

HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

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

June 30, 2009

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Independent Auditor's Report

To the Board of Education of  
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, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In accordance with Government Auditing Standards, we have also issued our report dated January 20, 2010, 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 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 five years ended June 30, 2008, (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 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 20, 2010

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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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, 2009. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### 2009 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$2,753,129 in fiscal 2008 to \$2,868,074 in fiscal 2009, as General Fund expenditures increased from \$2,627,373 in fiscal 2008 to \$2,764,955 in fiscal 2009. The District's General Fund balance increased from \$691,952 in fiscal 2008 to \$820,326 in fiscal 2009, an increase of \$128,374.
- The increase in General Fund revenues was attributable to an increase in property tax revenue, state revenue and federal revenue. The increase in expenditures was due primarily to an increase in salaries and teacher quality payments to 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**

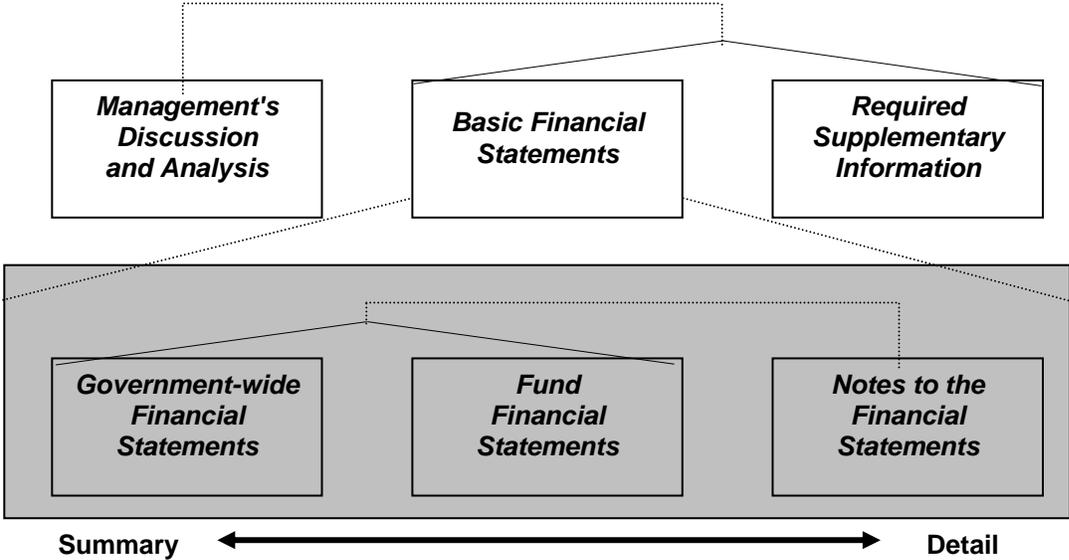


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

## REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

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

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

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

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

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

### *Fund Financial Statements*

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

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

The District has three kinds of funds:

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

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

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

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund. The required financial statements for proprietary funds include 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.
- Agency Funds – These are funds through which the district administers and accounts for certain monies behalf of other entities.

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

### Harris-Lake Park School Condensed Statement of Net Assets FY 08-09

|  | Governmental<br>Activities |                     | Business-type<br>Activities |                 | Total<br>School District |                     | Total<br>Percentage<br>Change<br>2008-09 |
|--|----------------------------|---------------------|-----------------------------|-----------------|--------------------------|---------------------|--|
|  | 2008                       | 2009                | 2008                        | 2009            | 2008                     | 2009                |  |
| Current and other assets                           | \$3,183,729                | \$3,507,403         | \$26,964                    | \$18,678        | \$3,210,693              | \$3,526,081         | 9.82%                                    |
| Capital assets                                     | \$7,302,938                | \$7,284,829         | \$15,377                    | \$16,250        | \$7,318,315              | \$7,301,079         | -0.24%                                   |
| <b>Total Assets</b>                                | <b>\$10,486,667</b>        | <b>\$10,792,232</b> | <b>\$42,341</b>             | <b>\$34,928</b> | <b>\$10,529,008</b>      | <b>\$10,827,160</b> | <b>2.83%</b>                             |
| Long-term debt<br>outstanding                      | \$3,440,000                | \$3,120,000         |                             |                 | \$3,440,000              | \$3,120,000         | -9.30%                                   |
| Other liabilities                                  | \$1,902,560                | \$2,081,549         | \$2,590                     | \$2,216         | \$1,905,150              | \$2,083,765         | 9.38%                                    |
| <b>Total liabilities</b>                           | <b>\$5,342,560</b>         | <b>\$5,201,549</b>  | <b>\$2,590</b>              | <b>\$2,216</b>  | <b>\$5,345,150</b>       | <b>\$5,203,765</b>  | <b>-2.65%</b>                            |
| <b>Net Assets</b>                                  |                            |                     |                             |                 |                          |                     |  |
| Invested in capital assets,<br>net of related debt | \$3,557,938                | \$3,844,829         | \$15,377                    | \$16,250        | \$3,573,315              | \$3,861,079         | 8.05%                                    |
| Restricted   | \$887,020                  | \$987,324           |                             |                 | \$887,020                | \$987,324           | 11.31%                                   |
| Unrestricted                                       | \$699,149                  | \$758,530           | \$24,374                    | \$16,462        | \$723,523                | \$774,992           | 7.11%                                    |
| <b>TOTAL NET ASSETS</b>                            | <b>\$5,144,107</b>         | <b>\$5,590,683</b>  | <b>\$39,751</b>             | <b>\$32,712</b> | <b>\$5,183,858</b>       | <b>\$5,623,395</b>  | <b>8.48%</b>                             |

The District's combined net assets increased by 8.48%, or approximately \$439,537 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 \$100,304 over the prior year. The increase was primarily a result of a increase in PPEL fund ending balance. Also, categorical funding for At-Risk increased significantly.

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 \$51,469, or nearly 7.11%. This increase in unrestricted net assets was a result of revenue exceeding expenditures in the General Fund.

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

**Harris-Lake Park School Changes in Net Assets FY 08-09**

|  | Governmental<br>Activities<br>2009 | Governmental<br>Activities<br>2008 | Business-<br>Type<br>Activities<br>2009 | Business-<br>Type<br>Activities<br>2008 | Total<br>School<br>District<br>2009 | Total<br>School<br>District<br>2008 | Percentage<br>Change<br>2008-09 |
|--|------------------------------------|------------------------------------|---|---|-------------------------------------|-------------------------------------|---------------------------------|
| <b>Revenues</b>                                  |                                    |                                    |   |   |                                     |                                     |                                 |
| Program Revenues:                                |                                    |                                    |   |   |                                     |                                     |                                 |
| Charges for services                             | \$ 357,112                         | \$444,764                          | \$66,506                                | \$65,845                                | \$ 423,618                          | \$510,609                           | -17.04%                         |
| Operating Grants, Contrib. & Restricted Interest | \$ 513,893                         | \$354,489                          | \$67,780                                | \$66,214                                | \$ 581,673                          | \$ 420,703                          | 38.26%                          |
| Capital Grants, Contrib. and Restricted Interest | \$ 14,912                          | \$ -                               |   |   | \$ 14,912                           | \$ -                                | 0.00%                           |
| General Revenues:                                |                                    |                                    |   |   |                                     |                                     |                                 |
| Property taxes & other taxes                     | \$ 1,905,908                       | \$1,833,289                        |   |   | \$1,905,908                         | \$1,833,289                         | 3.96%                           |
| Unrestricted State Grants                        | \$ 838,382                         | \$842,557                          |   |   | \$ 838,382                          | \$ 842,557                          | -0.50%                          |
| Other  | \$122,243                          | \$81,920                           | \$321                                   | \$738                                   | \$ 122,564                          | \$ 82,658                           | 48.28%                          |
| <b>Total Revenues</b>                            | <b>\$ 3,752,450</b>                | <b>\$ 3,557,019</b>                | <b>\$ 134,607</b>                       | <b>\$ 132,797</b>                       | <b>\$3,887,057</b>                  | <b>\$3,689,816</b>                  | <b>5.35%</b>                    |
| <b>Expenses</b>                                  |                                    |                                    |   |   |                                     |                                     |                                 |
| Instruction                                      | \$1,914,358                        | \$1,887,006                        |   |   | \$1,914,358                         | \$1,887,006                         | 1.45%                           |
| Pupil & Instructional Svcs                       | \$96,784                           | \$86,490                           |   |   | \$ 96,784                           | \$ 86,490                           | 11.90%                          |
| Administrative & Business                        | \$352,786                          | \$269,904                          |   |   | \$ 352,786                          | \$ 269,904                          | 30.71%                          |
| Maintenance & Operations                         | \$370,594                          | \$375,558                          |   |   | \$ 370,594                          | \$ 375,558                          | -1.32%                          |
| Transportation                                   | \$92,059                           | \$87,519                           |   |   | \$ 92,059                           | \$ 87,519                           | 5.19%                           |
| Other  | \$476,963                          | \$513,685                          | \$143,976                               | \$133,032                               | \$ 620,939                          | \$ 646,717                          | -3.99%                          |
| <b>Total Expenses</b>                            | <b>\$ 3,303,544</b>                | <b>\$ 3,220,162</b>                | <b>\$ 143,976</b>                       | <b>\$ 133,032</b>                       | <b>\$3,447,520</b>                  | <b>\$3,353,194</b>                  | <b>2.81%</b>                    |
| Transfers In (Out)                               | (\$ 2,330)                         | -                                  | \$ 2,330                                |   |                                     |                                     |                                 |
| <b>Increase in net assets</b>                    | <b>\$ 446,576</b>                  | <b>\$ 336,857</b>                  | <b>\$ (7,039)</b>                       | <b>\$ (235)</b>                         | <b>\$ 439,537</b>                   | <b>\$ 336,622</b>                   | <b>30.57%</b>                   |

Property tax and unrestricted state grants account for 71% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 82% of the total expenses.

**Governmental Activities**

Revenues for governmental activities were \$3,752,450 and expenses were \$3,303,544. 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 increased expenses in certain areas. This increased salaries in the support services areas. Revenues increased largely due to the receipt of the preschool grant.

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 08-09

|                            | <b>Total Cost<br/>of Services<br/>2008</b> | <b>Total Cost<br/>of Services<br/>2009</b> | <b>Net Cost<br/>of Services<br/>2008</b> | <b>Net Cost<br/>of Services<br/>2009</b> |
|----------------------------|--|--|--|--|
| Instruction                | \$ 1,887,006                               | \$ 1,914,358                               | 1,190,733                                | 1,149,870                                |
| Pupil & Instructional Svcs | 86,490                                     | 96,784                                     | 86,490                                   | 96,784                                   |
| Administrative & Business  | 269,904                                    | 352,786                                    | 269,904                                  | 352,786                                  |
| Maintenance & Operations   | 375,558                                    | 370,594                                    | 375,458                                  | 370,494                                  |
| Transportation             | 87,519                                     | 92,059                                     | 86,417                                   | 90,045                                   |
| Other                      | 513,685                                    | 476,963                                    | 411,907                                  | 357,648                                  |
| <b>TOTAL</b>               | <b>3,220,162</b>                           | <b>3,303,544</b>                           | <b>2,420,909</b>                         | <b>2,417,627</b>                         |

- The cost financed by users of the District's programs was \$357,112.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$513,893.
- The net cost of governmental activities was financed with \$1,905,908 in property and other taxes and \$838,382 in unrestricted state grants.

**Business Type Activities**

Revenues for business type activities were \$134,286 and expenses were \$143,976. 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 \$1,412,799 increased from last year's ending fund balances of \$1,234,310.

**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 increase General Fund revenue by receiving the preschool grant without creating additional expenditures in the preschool line item.
- The General Fund balance increased from \$691,952 to \$820,326, due in part to the increased revenue from the preschool grant.

## **Proprietary Fund Highlights**

School Nutrition Fund net assets decreased slightly from \$39,751 at June 30, 2008 to \$32,712 at June 30, 2009.

## **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 \$283,000 in the areas of Instruction, Non-instruction and Other Expenditures. This is to allow for the increased revenue and expenditures in Preschool, Food Service Sales and Capital Projects.

Total expenditures are approximately \$582,303 dollars less than budgeted due primarily to the District's budget for the General Fund and amending the budget for Preschool, Carl Perkins, Title I, Food Service Sales and Capital Improvements. Total receipts are approximately \$281,141 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 other expenditures functional area 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, 2009, the District had invested \$7,301,079, 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 0.24% from last year. More detailed information about the District's capital assets is presented in Note 6 to the financial statements. Depreciation expense for the year was \$290,496.

The original cost of the District's capital assets was \$9.6 million for governmental funds. Capital Assets totaling \$63,259 were accounted for in the Proprietary, School Nutrition Fund.

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

|                       | Governmental<br>Activities |                     | Business-type<br>Activities |                  | Total<br>School District |                     | Total<br>Percentage<br>Change |
|-----------------------|----------------------------|---------------------|-----------------------------|------------------|--------------------------|---------------------|-------------------------------|
|                       | 2008                       | 2009                | 2008                        | 2009             | 2008                     | 2009                | 2008-09                       |
|                       |                            |                     |                             |                  |                          |                     |                               |
| Land                  | \$ 58,075                  | \$ 58,075           |                             |                  | \$ 58,075                | \$ 58,075           | 0.00%                         |
| Buildings             | \$ 6,795,799               | \$ 6,701,537        |                             |                  | \$ 6,795,799             | \$ 6,701,537        | -1.39%                        |
| Other Improvements    | \$ 237,013                 | \$ 223,585          |                             |                  | \$ 237,013               | \$ 223,585          | -5.67%                        |
| Equipment & Furniture | \$ 212,051                 | \$ 301,632          | \$ 15,377                   | \$ 16,250        | \$ 227,428               | \$ 317,882          | 39.77%                        |
| <b>TOTAL</b>          | <b>\$ 7,302,938</b>        | <b>\$ 7,284,829</b> | <b>\$ 15,377</b>            | <b>\$ 16,250</b> | <b>\$ 7,318,315</b>      | <b>\$ 7,301,079</b> | <b>-0.24%</b>                 |

**Long-Term Debt**

At June 30, 2009, the District had \$3,440,000 in general obligation and revenue. This represents a decrease of 8.14% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 7 to the financial statements.

**08-09 Long Term Liabilities**

|   | Total<br>School<br>District |                     | Total<br>Percentage<br>Change |
|---|-----------------------------|---------------------|-------------------------------|
|   | 2008                        | 2009                | 2008-09                       |
|   |                             |                     |                               |
| General Obligations Bonds                         | \$ 3,330,000                | \$ 3,155,000        | -5.26%                        |
| Local Option Sales and Services Tax Revenue Bonds | \$ 415,000                  | \$ 285,000          | -31.33%                       |
| <b>TOTAL</b>                                      | <b>\$ 3,745,000</b>         | <b>\$ 3,440,000</b> | <b>-8.14%</b>                 |

**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 six years. This is a trend that will likely continue. Based on this situation, a portion of 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 the impact of this situation is reduction of staff, which the district has done where possible. 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 has stabilized the downward enrollment trend along with elementary grades with larger enrollment than secondary grades.

Economy

State and regional economics and employment opportunities could have a big impact on our enrollment and state funding (Harris-Lake Park had a \$129,126 cut in state aid for the 2009-2010 school year). The district

will need to watch economic trends and state funding carefully and make needed preparations and adjustments.

Due to an economic recession, the district is likely to see an impact on its 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 10% in all state funding for the 2009-2010 school year. The projection for 2010-2011 school year is for only 2% Allowable Growth. More reductions are likely in the future. Also, families of the district are experiencing layoffs, reduced working hours 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. We are working toward serving all students in our district. This year the district had a negative special education balance of \$36,100.

#### 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. During the 2009-2010 school year, the District is obligated to pay \$151,400 to pay down the 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 two wind mill farms partially located in the district. They are now coming on the tax rolls after three year abatements. This will have a positive impact for increased valuation for the district. Increased valuation is critical for our property tax payers in a time of declining state aid.

#### Negotiations

A 3.75% settlement was reached for 2008-09 and a 3.5% increase in salary was negotiated for 2009-2010. No settlement for the 2010-2011 school year has been reached at the time of writing this summary.

#### **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, 2009

|   | Governmental<br>Activities<br>\$ | Business<br>Type<br>Activities<br>\$ | Total<br>\$       |
|---|----------------------------------|--------------------------------------|-------------------|
| <b>Assets</b>                                   |                                  |                                      |                   |
| Cash and cash equivalents                       | 1,329,315                        | 13,594                               | 1,342,909         |
| Receivables:                                    |                                  |                                      |                   |
| Property tax:                                   |                                  |                                      |                   |
| Delinquent                                      | 51,862                           | -                                    | 51,862            |
| Succeeding year                                 | 1,628,149                        | -                                    | 1,628,149         |
| Accounts  | 248                              | -                                    | 248               |
| Accrued interest                                | 89                               | -                                    | 89                |
| Due from other governments                      | 135,719                          | -                                    | 135,719           |
| Contribution pledges receivable                 | 12,500                           | -                                    | 12,500            |
| Note receivable                                 | 349,521                          | -                                    | 349,521           |
| Inventories                                     | -                                | 5,084                                | 5,084             |
| Capital assets, net of accumulated depreciation | 7,284,829                        | 16,250                               | 7,301,079         |
| <b>Total assets</b>                             | <b>10,792,232</b>                | <b>34,928</b>                        | <b>10,827,160</b> |
| <b>Liabilities</b>                              |                                  |                                      |                   |
| Accounts payable                                | 73,109                           | -                                    | 73,109            |
| Accrued interest payable                        | 28,966                           | -                                    | 28,966            |
| Deferred revenue:                               |                                  |                                      |                   |
| Succeeding year property tax                    | 1,628,149                        | -                                    | 1,628,149         |
| Other   | 31,325                           | 2,216                                | 33,541            |
| Portion due within one year:                    |                                  |                                      |                   |
| General obligation bonds payable                | 180,000                          | -                                    | 180,000           |
| Revenue bonds payable                           | 140,000                          | -                                    | 140,000           |
| Portion due after one year:                     |                                  |                                      |                   |
| General obligation bonds payable                | 2,975,000                        | -                                    | 2,975,000         |
| Revenue bonds payable                           | 145,000                          | -                                    | 145,000           |
| <b>Total liabilities</b>                        | <b>5,201,549</b>                 | <b>2,216</b>                         | <b>5,203,765</b>  |
| <b>Net assets</b>                               |                                  |                                      |                   |
| Invested in capital assets, net of related debt | 3,844,829                        | 16,250                               | 3,861,079         |
| Restricted for:                                 |                                  |                                      |                   |
| Categorical funding                             | 61,796                           | -                                    | 61,796            |
| Management levy                                 | 40,893                           | -                                    | 40,893            |
| Physical plant and equipment levy               | 492,959                          | -                                    | 492,959           |
| Other special revenue purposes                  | 72,453                           | -                                    | 72,453            |
| Sales tax capital projects                      | 245,646                          | -                                    | 245,646           |
| Debt service                                    | 73,577                           | -                                    | 73,577            |
| Unrestricted                                    | 758,530                          | 16,462                               | 774,992           |
| <b>Total net assets</b>                         | <b>5,590,683</b>                 | <b>32,712</b>                        | <b>5,623,395</b>  |

HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2009

| <b>Functions/Programs</b>          | <b>Expenses</b>  | <b>Program Revenues</b>     |  |  |
|------------------------------------|------------------|-----------------------------|--|--|
|                                    |                  | <b>Charges for Services</b> | <b>Operating Grants, Contributions and Restricted Interest</b> | <b>Capital Grants, Contributions and Restricted Interest</b> |
|                                    | <b>\$</b>        | <b>\$</b>                   | <b>\$</b>  | <b>\$</b>  |
| <b>Governmental activities:</b>    |                  |                             |  |  |
| Instruction:                       |                  |                             |  |  |
| Regular                            | 1,249,477        | 252,648                     | 311,574  | -  |
| Special                            | 338,754          | -                           | 56,468   | -  |
| Other                              | 326,127          | 104,364                     | 39,434   | -  |
|                                    | <u>1,914,358</u> | <u>357,012</u>              | <u>407,476</u>   | <u>-</u>   |
| Support services:                  |                  |                             |  |  |
| Student                            | 1,407            | -                           | -  | -  |
| Instructional staff                | 95,377           | -                           | -  | -  |
| Administration                     | 352,786          | -                           | -  | -  |
| Operation and maintenance of plant | 370,594          | 100                         | -  | -  |
| Transportation                     | 92,059           | -                           | 2,014  | -  |
|                                    | <u>912,223</u>   | <u>100</u>                  | <u>2,014</u>   | <u>-</u>   |
| Other expenditures:                |                  |                             |  |  |
| Facilities acquisition             | 30,820           | -                           | -  | 14,912   |
| Long-term debt interest            | 159,299          | -                           | 1,996  | -  |
| AEA flowthrough                    | 102,407          | -                           | 102,407  | -  |
| Depreciation (unallocated)*        | 184,437          | -                           | -  | -  |
|                                    | <u>476,963</u>   | <u>-</u>                    | <u>104,403</u>   | <u>14,912</u>  |
| Total governmental activities      | 3,303,544        | 357,112                     | 513,893  | 14,912   |
| <b>Business type activities:</b>   |                  |                             |  |  |
| Non-instructional programs:        |                  |                             |  |  |
| Food service operations            | 143,976          | 66,506                      | 67,780   | -  |
| Total                              | <u>3,447,520</u> | <u>423,618</u>              | <u>581,673</u>   | <u>14,912</u>  |

**General Revenues:**

Property taxes levied for:  
 General purposes  
 Debt service  
 Capital outlay  
 Statewide sales and services tax  
 Unrestricted state grants  
 Unrestricted investment earnings  
 Other

Total general revenues

Transfers

Total general revenues and transfers

**Change in net assets**

Net assets beginning of year

Net assets end of year

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

Net (Expense) Revenue and Changes in Net  
Assets

| Governmental<br>Activities | Business<br>Type<br>Activities | Total              |
|----------------------------|--------------------------------|--------------------|
| \$                         | \$                             | \$                 |
| (685,255)                  | -                              | (685,255)          |
| (282,286)                  | -                              | (282,286)          |
| (182,329)                  | -                              | (182,329)          |
| <u>(1,149,870)</u>         | <u>-</u>                       | <u>(1,149,870)</u> |
| (1,407)                    | -                              | (1,407)            |
| (95,377)                   | -                              | (95,377)           |
| (352,786)                  | -                              | (352,786)          |
| (370,494)                  | -                              | (370,494)          |
| (90,045)                   | -                              | (90,045)           |
| <u>(910,109)</u>           | <u>-</u>                       | <u>(910,109)</u>   |
| (15,908)                   | -                              | (15,908)           |
| (157,303)                  | -                              | (157,303)          |
| -                          | -                              | -                  |
| (184,437)                  | -                              | (184,437)          |
| <u>(357,648)</u>           | <u>-</u>                       | <u>(357,648)</u>   |
| (2,417,627)                | -                              | (2,417,627)        |
| <u>-</u>                   | <u>(9,690)</u>                 | <u>(9,690)</u>     |
| <u>(2,417,627)</u>         | <u>(9,690)</u>                 | <u>(2,427,317)</u> |
| 1,265,126                  | -                              | 1,265,126          |
| 286,101                    | -                              | 286,101            |
| 30,761                     | -                              | 30,761             |
| 323,920                    | -                              | 323,920            |
| 838,382                    | -                              | 838,382            |
| 58,354                     | 321                            | 58,675             |
| 63,889                     | -                              | 63,889             |
| 2,866,533                  | 321                            | 2,866,854          |
| <u>(2,330)</u>             | <u>2,330</u>                   | <u>-</u>           |
| <u>2,864,203</u>           | <u>2,651</u>                   | <u>2,866,854</u>   |
| 446,576                    | (7,039)                        | 439,537            |
| <u>5,144,107</u>           | <u>39,751</u>                  | <u>5,183,858</u>   |
| <u>5,590,683</u>           | <u>32,712</u>                  | <u>5,623,395</u>   |

## HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

Balance Sheet  
Governmental Funds

June 30, 2009

|  | General<br>Fund  | Debt<br>Service | Physical<br>Plant and<br>Equipment<br>Levy | Nonmajor<br>Governmental<br>Funds | Total            |
|--|------------------|-----------------|--|-----------------------------------|------------------|
|  | \$               | \$              | \$   | \$                                | \$               |
| <b>Assets</b>                              |                  |                 |  |                                   |                  |
| Cash and pooled investments                | 809,660          | 93,872          | 142,325                                    | 282,846                           | 1,328,703        |
| Receivables:                               |                  |                 |  |                                   |                  |
| Property tax:                              |                  |                 |  |                                   |                  |
| Delinquent                                 | 39,996           | 8,671           | 1,113                                      | 2,082                             | 51,862           |
| Succeeding year                            | 1,206,081        | 279,744         | 45,324                                     | 97,000                            | 1,628,149        |
| Accounts                                   | 248              | -               | -  | -                                 | 248              |
| Accrued interest                           | 612              | -               | -  | 89                                | 701              |
| Interfund receivable                       | 27,092           | -               | -  | 5,712                             | 32,804           |
| Due from other governments                 | 51,205           | -               | -  | 57,422                            | 108,627          |
| Contribution pledges receivable            | -                | -               | -  | 12,500                            | 12,500           |
| Note receivable                            | -                | -               | 349,521                                    | -                                 | 349,521          |
| <b>Total assets</b>                        | <b>2,134,894</b> | <b>382,287</b>  | <b>538,283</b>                             | <b>457,651</b>                    | <b>3,513,115</b> |
| <b>Liabilities and Fund Balances</b>       |                  |                 |  |                                   |                  |
| Liabilities:                               |                  |                 |  |                                   |                  |
| Accounts payable                           | 71,450           | -               | -  | 1,659                             | 73,109           |
| Interfund payable                          | 5,712            | -               | -  | -                                 | 5,712            |
| Deferred revenue:                          |                  |                 |  |                                   |                  |
| Succeeding year property tax               | 1,206,081        | 279,744         | 45,324                                     | 97,000                            | 1,628,149        |
| Other                                      | 31,325           | -               | 349,521                                    | 12,500                            | 393,346          |
| Total liabilities                          | 1,314,568        | 279,744         | 394,845                                    | 111,159                           | 2,100,316        |
| Fund balances:                             |                  |                 |  |                                   |                  |
| Reserved for:                              |                  |                 |  |                                   |                  |
| Categorical funding                        | 61,796           | -               | -  | -                                 | 61,796           |
| Debt service                               | -                | 102,543         | -  | -                                 | 102,543          |
| Unreserved reported in:                    |                  |                 |  |                                   |                  |
| General fund                               | 758,530          | -               | -  | -                                 | 758,530          |
| Special revenue funds                      | -                | -               | 143,438                                    | 113,346                           | 256,784          |
| Capital projects funds                     | -                | -               | -  | 233,146                           | 233,146          |
| Total fund balances                        | 820,326          | 102,543         | 143,438                                    | 346,492                           | 1,412,799        |
| <b>Total liabilities and fund balances</b> | <b>2,134,894</b> | <b>382,287</b>  | <b>538,283</b>                             | <b>457,651</b>                    | <b>3,513,115</b> |

HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT  
 Reconciliation of the Balance Sheet - Governmental Funds  
 to the Statement of Net Assets

June 30, 2009

|   |                         |
|---|-------------------------|
|   | \$                      |
| <b>Total fund balances of governmental funds (Exhibit C)</b>  | 1,412,799               |
| <br><i>Amounts reported for governmental activities in the<br/>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.  | 7,284,829               |
| Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.   | 362,021                 |
| 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.  | (28,966)                |
| 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>(3,440,000)</u>      |
| <b>Net assets of governmental activities (Exhibit A)</b>  | <u><u>5,590,683</u></u> |

## HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2009

|   | General<br>Fund  | Debt<br>Service  | Physical<br>Plant and<br>Equipment<br>Levy | Nonmajor<br>Governmental<br>Funds | Total            |
|---|------------------|------------------|--|-----------------------------------|------------------|
|   | \$               | \$               | \$   | \$                                | \$               |
| Revenues:   |                  |                  |  |                                   |                  |
| Local sources:  |                  |                  |  |                                   |                  |
| Local tax   | 1,223,540        | 286,101          | 30,761                                     | 362,419                           | 1,902,821        |
| Tuition   | 231,766          | -                | -  | -                                 | 231,766          |
| Other   | 50,612           | 1,996            | 29,917                                     | 136,295                           | 218,820          |
| State sources   | 1,227,881        | -                | -  | 3,087                             | 1,230,968        |
| Federal sources   | 134,275          | -                | -  | -                                 | 134,275          |
| Total revenues  | <u>2,868,074</u> | <u>288,097</u>   | <u>60,678</u>                              | <u>501,801</u>                    | <u>3,718,650</u> |
| Expenditures:   |                  |                  |  |                                   |                  |
| Current:  |                  |                  |  |                                   |                  |
| Instruction:  |                  |                  |  |                                   |                  |
| Regular   | 1,255,318        | -                | -  | -                                 | 1,255,318        |
| Special   | 338,754          | -                | -  | -                                 | 338,754          |
| Other   | 237,070          | -                | -  | 83,597                            | 320,667          |
|   | <u>1,831,142</u> | <u>-</u>         | <u>-</u>                                   | <u>83,597</u>                     | <u>1,914,739</u> |
| Support services:   |                  |                  |  |                                   |                  |
| Student   | 1,407            | -                | -  | -                                 | 1,407            |
| Instructional staff                                       | 95,377           | -                | -  | -                                 | 95,377           |
| Administration  | 348,622          | -                | -  | 1,065                             | 349,687          |
| Operation and maintenance of plant                        | 311,352          | -                | 10,010                                     | 47,660                            | 369,022          |
| Transportation  | 74,648           | -                | -  | -                                 | 74,648           |
|   | <u>831,406</u>   | <u>-</u>         | <u>10,010</u>                              | <u>48,725</u>                     | <u>890,141</u>   |
| Other expenditures:                                       |                  |                  |  |                                   |                  |
| Facilities acquisition                                    | -                | -                | 1,808                                      | 220,237                           | 222,045          |
| Long-term debt:   |                  |                  |  |                                   |                  |
| Principal   | -                | 305,000          | -  | -                                 | 305,000          |
| Interest and fiscal charges                               | -                | 162,919          | -  | -                                 | 162,919          |
| AEA flowthrough   | 102,407          | -                | -  | -                                 | 102,407          |
|   | <u>102,407</u>   | <u>467,919</u>   | <u>1,808</u>                               | <u>220,237</u>                    | <u>792,371</u>   |
| Total expenditures  | <u>2,764,955</u> | <u>467,919</u>   | <u>11,818</u>                              | <u>352,559</u>                    | <u>3,597,251</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>103,119</u>   | <u>(179,822)</u> | <u>48,860</u>                              | <u>149,242</u>                    | <u>121,399</u>   |
| Other financing sources (uses):                           |                  |                  |  |                                   |                  |
| Compensation for loss of fixed assets                     | 23,605           | -                | -  | 13,787                            | 37,392           |
| Sales of materials and equipment                          | 1,650            | -                | -  | -                                 | 1,650            |
| Sale of real property - principal received                | -                | -                | 18,048                                     | -                                 | 18,048           |
| Operating transfers in                                    | -                | 186,900          | -  | -                                 | 186,900          |
| Operating transfers out                                   | -                | -                | (40,000)                                   | (146,900)                         | (186,900)        |
| Total other financing sources (uses)                      | <u>25,255</u>    | <u>186,900</u>   | <u>(21,952)</u>                            | <u>(133,113)</u>                  | <u>57,090</u>    |
| Net change in fund balances                               | 128,374          | 7,078            | 26,908                                     | 16,129                            | 178,489          |
| Fund balances beginning of year                           | <u>691,952</u>   | <u>95,465</u>    | <u>116,530</u>                             | <u>330,363</u>                    | <u>1,234,310</u> |
| Fund balances end of year                                 | <u>820,326</u>   | <u>102,543</u>   | <u>143,438</u>                             | <u>346,492</u>                    | <u>1,412,799</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, 2009

|  | \$               | \$                    |
|--|------------------|-----------------------|
| <b>Net change in fund balances - total governmental funds (Exhibit E)</b>  |                  | 178,489               |
| <b><i>Amounts reported for governmental activities in the<br/>Statement of Activities are different because:</i></b>   |                  |                       |
| Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense exceeded capital outlay expenditures in the current year as follows: |                  |                       |
| Expenditures for capital assets  | 210,897          |                       |
| Loss on the disposal of capital assets   | (866)            |                       |
| Depreciation expense   | <u>(228,140)</u> | (18,109)              |
| 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.   |                  |                       |
|  |                  | (24,377)              |
| 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.   |                  |                       |
|  |                  | 1,953                 |
| 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.  |                  |                       |
|  |                  | 305,000               |
| 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>3,620</u>          |
| <b>Changes in net assets of governmental activities (Exhibit B)</b>  |                  | <u><u>446,576</u></u> |

## HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

Statement of Net Assets  
Proprietary Fund

June 30, 2009

|   | Nonmajor<br>School<br>Nutrition |
|---|---------------------------------|
|   | <u>\$</u>                       |
| <b>Assets</b>                                   |                                 |
| Cash and cash equivalents                       | 13,594                          |
| Inventories                                     | 5,084                           |
| Capital assets, net of accumulated depreciation | <u>16,250</u>                   |
| <b>Total assets</b>                             | <u>34,928</u>                   |
| <b>Liabilities</b>                              |                                 |
| Deferred revenue                                | <u>2,216</u>                    |
| <b>Net assets</b>                               |                                 |
| Invested in capital assets                      | 16,250                          |
| Unrestricted                                    | <u>16,462</u>                   |
| <b>Total net assets</b>                         | <u><u>32,712</u></u>            |

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

Year ended June 30, 2009

|  | Nonmajor<br>School<br>Nutrition<br><u>          </u><br>\$ |
|--|--|
| Operating revenue:                       |  |
| Local sources:                           |  |
| Charges for service                      | <u>66,506</u>  |
| Operating expenses:                      |  |
| Non-instructional programs:              |  |
| Salaries                                 | 42,550   |
| Benefits                                 | 5,826  |
| Purchased services                       | 1,387  |
| Supplies                                 | 91,857   |
| Depreciation                             | <u>2,356</u>   |
| Total operating expenses                 | <u>143,976</u>   |
| Operating gain (loss)                    | <u>(77,470)</u>  |
| Non-operating revenues:                  |  |
| State sources                            | 1,824  |
| Federal sources                          | 65,956   |
| Interest income                          | <u>321</u>   |
| Total non-operating revenues             | <u>68,101</u>  |
| Gain (loss) before capital contributions | (9,369)  |
| Capital contributions                    | <u>2,330</u>   |
| Change in net assets                     | (7,039)  |
| Net assets beginning of year             | <u>39,751</u>  |
| Net assets end of year                   | <u><u>32,712</u></u>                                       |

## HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows  
Proprietary Fund

Year ended June 30, 2009

|  | Nonmajor<br>School<br>Nutrition |
|--|---------------------------------|
|  | <u>\$</u>                       |
| Cash flows from operating activities:  |                                 |
| Cash received from sale of lunches and breakfasts  | 67,031                          |
| Cash payments to employees for services  | (48,376)                        |
| Cash payments to suppliers for goods or services   | (82,119)                        |
| Net cash used by operating activities  | <u>(63,464)</u>                 |
| Cash flows from non-capital financing activities:  |                                 |
| State grants received  | 1,824                           |
| Federal grants received  | 55,882                          |
| Net cash provided by non-capital financing activities                                    | <u>57,706</u>                   |
| Cash flows from capital and related financing activities:                                |                                 |
| Acquisition of capital assets  | <u>(899)</u>                    |
| Cash flows from investing activities:  |                                 |
| Interest on investments  | <u>321</u>                      |
| Net increase (decrease) in cash and cash equivalents                                     | (6,336)                         |
| Cash and cash equivalents at beginning of year   | <u>19,930</u>                   |
| Cash and cash equivalents at end of year   | <u><u>13,594</u></u>            |
| <b>Reconciliation of operating gain (loss) to net cash used by operating activities:</b> |                                 |
| Operating gain (loss)  | (77,470)                        |
| Adjustments to reconcile operating gain (loss) to net cash used by operating activities: |                                 |
| Commodities used   | 10,074                          |
| Depreciation   | 2,356                           |
| Decrease (increase) in inventories   | 1,950                           |
| (Decrease) increase in deferred revenue  | (374)                           |
| Net cash used by operating activities  | <u><u>(63,464)</u></u>          |

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

During the year ended June 30, 2009, the District received \$10,074 of federal commodities.

During the year ended June 30, 2009, the School Nutrition Fund received \$2,330 of equipment that was purchased by the Capital Projects Fund.

## HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets  
Fiduciary Fund

June 30, 2009

|                                   | Private<br>Purpose<br>Trust<br>Scholarship<br><u>          </u><br>\$ | <u>          </u><br>Agency<br><u>          </u><br>\$ |
|-----------------------------------|---|--|
| <b>Assets</b>                     |   |  |
| Cash and pooled investments       | 6,285   | -  |
| Due from other governments        | <u>          -</u>  | <u>          27,092</u>                                |
| <b>Total Assets</b>               | 6,285   | 27,092   |
| <b>Liabilities</b>                |   |  |
| Interfund payable to General Fund | <u>          -</u>  | <u>          27,092</u>                                |
| <b>Net Assets</b>                 |   |  |
| Reserved for scholarships         | <u>          6,285</u>  | <u>          -</u>                                     |

## HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets  
Fiduciary Fund

Year ended June 30, 2009

|                              | Private<br>Purpose<br>Trust<br>Scholarship |
|------------------------------|--|
|                              | <u>\$</u>                                  |
| Additions:                   |  |
| Local sources:               |  |
| Gifts and contributions      | 2,800                                      |
| Deductions:                  |  |
| Support services:            |  |
| Scholarships awarded         | <u>3,550</u>                               |
| Change in net assets         | (750)                                      |
| Net assets beginning of year | <u>7,035</u>                               |
| Net assets end of year       | <u><u>6,285</u></u>                        |

# HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2009

### 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 instructional, support and other costs.

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, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2008.

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

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

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

| <u>Asset Class</u>                | <u>Amount</u> |
|-----------------------------------|---------------|
|                                   | \$            |
| Land                              | -             |
| Buildings                         | 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, 2009, expenditures in the other expenditures functional area exceeded the amount budgeted.

## 2. **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2009 were entirely covered by federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

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 Receivables and Payables

The detail of interfund receivables and payables at June 30, 2009 is as follows:

| <u>Receivable Fund</u>   | <u>Payable Fund</u> | <u>Amount</u> |
|--------------------------|---------------------|---------------|
|                          |                     | \$            |
| General Fund             | Agency Fund         | 27,092        |
| Nonmajor Management Fund | General Fund        | 5,712         |

The General Fund loaned the Agency Fund money for cash flow. The General Fund owes the Management Fund for a receipt incorrectly recorded in the General Fund.

### 4. Interfund Transfers

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

| <u>Transfer To</u> | <u>Transfer From</u>                   | <u>Amount</u> |
|--------------------|--|---------------|
|                    |  | \$            |
| Debt Service Fund  | Nonmajor 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.

### 5. 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:

| <u>Year Ending<br/>June 30,</u> | <u>28E Agreement Dated May 2003</u> |                 |                |
|---------------------------------|-------------------------------------|-----------------|----------------|
|                                 | <u>Principal</u>                    | <u>Interest</u> | <u>Total</u>   |
|                                 | \$                                  | \$              | \$             |
| 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                            | 20,424                              | 19,576          | 40,000         |
| 2015-2023                       | <u>250,975</u>                      | <u>109,025</u>  | <u>360,000</u> |
|                                 | <u>334,521</u>                      | <u>225,479</u>  | <u>560,000</u> |

The District and the City of Lake Park entered into a 28E Agreement dated February 28, 2008 whereby the District constructed a concession stand on property owned by the City and the City agreed to purchase the concession stand for \$20,000 at \$5,000 per year. The District received the first payment during fiscal year 2009. Payments should be received as follows:

28E Agreement Dated May 2003

| Year Ending<br>June 30, | Principal     | Interest | Total         |
|-------------------------|---------------|----------|---------------|
|                         | \$            | \$       | \$            |
| 2010                    | 5,000         | -        | 5,000         |
| 2011                    | 5,000         | -        | 5,000         |
| 2012                    | 5,000         | -        | 5,000         |
|                         | <u>15,000</u> | <u>-</u> | <u>15,000</u> |

**6. Capital Assets**

Capital assets activity for the year ended June 30, 2009 was as follows:

|  | Balance<br>Beginning<br>of Year | Increases       | Decreases     | Balance End<br>of Year |
|--|---------------------------------|-----------------|---------------|------------------------|
|  | \$                              | \$              | \$            | \$                     |
| <b>Governmental activities:</b>              |                                 |                 |               |                        |
| Capital assets not being depreciated:        |                                 |                 |               |                        |
| Land   | 58,075                          | -               | -             | 58,075                 |
| Capital assets being depreciated:            |                                 |                 |               |                        |
| Buildings                                    | 8,406,347                       | 71,851          | -             | 8,478,198              |
| Improvements other than buildings            | 275,707                         | 4,896           | -             | 280,603                |
| Furniture and equipment                      | 849,943                         | 134,150         | 22,262        | 961,831                |
| Total capital assets being deprec.           | <u>9,531,997</u>                | <u>210,897</u>  | <u>22,262</u> | <u>9,720,632</u>       |
| Less accumulated depreciation for:           |                                 |                 |               |                        |
| Buildings                                    | 1,610,548                       | 166,113         | -             | 1,776,661              |
| Improvements other than buildings            | 38,694                          | 18,324          | -             | 57,018                 |
| Furniture and equipment                      | 637,892                         | 43,703          | 21,396        | 660,199                |
| Total accumulated depreciation               | <u>2,287,134</u>                | <u>228,140</u>  | <u>21,396</u> | <u>2,493,878</u>       |
| Total capital assets being depreciated, net  | <u>7,244,863</u>                | <u>(17,243)</u> | <u>866</u>    | <u>7,226,754</u>       |
| Governmental activities capital assets, net  | <u>7,302,938</u>                | <u>(17,243)</u> | <u>866</u>    | <u>7,284,829</u>       |
| <br>   |                                 |                 |               |                        |
|  | Balance<br>Beginning of<br>Year | Increases       | Decreases     | Balance End<br>of Year |
|  | \$                              | \$              | \$            | \$                     |
| <b>Business type activities:</b>             |                                 |                 |               |                        |
| Furniture and equipment                      | 60,030                          | 3,229           | -             | 63,259                 |
| Less accumulated depreciation                | <u>44,653</u>                   | <u>2,356</u>    | <u>-</u>      | <u>47,009</u>          |
| Business type activities capital assets, net | <u>15,377</u>                   | <u>873</u>      | <u>-</u>      | <u>16,250</u>          |

Depreciation expense was charged to the following functions:

|   | \$      |
|---|---------|
| Governmental activities:                    |         |
| Instruction:                                |         |
| Regular                                     | 12,662  |
| Other                                       | 8,959   |
| Support services:                           |         |
| Administration services                     | 3,099   |
| Operation and maintenance of plant services | 1,572   |
| Transportation                              | 17,411  |
|   | 43,703  |
| Unallocated depreciation                    | 184,437 |
|   | 228,140 |
| <br>Business type activities:               |         |
| Food services                               | 2,356   |
|   | 2,356   |

## 7. Long-Term Liabilities

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

|                          | Balance<br>Beginning of<br>Year | Additions | Reductions | Balance End<br>of Year | Due Within<br>One Year |
|--------------------------|---------------------------------|-----------|------------|------------------------|------------------------|
|                          | \$                              | \$        | \$         | \$                     | \$                     |
| General obligation bonds | 3,330,000                       | -         | 175,000    | 3,155,000              | 180,000                |
| Sales tax revenue bonds  | 415,000                         | -         | 130,000    | 285,000                | 140,000                |
|                          | 3,745,000                       | -         | 305,000    | 3,440,000              | 320,000                |
| Total                    | 3,745,000                       | -         | 305,000    | 3,440,000              | 320,000                |

### General Obligation Bonds Payable

Details of the District's June 30, 2009 general obligation bonded indebtedness are as follows:

| Year Ending<br>June 30, | Bond Issue of September 2002 |           |           |           |
|-------------------------|------------------------------|-----------|-----------|-----------|
|                         | Interest Rates               | Principal | Interest  | Total     |
|                         | %                            | \$        | \$        | \$        |
| 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                    | 4.250                        | 220,000   | 108,068   | 328,068   |
| 2015-2019               | 4.50                         | 1,255,000 | 385,590   | 1,640,590 |
| 2020-2022               | 4.65-4.75                    | 900,000   | 86,268    | 986,268   |
|                         |                              | 3,155,000 | 1,094,602 | 4,249,602 |

### Revenue Bonds Payable

Details of the District's June 30, 2009 local option sales and services tax revenue bonded indebtedness are as follows:

| Year Ending<br>June 30, | Bond Issue of September 2002 |                |               |                |
|-------------------------|------------------------------|----------------|---------------|----------------|
|                         | Interest Rates               | Principal      | Interest      | Total          |
|                         | %                            | \$             | \$            | \$             |
| 2010                    | 4.000                        | 140,000        | 11,400        | 151,400        |
| 2011                    | 4.000                        | 145,000        | 5,800         | 150,800        |
|                         |                              | <u>285,000</u> | <u>17,200</u> | <u>302,200</u> |

The District has pledged future statewide 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 statewide 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 statewide sales and services tax revenues. The total principal and interest remaining to be paid on the notes is \$302,200. For the current year, \$146,600 of principal and interest were paid on the bonds and total statewide sales and services tax revenues were \$323,920.

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

- All proceeds from the statewide 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 1/6<sup>th</sup> of the installment of interest coming due on the next interest payment date on the then outstanding bonds, plus 1/12<sup>th</sup> 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.

## 8. Pension and Retirement Benefits

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

Plan members are required to contribute 4.10% of their annual covered salary and the District is required to contribute 6.35% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2009, 2008, and 2007 were \$109,338, \$96,939 and \$89,296 respectively, equal to the required contributions for each year.

## 9. 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.

## 10. 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 \$102,407 for the year ended June 30, 2009 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

## 11. Lease Commitment

The District entered into a five year contract to lease copiers. The payments the District will make over the next four years are as follows:

| <u>Year Ended</u><br><u>June 30</u> | <u>Lease Payment</u> |
|-------------------------------------|----------------------|
|                                     | \$                   |
| 2010                                | 7,584                |
| 2011                                | 7,584                |
| 2012                                | 7,584                |
| 2013                                | 7,584                |

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, 2009

|  | Governmental<br>Fund Actual | Proprietary<br>Fund Actual | Total Actual            | Budgeted Amounts      |                       | Final to Actual<br>Variance -<br>Positive<br>(Negative) |
|--|-----------------------------|----------------------------|-------------------------|-----------------------|-----------------------|---|
|  |                             |                            |                         | Original              | Final                 |   |
|  | \$                          | \$                         | \$                      | \$                    | \$                    | \$  |
| Revenues:  |                             |                            |                         |                       |                       |   |
| Local sources  | 2,353,407                   | 66,827                     | 2,420,234               | 2,664,252             | 2,664,252             | (244,018)   |
| State sources  | 1,230,968                   | 1,824                      | 1,232,792               | 1,263,146             | 1,263,146             | (30,354)  |
| Federal sources  | 134,275                     | 65,956                     | 200,231                 | 207,000               | 207,000               | (6,769)   |
| Total revenues:  | <u>3,718,650</u>            | <u>134,607</u>             | <u>3,853,257</u>        | <u>4,134,398</u>      | <u>4,134,398</u>      | <u>(281,141)</u>  |
| Expenditures/Expenses:   |                             |                            |                         |                       |                       |   |
| Instruction  | 1,914,739                   | -                          | 1,914,739               | 2,065,109             | 2,228,109             | 313,370   |
| Support services   | 890,141                     | -                          | 890,141                 | 1,218,210             | 1,218,210             | 328,069   |
| Non-instructional programs   | -                           | 143,976                    | 143,976                 | 136,000               | 156,000               | 12,024  |
| Other expenditures   | 792,371                     | -                          | 792,371                 | 621,211               | 721,211               | (71,160)  |
| Total expenditures/expenses:   | <u>3,597,251</u>            | <u>143,976</u>             | <u>3,741,227</u>        | <u>4,040,530</u>      | <u>4,323,530</u>      | <u>582,303</u>  |
| Deficiency of revenues under<br>expenditures/expenses  | 121,399                     | (9,369)                    | 112,030                 | 93,868                | (189,132)             | 301,162   |
| Other financing sources (uses) net   | <u>57,090</u>               | <u>2,330</u>               | <u>59,420</u>           | <u>-</u>              | <u>-</u>              | <u>59,420</u>   |
| Excess (deficiency) of revenues and other financing sources<br>(uses) over (under) expenditures/expenses | 178,489                     | (7,039)                    | 171,450                 | 93,868                | (189,132)             | 360,582   |
| Balance beginning of year  | <u>1,234,310</u>            | <u>39,751</u>              | <u>1,274,061</u>        | <u>824,389</u>        | <u>824,389</u>        | <u>449,672</u>  |
| Balance end of year  | <u><u>1,412,799</u></u>     | <u><u>32,712</u></u>       | <u><u>1,445,511</u></u> | <u><u>918,257</u></u> | <u><u>635,257</u></u> | <u><u>810,254</u></u>                                   |

HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2009

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$283,000.

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

OTHER SUPPLEMENTARY INFORMATION

## HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2009

| Assets                                     | Special Revenue Funds |               |                | Total          |
|--|-----------------------|---------------|----------------|----------------|
|  | Management            | Student       | Capital        |                |
|  | Levy                  | Activity      | Projects       |                |
|  |                       |               |                |                |
|  | \$                    | \$            | \$             | \$             |
| Cash and pooled investments                | 33,559                | 73,563        | 175,724        | 282,846        |
| Receivables:                               |                       |               |                |                |
| Property tax:                              |                       |               |                |                |
| Delinquent                                 | 2,082                 | -             | -              | 2,082          |
| Succeeding year                            | 97,000                | -             | -              | 97,000         |
| Accrued interest                           | -                     | 89            | -              | 89             |
| Interfund receivable                       | 5,712                 | -             | -              | 5,712          |
| Due from other governments                 | -                     | -             | 57,422         | 57,422         |
| Contribution pledges receivable            | -                     | -             | 12,500         | 12,500         |
| <b>Total assets</b>                        | <b>138,353</b>        | <b>73,652</b> | <b>245,646</b> | <b>457,651</b> |
| <b>Liabilities &amp; Fund Balances</b>     |                       |               |                |                |
| Liabilities:                               |                       |               |                |                |
| Accounts payable                           | 460                   | 1,199         | -              | 1,659          |
| Deferred revenue:                          |                       |               |                |                |
| Succeeding year property tax               | 97,000                | -             | -              | 97,000         |
| Other                                      | -                     | -             | 12,500         | 12,500         |
| Total liabilities                          | 97,460                | 1,199         | 12,500         | 111,159        |
| Fund balances:                             |                       |               |                |                |
| Unreserved reported in:                    |                       |               |                |                |
| Special revenue funds                      | 40,893                | 72,453        | -              | 113,346        |
| Capital projects funds                     | -                     | -             | 233,146        | 233,146        |
| Total fund balances                        | 40,893                | 72,453        | 233,146        | 346,492        |
| <b>Total liabilities and fund balances</b> | <b>138,353</b>        | <b>73,652</b> | <b>245,646</b> | <b>457,651</b> |

## HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2009

|   | Special Revenue Funds |                             |                             | Total                 |
|---|-----------------------|-----------------------------|-----------------------------|-----------------------|
|   | Management<br>Levy    | Student<br>Activity<br>Fund | Capital<br>Projects<br>Fund |                       |
|   | \$                    | \$                          | \$                          | \$                    |
| Revenues:   |                       |                             |                             |                       |
| Local sources:  |                       |                             |                             |                       |
| Local tax   | 41,586                | -                           | 320,833                     | 362,419               |
| Other   | 6,211                 | 98,666                      | 31,418                      | 136,295               |
| State sources   | -                     | -                           | 3,087                       | 3,087                 |
| Total revenues  | <u>47,797</u>         | <u>98,666</u>               | <u>355,338</u>              | <u>501,801</u>        |
| Expenditures:   |                       |                             |                             |                       |
| Current:  |                       |                             |                             |                       |
| Instruction:  |                       |                             |                             |                       |
| Other   | -                     | 83,597                      | -                           | 83,597                |
| Support services:   |                       |                             |                             |                       |
| Administration  | 1,065                 | -                           | -                           | 1,065                 |
| Operation and maintenance of plant                        | 47,660                | -                           | -                           | 47,660                |
| Other expenditures:                                       |                       |                             |                             |                       |
| Facilities acquisition                                    | -                     | -                           | 220,237                     | 220,237               |
| Total expenditures  | <u>48,725</u>         | <u>83,597</u>               | <u>220,237</u>              | <u>352,559</u>        |
| Excess (deficiency) of revenues over (under) expenditures | <u>(928)</u>          | <u>15,069</u>               | <u>135,101</u>              | <u>149,242</u>        |
| Other financing sources (uses):                           |                       |                             |                             |                       |
| Compensation for loss of fixed assets                     | -                     | -                           | 13,787                      | 13,787                |
| Operating transfers out                                   | -                     | -                           | (146,900)                   | (146,900)             |
| Total other financing sources (uses)                      | <u>-</u>              | <u>-</u>                    | <u>(133,113)</u>            | <u>(133,113)</u>      |
| Net change in fund balances                               | (928)                 | 15,069                      | 1,988                       | 16,129                |
| Fund balances beginning of year                           | <u>41,821</u>         | <u>57,384</u>               | <u>231,158</u>              | <u>330,363</u>        |
| Fund balances end of year                                 | <u><u>40,893</u></u>  | <u><u>72,453</u></u>        | <u><u>233,146</u></u>       | <u><u>346,492</u></u> |

## HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2009

| <u>Account</u>            | Balance                            | <u>Revenues</u> | <u>Expenditures</u> | <u>Intra-Fund</u><br><u>Transfers</u> | Balance            |
|---------------------------|------------------------------------|-----------------|---------------------|---------------------------------------|--------------------|
|                           | <u>Beginning of</u><br><u>Year</u> |                 |                     |                                       | <u>End of Year</u> |
|                           | \$                                 | \$              | \$                  | \$                                    | \$                 |
| Vocal music               | 2,154                              | 3,127           | 2,696               | -                                     | 2,585              |
| Instrumental music        | 1,317                              | 506             | 976                 | -                                     | 847                |
| Co-ed athletics           | 757                                | 3,074           | 2,210               | -                                     | 1,621              |
| Boys & girls golf         | 230                                | 252             | 236                 | -                                     | 246                |
| Boys basketball           | 4,985                              | 8,300           | 5,755               | 1,100                                 | 8,630              |
| Football                  | 5,036                              | 4,983           | 6,694               | 3,370                                 | 6,695              |
| Baseball                  | 685                                | 9,595           | 7,318               | (1,100)                               | 1,862              |
| Wrestling                 | 186                                | -               | -                   | -                                     | 186                |
| Girls basketball          | 3,528                              | 3,500           | 2,580               | 1,100                                 | 5,548              |
| Volleyball                | 2,647                              | 7,805           | 9,362               | -                                     | 1,090              |
| Softball                  | 389                                | 4,259           | 3,263               | (1,100)                               | 285                |
| Cheerleading              | 2,610                              | 2,724           | 4,000               | -                                     | 1,334              |
| Junior class concessions  | 2,303                              | 11,737          | 9,264               | (3,433)                               | 1,343              |
| FFA                       | 12,898                             | 13,102          | 10,701              | -                                     | 15,299             |
| Hosa                      | 922                                | 567             | 549                 | -                                     | 940                |
| Class of 2014             | -                                  | 111             | -                   | -                                     | 111                |
| Class of 2013             | 68                                 | 160             | -                   | -                                     | 228                |
| Class of 2012             | 186                                | -               | -                   | -                                     | 186                |
| Class of 2011             | 243                                | 289             | 190                 | -                                     | 342                |
| Class of 2010             | 191                                | 5,368           | 3,513               | -                                     | 2,046              |
| Class of 2009             | 2,147                              | 258             | 578                 | -                                     | 1,827              |
| Class of 2008             | 2,284                              | -               | -                   | -                                     | 2,284              |
| Class of 2007             | 1,442                              | -               | -                   | -                                     | 1,442              |
| Class of 2006             | 152                                | -               | -                   | -                                     | 152                |
| Student council           | 1,517                              | 735             | 1,589               | -                                     | 663                |
| Peer helper               | 9                                  | -               | -                   | -                                     | 9                  |
| Spanish club              | 50                                 | -               | -                   | -                                     | 50                 |
| Middle school             | 3,088                              | 6,912           | 7,382               | -                                     | 2,618              |
| Athletic activity account | 612                                | 297             | 48                  | 63                                    | 924                |
| Weight room               | 4,748                              | 11,005          | 4,693               | -                                     | 11,060             |
| <b>Total</b>              | <b>57,384</b>                      | <b>98,666</b>   | <b>83,597</b>       | <b>-</b>                              | <b>72,453</b>      |

## HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

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

For the Last Six Years

|                            | Modified Accrual Basis |                  |                  |                  |                  |                  |
|----------------------------|------------------------|------------------|------------------|------------------|------------------|------------------|
|                            | 2009                   | 2008             | 2007             | 2006             | 2005             | 2004             |
|                            | \$                     | \$               | \$               | \$               | \$               | \$               |
| Revenues:                  |                        |                  |                  |                  |                  |                  |
| Local sources:             |                        |                  |                  |                  |                  |                  |
| Local tax                  | 1,902,821              | 1,827,388        | 1,765,637        | 1,720,672        | 1,772,649        | 1,797,475        |
| Tuition                    | 231,766                | 297,860          | 246,744          | 188,446          | 191,571          | 164,820          |
| Other                      | 218,820                | 294,599          | 348,667          | 270,008          | 244,187          | 399,534          |
| State sources              | 1,230,968              | 1,124,349        | 1,115,535        | 992,827          | 983,330          | 1,963,658        |
| Federal sources            | 134,275                | 63,446           | 134,540          | 125,222          | 190,854          | 147,030          |
| Total revenues             | <u>3,718,650</u>       | <u>3,607,642</u> | <u>3,611,123</u> | <u>3,297,175</u> | <u>3,382,591</u> | <u>4,472,517</u> |
| Expenditures:              |                        |                  |                  |                  |                  |                  |
| Instruction:               |                        |                  |                  |                  |                  |                  |
| Regular                    | 1,255,318              | 1,165,897        | 1,141,716        | 1,135,140        | 1,163,857        | 1,030,966        |
| Special                    | 338,754                | 331,448          | 289,047          | 282,026          | 358,362          | 355,373          |
| Other                      | 320,667                | 376,356          | 298,308          | 296,494          | 238,589          | 193,736          |
| Support services:          |                        |                  |                  |                  |                  |                  |
| Student                    | 1,407                  | -                | 8,431            | 6,098            | 46,127           | 66,877           |
| Instructional staff        | 95,377                 | 86,490           | 95,728           | 100,261          | 118,289          | 106,434          |
| Administration             | 349,687                | 266,805          | 395,395          | 421,278          | 397,760          | 336,327          |
| Operation and maintenance  | 369,022                | 374,310          | 333,776          | 385,895          | 369,866          | 232,002          |
| Transportation             | 74,648                 | 84,352           | 68,976           | 115,179          | 58,753           | 75,461           |
| Other expenditures:        |                        |                  |                  |                  |                  |                  |
| Facilities acquisition     | 222,045                | 88,805           | 225,836          | 136,540          | 423,615          | 6,188,543        |
| Long-term debt:            |                        |                  |                  |                  |                  |                  |
| Principal                  | 305,000                | 290,000          | 325,848          | 310,217          | 345,435          | 180,000          |
| Interest and other charges | 162,919                | 173,694          | 184,909          | 196,221          | 207,942          | 338,898          |
| AEA flowthrough            | 102,407                | 98,503           | 96,567           | 93,094           | 92,089           | 94,118           |
| Total expenditures         | <u>3,597,251</u>       | <u>3,336,660</u> | <u>3,464,537</u> | <u>3,478,443</u> | <u>3,820,684</u> | <u>9,198,735</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, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 20, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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 09-I-A and 09-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, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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 20, 2010

HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2009

Part I: Findings Related to the Financial Statements:

Significant deficiencies:

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

Recommendation: We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its control procedures and 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.

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

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

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

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported

HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2009

Part II: Other Findings Related To Statutory Reporting:

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

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

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

09-II-D Business Transactions: 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            | Maintenance                    | 511           |

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

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

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

09-II-G Certified Enrollment: The number of basic resident students reported to the Iowa Department of Education on Line 7 of the Certified Enrollment Certification Form for October 2008, was understated by one student. A special education preschool student was not counted.

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

District Response: We will contact these departments.

Conclusion: Response accepted.

HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2009

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

- 09-II-H Deposits and Investments: We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- 09-II-I Certified Annual Report (CAR): The Certified Annual Report was certified to the Iowa Department of Education timely.
- 09-II-J Categorical Funding: No instances were noted of categorical funding being used to supplant rather than supplement other funds.

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

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

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

Conclusion: Response accepted.

- 09-II-K Statewide Sales and Services Tax: No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2009, the District's financial activity and other required information for the statewide sales and services tax are as follows:

|  |         |             |
|--|---------|-------------|
|  | \$      | \$          |
| Beginning balance                        |         | -           |
| Statewide sales and services tax revenue |         | 323,920     |
| Expenditures/transfers out:              |         |             |
| School infrastructure:                   |         |             |
| Land and land improvements               | 7,079   |             |
| Buildings and building improvements      | 53,771  |             |
| Equipment                                | 116,170 |             |
| Debt service for school infrastructure:  |         |             |
| Revenue debt                             | 146,900 | 323,920     |
|  | <hr/>   | <hr/>       |
| Ending balance                           |         | <hr/> <hr/> |