

HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

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

June 30, 2010

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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, 2010, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Harris-Lake Park Community School District at June 30, 2010, 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 4, 2011, 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, Budgetary Comparison Information, and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 13 and 40 through 42 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 six years ended June 30, 2009, (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5, 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 4, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

Harris-Lake Park Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2010 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$2,868,074 in fiscal 2009 to \$2,806,660 in fiscal 2010, as General Fund expenditures decreased from \$2,764,955 in fiscal 2009 to 2,718,423 in fiscal 2010. The District's General Fund balance increased from \$820,326 in fiscal 2009 to \$908,563 in fiscal 2010, an increase of \$88,237.
- The decrease in General Fund revenues was attributable to a 10% across the board cut to state general fund appropriations. The decrease in expenditures was due primarily to a reduction in supplies and equipment purchased.

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.

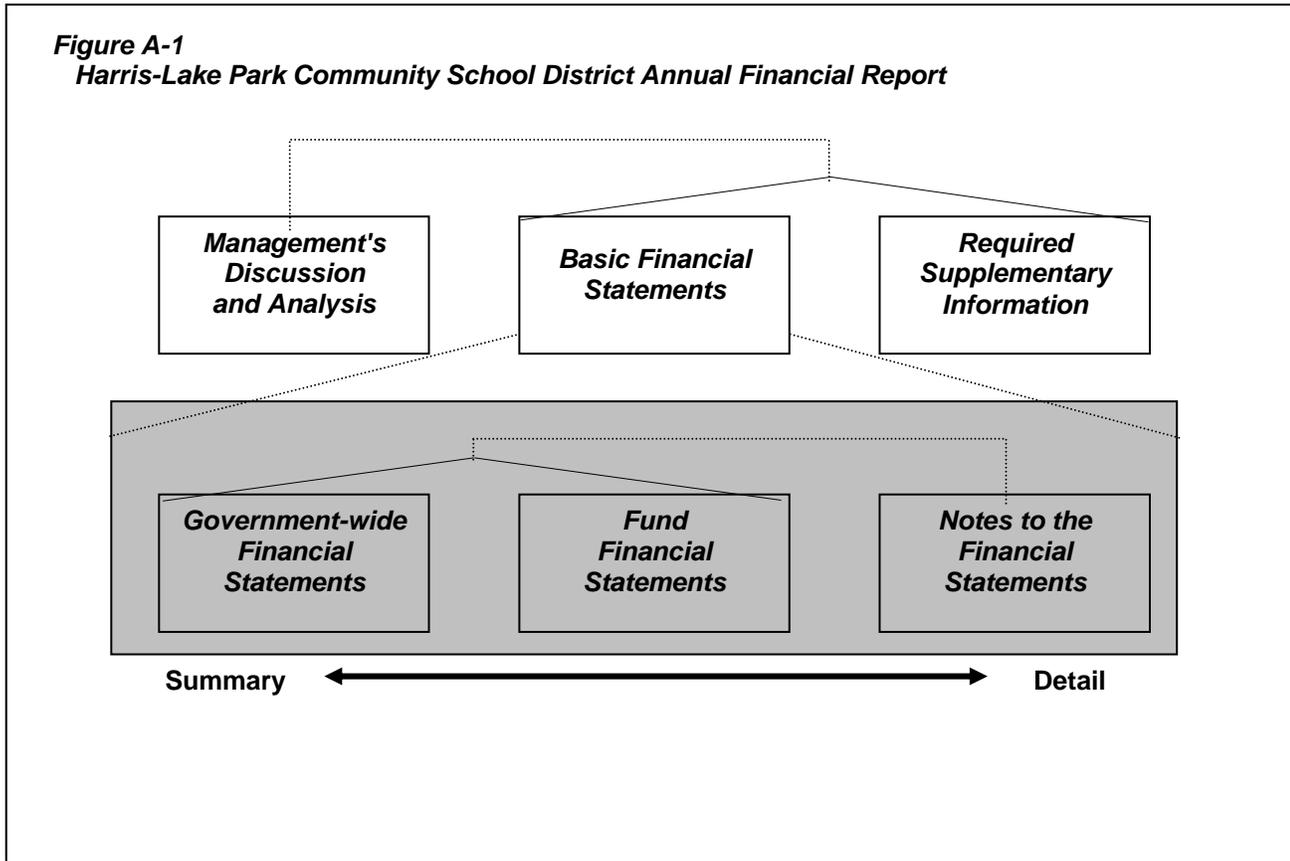


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund. The required financial statements for proprietary funds include a statement of 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, 2010 compared to June 30, 2009.

Harris-Lake Park School Condensed Statement of Net Assets FY 09-10

	Governmental Activities		Business-type Activities		Total School District		Total Percentage Change 2009-10
	2009	2010	2009	2010	2009	2010	
Current and other assets	\$3,507,403	\$3,707,225	\$18,678	\$34,749	\$3,526,081	\$3,741,974	6.12%
Capital assets	\$7,284,829	\$7,094,023	\$16,250	\$13,895	\$7,301,079	\$7,107,918	-2.65%
Total Assets	\$10,792,232	\$10,801,248	\$34,928	\$48,644	\$10,827,160	\$10,849,892	0.21%
Long-term debt outstanding	\$3,120,000	\$2,792,621			\$3,120,000	\$2,792,621	-10.49%
Other liabilities	\$2,081,549	\$2,036,165	\$2,216	\$2,640	\$2,083,765	\$2,038,805	-2.16%
Total liabilities	\$5,201,549	\$4,828,786	\$2,216	\$2,640	\$5,203,765	\$4,831,426	-7.16%
Net Assets							
Invested in capital assets, net of related debt	\$3,844,829	\$3,974,023	\$16,250	\$13,895	\$3,861,079	\$3,987,918	3.29%
Restricted	\$987,324	\$1,232,470			\$987,324	\$1,232,470	24.83%
Unrestricted	\$758,530	\$765,969	\$16,462	\$32,109	\$774,992	\$798,078	2.98%
TOTAL NET ASSETS	\$5,590,683	\$5,972,462	\$32,712	\$46,004	\$5,623,395	\$6,018,466	7.03%

The District's combined net assets increased by 7.03%, or approximately \$395,071 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 \$245,146 over the prior year. The increase was primarily a result of a increase in PPEL, Management and Sales Tax Capital Projects fund ending balance. Also, categorical funding for At-Risk increased.

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 \$23,086, or 2.98%. 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, 2010 and 2009

Harris-Lake Park School Changes in Net Assets FY 09-10

	Governmental Activities 2010	Governmental Activities 2009	Business- Type Activities 2010	Business- Type Activities 2009	Total School District 2010	Total School District 2009	Percentage Change 2009-2010
Revenues							
Program Revenues							
Charges for services	\$ 393,760	\$ 357,112	\$ 79,713	\$ 66,506	\$ 473,473	\$ 423,618	11.77%
Operating Grants & Contrib & Restricted Interest	\$ 706,281	\$ 513,893	\$ 77,392	\$ 67,780	\$ 783,673	\$ 581,673	34.73%
Capital Grants & Contrib and Restricted Interest	\$ 1,000	\$ 14,912			\$ 1,000	\$ 14,912	-93.29%
General Revenues							
Property taxes & other taxes	\$ 1,923,213	\$ 1,905,908			\$1,923,213	\$ 1,905,908	0.91%
Unrestricted State Grants	\$ 588,238	\$ 838,382			\$ 588,238	\$ 838,382	-29.84%
Other	\$ 70,421	\$ 122,243	\$ 601	\$ 321	\$ 71,022	\$ 122,564	-42.05%
Total Revenues	\$ 3,682,913	\$ 3,752,450	\$ 157,706	\$ 134,607	\$3,840,619	\$ 3,887,057	-1.19%
Expenses							
Instruction	\$ 1,902,888	\$ 1,914,358			\$1,902,888	\$ 1,914,358	-0.60%
Pupil & Instructional Svcs	\$ 90,718	\$ 96,784			\$ 90,718	\$ 96,784	-6.27%
Administrative & Business	\$ 359,086	\$ 352,786			\$ 359,086	\$ 352,786	1.79%
Maintenance & Operations	\$ 367,184	\$ 370,594			\$ 367,184	\$ 370,594	-0.92%
Transportation	\$ 88,139	\$ 92,059			\$ 88,139	\$ 92,059	-4.26%
Other	\$ 493,119	\$ 476,963	\$ 144,414	\$ 143,976	\$ 637,533	\$ 620,939	2.67%
Total Expenses	\$ 3,301,134	\$ 3,303,544	\$ 144,414	\$ 143,976	\$3,445,548	\$ 3,447,520	-0.06%
Transfers In (Out)		(2,330)		2,330			
Increase in net assets	\$ 381,779	\$ 446,576	\$ 13,292	\$ (7,039)	\$ 395,071	\$ 439,537	-10.12%

Property tax and unrestricted state grants account for 65% 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 \$3,682,913 and expenses were \$3,301,134. In this budget year, the District was able to balance the budget by trimming expenses to match available revenues.

Expenditures increased in the areas of Administrative and Business and Other. Revenues decreased due to the 10% across the board cut to state aid.

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 09-10

	Total Cost of Services 2009	Total Cost of Services 2010	Net Cost of Services 2009	Net Cost of Services 2010
Instruction	\$ 1,914,358	\$ 1,902,888	\$ 1,149,870	\$ 921,863
Pupil & Instructional Svcs	\$ 96,784	\$ 90,718	\$ 96,784	\$ 90,718
Administrative & Business	\$ 352,786	\$ 359,086	\$ 352,786	\$ 359,086
Maintenance & Operations	\$ 370,594	\$ 367,184	\$ 370,494	\$ 366,849
Transportation	\$ 92,059	\$ 88,139	\$ 90,045	\$ 87,245
Other	\$ 476,963	\$ 493,119	\$ 357,648	\$ 374,332
TOTAL	\$ 3,303,544	\$ 3,301,134	\$ 2,417,627	\$ 2,200,093

- The cost financed by users of the District's programs was \$393,760.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$706,281.
- The net cost of governmental activities was financed with \$1,923,213 in property and other taxes and \$588,238 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$157,706 and expenses were \$144,414. 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 \$1,700,639 increased from last year's ending fund balances of \$1,412,799.

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 to increase General Fund revenue by receiving Medicaid funds to offset special education expenditures.
- The General Fund balance increased from \$820,326 to \$908,563, due in part to the increased revenue from Medicaid and decreasing all non-salary line items.

Proprietary Fund Highlights

School Nutrition Fund net assets increased from \$32,712 at June 30, 2009 to \$46,004 at June 30, 2010.

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 \$100,000 in the area of Other Expenditures. This is to allow for the increased revenue and expenditures in Capital Projects.

Total expenditures are approximately \$1,259,937 dollars less than budgeted due primarily to the District's spending less than budgeted in the Support Services area and amending the budget for Capital Improvements. Total receipts are approximately \$542,010 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.

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, 2010, the District had invested \$7,107,918, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of 2.7% 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 \$233,284.

The original cost of the District's capital assets was \$9.75 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		Business-type		Total		Total
	Activities		Activities		School District		Percentage
	2009	2010	2009	2010	2009	2010	Change
							2009-10
Land	\$ 58,075	\$ 58,075			\$ 58,075	\$ 58,075	0.00%
Buildings	\$ 6,701,537	\$ 6,546,969			\$ 6,701,537	\$ 6,546,969	-2.31%
Other Improvements	\$ 223,585	\$ 215,152			\$ 223,585	\$ 215,152	-3.77%
Equipment & Furniture	\$ 286,827	\$ 262,312	\$ 16,250	\$ 13,895	\$ 303,077	\$ 276,207	-8.87%
Intangible Assets	\$ 14,805	\$ 11,515			\$ 14,805	\$ 11,515	-22.22%
TOTAL	\$ 7,284,829	\$ 7,094,023	\$ 16,250	\$ 13,895	\$ 7,301,079	\$ 7,107,918	-2.65%

Long-Term Debt

At June 30, 2010, the District had \$3,127,621 in general obligation and revenue. This represents a decrease of 9.08% 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.

09-10 Long Term Liabilities			
	Total School District		Total Percentage
	2009	2010	Change
			2009-10
General Obligations Bonds	\$ 3,155,000	\$ 2,975,000	-5.71%
Local Option Sales and Services Tax Revenue Bonds	\$ 285,000	\$ 145,000	-49.12%
Net OPEB Liability	\$ -	\$ 7,621	
TOTAL	\$ 3,440,000	\$ 3,127,621	-9.08%

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 ten years. A stable to increased enrollment trend is projected for the next two fiscal years. Based on this situation, a portion of salary increases that have been given and will be given in future years may need to be taken out of the General Fund balance. The only way to reduce the impact of revenues not matching expenditures is reduction of staff, which the district has done where possible. The District did receive the Pre-School grant for the 2010-11 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.

State and regional economics and employment opportunities could have a big impact on our enrollment and state funding (Harris-Lake Park will have a \$83,230 cut in state aid for the 2010-2011 school year). The district will need to watch economic trends, enrollment trends and state funding carefully and make needed preparations and adjustments.

Economy

Due to an economic recession, the district is likely to see an impact on 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 \$290 per pupil cut in state funding (\$83,230) for the 2010-2011 school year. The projection for 2011-2012 school year is for 0% or 2% Allowable Growth. More reductions and cutting expenditures are likely in the future if enrollment doesn't continue to increase and allowable growth doesn't match increased expenditures. Regionally, several area industries are hiring and a positive farm economy have helped our enrollment increase by eleven students. Increased enrollment will allow the district to increase revenues.

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 and have cut the number of students served outside the district to one. This year the district had a positive special education balance of \$9,086.

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 small decline in Local Option Sales Tax revenues. During the 2010-2011 school year, the District is obligated to pay \$150,800 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 2.97% salary settlement was reached for 2010-11. No settlement for the 2011-2012 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, 2010

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and cash equivalents	1,578,049	27,149	1,605,198
Receivables:			
Property tax:			
Delinquent	48,124	-	48,124
Succeeding year	1,630,747	-	1,630,747
Accounts	1,014	-	1,014
Accrued interest	417	-	417
Due from other governments	118,412	-	118,412
Note receivable	330,462	-	330,462
Inventories	-	7,600	7,600
Capital assets, net of accumulated depreciation	7,094,023	13,895	7,107,918
Total assets	10,801,248	48,644	10,849,892
Liabilities			
Accounts payable	38,645	-	38,645
Accrued interest payable	25,041	-	25,041
Deferred revenue:			
Succeeding year property tax	1,630,747	-	1,630,747
Other	6,732	2,640	9,372
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	190,000	-	190,000
Revenue bonds payable	145,000	-	145,000
Portion due after one year:			
General obligation bonds payable	2,785,000	-	2,785,000
Net OPEB liability	7,621	-	7,621
Total liabilities	4,828,786	2,640	4,831,426
Net assets			
Invested in capital assets, net of related debt	3,974,023	13,895	3,987,918
Restricted for:			
Categorical funding	134,973	-	134,973
Management levy	90,686	-	90,686
Physical plant and equipment levy	524,937	-	524,937
Other special revenue purposes	92,755	-	92,755
Sales tax capital projects	307,296	-	307,296
Debt service	81,823	-	81,823
Unrestricted	765,969	32,109	798,078
Total net assets	5,972,462	46,004	6,018,466

HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2010

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	1,351,195	218,551	441,605	-
Special	250,535	55,460	103,335	-
Other	301,158	119,414	42,660	-
	<u>1,902,888</u>	<u>393,425</u>	<u>587,600</u>	<u>-</u>
Support services:				
Student	13,520	-	-	-
Instructional staff	77,198	-	-	-
Administration	359,086	-	-	-
Operation and maintenance of plant	367,184	335	-	-
Transportation	88,139	-	894	-
	<u>905,127</u>	<u>335</u>	<u>894</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	46,911	-	-	1,000
Long-term debt interest	147,069	-	4,449	-
AEA flowthrough	113,338	-	113,338	-
Depreciation (unallocated)*	185,801	-	-	-
	<u>493,119</u>	<u>-</u>	<u>117,787</u>	<u>1,000</u>
Total governmental activities	3,301,134	393,760	706,281	1,000
Business type activities:				
Non-instructional programs:				
Food service operations	144,414	79,713	77,392	-
Total	<u>3,445,548</u>	<u>473,473</u>	<u>783,673</u>	<u>1,000</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

Change in net assets

Net assets beginning of year

Net assets end of year

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

Net (Expense) Revenue and Changes in Net
Assets

Governmental Activities	Business Type Activities	Total
\$	\$	\$
(691,039)	-	(691,039)
(91,740)	-	(91,740)
(139,084)	-	(139,084)
<u>(921,863)</u>	<u>-</u>	<u>(921,863)</u>
(13,520)	-	(13,520)
(77,198)	-	(77,198)
(359,086)	-	(359,086)
(366,849)	-	(366,849)
(87,245)	-	(87,245)
<u>(903,898)</u>	<u>-</u>	<u>(903,898)</u>
(45,911)	-	(45,911)
(142,620)	-	(142,620)
-	-	-
(185,801)	-	(185,801)
<u>(374,332)</u>	<u>-</u>	<u>(374,332)</u>
(2,200,093)	-	(2,200,093)
<u>-</u>	<u>12,691</u>	<u>12,691</u>
<u>(2,200,093)</u>	<u>12,691</u>	<u>(2,187,402)</u>
1,305,653	-	1,305,653
280,016	-	280,016
45,408	-	45,408
292,136	-	292,136
588,238	-	588,238
64,235	601	64,836
6,186	-	6,186
<u>2,581,872</u>	<u>601</u>	<u>2,582,473</u>
381,779	13,292	395,071
<u>5,590,683</u>	<u>32,712</u>	<u>5,623,395</u>
<u>5,972,462</u>	<u>46,004</u>	<u>6,018,466</u>

HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2010

	General Fund	Debt Service	Physical Plant and Equipment Levy	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
Assets					
Cash and pooled investments	866,495	99,057	193,170	419,327	1,578,049
Receivables:					
Property tax:					
Delinquent	34,794	7,807	1,305	4,218	48,124
Succeeding year	1,198,693	283,044	49,010	100,000	1,630,747
Accounts	1,014	-	-	-	1,014
Accrued interest	375	-	-	42	417
Interfund receivable	19,708	-	-	5,712	25,420
Due from other governments	33,063	-	-	65,641	98,704
Note receivable	-	-	330,462	-	330,462
Total assets	2,154,142	389,908	573,947	594,940	3,712,937
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	34,442	-	-	4,203	38,645
Interfund payable	5,712	-	-	-	5,712
Deferred revenue:					
Succeeding year property tax	1,198,693	283,044	49,010	100,000	1,630,747
Other	6,732	-	330,462	-	337,194
Total liabilities	1,245,579	283,044	379,472	104,203	2,012,298
Fund balances:					
Reserved for:					
Categorical funding	134,973	-	-	-	134,973
Debt service	-	106,864	-	-	106,864
Unreserved reported in:					
General fund	773,590	-	-	-	773,590
Special revenue funds	-	-	194,475	183,441	377,916
Capital projects funds	-	-	-	307,296	307,296
Total fund balances	908,563	106,864	194,475	490,737	1,700,639
Total liabilities and fund balances	2,154,142	389,908	573,947	594,940	3,712,937

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

June 30, 2010

	\$
Total fund balances of governmental funds (Exhibit C)	1,700,639
 <i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	7,094,023
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	330,462
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.	(25,041)
Long-term liabilities, including general obligation bonds payable, revenue bonds payable and other post employment benefits payable, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(3,127,621)</u>
Net assets of governmental activities (Exhibit A)	<u><u>5,972,462</u></u>

HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2010

	General Fund	Debt Service	Physical Plant and Equipment Levy	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	1,207,148	280,016	45,408	382,485	1,915,057
Tuition	241,135	-	-	-	241,135
Other	68,307	4,449	30,141	138,098	240,995
State sources	974,041	-	-	8,156	982,197
Federal sources	316,029	-	-	-	316,029
Total revenues	<u>2,806,660</u>	<u>284,465</u>	<u>75,549</u>	<u>528,739</u>	<u>3,695,413</u>
Expenditures:					
Current:					
Instruction:					
Regular	1,333,569	-	-	-	1,333,569
Special	249,541	-	-	-	249,541
Other	200,581	-	-	91,505	292,086
	<u>1,783,691</u>	<u>-</u>	<u>-</u>	<u>91,505</u>	<u>1,875,196</u>
Support services:					
Student	12,195	-	-	-	12,195
Instructional staff	77,198	-	-	-	77,198
Administration	352,020	700	-	3,949	356,669
Operation and maintenance of plant	312,163	-	2,042	51,985	366,190
Transportation	67,818	-	-	-	67,818
	<u>821,394</u>	<u>700</u>	<u>2,042</u>	<u>55,934</u>	<u>880,070</u>
Other expenditures:					
Facilities acquisition	-	-	1,529	85,505	87,034
Long-term debt:					
Principal	-	320,000	-	-	320,000
Interest and fiscal charges	-	150,994	-	-	150,994
AEA flowthrough	113,338	-	-	-	113,338
	<u>113,338</u>	<u>470,994</u>	<u>1,529</u>	<u>85,505</u>	<u>671,366</u>
Total expenditures	<u>2,718,423</u>	<u>471,694</u>	<u>3,571</u>	<u>232,944</u>	<u>3,426,632</u>
Excess (deficiency) of revenues over (under) expenditures	<u>88,237</u>	<u>(187,229)</u>	<u>71,978</u>	<u>295,795</u>	<u>268,781</u>
Other financing sources (uses):					
Sale of real property - principal received	-	-	19,059	-	19,059
Operating transfers in	-	191,550	-	-	191,550
Operating transfers out	-	-	(40,000)	(151,550)	(191,550)
Total other financing sources (uses)	<u>-</u>	<u>191,550</u>	<u>(20,941)</u>	<u>(151,550)</u>	<u>19,059</u>
Net change in fund balances	88,237	4,321	51,037	144,245	287,840
Fund balances beginning of year	<u>820,326</u>	<u>102,543</u>	<u>143,438</u>	<u>346,492</u>	<u>1,412,799</u>
Fund balances end of year	<u>908,563</u>	<u>106,864</u>	<u>194,475</u>	<u>490,737</u>	<u>1,700,639</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, 2010

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		287,840
 <i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
 Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense exceeded capital outlay expenditures in the current year, as follows:		
Expenditures for capital assets	40,123	
Depreciation expense	<u>(230,929)</u>	(190,806)
 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.		
		(12,500)
 Receipts from payment of principal on a note receivable are reported as revenues in the governmental funds, but the payments reduce notes receivable in the Statement of Net Assets.		
		(19,059)
 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.		
		320,000
 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.		
		3,925
 Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Other postemployment benefits		<u>(7,621)</u>
Changes in net assets of governmental activities (Exhibit B)		<u><u>381,779</u></u>

HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Fund

June 30, 2010

	Nonmajor School Nutrition
	<u>\$</u>
Assets	
Cash and cash equivalents	27,149
Inventories	7,600
Capital assets, net of accumulated depreciation	<u>13,895</u>
Total assets	<u>48,644</u>
Liabilities	
Deferred revenue	<u>2,640</u>
Net assets	
Invested in capital assets	13,895
Unrestricted	<u>32,109</u>
Total net assets	<u><u>46,004</u></u>

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

Year ended June 30, 2010

	Nonmajor School Nutrition <u> </u> \$
Operating revenue:	
Local sources:	
Charges for service	<u>79,713</u>
Operating expenses:	
Non-instructional programs:	
Salaries	42,446
Benefits	6,008
Purchased services	2,985
Supplies	90,620
Depreciation	<u>2,355</u>
Total operating expenses	<u>144,414</u>
Operating gain (loss)	<u>(64,701)</u>
Non-operating revenues:	
State sources	1,746
Federal sources	75,646
Interest income	<u>601</u>
Total non-operating revenues	<u>77,993</u>
Change in net assets	13,292
Net assets beginning of year	<u>32,712</u>
Net assets end of year	<u><u>46,004</u></u>

HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2010

	Nonmajor School Nutrition
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	80,137
Cash payments to employees for services	(48,454)
Cash payments to suppliers for goods or services	(83,347)
Net cash used by operating activities	<u>(51,664)</u>
Cash flows from non-capital financing activities:	
State grants received	1,746
Federal grants received	62,872
Net cash provided by non-capital financing activities	<u>64,618</u>
Cash flows from capital and related financing activities	<u>-</u>
Cash flows from investing activities:	
Interest on investments	<u>601</u>
Net increase (decrease) in cash and cash equivalents	13,555
Cash and cash equivalents at beginning of year	<u>13,594</u>
Cash and cash equivalents at end of year	<u><u>27,149</u></u>
Reconciliation of operating gain (loss) to net cash used by operating activities:	
Operating gain (loss)	(64,701)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:	
Commodities used	12,774
Depreciation	2,355
Decrease (increase) in inventories	(2,516)
(Decrease) increase in deferred revenue	424
Net cash used by operating activities	<u><u>(51,664)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2010, the District received \$12,774 of federal commodities.

HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Fund

June 30, 2010

	Private Purpose Trust Scholarship <u> </u> \$	<u> </u> Agency <u> </u> \$
Assets		
Cash and pooled investments	6,185	-
Due from other governments	<u> </u> -	<u> </u> 19,708
Total Assets	6,185	19,708
Liabilities		
Interfund payable to General Fund	<u> </u> -	<u> </u> 19,708
Net Assets		
Reserved for scholarships	<u> </u> <u> </u> 6,185	<u> </u> <u> </u> -

HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
Fiduciary Fund

Year ended June 30, 2010

	Private Purpose Trust Scholarship <u>\$</u>
Additions:	
Local sources:	
Gifts and contributions	2,450
Deductions:	
Support services:	
Scholarships awarded	<u>2,550</u>
Change in net assets	(100)
Net assets beginning of year	<u>6,285</u>
Net assets end of year	<u><u>6,185</u></u>

HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2010

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.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations, and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

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, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2009.

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

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

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

<u>Asset Class</u>	<u>Amount</u>
	\$
Land	-
Buildings	2,000
Improvements other than buildings	2,000
Intangibles	10,000
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
Intangibles	5-20 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.

2. **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2010 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, 2010 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
		\$
General Fund	Agency Fund	19,708
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, 2010 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
		\$
Debt Service Fund	Nonmajor Capital Projects Fund	151,550
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:

28E Agreement Dated May 2003			
Year Ending June 30,	Principal	Interest	Total
	\$	\$	\$
2011	15,149	24,851	40,000
2012	16,324	23,676	40,000
2013	17,590	22,410	40,000
2014	18,954	21,046	40,000
2015	20,424	19,576	40,000
2016-2023	232,021	87,979	320,000
	<u>320,462</u>	<u>199,538</u>	<u>520,000</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 February 28, 2008			
Year Ending June 30,	Principal	Interest	Total
	\$	\$	\$
2011	5,000	-	5,000
2012	5,000	-	5,000
	<u>10,000</u>	<u>-</u>	<u>10,000</u>

6. Capital Assets

Capital assets activity for the year ended June 30, 2010 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Land	58,075	-	-	58,075
Capital assets being depreciated:				
Buildings	8,478,198	14,983	-	8,493,181
Improvements other than buildings	280,603	7,817	-	288,420
Furniture and equipment	945,381	17,323	67,724	894,980
Intangible assets	16,450	-	-	16,450
Total capital assets being deprec.	9,720,632	40,123	67,724	9,693,031
Less accumulated depreciation for:				
Buildings	1,776,661	169,551	-	1,946,212
Improvements other than buildings	57,018	16,250	-	73,268
Furniture and equipment	658,554	41,838	67,724	632,668
Intangible assets	1,645	3,290	-	4,935
Total accumulated depreciation	2,493,878	230,929	67,724	2,657,083

Total capital assets being depreciated, net	<u>7,226,754</u>	<u>(190,806)</u>	<u>-</u>	<u>7,035,948</u>
Governmental activities capital assets, net	<u>7,284,829</u>	<u>(190,806)</u>	<u>-</u>	<u>7,094,023</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Business type activities:				
Furniture and equipment	63,259	-	-	63,259
Less accumulated depreciation	<u>47,009</u>	<u>2,355</u>	<u>-</u>	<u>49,364</u>
Business type activities capital assets, net	<u>16,250</u>	<u>(2,355)</u>	<u>-</u>	<u>13,895</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	12,655
Other	9,072
Support services:	
Administration services	2,086
Operation and maintenance of plant services	994
Transportation	<u>20,321</u>
	45,128
Unallocated depreciation	<u>185,801</u>
Total depreciation expense – governmental activities	<u>230,929</u>
Business type activities:	
Food services	<u>2,355</u>

7. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2010, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Governmental activities:					
General obligation bonds	3,155,000	-	180,000	2,975,000	190,000
Sales tax revenue bonds	285,000	-	140,000	145,000	145,000
Net OPEB liability	<u>-</u>	<u>7,621</u>	<u>-</u>	<u>7,621</u>	<u>-</u>
Total	<u>3,440,000</u>	<u>7,621</u>	<u>320,000</u>	<u>3,127,621</u>	<u>335,000</u>

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

General Obligation Bonds Payable

Details of the District's June 30, 2010 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of September 2002			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2011	4.000	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	4.500	230,000	98,718	328,718
2016-2020	4.500-4.625	1,310,000	329,116	1,639,116
2021-2022	4.700-4.750	615,000	44,024	659,024
		<u>2,975,000</u>	<u>955,008</u>	<u>3,930,008</u>

Revenue Bonds Payable

Details of the District's June 30, 2010 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of September 2002			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2011	4.000	<u>145,000</u>	<u>5,800</u>	<u>150,800</u>

The District has pledged future statewide sales, services and use 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, services and use 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, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$150,800. For the current year, \$151,400 of principal and interest were paid on the bonds and total statewide sales, services and use tax revenues were \$292,136.

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

- All proceeds from the statewide sales, services and use tax shall be placed in a Revenue Fund.
- Monies in the Revenue Fund shall be disbursed to make deposits into a Sinking Fund to pay the principal and interest requirements of the revenue bonds for the fiscal year. The required

amount to be deposited in the Sinking Fund in any month shall be an amount equal to 1/6th of the installment of interest coming due on the next interest payment date on the then outstanding bonds, plus 1/12th of the installment of principal coming due on such bonds on the next succeeding principal payment date. Money in the Sinking Fund shall be used solely for the purpose of paying principal and interest on the revenue bonds. The Sinking Fund is part of the District's Debt Service Fund.

- Any monies remaining in the Revenue Fund, after the required transfer to the Sinking Fund, may be transferred to the Project Fund to be used for any lawful purpose.

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 4.30% of their annual covered salary and the District is required to contribute 6.65% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2010, 2009, and 2008 were \$117,067, \$109,338 and \$96,939 respectively, equal to the required contributions for each year.

9. Other Postemployment Benefits (OPEB)

The District implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pensions during the year ended June 30, 2010.

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 23 active and 0 retired members in the plan. Participants must be age 55 or older at retirement.

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

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

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

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2010, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

	\$
Annual required contribution	7,621
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	<u>7,621</u>
Contributions made	-
Increase in net OPEB obligation	<u>7,621</u>
Net OPEB obligation beginning of year	-
Net OPEB obligation end of year	<u><u>7,621</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

For the year ended June 30, 2010, the District contributed \$0 to the medical plan. Plan members eligible for benefits contributed \$0, or 0% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2010 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u> \$	<u>Percentage of Annual OPEB Cost Contributed</u> %	<u>Net OPEB Obligation</u> \$
June 30, 2010	7,621	0	7,621

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$73,737, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$73,737. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$919,519, and the ratio of the UAAL to covered payroll was 8.0%. As of June 30, 2010, there were no trust fund assets.

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

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

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

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

10. 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.

11. 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 \$113,338 for the year ended June 30, 2010 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

12. Lease Commitment

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

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

13. Categorical Funding

The District's reserved fund balance for categorical funding at June 30, 2010 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
	\$
Returning dropout and dropout prevention program	129,741
Educator quality, professional development	<u>5,232</u>
	<u>134,973</u>

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, 2010

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	2,397,187	80,314	2,477,501	2,766,216	2,766,216	(288,715)
State sources	982,197	1,746	983,943	1,330,913	1,330,913	(346,970)
Federal sources	316,029	75,646	391,675	298,000	298,000	93,675
Total revenues:	<u>3,695,413</u>	<u>157,706</u>	<u>3,853,119</u>	<u>4,395,129</u>	<u>4,395,129</u>	<u>(542,010)</u>
Expenditures/Expenses:						
Instruction	1,875,196	-	1,875,196	2,243,271	2,243,271	368,075
Support services	880,070	-	880,070	1,525,274	1,525,274	645,204
Non-instructional programs	-	144,414	144,414	209,853	209,853	65,439
Other expenditures	671,366	-	671,366	752,585	852,585	181,219
Total expenditures/expenses:	<u>3,426,632</u>	<u>144,414</u>	<u>3,571,046</u>	<u>4,730,983</u>	<u>4,830,983</u>	<u>1,259,937</u>
Deficiency of revenues under expenditures/expenses	268,781	13,292	282,073	(335,854)	(435,854)	717,927
Other financing sources (uses) net	<u>19,059</u>	<u>-</u>	<u>19,059</u>	<u>-</u>	<u>-</u>	<u>19,059</u>
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures/expenses	287,840	13,292	301,132	(335,854)	(435,854)	736,986
Balance beginning of year	<u>1,412,799</u>	<u>32,712</u>	<u>1,445,511</u>	<u>1,104,404</u>	<u>1,104,404</u>	<u>341,107</u>
Balance end of year	<u><u>1,700,639</u></u>	<u><u>46,004</u></u>	<u><u>1,746,643</u></u>	<u><u>768,550</u></u>	<u><u>668,550</u></u>	<u><u>1,078,093</u></u>

HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2010

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 \$100,000.

HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

Schedule of Funding Progress for the Retiree Health Plan

Required Supplementary Information

Actuarial Valuation Date	Actuarial Value of Assets (a) \$	Actuarial Accrued Liability (AAL) (b) \$	Unfunded AAL (UAAL) (b-a) \$	Funded Ratio (a/b) %	Covered Payroll (c) \$	UAAL as a Percentage of Covered Payroll ((b-a)/c) %
July 1, 2009	-	73,737	73,737	0.0%	919,519	8.0%

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2010

Assets	Special Revenue Funds			Total
	Management	Student	Capital	
	Levy	Activity Fund	Projects Fund	
	\$	\$	\$	\$
Cash and pooled investments	82,762	92,975	243,590	419,327
Receivables:				
Property tax:				
Delinquent	4,218	-	-	4,218
Succeeding year	100,000	-	-	100,000
Accrued interest	-	42	-	42
Interfund receivable	5,712	-	-	5,712
Due from other governments	-	-	65,641	65,641
Total assets	192,692	93,017	309,231	594,940
Liabilities & Fund Balances				
Liabilities:				
Accounts payable	2,006	262	1,935	4,203
Deferred revenue:				
Succeeding year property tax	100,000	-	-	100,000
Total liabilities	102,006	262	1,935	104,203
Fund balances:				
Unreserved reported in:				
Special revenue funds	90,686	92,755	-	183,441
Capital projects funds	-	-	307,296	307,296
Total fund balances	90,686	92,755	307,296	490,737
Total liabilities and fund balances	192,692	93,017	309,231	594,940

HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2010

	<u>Special Revenue Funds</u>			Total
	Management	Student	Capital	
	Levy	Activity Fund	Projects Fund	
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	98,505	-	283,980	382,485
Other	7,222	111,807	19,069	138,098
State sources	-	-	8,156	8,156
Total revenues	<u>105,727</u>	<u>111,807</u>	<u>311,205</u>	<u>528,739</u>
Expenditures:				
Current:				
Instruction:				
Other	-	91,505	-	91,505
Support services:				
Administration	3,949	-	-	3,949
Operation and maintenance of plant	51,985	-	-	51,985
Other expenditures:				
Facilities acquisition	-	-	85,505	85,505
Total expenditures	<u>55,934</u>	<u>91,505</u>	<u>85,505</u>	<u>232,944</u>
Excess (deficiency) of revenues over (under) expenditures	<u>49,793</u>	<u>20,302</u>	<u>225,700</u>	<u>295,795</u>
Other financing sources (uses):				
Operating transfers out	-	-	(151,550)	(151,550)
Net change in fund balances	49,793	20,302	74,150	144,245
Fund balances beginning of year	<u>40,893</u>	<u>72,453</u>	<u>233,146</u>	<u>346,492</u>
Fund balances end of year	<u><u>90,686</u></u>	<u><u>92,755</u></u>	<u><u>307,296</u></u>	<u><u>490,737</u></u>

HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2010

<u>Account</u>	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
Vocal music	2,585	5,424	4,539	3,470
Instrumental music	847	464	590	721
Co-ed athletics	1,621	3,455	1,160	3,916
Boys & girls golf	246	834	477	603
Boys basketball	8,630	7,953	5,567	11,016
Football	6,695	5,789	4,500	7,984
Baseball	1,862	5,805	5,297	2,370
Wrestling	186	-	-	186
Girls basketball	5,548	6,355	5,892	6,011
Volleyball	1,090	9,890	8,639	2,341
Softball	285	3,299	3,353	231
Cheerleading	1,334	2,213	2,706	841
Junior class concessions	1,343	12,713	11,571	2,485
FFA	15,299	21,876	17,173	20,002
Hosa	940	527	102	1,365
Class of 2015	-	54	-	54
Class of 2014	111	101	-	212
Class of 2013	228	61	-	289
Class of 2012	186	100	-	286
Class of 2011	342	6,456	4,053	2,745
Class of 2010	2,046	270	433	1,883
Class of 2009	1,827	-	80	1,747
Class of 2008	2,284	-	-	2,284
Class of 2007	1,442	-	-	1,442
Class of 2006	152	-	-	152
Student council	663	9,695	2,528	7,830
Peer helper	9	-	-	9
Spanish club	50	-	-	50
Middle school	2,618	536	5,988	(2,834)
Athletic activity account	924	367	-	1,291
Weight room	11,060	7,570	6,857	11,773
Total	72,453	111,807	91,505	92,755

HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Fiduciary Assets and Liabilities
Agency Fund

Year ended June 30, 2010

	<u>Carl Perkins Consortium</u> \$
Balance beginning of year	(27,092)
Additions:	
Carl Perkins receipts	55,645
Deductions:	
Carl Perkins payments to member schools	<u>48,261</u>
Balance end of year	<u><u>(19,708)</u></u>

HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

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

For the Last Seven Years

	Modified Accrual Basis						
	2010	2009	2008	2007	2006	2005	2004
	\$	\$	\$	\$	\$	\$	\$
Revenues:							
Local sources:							
Local tax	1,915,057	1,902,821	1,827,388	1,765,637	1,720,672	1,772,649	1,797,475
Tuition	241,135	231,766	297,860	246,744	188,446	191,571	164,820
Other	240,995	218,820	294,599	348,667	270,008	244,187	399,534
State sources	982,197	1,230,968	1,124,349	1,115,535	992,827	983,330	1,963,658
Federal sources	316,029	134,275	63,446	134,540	125,222	190,854	147,030
Total revenues	<u>3,695,413</u>	<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	1,333,569	1,255,318	1,165,897	1,141,716	1,135,140	1,163,857	1,030,966
Special	249,541	338,754	331,448	289,047	282,026	358,362	355,373
Other	292,086	320,667	376,356	298,308	296,494	238,589	193,736
Support services:							
Student	12,195	1,407	-	8,431	6,098	46,127	66,877
Instructional staff	77,198	95,377	86,490	95,728	100,261	118,289	106,434
Administration	356,669	349,687	266,805	395,395	421,278	397,760	336,327
Operation and maintenance	366,190	369,022	374,310	333,776	385,895	369,866	232,002
Transportation	67,818	74,648	84,352	68,976	115,179	58,753	75,461
Other expenditures:							
Facilities acquisition	87,034	222,045	88,805	225,836	136,540	423,615	6,188,543
Long-term debt:							
Principal	320,000	305,000	290,000	325,848	310,217	345,435	180,000
Interest and other charges	150,994	162,919	173,694	184,909	196,221	207,942	338,898
AEA flowthrough	113,338	102,407	98,503	96,567	93,094	92,089	94,118
Total expenditures	<u>3,426,632</u>	<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>

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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, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 4, 2011. 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 an 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings and Responses as items 10-I-A and 10-I-B to be 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 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, 2010 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, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of 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 4, 2011

HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2010

Part I: Findings Related to the Financial Statements:

Internal Control Deficiencies:

10-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.

10-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, 2010

Part II: Other Findings Related To Statutory Reporting:

10-II-A Certified Budget: Expenditures for the year ended June 30, 2010 did not exceed the amounts budgeted.

10-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.

10-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.

10-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>
		\$
Mike Bosma, board member	Athletic official	460

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

10-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.

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

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

10-II-H Supplementary Weighting: No variances regarding supplementary weighting certified to the Department of Education were noted.

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

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

10-II-K Categorical Funding: No instances were noted of categorical funding being used to supplant rather than supplement other funds.

HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2010

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

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

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax. For the year ended June 30, 2010, the District's financial activity and other required information for the statewide sales, services and use tax revenue are as follows:

	\$	\$
Beginning balance		147,808
Statewide sales, services and use tax revenue		292,136
Interest income		5,569
Donations		1,000
Expenditures/transfers out:		
School infrastructure:		
Buildings and building improvements	84,390	
Debt service for school infrastructure:		
Revenue debt	<u>151,550</u>	<u>235,940</u>
Ending balance		<u>210,573</u>

The statewide sales, services and use tax revenue received during the year ended June 30, 2010 is equivalent to a reduction in the following levies:

	Per \$1,000 of Taxable Valuation	Property Tax Dollars
	\$	\$
Debt service Levy	1.10342	151,550
Physical plant and equipment levy	1.02359	140,586