact on it's revenue received from the State of Iowa. This would include State Aid as well as almost all categorical funding. At the completion of the MD&A the district has already received notice of a reduction of 1.5% in all state funding in the 2008-2009 school year. More reductions are likely in the future. Also families of the district are experiencing layoffs and loss of work. Because of this, more families are applying for free and reduced meals.

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. This year the district has a negative special education balance of \$65,000.

Local Option Sales and Service Tax

Both Dickinson and Osceola Counties have the Local Option Sales and Service Tax. Again, due to an economic recession we are predicting a decline in Local Option Sales Tax revenues. The District has \$415,000 remaining to pay on a Local Option Sales and Services Tax Revenue Bond used to construct the 6-12 School Facility and Arts and Recreation Complex.

Wind Mill Farms

The Harris-Lake Park District has wind mill farms partially located 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.

Negotiations

The H-LP Education Association settled a 2 year contract with the School Board. A 3.75% settlement was reached for 2008-09 and a 3.5% increase in salary was negotiated for 2009-2010.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact:

Dennis Peters
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, 2008

	Governmental Activities \$	Business Type Activities \$	Total \$
Assets			
Cash and cash equivalents	1,148,871	19,930	1,168,801
Receivables:			
Property tax:			
Delinquent	54,452	-	54,452
Succeeding year	1,519,122	-	1,519,122
Accounts	5,374	-	5,374
Accrued interest	1,094	-	1,094
Due from other governments	82,248	-	82,248
Contribution pledges receivable	25,000	-	25,000
Note receivable	347,568	-	347,568
Inventories	-	7,034	7,034
Capital assets, net of accumulated depreciation	7,302,938	15,377	7,318,315
Total assets	10,486,667	42,341	10,529,008
Liabilities			
Accounts payable	15,853	-	15,853
Accrued interest payable	32,586	-	32,586
Deferred revenue:			
Succeeding year property tax	1,549,121	-	1,549,121
Other	-	2,590	2,590
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	175,000	-	175,000
Revenue bonds payable	130,000	-	130,000
Portion due after one year:			
General obligation bonds payable	3,155,000	-	3,155,000
Revenue bonds payable	285,000	-	285,000
Total liabilities	5,342,560	2,590	5,345,150
Net assets			
Invested in capital assets, net of related debt	3,557,938	15,377	3,573,315
Restricted for:			
State categorical aid	4,680	-	4,680
Management levy	41,821	-	41,821
Physical plant and equipment levy	464,098	-	464,098
Other special revenue purposes	57,384	-	57,384
Local option sales tax purposes	256,158	-	256,158
Debt service	62,879	-	62,879
Unrestricted	699,149	24,374	723,523
Total net assets	5,144,107	39,751	5,183,858

See notes to financial statements.

HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2008

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	1,173,198	165,230	200,755	-
Special	331,448	160,221	16,654	-
Other	382,360	119,213	34,200	-
	<u>1,887,006</u>	<u>444,664</u>	<u>251,609</u>	<u>-</u>
Support services:				
Instructional staff	86,490	-	-	-
Administration	269,904	-	-	-
Operation and maintenance of plant	375,558	100	-	-
Transportation	87,519	-	1,102	-
	<u>819,471</u>	<u>100</u>	<u>1,102</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	67,942	-	-	-
Long-term debt interest	170,231	-	3,275	-
AEA flowthrough	98,503	-	98,503	-
Depreciation (unallocated)*	177,009	-	-	-
	<u>513,685</u>	<u>-</u>	<u>101,778</u>	<u>-</u>
Total governmental activities	3,220,162	444,764	354,489	-
Business type activities:				
Non-instructional programs:				
Food service operations	133,032	65,845	66,214	-
Total	<u>3,353,194</u>	<u>510,609</u>	<u>420,703</u>	<u>-</u>
General Revenues:				
Property taxes levied for:				
General purposes				
Debt service				
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

Governmental Activities	Business Type Activities	Total
\$	\$	\$
(807,213)	-	(807,213)
(154,573)	-	(154,573)
(228,947)	-	(228,947)
<u>(1,190,733)</u>	<u>-</u>	<u>(1,190,733)</u>
(86,490)	-	(86,490)
(269,904)	-	(269,904)
(375,458)	-	(375,458)
(86,417)	-	(86,417)
<u>(818,269)</u>	<u>-</u>	<u>(818,269)</u>
(67,942)	-	(67,942)
(166,956)	-	(166,956)
-	-	-
(177,009)	-	(177,009)
<u>(411,907)</u>	<u>-</u>	<u>(411,907)</u>
(2,420,909)	-	(2,420,909)
-	(973)	(973)
<u>(2,420,909)</u>	<u>(973)</u>	<u>(2,421,882)</u>
1,240,977	-	1,240,977
276,806	-	276,806
315,506	-	315,506
842,557	-	842,557
74,136	738	74,874
7,784	-	7,784
<u>2,757,766</u>	<u>738</u>	<u>2,758,504</u>
336,857	(235)	336,622
<u>4,807,250</u>	<u>39,986</u>	<u>4,847,236</u>
<u>5,144,107</u>	<u>39,751</u>	<u>5,183,858</u>

HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2008

	General Fund	Capital Projects	Debt Service	Physical Plant and Equipment Levy	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$	\$
Assets						
Cash and pooled investments	666,490	175,379	91,109	116,530	99,363	1,148,871
Receivables:						
Property tax:						
Delinquent	19,609	-	4,356	29,999	488	54,452
Succeeding year	1,198,404	-	280,718	-	40,000	1,519,122
Accounts	3,495	1,879	-	-	-	5,374
Accrued interest	973	-	-	-	121	1,094
Due from other governments	22,373	59,875	-	-	-	82,248
Contribution pledges receivable	-	25,000	-	-	-	25,000
Note receivable	-	-	-	347,568	-	347,568
Total assets	1,911,344	262,133	376,183	494,097	139,972	3,183,729
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	9,111	5,975	-	-	767	15,853
Deferred revenue:						
Succeeding year property tax	1,198,404	-	280,718	29,999	40,000	1,549,121
Other	11,877	25,000	-	347,568	-	384,445
Total liabilities	<u>1,219,392</u>	<u>30,975</u>	<u>280,718</u>	<u>377,567</u>	<u>40,767</u>	<u>1,949,419</u>
Fund balances:						
Reserved for:						
State categorical aid	4,680	-	-	-	-	4,680
Debt service	-	-	95,465	-	-	95,465
Unreserved reported in:						
General fund	687,272	-	-	-	-	687,272
Special revenue funds	-	-	-	116,530	99,205	215,735
Capital projects funds	-	231,158	-	-	-	231,158
Total fund balances	<u>691,952</u>	<u>231,158</u>	<u>95,465</u>	<u>116,530</u>	<u>99,205</u>	<u>1,234,310</u>
Total liabilities and fund balances	1,911,344	262,133	376,183	494,097	139,972	3,183,729

HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

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

June 30, 2008

	\$
Total fund balances of governmental funds (Exhibit C)	1,234,310
<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.	7,302,938
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	384,445
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.	(32,586)
Long-term liabilities, including general obligation bonds payable and revenue bonds payable are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(3,745,000)</u>
Net assets of governmental activities (Exhibit A)	<u><u>5,144,107</u></u>

HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2008

	General Fund	Capital Projects	Debt Service	Physical Plant and Equipment Levy	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources:						
Local tax	1,210,838	309,605	276,806	-	30,139	1,827,388
Tuition	297,860	-	-	-	-	297,860
Other	62,537	68,544	3,275	33,009	127,234	294,599
State sources	1,118,448	5,901	-	-	-	1,124,349
Federal sources	63,446	-	-	-	-	63,446
Total revenues	<u>2,753,129</u>	<u>384,050</u>	<u>280,081</u>	<u>33,009</u>	<u>157,373</u>	<u>3,607,642</u>
Expenditures:						
Current:						
Instruction:						
Regular	1,165,897	-	-	-	-	1,165,897
Special	331,448	-	-	-	-	331,448
Other	273,871	-	-	-	102,485	376,356
	<u>1,771,216</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>102,485</u>	<u>1,873,701</u>
Support services:						
Instructional staff	86,490	-	-	-	-	86,490
Administration	265,788	-	-	-	1,017	266,805
Operation and maintenance of plant	321,024	-	-	8,297	44,989	374,310
Transportation	84,352	-	-	-	-	84,352
	<u>757,654</u>	<u>-</u>	<u>-</u>	<u>8,297</u>	<u>46,006</u>	<u>811,957</u>
Other expenditures:						
Facilities acquisition	-	88,805	-	-	-	88,805
Long-term debt:						
Principal	-	-	290,000	-	-	290,000
Interest and fiscal charges	-	-	173,694	-	-	173,694
AEA flowthrough	98,503	-	-	-	-	98,503
	<u>98,503</u>	<u>88,805</u>	<u>463,694</u>	<u>-</u>	<u>-</u>	<u>651,002</u>
Total expenditures	<u>2,627,373</u>	<u>88,805</u>	<u>463,694</u>	<u>8,297</u>	<u>148,491</u>	<u>3,336,660</u>
Excess (deficiency) of revenues over (under) expenditures	<u>125,756</u>	<u>295,245</u>	<u>(183,613)</u>	<u>24,712</u>	<u>8,882</u>	<u>270,982</u>
Other financing sources (uses):						
Sale of real property - principal receive	-	-	-	12,108	-	12,108
Operating transfers in	-	-	186,900	-	-	186,900
Operating transfers out	-	(146,900)	-	(40,000)	-	(186,900)
Total other financing sources (uses)	<u>-</u>	<u>(146,900)</u>	<u>186,900</u>	<u>(27,892)</u>	<u>-</u>	<u>12,108</u>
Net change in fund balances	125,756	148,345	3,287	(3,180)	8,882	283,090
Fund balances beginning of year	566,196	82,813	92,178	119,710	90,323	951,220
Fund balances end of year	<u>691,952</u>	<u>231,158</u>	<u>95,465</u>	<u>116,530</u>	<u>99,205</u>	<u>1,234,310</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, 2008

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		283,090
<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 Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense exceeded capital outlay expenditures in the current year as follows:		
Expenditures for capital assets	40,789	
Depreciation expense	<u>(217,754)</u>	(176,965)
Pledges for donations that will not be collected for several years and other governmental receivables not collected within 60 days after year-end 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.		
		(50,623)
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.		
		(12,108)
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.		
		290,000
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.		
		<u>3,463</u>
Changes in net assets of governmental activities (Exhibit B)		<u><u>336,857</u></u>

HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Fund

June 30, 2008

	Nonmajor School Nutrition
	<u>\$</u>
Assets	
Cash and cash equivalents	19,930
Inventories	7,034
Capital assets, net of accumulated depreciation	<u>15,377</u>
Total assets	<u>42,341</u>
Liabilities	
Deferred revenue	<u>2,590</u>
Net assets	
Invested in capital assets, net of related debt	15,377
Unrestricted	<u>24,374</u>
Total net assets	<u><u>39,751</u></u>

HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2008

	Nonmajor School Nutrition
	<u>\$</u>
Operating revenue:	
Local sources:	
Charges for service	<u>65,845</u>
Operating expenses:	
Non-instructional programs:	
Salaries	40,627
Benefits	5,469
Purchased services	434
Supplies	84,418
Depreciation	2,084
Total operating expenses	<u>133,032</u>
Operating gain (loss)	<u>(67,187)</u>
Non-operating revenues:	
State sources	1,905
Federal sources	64,309
Interest income	738
Total non-operating revenues	<u>66,952</u>
Change in net assets	(235)
Net assets beginning of year	<u>39,986</u>
Net assets end of year	<u><u>39,751</u></u>

HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2008

	Nonmajor School Nutrition
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	66,146
Cash payments to employees for services	(46,096)
Cash payments to suppliers for goods or services	<u>(74,153)</u>
Net cash used by operating activities	<u>(54,103)</u>
Cash flows from non-capital financing activities:	
State grants received	1,905
Federal grants received	<u>54,891</u>
Net cash provided by non-capital financing activities	<u>56,796</u>
Cash flows from capital and related financing activities	<u>-</u>
Cash flows from investing activities:	
Interest on investments	<u>738</u>
Net increase (decrease) in cash and cash equivalents	3,431
Cash and cash equivalents at beginning of year	<u>16,499</u>
Cash and cash equivalents at end of year	<u><u>19,930</u></u>
Reconciliation of operating gain (loss) to net cash used by operating activities:	
Operating gain (loss)	(67,187)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:	
Commodities used	9,418
Depreciation	2,084
Decrease (increase) in inventories	1,281
(Decrease) increase in deferred revenue	<u>301</u>
Net cash used by operating activities	<u><u>(54,103)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2008, the District received \$9,418 of federal commodities.

HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Fund

June 30, 2008

	Private Purpose Trust <u>Scholarship</u> \$
Assets	
Cash and pooled investments	7,035
Liabilities	<u>-</u>
Net Assets	
Reserved for scholarships	<u><u>7,035</u></u>

HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
Fiduciary Fund

Year ended June 30, 2008

	Private Purpose Trust Scholarship
	<u>\$</u>
Additions:	
Local sources:	
Gifts and contributions	2,491
Deductions:	
Support services:	
Scholarships awarded	<u>2,850</u>
Change in net assets	(359)
Net assets beginning of year	<u>7,394</u>
Net assets end of year	<u><u>7,035</u></u>

HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2008

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 Foundation has been included in the District's Financial Statements as required by Chapters 11.6(1)(a) and 279.62 of the Code of Iowa. The foundation is part of the private purpose trust fund.

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

B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instruction, 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 general 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 the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds became due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2007.

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 not available for appropriation or legally restricted by outside parties for use for a specific purpose.

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

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, expenditures in the non-instructional programs functional area exceeded the amount budgeted.

2. **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2008 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, 2008 is as follows:

Transfer To	Transfer From	Amount
		\$
Debt Service Fund	Capital Projects Fund	146,900
Debt Service Fund	Physical Plant and Equipment Levy Fund	40,000

The transfers to the Debt Service Fund 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
	\$	\$	\$
2009	13,047	26,953	40,000
2010	14,059	25,941	40,000
2011	15,149	24,851	40,000
2012	16,324	23,676	40,000
2013	17,590	22,410	40,000
2014-2023	271,399	128,601	400,000
	<u>347,568</u>	<u>252,432</u>	<u>600,000</u>

5. Capital Assets

Capital assets activity for the year ended June 30, 2008 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	254,844	20,863	-	275,707
Furniture and equipment	830,017	19,926	-	849,943
Total capital assets being deprec.	<u>9,491,208</u>	<u>40,789</u>	-	<u>9,531,997</u>

Less accumulated depreciation for:				
Buildings	1,445,339	165,209	-	1,610,548
Improvements other than buildings	26,894	11,800	-	38,694
Furniture and equipment	597,147	40,745	-	637,892
Total accumulated depreciation	<u>2,069,380</u>	<u>217,754</u>	-	<u>2,287,134</u>
Total capital assets being depreciated, net	<u>7,421,828</u>	<u>(176,965)</u>	-	<u>7,244,863</u>
Governmental activities capital assets, net	<u>7,479,903</u>	<u>(176,965)</u>	-	<u>7,302,938</u>
	Balance			Balance End
	Beginning of			of Year
	Year	Increases	Decreases	
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	60,030	-	-	60,030
Less accumulated depreciation	<u>42,569</u>	<u>2,084</u>	-	<u>44,653</u>
Business type activities capital assets, net	<u>17,461</u>	<u>(2,084)</u>	-	<u>15,377</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	13,292
Other	8,478
Support services:	
Administration services	3,099
Operation and maintenance of plant services	1,248
Transportation	<u>14,628</u>
	40,745
Unallocated depreciation	<u>177,009</u>
Total depreciation expense – governmental activities	<u>217,754</u>
Business type activities:	
Food services	<u>2,084</u>

6. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2008, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
General obligation bonds	3,495,000	-	165,000	3,330,000	175,000
Local option sales and services tax revenue bonds	540,000	-	125,000	415,000	130,000
Total	4,035,000	-	290,000	3,745,000	305,000

General Obligation Bonds Payable

Details of the District's June 30, 2008 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of September 2002			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
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	4.125	200,000	125,244	325,244
2013	4.250	210,000	116,994	326,994
2014-2018	4.25-4.50	1,200,000	439,040	1,639,040
2019-2022	4.50-4.75	1,175,000	140,886	1,315,886
		<u>3,330,000</u>	<u>1,240,320</u>	<u>4,570,320</u>

Revenue Bonds Payable

Details of the District's June 30, 2008 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
	%	\$	\$	\$
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>415,000</u>	<u>33,800</u>	<u>448,800</u>

The District has pledged future local option sales and services tax revenues to repay the \$990,000 of bonds issued in September 2002. The bonds were issued for the purpose of financing a portion of the costs of a new school. The bonds are payable solely from the proceeds of the local option sales and services tax revenues received by the District and are payable through 2011. The bonds are not a general obligation of the district. However, the debt is subject to the constitutional debt limitations of the District. Annual principal and interest payments on the bonds are expected to require nearly 50 percent of the local option sales and services tax revenues. The total principal and interest remaining to be paid on the notes is \$448,800. For the current year, \$146,600 of principal and interest were paid on the bonds and total local option sales and services tax revenues were \$315,506.

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.

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 3.90% of their annual covered salary and the District is required to contribute 6.05% of annual covered payroll for the years ended June 30, 2008, 2007 and 2006. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2008, 2007, and 2006 were \$96,939, \$89,296 and \$88,827 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 \$98,503 for the year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

10. Construction Commitment

The District has entered into a \$53,771 contract for masonry work. Work on the project had not started at June 30, 2008.

REQUIRED SUPPLEMENTARY INFORMATION

HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year ended June 30, 2008

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	2,419,847	66,583	2,486,430	2,419,956	2,419,956	66,474
State sources	1,124,349	1,905	1,126,254	1,117,416	1,117,416	8,838
Federal sources	63,446	64,309	127,755	175,000	175,000	(47,245)
Total revenues:	<u>3,607,642</u>	<u>132,797</u>	<u>3,740,439</u>	<u>3,712,372</u>	<u>3,712,372</u>	<u>28,067</u>
Expenditures/Expenses:						
Instruction	1,873,701	-	1,873,701	1,825,000	1,875,000	1,299
Support services	811,957	-	811,957	964,000	964,000	152,043
Non-instructional programs	-	133,032	133,032	130,000	130,000	(3,032)
Other expenditures	651,002	-	651,002	930,381	930,381	279,379
Total expenditures/expenses:	<u>3,336,660</u>	<u>133,032</u>	<u>3,469,692</u>	<u>3,849,381</u>	<u>3,899,381</u>	<u>429,689</u>
Deficiency of revenues under expenditures/expenses	270,982	(235)	270,747	(137,009)	(187,009)	457,756
Other financing sources (uses) net	<u>12,108</u>	<u>-</u>	<u>12,108</u>	<u>-</u>	<u>-</u>	<u>12,108</u>
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures/expenses	283,090	(235)	282,855	(137,009)	(187,009)	469,864
Balance beginning of year	<u>951,220</u>	<u>39,986</u>	<u>991,206</u>	<u>824,586</u>	<u>824,586</u>	<u>166,620</u>
Balance end of year	<u><u>1,234,310</u></u>	<u><u>39,751</u></u>	<u><u>1,274,061</u></u>	<u><u>687,577</u></u>	<u><u>637,577</u></u>	<u><u>636,484</u></u>

HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2008

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$50,000.

During the year ended June 30, 2008, expenditures in the non-instructional programs function exceeded the amount budgeted.

OTHER SUPPLEMENTARY INFORMATION

HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2008

Assets	Special Revenue Funds		
	Management	Student	Total
	Levy	Activity	
	\$	\$	\$
Cash and pooled investments	41,775	57,588	99,363
Receivables:			
Property tax:			
Delinquent	488	-	488
Succeeding year	40,000	-	40,000
Accrued interest	-	121	121
Total assets	82,263	57,709	139,972
Liabilities & Fund Balances			
Liabilities:			
Accounts payable	442	325	767
Deferred revenue:			
Succeeding year property tax	40,000	-	40,000
Total liabilities	40,442	325	40,767
Fund balances:			
Unreserved reported in:			
Special revenue funds	41,821	57,384	99,205
Total liabilities and fund balances	82,263	57,709	139,972

HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2008

	<u>Special Revenue Funds</u>		<u>Total</u>
	<u>Management</u>	<u>Student</u>	
	<u>Levy</u>	<u>Activity</u>	
	<u>\$</u>	<u>\$</u>	<u>\$</u>
Revenues:			
Local sources:			
Local tax	30,139	-	30,139
Other	8,227	119,007	127,234
Total revenues	<u>38,366</u>	<u>119,007</u>	<u>157,373</u>
Expenditures:			
Current:			
Instruction:			
Other	-	102,485	102,485
Support services:			
Administration	1,017	-	1,017
Operation and maintenance of plant	44,989	-	44,989
Total expenditures	<u>46,006</u>	<u>102,485</u>	<u>148,491</u>
Excess (deficiency) of revenues over (under) expenditures	(7,640)	16,522	8,882
Other financing sources (uses):			
Operating transfers out	-	-	-
Net change in fund balances	(7,640)	16,522	8,882
Fund balances beginning of year	<u>49,461</u>	<u>40,862</u>	<u>90,323</u>
Fund balances end of year	<u>41,821</u>	<u>57,384</u>	<u>99,205</u>

HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2008

<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>
	\$	\$	\$	\$	\$
Vocal music	1,700	5,828	5,374	-	2,154
Instrumental music	1,190	538	411	-	1,317
Co-ed athletics	2,469	3,464	5,176	-	757
Boys & girls golf	170	343	283	-	230
Boys basketball	4,638	11,153	8,806	(2,000)	4,985
Football	61	14,786	9,811	-	5,036
Baseball	(561)	6,953	7,707	2,000	685
Wrestling	186	-	-	-	186
Girls basketball	4,729	4,034	3,235	(2,000)	3,528
Volleyball	1,540	7,731	6,624	-	2,647
Softball	-	3,543	5,154	2,000	389
Cheerleading	499	3,825	1,714	-	2,610
Junior class concessions	844	11,232	9,773	-	2,303
FFA	11,200	17,150	15,452	-	12,898
Hosa	380	542	-	-	922
Class of 2013	-	68	-	-	68
Class of 2012	96	90	-	-	186
Class of 2011	135	108	-	-	243
Class of 2010	118	228	155	-	191
Class of 2009	161	6,082	4,096	-	2,147
Class of 2008	2,897	398	1,011	-	2,284
Class of 2007	3,477	-	35	(2,000)	1,442
Class of 2006	152	-	-	-	152
Student council	2,111	997	1,591	-	1,517
Peer helper	9	-	-	-	9
Spanish club	50	-	-	-	50
Middle school	2,402	5,031	4,345	-	3,088
Athletic activity account	209	495	92	-	612
Weight room	-	14,388	11,640	2,000	4,748
Total	40,862	119,007	102,485	-	57,384

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			
	2008	2007	2006	2005
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	1,827,388	1,765,637	1,720,672	1,772,649
Tuition	297,860	246,744	188,446	191,571
Other	294,599	348,667	270,008	244,187
State sources	1,124,349	1,115,535	992,827	983,330
Federal sources	63,446	134,540	125,222	190,854
Total revenues	<u>3,607,642</u>	<u>3,611,123</u>	<u>3,297,175</u>	<u>3,382,591</u>
Expenditures:				
Instruction:				
Regular	1,165,897	1,141,716	1,135,140	1,163,857
Special	331,448	289,047	282,026	358,362
Other	376,356	298,308	296,494	238,589
Support services:				
Student	-	8,431	6,098	46,127
Instructional staff	86,490	95,728	100,261	118,289
Administration	266,805	395,395	421,278	397,760
Operation and maintenance of plant services	374,310	333,776	385,895	369,866
Transportation	84,352	68,976	115,179	58,753
Other expenditures:				
Facilities acquisition	88,805	225,836	136,540	423,615
Long-term debt:				
Principal	290,000	325,848	310,217	345,435
Interest and other charges	173,694	184,909	196,221	207,942
AEA flowthrough	98,503	96,567	93,094	92,089
Total expenditures	<u>3,336,660</u>	<u>3,464,537</u>	<u>3,478,443</u>	<u>3,820,684</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, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 2, 2009. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Harris-Lake Park Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Harris-Lake Park Community School District's internal control over financial reporting.

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

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

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items 08-I-A and 08-I-B are material weaknesses.

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. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings and Responses.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2008 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.

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of 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

January 2, 2009

HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2008

Part I: Findings Related to the Financial Statements:

Significant deficiencies:

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

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

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

Conclusion: Response accepted.

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

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

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

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported

HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2008

Part II: Other Findings Related To Statutory Reporting:

08-II-A Certified Budget: Expenditures for the year ended June 30, 2008, exceeded the amount budgeted in the non-instructional programs function.

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

District Response: We did amend our budget but year-end expenditures were more than anticipated.

Conclusion: Response accepted.

08-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.

08-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.

08-II-D Business Transactions: Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Arthur Schumacher, board member	sod	\$ 1,170

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

08-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.

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

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

08-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.

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