

HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

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

June 30, 2012

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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, 2012, 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, 2012, 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 10, 2013, 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.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 13 and 39 through 41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the

required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 eight years ended June 30, 2011, (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information 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 10, 2013

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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, 2012. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### 2012 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$2,976,606 in fiscal 2011 to \$2,968,603 in fiscal 2012, as General Fund expenditures increased from \$2,924,041 in fiscal 2011 to 3,013,292 in fiscal 2012. The District's General Fund balance decreased from \$961,128 in fiscal 2011 to \$916,439 in fiscal 2012, a decrease of \$44,689.
- The decrease in General Fund revenues was attributable to a decrease in 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, as well as presenting the Schedule of funding Progress for the Retiree Health Plan.

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**

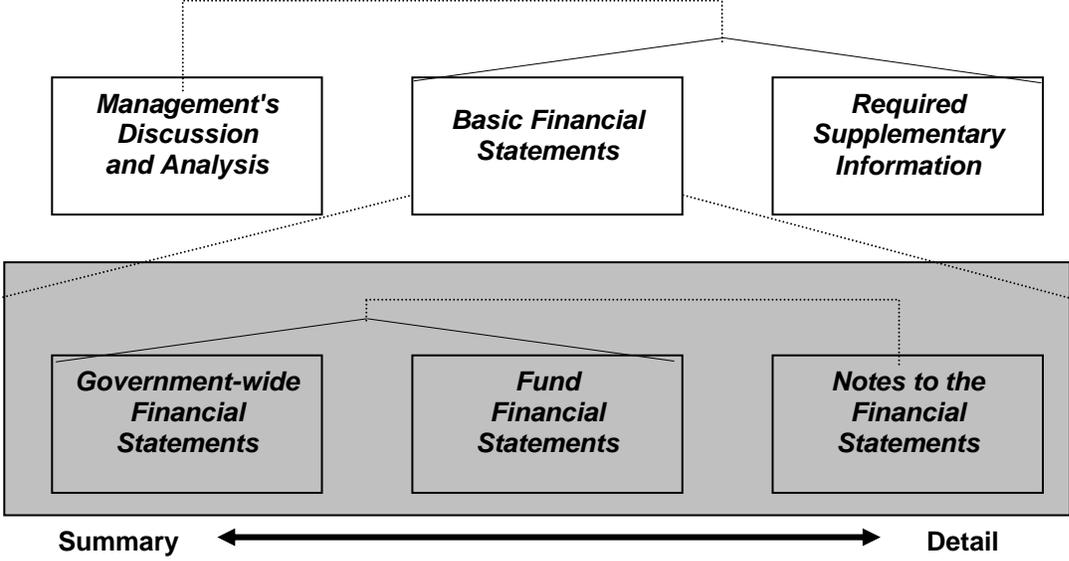


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

<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, 2012 compared to June 30, 2011

<i>Harris-Lake Park School Condensed Statement of Net Assets FY 11-12</i>							
	Governmental		Business-type		Total		Total
	Activities		Activities		School District		Percentage
	2011	2012	2011	2012	2011	2012	Change
	2011	2012	2011	2012	2011	2012	2011-12
Current and other assets	\$6,585,107	\$4,413,175	\$48,200	\$21,453	\$6,633,307	\$4,434,628	-33.15%
Capital assets	\$6,998,289	\$6,814,799	\$53,983	\$48,999	\$7,052,272	\$6,863,798	-2.67%
<b>Total Assets</b>	<b>\$13,583,396</b>	<b>\$11,227,974</b>	<b>\$102,183</b>	<b>\$70,452</b>	<b>\$13,685,579</b>	<b>\$11,298,426</b>	-17.44%
Long-term debt outstanding	\$2,710,456	\$2,448,929			\$2,710,456	\$2,448,929	-9.65%
Other liabilities	\$4,526,755	\$2,253,066	\$2,230	\$2,609	\$4,528,985	\$2,255,675	-50.19%
<b>Total liabilities</b>	<b>\$7,237,211</b>	<b>\$4,701,995</b>	<b>\$2,230</b>	<b>\$2,609</b>	<b>\$7,239,441</b>	<b>\$4,704,604</b>	-35.01%
<b>Net Assets</b>							
Invested in capital assets, net of related debt	\$4,213,289	\$4,119,799	\$53,983	\$48,999	\$4,267,272	\$4,168,798	-2.31%
Restricted	\$1,351,677	\$1,555,136			\$1,351,677	\$1,555,136	15.05%
Unrestricted	\$781,219	\$851,044	\$45,970	\$18,844	\$827,189	\$869,888	5.16%
<b>TOTAL NET ASSETS</b>	<b>\$6,346,185</b>	<b>\$6,525,979</b>	<b>\$99,953</b>	<b>\$67,843</b>	<b>\$6,446,138</b>	<b>\$6,593,822</b>	2.29%

The large decrease 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 were used to early retire the old bonds in fiscal year 2012. The bonds that were paid early are included in the other liabilities line above for fiscal 2011.

The District's combined net assets increased by 2.29%, or approximately \$147,684 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 \$203,459 over the prior year. The increase was primarily a result of a increase in PPEL, Management and Sales Tax Capital Projects fund ending balance.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately \$42,699, or 5.16%. 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, 2012 and 2011

Harris-Lake Park School Changes in Net Assets FY 11-12							
	Governmental	Governmental	Business- Type	Business- Type	Total School District	Total School District	Percentage
	Activities 2012	Activities 2011	Activities 2012	Activities 2011	2012	2011	Change 2011-2012
<b>Revenues</b>							
Program Revenues							
Charges for services	\$ 428,492	\$ 429,027	\$ 97,558	\$ 88,233	\$ 526,050	\$ 517,260	1.70%
Operating Grants & Contrib. & Restricted	\$ 547,111	\$ 717,114	\$ 84,691	\$ 74,087	\$ 631,802	\$ 791,201	-20.15%
Capital Grants & Contrib. and Restricted	\$ 13,780	\$ 10,226			\$ 13,780	\$ 10,226	34.75%
General Revenues					\$ -	\$ -	
Property taxes & other taxes	\$ 2,019,265	\$ 2,058,872			\$ 2,019,265	\$ 2,058,872	-1.92%
Unrestricted State Grants	\$ 809,486	\$ 732,905			\$ 809,486	\$ 732,905	10.45%
Other	\$ 68,608	\$ 67,680	\$ 696	\$ 766	\$ 69,304	\$ 68,446	1.25%
<b>Total Revenues</b>	<b>\$ 3,886,742</b>	<b>\$ 4,015,824</b>	<b>\$ 182,945</b>	<b>\$ 163,086</b>	<b>\$ 4,069,687</b>	<b>\$ 4,178,910</b>	<b>-2.61%</b>
<b>Expenses</b>							
Instruction	\$ 2,172,473	\$ 2,006,714			\$ 2,172,473	\$ 2,006,714	8.26%
Pupil & Instructional Svcs	\$ 127,217	\$ 120,687			\$ 127,217	\$ 120,687	5.41%
Administrative & Business	\$ 388,471	\$ 444,580			\$ 388,471	\$ 444,580	-12.62%
Maintenance & Operations	\$ 343,771	\$ 377,620			\$ 343,771	\$ 377,620	-8.96%
Transportation	\$ 103,601	\$ 103,530			\$ 103,601	\$ 103,530	0.07%
Other	\$ 568,740	\$ 546,528	\$ 217,730	\$ 151,579	\$ 786,470	\$ 698,107	12.66%
<b>Total Expenses</b>	<b>\$ 3,704,273</b>	<b>\$ 3,599,659</b>	<b>\$ 217,730</b>	<b>\$ 151,579</b>	<b>\$ 3,922,003</b>	<b>\$ 3,751,238</b>	<b>4.55%</b>
Transfers In (Out)	\$ (2,675)	\$ (42,442)	\$ 2,675	\$ 42,442			
<b>Increase in net assets</b>	<b>\$ 179,794</b>	<b>\$ 373,723</b>	<b>\$ (32,110)</b>	<b>\$ 53,949</b>	<b>\$ 147,684</b>	<b>\$ 427,672</b>	<b>-65.47%</b>

Property tax and unrestricted state grants account for 68% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 80% of the total expenses.

#### Governmental Activities

Revenues for governmental activities were \$3,886,742 and expenses were \$3,704,273. In this budget year, the District was able to balance the budget by trimming expenses to match available revenues when comparing total governmental activities.

Expenditures increased in all areas except administrative and business and maintenance and operations. Revenues increased in the area of unrestricted state grants.

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.

<b>Net Cost of Governmental Activities</b>				
Harris-Lake Park School Net Cost of Governmental Activities 11-12				
	Total Cost of Services 2011	Total Cost of Services 2012	Net Cost of Services 2011	Net Cost of Services 2012
Instruction	\$ 2,006,714	\$ 2,172,473	\$ 983,677	\$ 1,318,224
Pupil & Instructional Svcs	\$ 120,687	\$ 127,217	\$ 120,687	\$ 127,217
Administrative & Business	\$ 444,580	\$ 388,471	\$ 444,580	\$ 388,471
Maintenance & Operations	\$ 377,620	\$ 343,771	\$ 377,070	\$ 343,771
Transportation	\$ 103,530	\$ 103,601	\$ 103,319	\$ 103,601
Other	\$ 546,528	\$ 568,740	\$ 413,959	\$ 433,606

<b>TOTAL</b>	<b>\$ 3,599,659</b>	<b>\$ 3,704,273</b>	<b>\$ 2,443,292</b>	<b>\$ 2,714,890</b>
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- The cost financed by users of the District’s programs was \$428,492.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$547,111.
- The net cost of governmental activities was financed with \$2,019,265 in property and other taxes and \$809,486 in unrestricted state grants.

**Business Type Activities**

Revenues for business type activities were \$182,255 and expenses were \$217,730. 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 \$2,150,571 decreased from last year’s ending fund balances of \$4,563,364. This large decrease is due to \$2.6m that was set aside with a fiscal agent was used to refund General Obligation Bonds.

**Governmental Fund Highlights**

- The District’s decreased General Fund financial position is the result of many factors. The district was not successful at balancing the budget. The district received 0% allowable growth, approved by the State of Iowa, while increasing salaries by 3.78%.
- The General Fund balance decreased from \$961,128 to \$916,439, due in part to a 30% decrease in Medicaid funding and increasing salaries by 3.78%.
- 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 decreased from \$2,688,840 at June 30, 2011 to \$58,874 at June 30, 2012. In May 2012 the District used funds set aside of \$2,585,000 for the crossover refund of the Districts General Obligation bonds. Refinancing the bonds will save the district approximately \$236,000 of interest over the next 10 years.
- The Management fund balance increased by \$128,450. Monies in this fund may be used to pay for property and liability insurance, unemployment benefits, legal settlements and early retirement benefits. The District is accumulating a balance in this fund for possible early retirement benefits in the near future.

**Proprietary Fund Highlights**

School Nutrition Fund net assets decreased from \$99,953 at June 30, 2011 to \$67,843 at June 30, 2012. This is a decrease in net assets of \$32,110. Revenues increased by \$19,899, but the increase in revenues was more than offset by higher labor and food costs. Food costs were substantially higher because of a federal mandate for healthier meals.

## 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 budget was amended once during the year to reflect increased costs in the School Nutrition Fund and additional Capital Project Fund expenditures.

Total expenditures are approximately \$1,096,959 dollars more than budgeted due to the cross over refund in the Debt Service Fund. Total receipts are approximately \$368,361 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, 2012, the District had invested \$6,863,798, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of 2.67% 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 \$250,545.

The original cost of the District's capital assets was \$10,041,456, million for governmental funds. Capital Assets totaling \$88,200 were accounted for in the Proprietary, School Nutrition Fund.

	Governmental		Business-type		Total		Total Percentage Change
	Activities		Activities		School District		
	2011	2012	2011	2012	2011	2012	
Land	\$ 58,075	\$ 58,075			\$ 58,075	\$ 58,075	0.00%
Buildings	\$ 6,420,532	\$ 6,268,186			\$6,420,532	\$ 6,268,186	-2.37%
Other Improvements	\$ 209,297	\$ 202,486			\$ 209,297	\$ 202,486	-3.25%
Equipment & Furniture	\$ 302,160	\$ 281,117	\$ 53,983	\$ 48,999	\$ 356,143	\$ 330,116	-7.31%
Intangible Assets	\$ 8,225	\$ 4,935			\$ 8,225	\$ 4,935	-40.00%
<b>TOTAL</b>	<b>\$ 6,998,289</b>	<b>\$ 6,814,799</b>	<b>\$ 53,983</b>	<b>\$ 48,999</b>	<b>\$7,052,272</b>	<b>\$ 6,863,798</b>	<b>-2.67%</b>

## Long-Term Debt

At June 30, 2012, the District had \$2,718,929 in general obligation and other long term debt. This represents an decrease of -50.52% from last year. The decrease is due to the 2,695,000 G.O. Bond that was 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.

	Total		Total
	School District		Percentage
	2011	2012	Change
General Obligations Bonds	\$ 5,480,000	\$ 2,695,000	-50.82%
Net OPEB Liability	\$ 15,456	\$ 23,929	54.82%
<b>TOTAL</b>	<b>\$ 5,495,456</b>	<b>\$ 2,718,929</b>	<b>-50.52%</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 has increased the past two years, 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 increasing enrollment trend is projected for the next three fiscal years, however, the state government has set allowable growth at 0% for 2011-12, 2% for 2012-13 and has failed to set allowable growth for 2013-14. 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 .5 when calculating the certified enrollment. PK-5 enrollment has trended upward as a direct result of young families moving to the area for economic reasons.

State and regional economics and employment opportunities could have a big impact on our enrollment and state funding. The district will need to watch economic trends, enrollment trends and state funding carefully to make needed preparations and adjustments to expenditures.

### Economy

The economy seems to be rebounding upward this past year. The farm economy is good and local businesses and industries are hiring. Oddly, the state government has failed to set allowable growth for 2013-14 when state revenue projections are exceeding earlier expectations. If the district doesn't receive at least 2% allowable growth, we will in all probability spend General Fund balance dollars for the third straight year.

Increasing enrollment is critical when the state government is limiting allowable growth. Staff reductions and cutting expenditures are likely in the future if enrollment doesn't continue to increase and allowable growth doesn't match increased expenditures.

#### 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 down the number of students served outside the district. This year the district had a negative special education balance of (\$37,626).

#### Local Option Sales and Service Tax

This is the second 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 \$227,000 for 2013-14. 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 portion of the taxable valuation of the wind mill farm from the school district.

#### Negotiations

A 4.1 % salary settlement was reached for 2012-13. No settlement for the 2013-2014 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, 2012

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
<b>Assets</b>			
Cash and cash equivalents	2,071,283	16,446	2,087,729
Receivables:			
Property tax:			
Delinquent	17,991	-	17,991
Succeeding year	1,916,615	-	1,916,615
Accounts	6,030	-	6,030
Due from other governments	112,267	-	112,267
Note receivable	288,989	-	288,989
Inventories	-	5,007	5,007
Capital assets, net of accumulated depreciation	<u>6,814,799</u>	<u>48,999</u>	<u>6,863,798</u>
<b>Total assets</b>	<u>11,227,974</u>	<u>70,452</u>	<u>11,298,426</u>
<b>Liabilities</b>			
Accounts payable	57,000	-	57,000
Accrued interest payable	9,451	-	9,451
Deferred revenue:			
Succeeding year property tax	1,916,615	-	1,916,615
Other	-	2,609	2,609
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	270,000	-	270,000
Portion due after one year:			
General obligation bonds payable	2,425,000	-	2,425,000
Net OPEB liability	<u>23,929</u>	<u>-</u>	<u>23,929</u>
<b>Total liabilities</b>	<u>4,701,995</u>	<u>2,609</u>	<u>4,704,604</u>
<b>Net assets</b>			
Invested in capital assets, net of related debt	4,119,799	48,999	4,168,798
Restricted for:			
Categorical funding	41,466	-	41,466
Management levy	364,315	-	364,315
Physical plant and equipment levy	437,565	-	437,565
Student activities	128,691	-	128,691
School infrastructure	533,676	-	533,676
Debt service	49,423	-	49,423
Unrestricted	<u>851,044</u>	<u>18,844</u>	<u>869,888</u>
<b>Total net assets</b>	<u>6,525,979</u>	<u>67,843</u>	<u>6,593,822</u>

See notes to financial statements.

HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2012

<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	1,476,709	270,308	320,444	-
Special	321,853	-	72,577	-
Other	373,911	158,184	32,736	-
	<u>2,172,473</u>	<u>428,492</u>	<u>425,757</u>	<u>-</u>
Support services:				
Student	17,731	-	-	-
Instructional staff	109,486	-	-	-
Administration	388,471	-	-	-
Operation and maintenance of plant	343,771	-	-	-
Transportation	103,601	-	-	-
	<u>963,060</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	109,287	-	-	13,780
Long-term debt interest	162,076	-	12,034	-
AEA flowthrough	109,320	-	109,320	-
Depreciation (unallocated)*	188,057	-	-	-
	<u>568,740</u>	<u>-</u>	<u>121,354</u>	<u>13,780</u>
Total governmental activities	3,704,273	428,492	547,111	13,780
Business type activities:				
Non-instructional programs:				
Food service operations	217,730	97,558	84,691	-
Total business type activities	<u>3,922,003</u>	<u>526,050</u>	<u>631,802</u>	<u>13,780</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
\$	\$	\$
(885,957)	-	(885,957)
(249,276)	-	(249,276)
(182,991)	-	(182,991)
<u>(1,318,224)</u>	<u>-</u>	<u>(1,318,224)</u>
(17,731)	-	(17,731)
(109,486)	-	(109,486)
(388,471)	-	(388,471)
(343,771)	-	(343,771)
(103,601)	-	(103,601)
<u>(963,060)</u>	<u>-</u>	<u>(963,060)</u>
(95,507)	-	(95,507)
(150,042)	-	(150,042)
-	-	-
(188,057)	-	(188,057)
<u>(433,606)</u>	<u>-</u>	<u>(433,606)</u>
(2,714,890)	-	(2,714,890)
-	(35,481)	(35,481)
<u>(2,714,890)</u>	<u>(35,481)</u>	<u>(2,750,371)</u>
1,472,434	-	1,472,434
285,950	-	285,950
54,897	-	54,897
205,984	-	205,984
809,486	-	809,486
64,197	696	64,893
4,411	-	4,411
<u>2,897,359</u>	<u>696</u>	<u>2,898,055</u>
(2,675)	2,675	-
<u>2,894,684</u>	<u>3,371</u>	<u>2,898,055</u>
179,794	(32,110)	147,684
<u>6,346,185</u>	<u>99,953</u>	<u>6,446,138</u>
<u>6,525,979</u>	<u>67,843</u>	<u>6,593,822</u>

## HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

Balance Sheet  
Governmental Funds

June 30, 2012

	General	Capital Projects	Debt Service	Management	Nonmajor Student Activity Fund	Total
	\$	\$	\$	\$	\$	\$
<b>Assets</b>						
Cash and pooled investments	885,242	638,146	56,122	363,621	128,152	2,071,283
Receivables:						
Property tax:						
Delinquent	12,961	528	2,752	1,750	-	17,991
Succeeding year	1,420,619	58,788	287,208	150,000	-	1,916,615
Accounts	5,491	-	-	-	539	6,030
Interfund receivable	19,455	-	-	-	-	19,455
Due from other governments	45,432	47,380	-	-	-	92,812
Note receivable	-	288,989	-	-	-	288,989
<b>Total assets</b>	<b>2,389,200</b>	<b>1,033,831</b>	<b>346,082</b>	<b>515,371</b>	<b>128,691</b>	<b>4,413,175</b>
<b>Liabilities and Fund Balances</b>						
Liabilities:						
Accounts payable	52,142	3,802	-	1,056	-	57,000
Deferred revenue:						
Succeeding year property tax	1,420,619	58,788	287,208	150,000	-	1,916,615
Other	-	288,989	-	-	-	288,989
Total liabilities	<b>1,472,761</b>	<b>351,579</b>	<b>287,208</b>	<b>151,056</b>	<b>-</b>	<b>2,262,604</b>
Fund balances:						
Restricted for:						
Categorical funding	41,466	-	-	-	-	41,466
Debt service	-	-	58,874	-	-	58,874
Management levy	-	-	-	364,315	-	364,315
Student activities	-	-	-	-	128,691	128,691
School infrastructure	-	533,676	-	-	-	533,676
Physical plant and equipment	-	148,576	-	-	-	148,576
Assigned	43,055	-	-	-	-	43,055
Unassigned	831,918	-	-	-	-	831,918
Total fund balances	<b>916,439</b>	<b>682,252</b>	<b>58,874</b>	<b>364,315</b>	<b>128,691</b>	<b>2,150,571</b>
<b>Total liabilities and fund balances</b>	<b>2,389,200</b>	<b>1,033,831</b>	<b>346,082</b>	<b>515,371</b>	<b>128,691</b>	<b>4,413,175</b>

## HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

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

June 30, 2012

	\$
<b>Total fund balances of governmental funds (Exhibit C)</b>	2,150,571
<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.	6,814,799
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	288,989
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.	(9,451)
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>(2,718,929)</u>
<b>Net assets of governmental activities (Exhibit A)</b>	<u><u>6,525,979</u></u>

## HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2012

	General	Capital Projects	Debt Service	Management	Nonmajor Student Activity Fund	Total
	\$	\$	\$	\$	\$	\$
<b>Revenues:</b>						
Local sources:						
Local tax	1,297,291	260,881	285,950	175,143	-	2,019,265
Tuition	216,486	-	-	-	-	216,486
Other	114,095	47,144	12,034	10,025	127,969	311,267
State sources	1,192,991	-	-	-	-	1,192,991
Federal sources	147,740	-	-	-	-	147,740
Total revenues	<u>2,968,603</u>	<u>308,025</u>	<u>297,984</u>	<u>185,168</u>	<u>127,969</u>	<u>3,887,749</u>
<b>Expenditures:</b>						
Current:						
Instruction:						
Regular	1,457,304	-	-	-	-	1,457,304
Special	320,748	-	-	-	-	320,748
Other	273,261	-	-	-	124,024	397,285
	<u>2,051,313</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>124,024</u>	<u>2,175,337</u>
Support services:						
Student	16,257	-	-	-	-	16,257
Instructional staff	109,486	-	-	-	-	109,486
Administration	365,742	15,000	-	4,744	-	385,486
Operation and maintenance of plant	287,510	5,688	-	51,974	-	345,172
Transportation	73,664	-	-	-	-	73,664
	<u>852,659</u>	<u>20,688</u>	<u>-</u>	<u>56,718</u>	<u>-</u>	<u>930,065</u>
Other expenditures:						
Facilities acquisition	-	138,187	-	-	-	138,187
Long-term debt:						
Principal	-	-	2,785,000	-	-	2,785,000
Interest and fiscal charges	-	-	182,950	-	-	182,950
AEA flowthrough	109,320	-	-	-	-	109,320
	<u>109,320</u>	<u>138,187</u>	<u>2,967,950</u>	<u>-</u>	<u>-</u>	<u>3,215,457</u>
Total expenditures	<u>3,013,292</u>	<u>158,875</u>	<u>2,967,950</u>	<u>56,718</u>	<u>124,024</u>	<u>6,320,859</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(44,689)</u>	<u>149,150</u>	<u>(2,669,966)</u>	<u>128,450</u>	<u>3,945</u>	<u>(2,433,110)</u>
Other financing sources (uses):						
Sale of real property - principal received	-	20,317	-	-	-	20,317
Operating transfers in	-	-	40,000	-	-	40,000
Operating transfers out	-	(40,000)	-	-	-	(40,000)
Total other financing sources (uses)	<u>-</u>	<u>(19,683)</u>	<u>40,000</u>	<u>-</u>	<u>-</u>	<u>20,317</u>
Net change in fund balances	<u>(44,689)</u>	<u>129,467</u>	<u>(2,629,966)</u>	<u>128,450</u>	<u>3,945</u>	<u>(2,412,793)</u>
Fund balances beginning of year	<u>961,128</u>	<u>552,785</u>	<u>2,688,840</u>	<u>235,865</u>	<u>124,746</u>	<u>4,563,364</u>
Fund balances end of year	<u>916,439</u>	<u>682,252</u>	<u>58,874</u>	<u>364,315</u>	<u>128,691</u>	<u>2,150,571</u>

See notes to financial statements.

## HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2012

	\$	\$
<b>Net change in fund balances - total governmental funds (Exhibit E)</b>		(2,412,793)
<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 and capital outlay expenditures in the current year are as follows:		
Expenditures for capital assets	59,396	
Depreciation expense	<u>(242,886)</u>	(183,490)
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.		(21,324)
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.		2,785,000
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.		20,874
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Other postemployment benefits		<u>(8,473)</u>
<b>Changes in net assets of governmental activities (Exhibit B)</b>		<u><u>179,794</u></u>

## HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

Statement of Net Assets  
Proprietary Fund

June 30, 2012

	Nonmajor School Nutrition
	<u>\$</u>
<b>Assets</b>	
Cash and cash equivalents	16,446
Inventories	5,007
Capital assets, net of accumulated depreciation	<u>48,999</u>
<b>Total assets</b>	<u>70,452</u>
<b>Liabilities</b>	
Deferred revenue	<u>2,609</u>
<b>Net assets</b>	
Invested in capital assets	48,999
Unrestricted	<u>18,844</u>
<b>Total net assets</b>	<u><u>67,843</u></u>

## HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2012

	Nonmajor School Nutrition
	<u>\$</u>
Operating revenue:	
Local sources:	
Charges for service	<u>97,558</u>
Operating expenses:	
Non-instructional programs:	
Salaries	58,351
Benefits	16,811
Supplies	134,909
Depreciation	<u>7,659</u>
Total operating expenses	<u>217,730</u>
Operating income (loss)	<u>(120,172)</u>
Non-operating revenues:	
State sources	1,864
Federal sources	82,827
Interest income	<u>696</u>
Total non-operating revenues	<u>85,387</u>
Income (loss) before capital contributions	(34,785)
Capital contributions	<u>2,675</u>
Change in net assets	(32,110)
Net assets beginning of year	<u>99,953</u>
Net assets end of year	<u><u>67,843</u></u>

## HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows  
Proprietary Fund

Year ended June 30, 2012

	Nonmajor School Nutrition
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	97,937
Cash payments to employees for services	(75,162)
Cash payments to suppliers for goods or services	(120,773)
Net cash used by operating activities	<u>(97,998)</u>
Cash flows from non-capital financing activities:	
State grants received	1,864
Federal grants received	69,109
Net cash provided by non-capital financing activities	<u>70,973</u>
Cash flows from capital and related financing activities	<u>-</u>
Cash flows from investing activities:	
Interest on investments	<u>696</u>
Net increase (decrease) in cash and cash equivalents	(26,329)
Cash and cash equivalents at beginning of year	<u>42,775</u>
Cash and cash equivalents at end of year	<u><u>16,446</u></u>
<b>Reconciliation of operating income (loss) to net cash used by operating activities:</b>	
Operating income (loss)	(120,172)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:	
Commodities used	13,718
Depreciation	7,659
Decrease (increase) in inventories	418
(Decrease) increase in deferred revenue	<u>379</u>
Net cash used by operating activities	<u><u>(97,998)</u></u>

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

During the year ended June 30, 2012, the District received \$13,718 of federal commodities.

During the year ended June 30, 2012, the School Nutrition Fund received \$2,675 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, 2012

	Private Purpose Trust Scholarship <u>          </u> \$	<u>Agency</u> \$
<b>Assets</b>		
Cash and pooled investments	464,676	-
Due from other governments	<u>-</u>	<u>19,455</u>
<b>Total Assets</b>	464,676	19,455
<b>Liabilities</b>		
Interfund payable to General Fund	<u>-</u>	<u>19,455</u>
<b>Net Assets</b>		
Reserved for scholarships	<u>464,676</u>	<u>-</u>

## HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets  
Fiduciary Fund

Year ended June 30, 2012

	Private Purpose Trust Scholarship <u>\$</u>
Additions:	
Local sources:	
Gifts and contributions	3,150
Interest	<u>9,038</u>
Total additions	12,188
Deductions:	
Support services:	
Scholarships awarded	<u>4,557</u>
Change in net assets	7,631
Net assets beginning of year	<u>457,045</u>
Net assets end of year	<u><u>464,676</u></u>

# HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2012

### 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 Management Fund is used to account for resources from the management property tax levy.

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

The District also reports fiduciary funds, which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private-Purpose Trust Fund is used to account for assets held by the District under trust agreements, which require income earned to be used to benefit individuals through scholarship awards.

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

#### C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is

levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

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

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

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

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

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, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2011.

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.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012, expenditures in the other expenditures function exceeded the amount budgeted.

**2. Cash and Pooled Investments**

The District's deposits in banks at June 30, 2012 were entirely covered by federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The District had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

**3. Interfund Receivables and Payables**

The detail of interfund receivables and payables at June 30, 2012 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Agency Fund	\$ 19,455

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, 2012 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
Debt Service Fund	Capital Projects Fund	\$ 40,000

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 \$
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	23,714	16,286	40,000
2018-2023	186,300	53,700	240,000
	<u>288,989</u>	<u>151,011</u>	<u>440,000</u>

**6. Capital Assets**

Capital assets activity for the year ended June 30, 2012 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	8,538,438	18,450	-	8,556,888
Improvements other than buildings	299,174	10,450	-	309,624
Furniture and equipment	981,723	30,496	-	1,012,219
Intangible assets	16,450	-	-	16,450
Total capital assets being deprec.	<u>9,835,785</u>	<u>59,396</u>	-	<u>9,895,181</u>
Less accumulated depreciation for:				
Buildings	2,117,906	170,796	-	2,288,702
Improvements other than buildings	89,877	17,261	-	107,138
Furniture and equipment	679,563	51,539	-	731,102
Intangible assets	8,225	3,290	-	11,515
Total accumulated depreciation	<u>2,895,571</u>	<u>242,886</u>	-	<u>3,138,457</u>
Total capital assets being depreciated, net	<u>6,940,214</u>	<u>(183,490)</u>	-	<u>6,756,724</u>
Governmental activities capital assets, net	<u>6,998,289</u>	<u>(183,490)</u>	-	<u>6,814,799</u>
	Balance Beginning of Year \$	Increases \$	Decreases \$	Balance End of Year \$
<b>Business type activities:</b>				
Furniture and equipment	85,525	2,675	-	88,200
Less accumulated depreciation	<u>31,542</u>	<u>7,659</u>	-	<u>39,201</u>
Business type activities capital assets, net	<u>53,983</u>	<u>(4,984)</u>	-	<u>48,999</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	13,879
Other	7,122
Support services:	
Administration services	2,617
Operation and maintenance of plant services	1,274
Transportation	29,937
	<u>54,829</u>
Unallocated depreciation	<u>188,057</u>
Total depreciation expense – governmental activities	<u>242,886</u>
Business type activities:	
Food services	<u>7,659</u>

## 7. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2012, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Governmental activities:					
General obligation bonds	5,480,000	-	2,785,000	2,695,000	270,000
Net OPEB liability	<u>15,456</u>	<u>8,473</u>	<u>-</u>	<u>23,929</u>	<u>-</u>
Total	<u>5,495,456</u>	<u>8,473</u>	<u>2,785,000</u>	<u>2,718,929</u>	<u>270,000</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, 2012 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Refunding Bonds issued March 2011			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
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	2.10	285,000	42,010	327,010
2018-2022	2.40-3.10	<u>1,315,000</u>	<u>102,785</u>	<u>1,417,785</u>
		<u>2,695,000</u>	<u>353,597</u>	<u>3,048,597</u>

## 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 5.38% of their annual covered salary and the District is required to contribute 8.07% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2012, 2011, and 2010 were \$151,931, \$126,514 and \$117,067 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, 2012, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

	\$
Annual required contribution	8,714
Interest on net OPEB obligation	386
Adjustment to annual required contribution	<u>(627)</u>
Annual OPEB cost	8,473
Contributions made	<u>-</u>
Increase in net OPEB obligation	8,473
Net OPEB obligation beginning of year	<u>15,456</u>
Net OPEB obligation end of year	<u>23,929</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, 2012.

For the year ended June 30, 2012, the District contributed \$0 to the medical plan. Plan members eligible for benefits contributed \$775, or 100% 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, 2012 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
2012	8,473	-	23,929

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$71,400, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$71,400. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,322,000, and the ratio of the UAAL to covered payroll was 5.4%. As of June 30, 2012, 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 \$109,320 for the year ended June 30, 2012 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 year are as follows:

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

### 13. Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2012 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
	\$
Returning dropout and dropout prevention program	32,526
Educator quality, professional development	<u>8,940</u>
	<u>41,466</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, 2012

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	2,547,018	98,254	2,645,272	2,907,500	2,907,500	(262,228)
State sources	1,192,991	1,864	1,194,855	1,271,555	1,271,555	(76,700)
Federal sources	147,740	82,827	230,567	260,000	260,000	(29,433)
Total revenues:	<u>3,887,749</u>	<u>182,945</u>	<u>4,070,694</u>	<u>4,439,055</u>	<u>4,439,055</u>	<u>(368,361)</u>
Expenditures/Expenses:						
Instruction	2,175,337	-	2,175,337	2,799,000	2,799,000	623,663
Support services	930,065	-	930,065	1,590,000	1,590,000	659,935
Non-instructional programs	-	217,730	217,730	200,000	250,000	32,270
Other expenditures	3,215,457	-	3,215,457	702,630	802,630	(2,412,827)
Total expenditures/expenses:	<u>6,320,859</u>	<u>217,730</u>	<u>6,538,589</u>	<u>5,291,630</u>	<u>5,441,630</u>	<u>(1,096,959)</u>
Deficiency of revenues under expenditures/expenses	(2,433,110)	(34,785)	(2,467,895)	(852,575)	(1,002,575)	(1,465,320)
Other financing sources (uses) net	<u>20,317</u>	<u>2,675</u>	<u>22,992</u>	<u>-</u>	<u>-</u>	<u>22,992</u>
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures/expenses	(2,412,793)	(32,110)	(2,444,903)	(852,575)	(1,002,575)	(1,442,328)
Balance beginning of year	<u>4,563,364</u>	<u>99,953</u>	<u>4,663,317</u>	<u>1,126,147</u>	<u>1,126,147</u>	<u>3,537,170</u>
Balance end of year	<u><u>2,150,571</u></u>	<u><u>67,843</u></u>	<u><u>2,218,414</u></u>	<u><u>273,572</u></u>	<u><u>123,572</u></u>	<u><u>2,094,842</u></u>

## HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

### Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2012

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$150,000.

During the year ended June 30, 2012, expenditures in the other expenditures function exceeded the amount budgeted.

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%
2012	July 1, 2009	-	71,400	71,400	0.0%	1,322,000	5.4%

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.

SUPPLEMENTARY INFORMATION

## HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet  
Capital Project Accounts

June 30, 2012

<b>Assets</b>	Capital Projects			Total
	Construction	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
	\$	\$	\$	\$
Cash and pooled investments	1,811	488,287	148,048	638,146
Receivables:				
Property tax:				
Delinquent	-	-	528	528
Succeeding year	-	-	58,788	58,788
Due from other governments	-	47,380	-	47,380
Note receivable	-	-	288,989	288,989
<b>Total assets</b>	<b>1,811</b>	<b>535,667</b>	<b>496,353</b>	<b>1,033,831</b>
<b>Liabilities &amp; Fund Balances</b>				
Liabilities:				
Accounts payable	1,811	1,991	-	3,802
Deferred revenue:				
Succeeding year property tax	-	-	58,788	58,788
Other	-	-	288,989	288,989
Total liabilities	<u>1,811</u>	<u>1,991</u>	<u>347,777</u>	<u>351,579</u>
Fund balances:				
Restricted for:				
School infrastructure	-	533,676	-	533,676
Physical plant and equipment	-	-	148,576	148,576
Total fund balances	<u>-</u>	<u>533,676</u>	<u>148,576</u>	<u>682,252</u>
<b>Total liabilities and fund balances</b>	<b>1,811</b>	<b>535,667</b>	<b>496,353</b>	<b>1,033,831</b>

## HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2012

	Capital Projects			Total
	Construction	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	-	205,984	54,897	260,881
Other	-	16,006	31,138	47,144
Total revenues	-	221,990	86,035	308,025
Expenditures:				
Current:				
Support services:				
Administration services	-	15,000	-	15,000
Operation and maintenance of plant	-	-	5,688	5,688
Other expenditures:				
Facilities acquisition	96,723	41,464	-	138,187
Total expenditures	96,723	56,464	5,688	158,875
Excess (deficiency) of revenues over (under) expenditures	(96,723)	165,526	80,347	149,150
Other financing sources (uses):				
Sale of real property - principal received	-	-	20,317	20,317
Operating transfers out	-	-	(40,000)	(40,000)
Total other financing sources (uses)	-	-	(19,683)	(19,683)
Net change in fund balance	(96,723)	165,526	60,664	129,467
Fund balances beginning of year	96,723	368,150	87,912	552,785
Fund balance end of year	-	533,676	148,576	682,252

## HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2012

<u>Account</u>	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
Vocal music	3,921	5,792	4,065	5,648
Instrumental music	763	1,081	670	1,174
Co-ed athletics	12,489	5,626	1,693	16,422
Boys & girls golf	193	865	398	660
Boys basketball	11,705	16,291	11,437	16,559
Football	10,610	5,299	7,092	8,817
Baseball	3,244	10,954	7,397	6,801
Wrestling	186	-	-	186
Girls basketball	11,091	11,858	15,860	7,089
Volleyball	4,211	9,297	7,944	5,564
Softball	1,265	7,692	4,846	4,111
Cheerleading	2,699	2,309	1,831	3,177
Dance team	767	2,193	1,185	1,775
Junior class concessions	4,901	17,972	14,463	8,410
FFA	20,795	13,502	10,707	23,590
Hosa	1,454	440	27	1,867
Class of 2018	-	182	-	182
Class of 2017	-	117	-	117
Class of 2016	96	99	-	195
Class of 2015	107	55	-	162
Class of 2014	309	99	-	408
Class of 2013	368	4,847	3,299	1,916
Class of 2012	2,043	211	1,700	554
Class of 2011	2,316	-	-	2,316
Student council	1,126	2,835	2,082	1,879
Peer helper	9	-	-	9
Spanish club	50	-	-	50
Middle school	5,972	7,931	6,757	7,146
Athletic activity account	1,714	292	99	1,907
Weight room	20,342	130	20,472	-
	<u>124,746</u>	<u>127,969</u>	<u>124,024</u>	<u>128,691</u>
Total	<u>124,746</u>	<u>127,969</u>	<u>124,024</u>	<u>128,691</u>

## HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Fund

Year ended June 30, 2012

	<u>Carl Perkins Consortium</u> \$
Balance beginning of year	(17,322)
Additions:	
Carl Perkins receipts	46,336
Deductions:	
Carl Perkins payments to member schools	<u>48,469</u>
Balance end of year	<u><u>(19,455)</u></u>

## HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

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

For the Last Nine Years

	Modified Accrual Basis								
	2012	2011	2010	2009	2008	2007	2006	2005	2004
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues:									
Local sources:									
Local tax	2,019,265	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	216,486	261,932	241,135	231,766	297,860	246,744	188,446	191,571	164,820
Other	311,267	243,803	240,995	218,820	294,599	348,667	270,008	244,187	399,534
State sources	1,192,991	1,137,259	982,197	1,230,968	1,124,349	1,115,535	992,827	983,330	1,963,658
Federal sources	147,740	327,570	316,029	134,275	63,446	134,540	125,222	190,854	147,030
Total revenues	<u>3,887,749</u>	<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	1,457,304	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	320,748	335,279	249,541	338,754	331,448	289,047	282,026	358,362	355,373
Other	397,285	262,686	292,086	320,667	376,356	298,308	296,494	238,589	193,736
Support services:									
Student	16,257	17,953	12,195	1,407	-	8,431	6,098	46,127	66,877
Instructional staff	109,486	101,371	77,198	95,377	86,490	95,728	100,261	118,289	106,434
Administration	385,486	442,471	356,669	349,687	266,805	395,395	421,278	397,760	336,327
Operation and maintenance	345,172	418,698	366,190	369,022	374,310	333,776	385,895	369,866	232,002
Transportation	73,664	155,034	67,818	74,648	84,352	68,976	115,179	58,753	75,461
Other expenditures:									
Facilities acquisition	138,187	153,979	87,034	222,045	88,805	225,836	136,540	423,615	6,188,543
Long-term debt:									
Principal	2,785,000	335,000	320,000	305,000	290,000	325,848	310,217	345,435	180,000
Interest and other charges	182,950	148,095	150,994	162,919	173,694	184,909	196,221	207,942	338,898
AEA flowthrough	109,320	116,691	113,338	102,407	98,503	96,567	93,094	92,089	94,118
Total expenditures	<u>6,320,859</u>	<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, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 10, 2013. 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

The management of Harris-Lake Park Community School District is responsible for establishing and maintaining effective 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 12-I-A and 12-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, 2012 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 10, 2013

HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2012

Part I: Findings Related to the Financial Statements:

Internal Control Deficiencies:

12-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.

12-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, 2012

Part II: Other Findings Related To Statutory Reporting:

12-II-A Certified Budget: Expenditures for the year ended June 30, 2012, exceeded the certified amount budgeted in the other expenditures function.

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

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

Conclusion: Response accepted.

12-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.

12-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.

12-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	643

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

12-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.

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

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

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

12-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.

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

HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2012

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

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

12-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, 2012, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance	\$	\$
		368,150
Revenues/transfers in:		
Statewide sales, services and use tax revenue	205,984	
Interest	6,219	
Donations	<u>9,787</u>	221,990
Expenditures/transfers out:		
School infrastructure construction	41,464	
Other	<u>15,000</u>	<u>56,464</u>
Ending balance		<u>533,676</u>

For the year ended June 30, 2012, the District did not reduce any levies as a result of the moneys received under Chapter 423E of 423F of the Code of Iowa.

12-II-M Withholding on Payments to Employees: We noted that four people that were employees during the school year were treated as independent contractors for services performed in the summer. No withholding for social security, Medicare or income tax was taken out of the payments made in the summer and the amounts were not included on the employees' W-2 forms.

Recommendation: All payments to employees for services are subject to payroll taxes and W-2 reporting.

District Response: We will change our reporting on these payments to comply with payroll reporting requirements.

Conclusion: Response accepted.