

HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

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

June 30, 2011

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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, 2011, 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, 2011, 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 9, 2012, 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 seven years ended June 30, 2010, (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 7, 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 9, 2012

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Harris-Lake Park Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### 2011 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$2,806,660 in fiscal 2010 to \$2,976,606 in fiscal 2011, as General Fund expenditures increased from \$2,718,423 in fiscal 2010 to 2,924,041 in fiscal 2011. The District's General Fund balance increased from \$908,563 in fiscal 2010 to \$961,128 in fiscal 2011, an increase of \$52,565.
- The increase in General Fund revenues was attributable to an increase in state and federal grant revenue. The increase in expenditures was due primarily to an increase in negotiated salaries and benefits.

### USING THIS ANNUAL REPORT

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

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

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

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

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

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

Other Supplementary Information provides detailed information about the nonmajor funds.

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

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

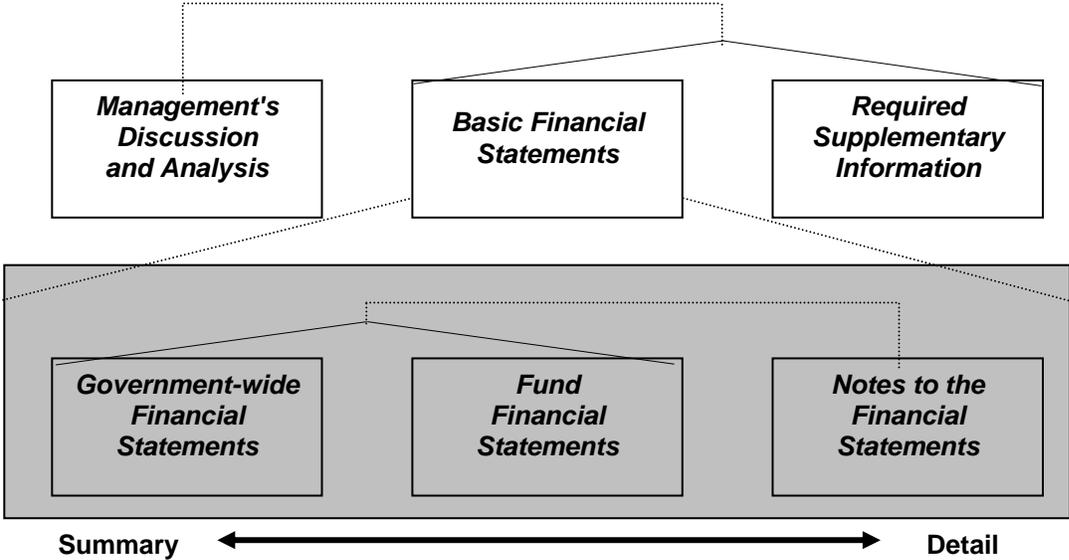


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

## REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

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

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

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

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

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

### *Fund Financial Statements*

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

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

The District has three kinds of funds:

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

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

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

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

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

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Funds – These are funds through which the district administers and accounts for certain monies behalf of other entities.

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2011 compared to June 30, 2010

### Harris-Lake Park School Condensed Statement of Net Assets FY 10-11

	Governmental Activities		Business-type Activities		Total School District		Total Percentage Change
	2010	2011	2010	2011	2010	2011	2010-11
Current and other assets	\$3,707,225	\$6,585,107	\$34,749	\$48,200	\$3,741,974	\$6,633,307	77.27%
Capital assets	-	\$6,998,289	\$13,895	\$53,983	\$7,107,918	\$7,052,272	-0.78%
<b>Total Assets</b>	<b>\$10,801,248</b>	<b>\$13,583,396</b>	<b>\$48,644</b>	<b>\$102,183</b>	<b>\$10,849,892</b>	<b>\$13,685,579</b>	<b>26.14%</b>
Long-term debt outstanding	\$2,792,621	\$2,710,456	-	-	\$2,792,621	\$2,710,456	-2.94%
Other liabilities	\$2,036,165	\$4,526,755	\$2,640	\$2,230	\$2,038,805	\$4,528,985	122.14%
<b>Total liabilities</b>	<b>\$4,828,786</b>	<b>\$7,237,211</b>	<b>\$2,640</b>	<b>\$2,230</b>	<b>\$4,831,426</b>	<b>\$7,239,441</b>	<b>49.84%</b>
Net Assets							
Invested in capital assets, net of related debt	\$3,974,023	\$4,213,289	\$13,895	\$53,983	\$3,987,918	\$4,267,272	7.01%
Restricted	\$1,232,470	\$1,351,677	-	-	\$1,232,470	\$1,351,677	9.67%
Unrestricted	\$765,969	\$781,219	\$32,109	\$45,970	\$798,078	\$827,189	3.65%
<b>TOTAL NET ASSETS</b>	<b>\$5,972,462</b>	<b>\$6,346,185</b>	<b>\$46,004</b>	<b>\$99,953</b>	<b>\$6,018,466</b>	<b>\$6,446,138</b>	<b>7.11%</b>

The large increase in current and other assets and in other liabilities is due to a crossover bond refunding issue. The District issued \$2,695,000 of refunding bonds in March 2011. The bond proceeds will be used to early retire the old bonds in the upcoming year. The bonds that will be paid early are included in the other liabilities line above.

The District's combined net assets increased by 7.11%, or approximately \$427,672 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 \$119,207 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 \$29,111, or 3.65%. 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, 2011 and 2010

Harris-Lake Park School Changes in Net Assets FY 10-11

	Governmental Activities 2011	Governmental Activities 2010	Business-Type Activities 2011	Business-Type Activities 2010	Total School District 2011	Total School District 2010	Percentage Change 2010-2011
<b>Revenues</b>							
Program Revenues							
Charges for services	\$ 429,027	\$ 393,760	\$ 88,233	\$ 79,713	\$ 517,260	\$ 473,473	9.25%
Operating Grants & Contrib & Restricted Interest	\$ 717,114	\$ 706,281	\$ 74,087	\$ 77,392	\$ 791,201	\$ 783,673	0.96%
Capital Grants & Contrib and Restricted Interest	\$ 10,226	\$ 1,000	\$ -	\$ -	\$ 10,226	\$ 1,000	922.60%
General Revenues							
Property taxes & other taxes	\$ 2,058,872	\$ 1,923,213	\$ -	\$ -	\$ 2,058,872	\$ 1,923,213	7.05%
Unrestricted State Grants	\$ 732,905	\$ 588,238	\$ -	\$ -	\$ 732,905	\$ 588,238	24.59%
Other	\$ 67,680	\$ 70,421	\$ 766	\$ 601	\$ 68,446	\$ 71,022	-3.63%
<b>Total Revenues</b>	<b>\$ 4,015,824</b>	<b>\$ 3,682,913</b>	<b>\$ 163,086</b>	<b>\$ 157,706</b>	<b>\$ 4,178,910</b>	<b>\$ 3,840,619</b>	<b>8.81%</b>
<b>Expenses</b>							
Instruction	\$ 2,006,714	\$ 1,902,888	\$ -	\$ -	\$ 2,006,714	\$ 1,902,888	5.46%
Pupil & Instructional Svcs	\$ 120,687	\$ 90,718	\$ -	\$ -	\$ 120,687	\$ 90,718	33.04%
Administrative & Business	\$ 444,580	\$ 359,086	\$ -	\$ -	\$ 444,580	\$ 359,086	23.81%
Maintenance & Operations	\$ 377,620	\$ 367,184	\$ -	\$ -	\$ 377,620	\$ 367,184	2.84%
Transportation	\$ 103,530	\$ 88,139	\$ -	\$ -	\$ 103,530	\$ 88,139	17.46%
Other	\$ 546,528	\$ 493,119	\$ 151,579	\$ 144,414	\$ 698,107	\$ 637,533	9.50%
<b>Total Expenses</b>	<b>\$ 3,599,659</b>	<b>\$ 3,301,134</b>	<b>\$ 151,579</b>	<b>\$ 144,414</b>	<b>\$ 3,751,238</b>	<b>\$ 3,445,548</b>	<b>8.87%</b>
Transfers In (Out)	(42,442)		42,442				
<b>Increase in net assets</b>	<b>\$ 373,723</b>	<b>\$ 381,779</b>	<b>\$ 53,949</b>	<b>\$ 13,292</b>	<b>\$ 427,672</b>	<b>\$ 395,071</b>	<b>8.25%</b>

Property tax and unrestricted state grants account for 67% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 81% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$4,015,824 and expenses were \$3,599,659. In this budget year, the District was able to balance the budget by trimming expenses to match available revenues.

Expenditures increased in all areas, but most significantly in the area of pupil and instructional services. Revenues increased in the area of unrestricted state grants. This shows the impact of state aid that was cut 10% in fiscal year 2010.

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 10-11

	Total Cost of Services 2010	Total Cost of Services 2011	Net Cost of Services 2010	Net Cost of Services 2011
Instruction	\$ 1,902,888	\$ 2,006,714	\$ 921,863	\$ 983,677
Pupil & Instructional Svcs	\$ 90,718	\$ 120,687	\$ 90,718	\$ 120,687
Administrative & Business	\$ 359,086	\$ 444,580	\$ 359,086	\$ 444,580
Maintenance & Operations	\$ 367,184	\$ 377,620	\$ 366,849	\$ 377,070
Transportation	\$ 88,139	\$ 103,530	\$ 87,245	\$ 103,319
Other	\$ 493,119	\$ 546,528	\$ 374,332	\$ 413,959
<b>TOTAL</b>	<b>\$ 3,301,134</b>	<b>\$ 3,599,659</b>	<b>\$ 2,200,093</b>	<b>\$ 2,443,292</b>

- The cost financed by users of the District's programs was \$429,027.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$717,114.
- The net cost of governmental activities was financed with \$2,058,872 in property and other taxes and \$732,905 in unrestricted state grants.

#### Business Type Activities

Revenues for business type activities were \$162,320 and expenses were \$151,579. 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 \$4,563,364 increased from last year's ending fund balances of \$1,700,639. This large increase is due to \$2.6m set aside with a fiscal agent to refund General Obligation Bonds.

#### 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 \$908,563 to \$961,128, due in part to the increased revenue from Medicaid and decreasing all non-salary line items.
- The Capital Project Fund includes revenues from sales tax and from the physical plant and equipment property tax levy. These two revenue streams and the related expenditures are tracked separately in the District's accounting records, but are combined into one Capital Projects Fund for financial reporting. Balances remaining in the fund at year-end must be used for future capital improvements and equipment acquisitions.
- The Debt Service fund balance increased from \$106,864 at June 30, 2010 to \$2,688,840 at June 30, 2011. In March 2011 the District issued \$2,695,000 of crossover refunding bonds. These bond proceeds were still on hand at June 30, 2011 and will be used to repay \$2,585,000 of the bonds issued in 2002. Refinancing the bonds will save the district approximately \$236,000 of interest over the next 10 years.

#### Proprietary Fund Highlights

School Nutrition Fund net assets increased from \$46,004 at June 30, 2010 to \$99,953 at June 30, 2011. The district purchased some Food Service Equipment which increased the capital assets for the Nutrition Fund.

### **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. The district did not amend the certified budget this fiscal year.

Total expenditures are approximately \$1,409,241 dollars less than budgeted due primarily to the District's spending less than budgeted in the Instruction and Support Services areas. Total receipts are approximately \$163,273 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, 2011, the District had invested \$7,052,272, 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 .78% 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 \$238,488.

The original cost of the District's capital assets was \$9.8 million for governmental funds. Capital Assets totaling \$85,525 were accounted for in the Proprietary, School Nutrition Fund.

	Governmental		Business-type		Total		Total Percentage Change
	Activities		Activities		School District		
	2010	2011	2010	2011	2010	2011	
Land	\$ 58,075	\$ 58,075	\$ -	\$ -	\$ 58,075	\$ 58,075	0.00%
Construction in progress	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Buildings	\$ 6,546,969	\$ 6,420,532	\$ -	\$ -	\$ 6,546,969	\$ 6,420,532	-1.93%
Other Improvements	\$ 215,152	\$ 209,297	\$ -	\$ -	\$ 215,152	\$ 209,297	-2.72%
Equipment & Furniture	\$ 262,312	\$ 302,160	\$ 13,895	\$ 53,983	\$ 276,207	\$ 356,143	28.94%
Intangible Assets	\$ 11,515	\$ 8,225	\$ -	\$ -	\$ 11,515	\$ 8,225	
<b>TOTAL</b>	<b>\$ 7,094,023</b>	<b>\$ 6,998,289</b>	<b>\$ 13,895</b>	<b>\$ 53,983</b>	<b>\$ 7,107,918</b>	<b>\$ 7,052,272</b>	<b>-0.78%</b>

### Long-Term Debt

At June 30, 2011, the District had \$5,495,456 in general obligation and revenue bonds. This represents an increase of 75.71% from last year. The increase is due to the 2,695,000 G.O. Bond that will be refunded in

2012. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 7 to the financial statements.

The District continues to carry a bond rating of A1 assigned by national rating agencies to the District's debt since 2011.

The constitution of the State of Iowa limits the amount of debt school districts can issue to 5% of the assessed value of all taxable property within the district. The District's outstanding bonded and note indebtedness is significantly below its constitutional debt limit of approximately \$7.5 million.

<b>10-11 Long Term Liabilities</b>			
	<b>Total School District</b>		<b>Total Percentage</b>
	2010	2011	Change 2010-11
General Obligations Bonds	\$ 2,975,000	\$ 5,480,000	84.20%
Local Option Sales and Services Tax Revenue Bonds	\$ 145,000	\$ -	-100.00%
Net OPEB Liability	\$ 7,621	\$ 15,456	102.81%
<b>TOTAL</b>	<b>\$ 3,127,621</b>	<b>\$ 5,495,456</b>	<b>75.71%</b>

**ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

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

Enrollment

Although the Harris-Lake Park student enrollment is now stabilized, enrollment over the past ten years is down. Consequently, the Harris-Lake Park CSD has received very little new money over the last ten years. A stable to increased enrollment trend is projected for the next two fiscal years, however, that state has set allowable growth at 0% for 2011-12 and 2% for 2012-13. 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 has a certified Pre-School which allows the district to count pre-school students at .4 (down from .6) 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. One major employer in the area did shut down in 2011 and the state froze their aid to school districts while school district expenditures increased due to salary schedules and inflation. The district will need to watch economic trends, enrollment trends and state funding carefully and make needed preparations and adjustments to expenditures.

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 of the completion of the MD&A the district has already received notice that next year's allowable growth will be 2%. 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 agricultural economy have helped our enrollment increase by twelve 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 negative special education balance of \$5,643.

#### Local Option Sales and Service Tax

This is the first year the district is part of the state wide penny sales tax called the Local Option Sales Tax or SAVE. These revenues are estimated at \$161,557 for 2011-12. This revenue can be used for purchases described in the voter approved revenue purpose statement.

#### 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 several years of 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 and an economic climate in need of tax relief. A major concern exists that the Osceola County Supervisors may TIF the newest wind mill farm, taking a majority of the taxable valuation of the wind mill farm from the school district.

#### Negotiations

A 3.65% salary settlement was reached for 2011-12. No settlement for the 2012-2013 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, 2011

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
<b>Assets</b>			
Cash and cash equivalents	4,466,068	42,775	4,508,843
Receivables:			
Property tax:			
Delinquent	28,059	-	28,059
Succeeding year	1,658,264	-	1,658,264
Accounts	1,664	-	1,664
Due from other governments	120,739	-	120,739
Note receivable	310,313	-	310,313
Inventories	-	5,425	5,425
Capital assets, net of accumulated depreciation	6,998,289	53,983	7,052,272
<b>Total assets</b>	<b>13,583,396</b>	<b>102,183</b>	<b>13,685,579</b>
<b>Liabilities</b>			
Accounts payable	53,166	-	53,166
Accrued interest payable	30,325	-	30,325
Deferred revenue:			
Succeeding year property tax	1,658,264	-	1,658,264
Other	-	2,230	2,230
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	2,785,000	-	2,785,000
Portion due after one year:			
General obligation bonds payable	2,695,000	-	2,695,000
Net OPEB liability	15,456	-	15,456
<b>Total liabilities</b>	<b>7,237,211</b>	<b>2,230</b>	<b>7,239,441</b>
<b>Net assets</b>			
Invested in capital assets, net of related debt	4,213,289	53,983	4,267,272
Restricted for:			
Categorical funding	127,968	-	127,968
Management levy	235,865	-	235,865
Physical plant and equipment levy	398,225	-	398,225
Student activities	124,746	-	124,746
School infrastructure	464,873	-	464,873
Unrestricted	781,219	45,970	827,189
<b>Total net assets</b>	<b>6,346,185</b>	<b>99,953</b>	<b>6,446,138</b>

HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2011

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>		
		<b>Charges for Services</b>	<b>Operating Grants, Contributions and Restricted Interest</b>	<b>Capital Grants, Contributions and Restricted Interest</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Governmental activities:				
Instruction:				
Regular	1,403,999	311,999	414,325	-
Special	336,301	-	140,615	-
Other	266,414	116,478	39,620	-
	<u>2,006,714</u>	<u>428,477</u>	<u>594,560</u>	<u>-</u>
Support services:				
Student	19,316	-	-	-
Instructional staff	101,371	-	-	-
Administration	444,580	-	-	-
Operation and maintenance of plant	377,620	550	-	-
Transportation	103,530	-	211	-
	<u>1,046,417</u>	<u>550</u>	<u>211</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	88,155	-	-	10,226
Long-term debt interest	153,379	-	5,652	-
AEA flowthrough	116,691	-	116,691	-
Depreciation (unallocated)*	188,303	-	-	-
	<u>546,528</u>	<u>-</u>	<u>122,343</u>	<u>10,226</u>
Total governmental activities	3,599,659	429,027	717,114	10,226
Business type activities:				
Non-instructional programs:				
Food service operations	151,579	88,233	74,087	-
Total business type activities	<u>3,751,238</u>	<u>517,260</u>	<u>791,201</u>	<u>10,226</u>
<b>General Revenues:</b>				
Property taxes levied for:				
General purposes				
Debt service				
Capital outlay				
Statewide sales, services and use tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				
Transfers				
Total general revenues and transfers				
<b>Change in net assets</b>				
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
\$	\$	\$
(677,675)	-	(677,675)
(195,686)	-	(195,686)
(110,316)	-	(110,316)
(983,677)	-	(983,677)
(19,316)	-	(19,316)
(101,371)	-	(101,371)
(444,580)	-	(444,580)
(377,070)	-	(377,070)
(103,319)	-	(103,319)
(1,045,656)	-	(1,045,656)
(77,929)	-	(77,929)
(147,727)	-	(147,727)
-	-	-
(188,303)	-	(188,303)
(413,959)	-	(413,959)
(2,443,292)	-	(2,443,292)
-	10,741	10,741
(2,443,292)	10,741	(2,432,551)
1,386,370	-	1,386,370
280,758	-	280,758
48,614	-	48,614
343,130	-	343,130
732,905	-	732,905
61,763	766	62,529
5,917	-	5,917
2,859,457	766	2,860,223
(42,442)	42,442	-
2,817,015	43,208	2,860,223
373,723	53,949	427,672
5,972,462	46,004	6,018,466
6,346,185	99,953	6,446,138

## HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

Balance Sheet  
Governmental Funds

June 30, 2011

	General	Capital Projects	Debt Service	Nonmajor Governmental	Total
	\$	\$	\$	\$	\$
<b>Assets</b>					
Cash and pooled investments	941,570	476,823	2,684,223	363,452	4,466,068
Receivables:					
Property tax:					
Delinquent	19,656	756	4,367	3,280	28,059
Succeeding year	1,142,662	54,858	285,744	175,000	1,658,264
Accounts	1,339	-	250	75	1,664
Interfund receivable	17,322	-	-	-	17,322
Due from other governments	28,106	75,311	-	-	103,417
Note receivable	-	310,313	-	-	310,313
<b>Total assets</b>	<b>2,150,655</b>	<b>918,061</b>	<b>2,974,584</b>	<b>541,807</b>	<b>6,585,107</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	46,865	105	-	6,196	53,166
Deferred revenue:					
Succeeding year property tax	1,142,662	54,858	285,744	175,000	1,658,264
Other	-	310,313	-	-	310,313
Total liabilities	<b>1,189,527</b>	<b>365,276</b>	<b>285,744</b>	<b>181,196</b>	<b>2,021,743</b>
Fund balances:					
Restricted for:					
Categorical funding	127,968	-	-	-	127,968
Debt service	-	-	2,688,840	-	2,688,840
Management levy	-	-	-	235,865	235,865
Student activities	-	-	-	124,746	124,746
School infrastructure	-	464,873	-	-	464,873
Physical plant and equipment	-	87,912	-	-	87,912
Assigned	19,584	-	-	-	19,584
Unassigned	813,576	-	-	-	813,576
Total fund balances	<b>961,128</b>	<b>552,785</b>	<b>2,688,840</b>	<b>360,611</b>	<b>4,563,364</b>
<b>Total liabilities and fund balances</b>	<b>2,150,655</b>	<b>918,061</b>	<b>2,974,584</b>	<b>541,807</b>	<b>6,585,107</b>

## HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

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

June 30, 2011

	\$
<b>Total fund balances of governmental funds (Exhibit C)</b>	4,563,364
<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.	6,998,289
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	310,313
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.	(30,325)
Long-term liabilities, including 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>(5,495,456)</u>
<b>Net assets of governmental activities (Exhibit A)</b>	<u><u>6,346,185</u></u>

## HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2011

	General	Capital Projects	Debt Service	Nonmajor Governmental	Total
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	1,188,152	378,132	280,758	198,218	2,045,260
Tuition	261,932	-	-	-	261,932
Other	82,155	37,295	5,652	118,701	243,803
State sources	1,123,647	13,612	-	-	1,137,259
Federal sources	320,720	6,850	-	-	327,570
Total revenues	<u>2,976,606</u>	<u>435,889</u>	<u>286,410</u>	<u>316,919</u>	<u>4,015,824</u>
Expenditures:					
Current:					
Instruction:					
Regular	1,381,309	-	-	-	1,381,309
Special	335,279	-	-	-	335,279
Other	184,439	-	-	78,247	262,686
	<u>1,901,027</u>	<u>-</u>	<u>-</u>	<u>78,247</u>	<u>1,979,274</u>
Support services:					
Student	17,953	-	-	-	17,953
Instructional staff	101,371	-	-	-	101,371
Administration	395,144	-	34,782	12,545	442,471
Operation and maintenance of plant	312,401	57,340	-	48,957	418,698
Transportation	79,454	75,580	-	-	155,034
	<u>906,323</u>	<u>132,920</u>	<u>34,782</u>	<u>61,502</u>	<u>1,135,527</u>
Other expenditures:					
Facilities acquisition	-	153,979	-	-	153,979
Long-term debt:					
Principal	-	-	335,000	-	335,000
Interest and fiscal charges	-	-	148,095	-	148,095
AEA flowthrough	116,691	-	-	-	116,691
	<u>116,691</u>	<u>153,979</u>	<u>483,095</u>	<u>-</u>	<u>753,765</u>
Total expenditures	<u>2,924,041</u>	<u>286,899</u>	<u>517,877</u>	<u>139,749</u>	<u>3,868,566</u>
Excess (deficiency) of revenues over (under) expenditures	<u>52,565</u>	<u>148,990</u>	<u>(231,467)</u>	<u>177,170</u>	<u>147,258</u>
Other financing sources (uses):					
Refunding bonds issued	-	-	2,695,000	-	2,695,000
Bond premium	-	-	318	-	318
Sale of real property - principal received	-	20,149	-	-	20,149
Operating transfers in	-	-	118,125	-	118,125
Operating transfers out	-	(118,125)	-	-	(118,125)
Total other financing sources (uses)	<u>-</u>	<u>(97,976)</u>	<u>2,813,443</u>	<u>-</u>	<u>2,715,467</u>
Net change in fund balances	52,565	51,014	2,581,976	177,170	2,862,725
Fund balances beginning of year, as restated	908,563	501,771	106,864	183,441	1,700,639
Fund balances end of year	<u>961,128</u>	<u>552,785</u>	<u>2,688,840</u>	<u>360,611</u>	<u>4,563,364</u>

## HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances - Governmental Funds  
to the Statement of Activities

Year ended June 30, 2011

	\$	\$
<b>Net change in fund balances - total governmental funds (Exhibit E)</b>		2,862,725
<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	142,754	
Depreciation expense	<u>(238,488)</u>	(95,734)
Notes receivables not due 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.		(20,149)
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.		335,000
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.		(5,284)
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		(7,835)
Proceeds from issuing long-term liabilities are included in the governmental funds but increase long-term liabilities in the Statement of Net Assets.		<u>(2,695,000)</u>
<b>Changes in net assets of governmental activities (Exhibit B)</b>		<u><u>373,723</u></u>

## HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

Statement of Net Assets  
Proprietary Fund

June 30, 2011

	Nonmajor School Nutrition
	<u>\$</u>
<b>Assets</b>	
Cash and cash equivalents	42,775
Inventories	5,425
Capital assets, net of accumulated depreciation	<u>53,983</u>
<b>Total assets</b>	<u>102,183</u>
<b>Liabilities</b>	
Deferred revenue	<u>2,230</u>
<b>Net assets</b>	
Invested in capital assets	53,983
Unrestricted	<u>45,970</u>
<b>Total net assets</b>	<u><u>99,953</u></u>

## HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2011

	Nonmajor School Nutrition
	<u>\$</u>
Operating revenue:	
Local sources:	
Charges for service	<u>88,233</u>
Operating expenses:	
Non-instructional programs:	
Salaries	44,111
Benefits	7,473
Purchased services	3,631
Supplies	94,010
Depreciation	2,354
Total operating expenses	<u>151,579</u>
Operating income (loss)	<u>(63,346)</u>
Non-operating revenues:	
State sources	1,621
Federal sources	72,466
Interest income	766
Total non-operating revenues	<u>74,853</u>
Income (loss) before capital contributions	11,507
Capital contributions	<u>42,442</u>
Change in net assets	53,949
Net assets beginning of year	<u>46,004</u>
Net assets end of year	<u><u>99,953</u></u>

## HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows  
Proprietary Fund

Year ended June 30, 2011

	Nonmajor School Nutrition
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	87,823
Cash payments to employees for services	(51,584)
Cash payments to suppliers for goods or services	(83,708)
Net cash used by operating activities	<u>(47,469)</u>
Cash flows from non-capital financing activities:	
State grants received	1,621
Federal grants received	60,708
Net cash provided by non-capital financing activities	<u>62,329</u>
Cash flows from capital and related financing activities	<u>-</u>
Cash flows from investing activities:	
Interest on investments	<u>766</u>
Net increase (decrease) in cash and cash equivalents	15,626
Cash and cash equivalents at beginning of year	<u>27,149</u>
Cash and cash equivalents at end of year	<u><u>42,775</u></u>
<b>Reconciliation of operating income (loss) to net cash used by operating activities:</b>	
Operating income (loss)	(63,346)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:	
Commodities used	11,758
Depreciation	2,354
Decrease (increase) in inventories	2,175
(Decrease) increase in deferred revenue	<u>(410)</u>
Net cash used by operating activities	<u><u>(47,469)</u></u>

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

During the year ended June 30, 2011, the District received \$11,758 of federal commodities.

During the year ended June 30, 2011, the School Nutrition Fund received \$42,442 of equipment that was purchased by the Capital Projects Fund.

## HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets  
Fiduciary Fund

June 30, 2011

	Private Purpose Trust Scholarship <u>          </u> \$	<u>          </u> Agency <u>          </u> \$
<b>Assets</b>		
Cash and pooled investments	457,045	-
Due from other governments	<u>          -</u>	<u>          17,322</u>
<b>Total Assets</b>	457,045	17,322
<b>Liabilities</b>		
Interfund payable to General Fund	<u>          -</u>	<u>          17,322</u>
<b>Net Assets</b>		
Reserved for scholarships	<u>          457,045</u>	<u>          -</u>

## HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets  
Fiduciary Fund

Year ended June 30, 2011

	Private Purpose Trust Scholarship
	<u>\$</u>
Additions:	
Local sources:	
Gifts and contributions	453,100
Interest	<u>1,260</u>
Total additions	<u>454,360</u>
Deductions:	
Support services:	
Scholarships awarded	<u>3,500</u>
Change in net assets	450,860
Net assets beginning of year	<u>6,185</u>
Net assets end of year	<u><u>457,045</u></u>

# HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2011

### 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. Combining schedules are also included for the Capital Project Fund accounts.

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 Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

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.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the district's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned, and then unassigned fund balances.

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, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2010.

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	3-20 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 fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the superintendent intends to use for specific purposes.

Unassigned – All amounts not included in other spendable classifications.

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, 2011 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.

At June 30, 2011, the District had the following investments:

	<u>Fair Value</u>	<u>Maturity</u>
	\$	
US Treasury Note	25,061	November 2011
US Treasury Note	2,610,091	May 2012

Interest rate risk: The District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District.

**3. Interfund Receivables and Payables**

The detail of interfund receivables and payables at June 30, 2011 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
		\$
General Fund	Agency Fund	17,322

The General Fund loaned the Agency Fund money for cash flow.

**4. Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
		\$
Debt Service Fund	Capital Projects Fund	118,125

The transfer 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
	\$	\$	\$
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	22,007	17,993	40,000
2017-2023	<u>210,014</u>	<u>69,986</u>	<u>280,000</u>
	<u>305,313</u>	<u>174,687</u>	<u>480,000</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
	\$	\$	\$
2012	<u>5,000</u>	<u>-</u>	<u>5,000</u>

## 6. Capital Assets

Capital assets activity for the year ended June 30, 2011 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	58,075	-	-	58,075
Capital assets being depreciated:				
Buildings	8,493,181	45,257	-	8,538,438
Improvements other than buildings	288,420	10,754	-	299,174
Furniture and equipment	894,980	86,743	-	981,723
Intangible assets	16,450	-	-	16,450
Total capital assets being deprec.	<u>9,693,031</u>	<u>142,754</u>	<u>-</u>	<u>9,835,785</u>
Less accumulated depreciation for:				
Buildings	1,946,212	171,694	-	2,117,906
Improvements other than buildings	73,268	16,609	-	89,877
Furniture and equipment	632,668	46,895	-	679,563
Intangible assets	4,935	3,290	-	8,225
Total accumulated depreciation	<u>2,657,083</u>	<u>238,488</u>	<u>-</u>	<u>2,895,571</u>

Total capital assets being depreciated, net	<u>7,035,948</u>	<u>(95,734)</u>	<u>-</u>	<u>6,940,214</u>
Governmental activities capital assets, net	<u>7,094,023</u>	<u>(95,734)</u>	<u>-</u>	<u>6,998,289</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
<b>Business type activities:</b>				
Furniture and equipment	63,259	42,442	20,176	85,525
Less accumulated depreciation	<u>49,364</u>	<u>2,354</u>	<u>20,176</u>	<u>31,542</u>
Business type activities capital assets, net	<u>13,895</u>	<u>40,088</u>	<u>-</u>	<u>53,983</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	17,581
Other	3,728
Support services:	
Administration services	2,086
Operation and maintenance of plant services	1,364
Transportation	<u>25,426</u>
	50,185
Unallocated depreciation	<u>188,303</u>
Total depreciation expense – governmental activities	<u>238,488</u>
Business type activities:	
Food services	<u>2,354</u>

## 7. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2011, 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	2,975,000	2,695,000	190,000	5,480,000	2,785,000
Sales tax revenue bonds	145,000	-	145,000	-	-
Net OPEB liability	<u>7,621</u>	<u>7,835</u>	<u>-</u>	<u>15,456</u>	<u>-</u>
Total	<u>3,127,621</u>	<u>2,702,835</u>	<u>335,000</u>	<u>5,495,456</u>	<u>2,785,000</u>
Business type activities:					
Net OPEB liability	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

## General Obligation Bonds Payable

Details of the District's June 30, 2011 general obligation bonded indebtedness are as follows:

<u>Year Ending June 30,</u>	<u>Bond Issue of September 2002</u>			
	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	<u>%</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
2012	4.125-4.750	<u>2,785,000</u>	<u>125,244</u>	<u>2,910,244</u>

<u>Year Ending June 30,</u>	<u>Refunding Bonds issued March 2011</u>			
	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	<u>%</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
2012		-	56,708	56,708
2013	1.00	270,000	56,707	326,707
2014	1.10	270,000	54,008	324,008
2015	1.45	275,000	51,037	326,037
2016	1.80	280,000	47,050	327,050
2017-2021	2.10-3.00	1,485,000	141,230	1,626,230
2022	3.10	<u>115,000</u>	<u>3,565</u>	<u>118,565</u>
		<u>2,695,000</u>	<u>410,305</u>	<u>3,105,305</u>

### Crossover Bond Refunding

On March, 2011, the District issued \$2,695,000 of general obligation refunding bonds with interest rates ranging between 1.00 and 3.10%. The District issued the bonds to refund \$2,585,000 of the outstanding September 2002 general obligation bonds with interest rates of 4.125% to 4.750%. The 2002 bond issue will be called and repaid on May 1, 2012.

The refunding reduced total debt service payments over the next ten years by \$235,985. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$185,371.

## **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 4.50% of their annual covered salary and the District is required to contribute 6.95% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2011, 2010, and 2009 were \$126,514, \$117,067 and \$109,338 respectively, equal to the required contributions for each year.

## **9. Other Postemployment Benefits (OPEB)**

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 no 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, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

	\$
Annual required contribution	8,195
Interest on net OPEB obligation	190
Adjustment to annual required contribution	<u>(550)</u>
Annual OPEB cost	7,835
Contributions made	<u>-</u>
Increase in net OPEB obligation	7,835
Net OPEB obligation beginning of year	<u>7,621</u>
Net OPEB obligation end of year	<u>15,456</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, 2011.

For the year ended June 30, 2011, 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, 2011 are summarized as follows:

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
	\$	%	\$
2010	7,621	-	7,621
2011	7,835	-	15,456

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, 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 \$1,235,000, and the ratio of the UAAL to covered payroll was 6.0%. As of June 30, 2011, 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, projected to 2000.

The UAAL is being amortized over 30 years.

**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 \$116,691 for the year ended June 30, 2011 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 two years are as follows:

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

**13. Categorical Funding**

The District's restricted fund balance for categorical funding at June 30, 2011 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
	\$
Returning dropout and dropout prevention program	119,646
Educator quality, professional development	470
Professional development for model core curriculum	1,878
Professional development	5,974
	<u>127,968</u>

**14. Accounting Change/Restatement**

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund type Definitions, was implemented during the year ended 2011. The effect of fund type reclassifications is as follows:

	<u>Capital Projects</u>	<u>Special Revenue, Physical Plant and Equipment Levy</u>
	\$	\$
Balances June 30, 2010, as previously reported	307,296	194,475
Change in fund type classification per implementation of GASB Statement No. 54	<u>194,475</u>	<u>(194,475)</u>
Balances July 1, 2010, as restated	<u>501,771</u>	<u>-</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, 2011

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	2,550,995	88,999	2,639,994	2,798,866	2,798,866	(158,872)
State sources	1,137,259	1,621	1,138,880	1,286,317	1,286,317	(147,437)
Federal sources	327,570	72,466	400,036	257,000	257,000	143,036
Total revenues:	<u>4,015,824</u>	<u>163,086</u>	<u>4,178,910</u>	<u>4,342,183</u>	<u>4,342,183</u>	<u>(163,273)</u>
Expenditures/Expenses:						
Instruction	1,979,274	-	1,979,274	2,625,069	2,625,069	645,795
Support services	1,135,527	-	1,135,527	1,695,919	1,695,919	560,392
Non-instructional programs	-	151,579	151,579	180,000	180,000	28,421
Other expenditures	753,765	-	753,765	928,398	928,398	174,633
Total expenditures/expenses:	<u>3,868,566</u>	<u>151,579</u>	<u>4,020,145</u>	<u>5,429,386</u>	<u>5,429,386</u>	<u>1,409,241</u>
Deficiency of revenues under expenditures/expenses	147,258	11,507	158,765	(1,087,203)	(1,087,203)	1,245,968
Other financing sources (uses) net	<u>2,715,467</u>	<u>42,442</u>	<u>2,757,909</u>	<u>40,000</u>	<u>40,000</u>	<u>2,717,909</u>
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures/expenses	2,862,725	53,949	2,916,674	(1,047,203)	(1,047,203)	3,963,877
Balance beginning of year	<u>1,700,639</u>	<u>46,004</u>	<u>1,746,643</u>	<u>1,217,810</u>	<u>1,217,810</u>	<u>528,833</u>
Balance end of year	<u><u>4,563,364</u></u>	<u><u>99,953</u></u>	<u><u>4,663,317</u></u>	<u><u>170,607</u></u>	<u><u>170,607</u></u>	<u><u>4,492,710</u></u>

HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2011

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 did not amend the budget.

HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

Schedule of Funding Progress for the Retiree Health Plan

Required Supplementary Information

Year Ended June 30,	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 ) %
2010	July 1, 2009	-	73,225	73,225	0.0%	920,000	8.0%
2011	July 1, 2009	-	73,737	73,737	0.0%	1,235,000	6.0%

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, 2011

<b>Assets</b>	<u>Special Revenue Funds</u>		<u>Total</u>
	<u>Management</u>	<u>Student</u>	
	<u>Levy</u>	<u>Activity</u>	
	\$	\$	\$
Cash and pooled investments	238,731	124,721	363,452
Receivables:			
Property tax:			
Delinquent	3,280	-	3,280
Succeeding year	175,000	-	175,000
Accounts	-	75	75
	<u>417,011</u>	<u>124,796</u>	<u>541,807</u>
<b>Liabilities &amp; Fund Balances</b>			
Liabilities:			
Accounts payable	6,146	50	6,196
Deferred revenue:			
Succeeding year property tax	175,000	-	175,000
Total liabilities	<u>181,146</u>	<u>50</u>	<u>181,196</u>
Fund balances:			
Restricted for:			
Management levy	235,865	-	235,865
Student activities	-	124,746	124,746
Total fund balances	<u>235,865</u>	<u>124,746</u>	<u>360,611</u>
	<u>417,011</u>	<u>124,796</u>	<u>541,807</u>
<b>Total liabilities and fund balances</b>	<u>417,011</u>	<u>124,796</u>	<u>541,807</u>

## HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2011

	Special Revenue Funds		Total
	Management Levy	Student Activity	
	\$	\$	\$
Revenues:			
Local sources:			
Local tax	198,218	-	198,218
Other	8,463	110,238	118,701
Total revenues	<u>206,681</u>	<u>110,238</u>	<u>316,919</u>
Expenditures:			
Current:			
Instruction:			
Other	-	78,247	78,247
Support services:			
Administration	12,545	-	12,545
Operation and maintenance of plant	48,957	-	48,957
Total expenditures	<u>61,502</u>	<u>78,247</u>	<u>139,749</u>
Excess (deficiency) of revenues over (under) expenditures	145,179	31,991	177,170
Fund balances beginning of year, as restated	<u>90,686</u>	<u>92,755</u>	<u>183,441</u>
Fund balances end of year	<u><u>235,865</u></u>	<u><u>124,746</u></u>	<u><u>360,611</u></u>

## HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet  
Capital Project Accounts

June 30, 2011

Assets	Capital Projects			Total
	Construction	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
	\$	\$	\$	\$
Cash and pooled investments	96,723	299,794	80,306	476,823
Receivables:				
Property tax:				
Delinquent	-	-	756	756
Succeeding year	-	-	54,858	54,858
Due from other governments	-	68,461	6,850	75,311
Note receivable	-	-	310,313	310,313
<b>Total assets</b>	<b>96,723</b>	<b>368,255</b>	<b>453,083</b>	<b>918,061</b>
<b>Liabilities &amp; Fund Balances</b>				
Liabilities:				
Accounts payable	-	105	-	105
Deferred revenue:				
Succeeding year property tax	-	-	54,858	54,858
Other	-	-	310,313	310,313
Total liabilities	-	105	365,171	365,276
Fund balances:				
Restricted for:				
School infrastructure	96,723	368,150	-	464,873
Physical plant and equipment	-	-	87,912	87,912
Total fund balances	96,723	368,150	87,912	552,785
<b>Total liabilities and fund balances</b>	<b>96,723</b>	<b>368,255</b>	<b>453,083</b>	<b>918,061</b>

## HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances  
Capital Project Accounts

Year ended June 30, 2011

	Capital Projects			Total
	Construction	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	-	329,518	48,614	378,132
Other	-	9,097	28,198	37,295
State sources	-	13,612	-	13,612
Federal sources	-	-	6,850	6,850
Total revenues	-	352,227	83,662	435,889
Expenditures:				
Current:				
Support services:				
Operation and maintenance of plant	-	-	57,340	57,340
Transportation services	-	-	75,580	75,580
Other expenditures:				
Facilities acquisition	-	116,525	37,454	153,979
Total expenditures	-	116,525	170,374	286,899
Excess (deficiency) of revenues over (under) expenditures	-	235,702	(86,712)	148,990
Other financing sources (uses):				
Sale of real property - principal received	-	-	20,149	20,149
Operating transfers out	-	(78,125)	(40,000)	(118,125)
Total other financing sources (uses)	-	(78,125)	(19,851)	(97,976)
Net change in fund balance	-	157,577	(106,563)	51,014
Fund balances beginning of year, as restated	96,723	210,573	194,475	501,771
Fund balance end of year	96,723	368,150	87,912	552,785

## HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2011

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Intra-Fund Transfers</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$	\$
Vocal music	3,470	2,312	1,861	-	3,921
Instrumental music	721	547	505	-	763
Co-ed athletics	3,916	4,327	1,262	5,508	12,489
Boys & girls golf	603	1,281	1,691	-	193
Boys basketball	11,016	10,375	9,686	-	11,705
Football	7,984	7,128	4,502	-	10,610
Baseball	2,370	5,474	4,600	-	3,244
Wrestling	186	-	-	-	186
Girls basketball	6,011	11,471	6,391	-	11,091
Volleyball	2,341	8,146	6,276	-	4,211
Softball	231	4,785	4,751	1,000	1,265
Cheerleading	841	2,475	617	-	2,699
Dance team	-	380	613	1,000	767
Junior class concessions	2,485	14,457	12,041	-	4,901
FFA	20,002	11,376	10,583	-	20,795
Hosa	1,365	122	33	-	1,454
Class of 2016	-	96	-	-	96
Class of 2015	54	53	-	-	107
Class of 2014	212	97	-	-	309
Class of 2013	289	79	-	-	368
Class of 2012	286	4,298	2,541	-	2,043
Class of 2011	2,745	215	644	-	2,316
Class of 2010	1,883	-	-	(1,883)	-
Class of 2009	1,747	-	-	(1,747)	-
Class of 2008	2,284	-	-	(2,284)	-
Class of 2007	1,442	-	-	(1,442)	-
Class of 2006	152	-	-	(152)	-
Student council	7,830	1,946	2,266	(6,384)	1,126
Peer helper	9	-	-	-	9
Spanish club	50	-	-	-	50
Middle school	(2,834)	9,260	6,838	6,384	5,972
Athletic activity account	1,291	423	-	-	1,714
Weight room	11,773	9,115	546	-	20,342
<b>Total</b>	<b>92,755</b>	<b>110,238</b>	<b>78,247</b>	<b>-</b>	<b>124,746</b>

## HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Fund

Year ended June 30, 2011

	<u>Carl Perkins Consortium</u>
	\$
Balance beginning of year	(19,708)
Additions:	
Carl Perkins receipts	30,395
Deductions:	
Carl Perkins payments to member schools	<u>28,009</u>
Balance end of year	<u><u>(17,322)</u></u>

## HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

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

For the Last Eight Years

	Modified Accrual Basis							
	2011	2010	2009	2008	2007	2006	2005	2004
	\$	\$	\$	\$	\$	\$	\$	\$
Revenues:								
Local sources:								
Local tax	2,045,260	1,915,057	1,902,821	1,827,388	1,765,637	1,720,672	1,772,649	1,797,475
Tuition	261,932	241,135	231,766	297,860	246,744	188,446	191,571	164,820
Other	243,803	240,995	218,820	294,599	348,667	270,008	244,187	399,534
State sources	1,137,259	982,197	1,230,968	1,124,349	1,115,535	992,827	983,330	1,963,658
Federal sources	327,570	316,029	134,275	63,446	134,540	125,222	190,854	147,030
Total revenues	<u>4,015,824</u>	<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	1,381,309	1,333,569	1,255,318	1,165,897	1,141,716	1,135,140	1,163,857	1,030,966
Special	335,279	249,541	338,754	331,448	289,047	282,026	358,362	355,373
Other	262,686	292,086	320,667	376,356	298,308	296,494	238,589	193,736
Support services:								
Student	17,953	12,195	1,407	-	8,431	6,098	46,127	66,877
Instructional staff	101,371	77,198	95,377	86,490	95,728	100,261	118,289	106,434
Administration	442,471	356,669	349,687	266,805	395,395	421,278	397,760	336,327
Operation and maintenance	418,698	366,190	369,022	374,310	333,776	385,895	369,866	232,002
Transportation	155,034	67,818	74,648	84,352	68,976	115,179	58,753	75,461
Other expenditures:								
Facilities acquisition	153,979	87,034	222,045	88,805	225,836	136,540	423,615	6,188,543
Long-term debt:								
Principal	335,000	320,000	305,000	290,000	325,848	310,217	345,435	180,000
Interest and other charges	148,095	150,994	162,919	173,694	184,909	196,221	207,942	338,898
AEA flowthrough	116,691	113,338	102,407	98,503	96,567	93,094	92,089	94,118
Total expenditures	<u>3,868,566</u>	<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>

See accompanying independent auditor's report.

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, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 9, 2012. 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 11-I-A and 11-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, 2011 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 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 9, 2012

HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2011

Part I: Findings Related to the Financial Statements:

Internal Control Deficiencies:

11-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, payroll processing, 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.

11-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, 2011

Part II: Other Findings Related To Statutory Reporting:

11-II-A Certified Budget: Expenditures for the year ended June 30, 2011 did not exceed the amounts budgeted.

11-II-B Questionable Expenditures: No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

11-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.

11-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	640

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

11-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.

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

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

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

11-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.

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

11-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, 2011

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

11-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 revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance	\$	\$
		210,573
Revenues/transfers in:		
Statewide sales, services and use tax revenue	343,130	
Interest	5,721	
Donations	3,376	352,227
	<u>          </u>	
Expenditures/transfers out:		
School infrastructure construction	116,525	
Transfers to debt service fund	78,125	194,650
	<u>          </u>	
Ending balance		<u>368,150</u>

For the year ended June 30, 2011, the District did not reduce any levies as a result of the moneys received under Chapter 423E of 423F of the Code of Iowa.

11-II-M Reclassification of Student Activity Fund Accounts: In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Rule 281-12.6(1), monies in the Student Activity Fund should be used to support only the extracurricular and co-curricular activities offered as part of the District's educational program. The District charges community members a fee to use the school's weight room/fitness center. These fees are being recorded in the Student Activity Fund, but should be in the General Fund.

Recommendation: The District should transfer these fees to the General Fund.

District Response: We will make the transfer.

Conclusion: Response accepted.