

**KINGSLEY-PIERSON COMMUNITY  
SCHOOL DISTRICT**

**INDEPENDENT AUDITORS' REPORT**

**JUNE 30, 2004**

**KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT  
FOR THE YEAR ENDED JUNE 30, 2004  
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**KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT**

**LIST OF OFFICIALS**

**June 30, 2004**

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**Board of Education  
(Before September 2003 Election)**

		Term Expires
Julie Hlas	President	2003
Tim Sudbeck	Vice President	2004
Scott Bohle	Board Member	2004
Cindy Powell Inman	Board Member	2005
Bud Herbold	Board Member	2005

**Board of Education  
(After September 2003 Election)**

Tim Sudbeck	President	2004
Julie Hlas	Vice President	2006
Scott Bohle	Board Member	2004
Cindy Powell Inman	Board Member	2005
Bud Herbold	Board Member	2005

**School Officials**

Michael Sherwood	Superintendent	2004
Audrey Bollin	Secretary-Treasurer	2004
James Hanks	Attorney	2004

## INDEPENDENT AUDITORS' REPORT

To the Board of Education of  
Kingsley-Pierson Community School District  
Kingsley, Iowa

We have audited the accompanying financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the Kingsley-Pierson Community School District as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Kingsley-Pierson Community School District's management. 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, Chapter 11 of the Code of Iowa, 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that 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 activity, each major fund, and the aggregate remaining fund information of Kingsley-Pierson Community School District as of June 30, 2004 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles. Also, the Comparison of Receipts, Disbursements, and Changes in Balances – Actual to Budget (Cash Basis) presents fairly, in all material respects, the cash transactions and the legally adopted budget of the government fund types and proprietary fund type of Kingsley-Pierson Community School District for the year ended June 30, 2004.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 18, 2004, on our consideration of the Kingsley-Pierson Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 16 and page 39 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Kingsley-Pierson Community School District's basic financial statements. The general purpose financial statements for the years ended June 30, 2003, 2002 and 2001 were audited by other auditors (none of which are presented herein) in accordance with the standards referred to in the second paragraph of this report, and they expressed an unqualified opinion on them in their report dated

September 5, 2003. The supplemental information, included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

Certified Public Accountants

Sioux City, Iowa  
August 18, 2004

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Kingsley-Pierson 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, 2004. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

Because the District is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the District's financial position and results of operations.

### 2004 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$3,415,420 in fiscal 2003 to \$3,527,504 in fiscal 2004, while General Fund expenditures increased from \$3,646,105 in fiscal 2003 to \$3,745,616 in fiscal 2004. The District's General Fund balance decreased from \$489,016 in fiscal 2003 to \$274,960 in fiscal 2004, a 44% decrease.
- The increase in General Fund revenues were attributable to an increase in property tax, tuition from other districts and state foundation aid revenue in fiscal 2004. Projected state foundation aid revenue was reduced by about \$45,000 due to an across the board cut in state aid in the fall of 2003. Since about 85% of the district general fund budget is for salaries and benefits, it is difficult to adjust mid-year for such cuts. In June, the district did receive a partial payback of the cut in the amount of \$4,600.
- The increase in expenditures was due primarily to an increase in the negotiated salary and benefits of district employees. The district has been working to find ways to decrease salary and benefit costs without laying off staff. For example, the district, in conjunction with the teacher's association, has instituted major changes to the health insurance plan in an effort to contain costs. By changing insurers and increasing deductibles from \$100 to \$1,000 per person, the district was able to keep the percentage increase at 18% for fiscal 2004 versus the 61% increase that was quoted under the previous plan. One teaching position was not filled in fiscal year 2004 when an employee resigned at the end of fiscal 2003. Schedules of other staff were shifted to cover the position. In fiscal 2004, the district replaced the K-8 Principal position that was vacant during fiscal 2003. During fiscal 2003, the district cut its administrative expenses by having the Superintendent and High School Principal take on the duties of the K-8 Principal. The extra compensation that was paid for the additional duties was less than what the previous Principal was paid and the district saved the cost of medical insurance for that position. This was just a temporary arrangement until a qualified candidate could be hired. In fiscal year 2004 the district again had a separate K-8 Principal increasing administrative expenses in comparison to fiscal 2003. Other non-employee expenses that increased significantly were snow removal and the costs of gasoline and repairs for the district's licensed vehicles. The

district purchased some new band equipment that was partially funded by the general fund in the amount of \$4,389.

- A decline in interest rates during the past three fiscal years, combined with less cash available to be invested, resulted in interest earnings in the General Fund alone decreasing from \$23,224 in fiscal 2003 to \$11,387 in fiscal 2004.
- The district has chosen to reduce expenses where possible and fund the balance of spending deficits by using the carryover balance it has accumulated. Although the increase in revenues in fiscal year 2004 was greater than the increase in expenditures by \$12,573, total expenditures exceeded total revenues by \$214,056 decreasing General Fund balance by that amount.
- The district's boundaries lie within three counties: Cherokee, Plymouth and Woodbury. The district has received revenue from Woodbury County one-cent sales tax for several years. In February of 2004, Cherokee and Plymouth County voters approved a one-cent sales tax for school infrastructure, effective July 1, 2004. The district decided to bond against the future Plymouth County revenue in order to complete some major facility projects. At June 30, 2004 many projects were well under way, even though the district did not receive the bond proceeds until mid July.

## **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 Kingsley-Pierson 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 Kingsley-Pierson Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds.

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

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

Other Supplementary Information provides detailed information about the nonmajor Special Revenue Funds. In addition, the Comparison of Taxes and Intergovernmental Revenues and Receipts, provides a summary of how funding at different levels has changed over the most recent four year period.

Figure A-1 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-1</b>				
<b>Major Features of the Government-wide and Fund Financial Statements</b>				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in fund net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

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

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

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

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

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

### *Fund Financial Statements*

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

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

The District has two 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.

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-2 below provides a summary of the District's net assets at June 30, 2004.

Figure A-2 Condensed Statement of Net Assets (Expressed in Thousands)			
	Governmental Activities	Business type Activities	Total District
Current and other assets	\$2,596	\$26	\$2,622
Capital assets	5,517	18	5,535
Total assets	8,113	44	8,157
Long-term liabilities	3,030		3,030
Other liabilities	2,556	6	2,562
Total liabilities	5,586	6	5,592
<b>Net assets</b>			
Invested in capital assets net of related debt	2,371	18	2,389
Restricted	123		123
Unrestricted	33	20	53
Total net assets	\$2,527	\$38	\$2,565

In future years, the net change from the previous year will be shown. Since the district changed its method of reporting to conform with GASB 34, comparable information is not available for fiscal 2003. The most significant change is the incorporation of capital assets and depreciation to compute the district's net assets. The invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt makes up 94% of the governmental activity net assets for fiscal 2004. 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.

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 is extremely low for fiscal 2004. This is mostly due to the commitment of funds for several capital projects that are being financed by sales tax revenue bonds. The bonds are dated July 1, 2004 and the district received the proceeds from the sale in mid July 2004. Projects began in May and June to allow for completion by the beginning of the school year. Project expenses for work completed by June 30, 2004, but not yet paid are included as

payables in fiscal 2004 but the corresponding revenue will not be recognized until fiscal 2005.

Figure A-3 shows the change in net assets for the year ended June 30, 2004.

Figure A-3  
Changes in Net Assets  
(Expressed in Thousands)

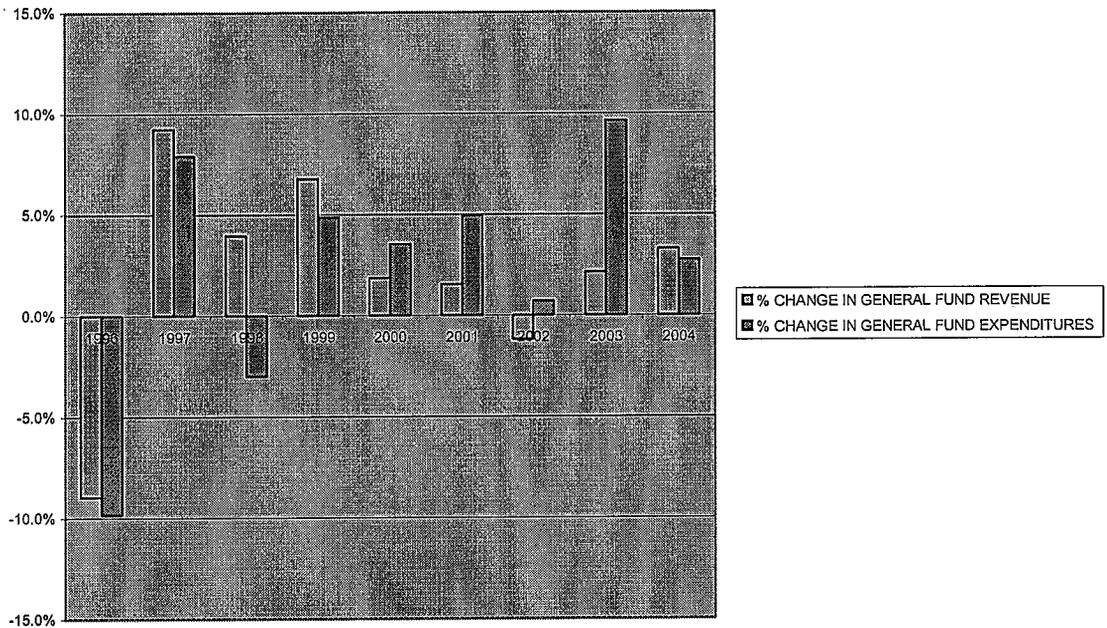
	Governmental Activities	Business Type Activities	Total District
<b>Revenues</b>			
Program revenues			
Charges for Services	\$387	\$114	\$501
Operating grants and contributions	467	80	547
General revenues			
Property tax	1,733		1,733
Other taxes	153		153
Interest on investments	14		14
State aid not restricted to specific programs	1,471		1,471
Contributions	8		8
Miscellaneous	24		24
Sale of Equipment	4		4
Total revenues	4,261	194	4,455
<b>Program expenses</b>			
Governmental activities			
Instruction	2,758		2,758
Support services	1,336		1,336
Non-instructional programs		181	181
Other expenses	375		375
Total expenses	4,469	181	4,650
Change in net assets	\$(208)	\$13	\$(195)

Property tax and unrestricted state grants account for 75% of the total governmental activities revenue. The District's expenses primarily relate to instruction and support services, which account for 92% of the total governmental activities expense.

### **Governmental Activities**

Revenues for governmental activities were \$4,260,354 and expenses were \$4,468,375. Even though general fund revenues increased by 3.28% and expenses only increased by 2.73%, the general fund is still recovering from the 2.12% increase in revenue coupled with a 9.64% increase in expenses from fiscal 2003 (See figure A-4). Although markedly better than fiscal 2003, the district is still spending more than it is bringing in, causing a decrease in fund balance.

Figure A-4



The following table (A-5) presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5  
Total and Net Cost of Governmental Activities  
(Expressed in Thousands)

	Total Cost of Services	Net Cost of Services
Instruction	\$2,758	\$2,083
Support services	1,336	1,291
Non-instructional programs	0	0
Other expenses	375	241
<b>Total expenses</b>	<b>\$4,469</b>	<b>\$3,615</b>

- The cost financed by users of the District's programs was \$386,830. Federal and state governments subsidized certain programs with grants and contributions totaling \$466,737.
- The net cost of governmental activities was financed with \$1,885,731 in property and other taxes and \$1,470,666 in unrestricted state grants. The remaining \$50,390 in revenue came from interest, contributions, sales of equipment and other miscellaneous local sources.

## **Business Type Activities**

Revenues for business type activities were \$193,563 and expenses were \$181,323. 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.

During the year ended June 30, 2004, the District did not increase meal prices. In the previous year, student lunch prices were increased by 11% to allow for payback of the \$19,250 owed to the general fund. The amount owed to the general fund as of June 30, 2004 is \$5,850.

## **INDIVIDUAL FUND ANALYSIS**

As previously noted, Kingsley-Pierson 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 \$63,618, markedly down from last year's ending fund balances of \$700,735.

## **Governmental Fund Highlights**

- The Capital Projects Fund went from a \$40,865 balance to a negative \$365,457 balance. This is due to the timing of project work funded by sales tax revenue bonds. Substantial work had begun on multiple projects before June 30, 2004 but the proceeds of the bonds were not received until mid July 2004. The district sold bonds in the amount of \$890,000 that will be repaid over a ten-year period with a one-cent Plymouth County sales tax that went into effect on July 1, 2004. The district will receive a small amount of revenue from a one-cent Cherokee County sales tax that also went into effect on July 1, 2004. This is in addition to the approximate \$80,000 that is received annually from the Woodbury County one-cent sales tax that was passed in 1998. While there are always potential facility projects, the district has completed many major projects over the last few years. The district has a new middle school and the 25-year old elementary/high school building has been updated to allow for better uses of technology in the classrooms. The district is completing a new bus barn and athletic facilities and its vocational programs have benefited from recent building additions.
- The other significant factor in the decline of governmental fund balances is due to the decrease in the General Fund of \$214,054 or 44%. The district has chosen to reduce its carryover balance instead of mandating reductions in staff through the last couple of tough budget years. Expenses were cut where possible, including not replacing staff that resigned or retired, reducing allocations for supplies and travel and greatly modifying the health insurance plan for employees. The district is expecting to regain

some ground this year due to an increase in the previous year's enrollment and 2% allowable growth in state aid. This will likely mean the general fund will come close to break even in fiscal 2005.

- The Management fund had a negative balance due to an early retirement incentive that was payable at June 30, 2004, but taxes to fund the July 2004 payment will be collected throughout fiscal 2005. Also, the district continues to struggle with high general insurance costs, particularly worker's compensation insurance.

### **Proprietary Fund Highlights**

School Nutrition Fund net assets increased from \$24,949 at June 30, 2003 to \$37,572 at June 30, 2004, representing an increase of approximately 51%. The district reduced its liabilities by paying down \$7,000 of the \$12,250 due to the general fund. Average daily lunch counts increased by about 4%, most likely due to increased enrollment. Conversely, average daily breakfast counts decreased by about 6%. Breakfast makes up a small percentage of the nutrition fund's revenues, so the decrease did not have much of an effect on the bottom line. Using up old inventory decreased the percentage increase in food expense. Overall, the nutrition fund has improved its financial health and has also provided some relief to the general fund.

### **BUDGETARY HIGHLIGHTS**

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. This is referred to as the certified budget. The 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 district certifies its budget on a cash basis, but year-end financial reports are converted to an accrual basis. The certified budget may be amended during the year utilizing similar statutorily prescribed procedures. Over the course of the year, Kingsley-Pierson Community School District amended its annual budget one time to include additional capital project expenditures that were unplanned at the time of budget certification.

The District's receipts were \$52,587 more than budgeted receipts, a variance of 1%. When certifying the budget, the district tries to estimate revenues conservatively, and this variance is most likely a result of that, rather than any significant increases in revenue.

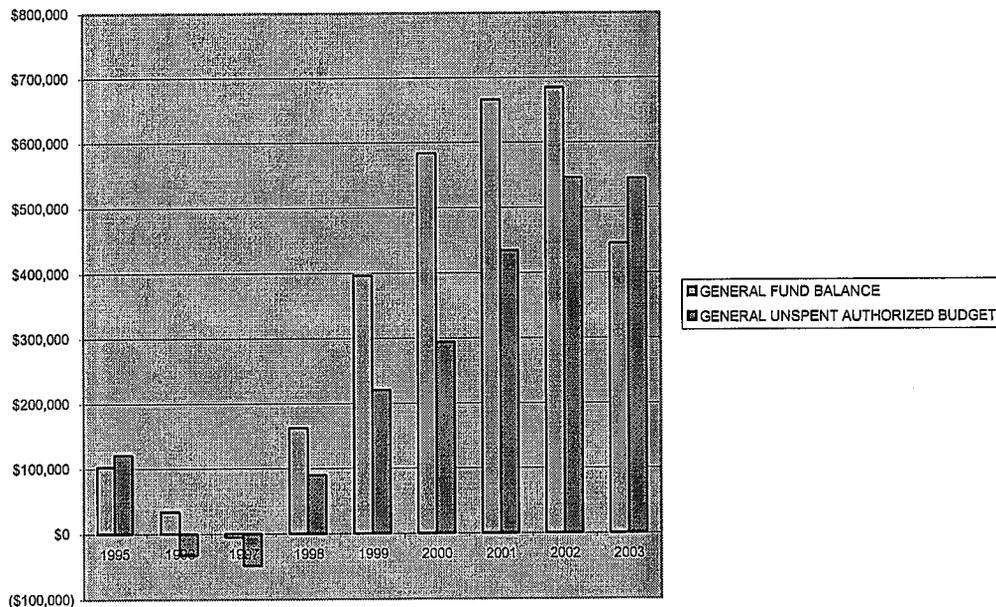
Total expenditures were \$487,820 less than budgeted, a variance of 9%. This is due again to conservative estimating, specifically in the Other Expenditures area. Many projects were started at the end of the school year and it was difficult to know whether expenses would fall in fiscal 2004 or fiscal 2005, depending on whether work was completed in June or July. While, the certified budget provides a tool for estimating revenues and expenditures, the District manages or controls spending through its line-item budget.

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.

The district has managed to maintain its spending authority over the last couple of years when its cash has been depleted. Spending authority can be preserved by asking the School Budget Review Committee for authority to fund special education deficits, increased enrollment and increased tuition costs due to open enrollment. Figure A-6 shows the districts cash (fund balance) compared to unspent balance over the last nine years. Final unspent authorized budget from fiscal 2004 will not be available until January 2005.

Figure A-6



## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2004, the District had invested \$2.5 million, net of accumulated depreciation and associated debt, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-7) Depreciation expense for the year was \$184,039.

Figure A-7

	Original Cost of Capital Assets	Prior Years Accum Deprec	Current Year Depreciation	Capital Assets less Depreciation
Land & Improvements	\$438,655	\$266,847	\$6,094	\$165,714
Buildings & Improvements	6,485,549	1,628,856	135,266	4,721,427
Vehicles & Equipment	653,150	409,993	42,678	200,479
Construction in Progress	446,765	-	-	446,765
	<u>\$8,024,119</u>	<u>\$2,305,696</u>	<u>\$184,038</u>	<u>\$5,534,385</u>

Since this was the first year to report capital assets and depreciation expense, a comparison to last year is not possible. The original cost of the District's capital assets was \$8.0 million. Accumulated depreciation for prior years was calculated at \$2.3 million. Buildings and building improvements account for 85% of capital assets, before reducing for long-term debt. When computing net capital assets, associated long-term debt is subtracted. Buildings and building improvements account for 71% of net capital assets.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$446,765 at June 30, 2004. It includes several projects financed by the issuance of sales tax revenue bonds for various improvements throughout the district. The larger projects included a new track/football complex and athletic field lighting, a new bus barn, wiring and networking of the elementary/high school and updates to the heating and cooling system in the elementary/high school.

### Long-Term Debt

At June 30, 2004, the District had \$3,064,449 in general obligation and other long-term debt outstanding. This represents a decrease of approximately 5% from last year. (See Figure A-8) Additional information about the District's long-term debt is presented in Notes 6, 7 and 8 to the financial statements.

In October 2000, the District's voters authorized the issuance of \$3,250,000 in general obligation bonds to pay for construction of a new middle school building and an addition to the Kingsley shop building. At June 30, 2004, principal on the bonds was down to \$3,030,000. Debt service on these bonds will continue until 2020.

The District also had early retirement incentives payable on June 30, 2004 of \$34,449, up 25% from last year. Early retirement is paid out of the Management fund and is funded by a tax levy. Early retirement serves as a reward for long-term employees

and also provides a way to reduce general fund expenses by replacing employees at the top of the pay scale with less experienced employees.

Figure A-8  
Outstanding Long-Term Obligations  
(Expressed in Thousands)

	Total District		% Change 2003-2004
	2004	2003	
General obligation bonds	\$3,030	\$3,150	-4.0%
Revenue bonds	-	-	0.0%
Lease purchase agreements	-	51	-100.0%
Early retirement	34	27	25.0%
	\$3,064	\$3,228	-5.1%

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

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Due to a revaluation of agricultural land, the district's taxable valuation for fiscal 2005, decreased by 15%. This will result in higher tax rates to fund debt service and less property tax revenue in the General and Physical Plant and Equipment Levy (PPEL) for fiscal 2005. This will have the biggest impact on the PPEL fund reducing total revenue by about 13%.
- The district's enrollment increased by 1.6% for this budget year (previous year's enrollment) and the state has set allowable growth at 2%. These two factors will help the district to come close to break even in the general fund. Enrollment was up slightly again this year (used in calculating fiscal 2006 revenues) and allowable growth at this point will be 4%. If allowable growth isn't reduced, the district should be able to start rebuilding its fund balance in the general fund.
- Enrollment may decrease for budget year 2007, as the largest class will be graduating in 2005.
- The District has many long-term employees that would be eligible for early retirement over the next few years. This could affect the district's total tax levy and the distribution of property taxes among funds that are supported by property tax. For example, the management fund levy would need to increase, and that may mean a decrease in another levy to keep taxes at an acceptable level. However, the board has the ability to approve or deny applications for early retirement, so the effects can be somewhat controlled.

- The district has facilities that are modern and in good shape. Although there are always projects that need to be done, the revenues to support facility maintenance and improvement should be sufficient to take care of immediate needs for the next few years. The district has been setting aside \$15,000 each year out of the PPEL fund to pay for a future roof replacement of the Kingsley building. There is currently \$62,612 accumulated for this purpose. PPEL money is also used to buy school vehicles. The district is planning to buy one new bus or van every year to keep its fleet in good shape. Ninety-five percent of the Plymouth County sales tax revenues collected over the next ten years are pledged toward repaying the sales tax revenue bonds issued in July 2004. Woodbury County one-cent sales tax will expire in 2008 and the voted PPEL expires in 2007. At that time, voters will need to decide whether to extend those taxes. If the district loses both of these funding sources, it could be difficult to fund anything but minor necessary repairs.

### **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 Audrey Bollin, District Secretary/Treasurer and Business Manager, Kingsley-Pierson Community School District, 322 Quest Ave, Kingsley, Iowa, 51028.

**KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT**  
**STATEMENT OF NET ASSETS**  
**June 30, 2004**

	Primary Government Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
Cash and Pooled Investments	\$ 812,670	\$ 16,556	\$ 829,226
Receivables:			
Property Tax	38,321		38,321
Succeeding Year Property Tax	1,682,638		1,682,638
Interfund Receivable	5,850		5,850
Due from Other Governmental Agencies	56,958		56,958
Inventories		9,719	9,719
Land	438,655		438,655
Construction in Progress	446,765		446,765
Infrastructure, Property and Equipment, Net of Accumulated Depreciation (Note 4)	4,631,233	17,729	4,648,962
<b>Total Assets</b>	<b>8,113,090</b>	<b>44,004</b>	<b>8,157,094</b>
<b>LIABILITIES</b>			
Payables:			
Accounts Payable	318,136		318,136
Other Payables	5,481		5,481
Interfund Payable	-	5,850	5,850
Deferred Revenue:			
Succeeding Year Property Tax	1,682,638		1,682,638
Other	8,456		8,456
Accrued Wages	377,181	582	377,763
Accrued Early Retirement	34,449		34,449
Accrued Interest Payable	14,151		14,151
Notes Payable	115,500		115,500
Long Term Debt Due Within One Year	120,000		120,000
Long Term Debt Due in More Than One Year	2,910,000		2,910,000
<b>Total Liabilities</b>	<b>5,585,992</b>	<b>6,432</b>	<b>5,592,424</b>
<b>NET ASSETS</b>			
Investment in Capital Assets, Net of Related Debt	2,371,153	17,729	2,388,882
Restricted for:			
Debt Service	17,319		17,319
Talented and Gifted Program	37,048		37,048
Phase III	6,200		6,200
Other Special Revenue Purposes	62,612		62,612
Unrestricted	32,766	19,843	52,609
<b>Total Net Assets</b>	<b>\$ 2,527,098</b>	<b>\$ 37,572</b>	<b>\$ 2,564,670</b>

See Accompanying Notes to Financial Statements

**KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2004

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants Contributions	Capital Grants Contributions
<b>Primary Government:</b>				
Governmental Activities:				
Instruction:				
Regular	\$ 1,866,392	\$ 198,239	\$ 231,809	
Special Programs	403,335	58,798	17,972	
Vocational	267,614		37,779	
Co-curricular	220,287	129,793		
Support Services:				
Student Support	82,126			
Instructional Staff Support	93,143		43,588	
General Administration	315,245			
Building Administration	235,158			
Business Administration	59,153			
Operations and Maintenance	334,354			
Student Transportation	216,263		1,189	
Facilities Acquisition:				
Building Improvement Services	18,435			
Construction Services	31,215			
Equipment	8,981			
Debt Service:				
Services	300			
Interest	181,974			
Intergovernmental:				
AEA Flowthrough	134,400		134,400	
Total governmental activities	<u>4,468,375</u>	<u>386,830</u>	<u>466,737</u>	<u>-</u>
<b>Primary Business Type Activity</b>				
School Nutrition Fund	<u>181,323</u>	<u>113,647</u>	<u>79,916</u>	<u>-</u>
<b>Total School District</b>	<u>\$ 4,649,698</u>	<u>\$ 500,477</u>	<u>\$ 546,653</u>	<u>\$ -</u>
<b>General Revenues:</b>				
Property taxes				
Other taxes				
Interest on Investments				
State aid not restricted to specific programs				
Contributions				
Miscellaneous				
Foster Care				
Sale of Equipment				
<b>Total general revenues and transfers</b>				
Change in net assets				
Net assets - beginning				
Net assets - ending				

<u>Net (Expense) Revenue and Changes in Net Assets</u>		
<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
\$ (1,436,344)		\$ (1,436,344)
(326,565)		(326,565)
(229,835)		(229,835)
(90,494)		(90,494)
(82,126)		(82,126)
(49,555)		(49,555)
(315,245)		(315,245)
(235,158)		(235,158)
(59,153)		(59,153)
(334,354)		(334,354)
(215,074)		(215,074)
(18,435)		(18,435)
(31,215)		(31,215)
(8,981)		(8,981)
(300)		(300)
(181,974)		(181,974)
-		-
<u>(3,614,808)</u>		<u>(3,614,808)</u>
	<u>\$ 12,240</u>	<u>12,240</u>
<u>(3,614,808)</u>	<u>12,240</u>	<u>(3,602,568)</u>
1,732,747	-	1,732,747
152,984	-	152,984
13,896	383	14,279
1,461,030	-	1,461,030
8,245	-	8,245
24,196	-	24,196
9,636	-	9,636
4,053	-	4,053
<u>3,406,787</u>	<u>383</u>	<u>3,407,170</u>
(208,021)	12,623	(195,398)
2,735,119	24,949	2,760,068
<u>\$ 2,527,098</u>	<u>\$ 37,572</u>	<u>\$ 2,564,670</u>

See Accompanying Notes to Financial Statements

**KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT**  
**BALANCE SHEET**  
**Governmental Funds**  
**June 30, 2004**

		General
<b>Assets</b>		
Cash and Pooled Investments	\$	672,300
Receivables:		
Property Tax		28,680
Future Property Tax		1,226,032
Due from Other Funds		5,850
Due from Other Governmental Agencies		42,419
Total Assets		1,975,281
<b>Liabilities</b>		
Payables:		
Accounts Payable		83,169
Other Payables		5,481
Due to Other Funds		
Deferred Revenue:		
Succeeding Year Property Tax		1,226,032
Other		8,456
Accrued Wages		377,181
Accrued Early Retirement		
Accrued Interest Payable		
Notes Payable		
Total Liabilities		1,700,319
<b>Equity</b>		
Fund Balances:		
Reserved for Debt Service		
Reserved for Talented and Gifted Program		37,048
Reserved for Phase III		6,200
Unreserved for:		
Designated		
Undesignated		231,714
Total Fund Balances		274,962
Total Liabilities and Equity	\$	1,975,281

See Accompanying Notes to Financial Statements

Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
\$ 681	\$ 12,243	\$ 127,446	\$ 812,670
	6,136	3,505	38,321
	277,380	179,226	1,682,638
50,192		31,015	87,057
14,539			56,958
<u>65,412</u>	<u>295,759</u>	<u>341,192</u>	<u>2,677,644</u>
233,949		1,018	318,136
			5,481
81,207			81,207
	277,380	179,226	1,682,638
			8,456
			377,181
		24,154	24,154
213	1,060		1,273
115,500			115,500
<u>430,869</u>	<u>278,440</u>	<u>204,398</u>	<u>2,614,026</u>
	17,319		17,319
			37,048
			6,200
		62,612	62,612
(365,457)		74,182	(59,561)
<u>(365,457)</u>	<u>17,319</u>	<u>136,794</u>	<u>63,618</u>
<u>\$ 65,412</u>	<u>\$ 295,759</u>	<u>\$ 341,192</u>	

Amounts reported for Governmental Activities in the Statement of Net Assets are different because:

Infrastructure, property, and equipment used in governmental activities are not financial resources and, therefore, are not reported in the funds	5,516,653
Deferred revenues and accrued expenses from the balance sheet that provide current financial resources for governmental activities	(23,173)
Long-term liabilities included in the long-term debt account group net of debt service that are not reported in the funds	(3,030,000)
Net Assets of Governmental Activities	<u>\$ 2,527,098</u>

See Accompanying Notes to Financial Statements

**KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**Governmental Funds**  
**Year Ended June 30, 2004**

	General	Capital Projects
Revenue:		
Local Sources	\$ 1,589,081	\$ 104,409
State Appropriations	1,780,862	
Federal Appropriations	157,561	
Total Revenue	<u>3,527,504</u>	<u>104,409</u>
Expenditures:		
Governmental Activities:		
Instruction:		
Regular	1,818,096	
Special Programs	403,335	
Vocational	266,791	
Co-curricular	88,869	
Support Services:		
Student Support	81,925	
Instructional Staff Support	59,364	
General Administration	154,663	
Building Administration	235,158	
Business Administration	59,153	
Operations and Maintenance	301,367	213
Student Transportation	142,491	
Facilities Acquisition:		
Building Improvement Services		111,545
Construction Services		398,974
Equipment		
Debt Service:		
Services		
Principal		
Interest		
Intergovernmental:		
AEA Flowthrough	134,400	
Total Expenditures	<u>3,745,612</u>	<u>510,732</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(218,108)</u>	<u>(406,323)</u>
Other Financing Sources (Uses):		
Sale of Equipment	4,053	
Total Other Financing Sources (Uses)	<u>4,053</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(214,055)	(406,323)
Fund Balances (Deficit)-Beginning of Year	489,017	40,866
Fund Balances (Deficit)- End of Year	<u>\$ 274,962</u>	<u>\$ (365,457)</u>

See Accompanying Notes to Financial Statements

Debt Service	Other Governmental Funds	Total Governmental Funds
\$ 280,972	\$ 343,070	\$ 2,317,532
221	125	1,781,208
		157,561
281,193	343,195	4,256,301
	36,954	1,855,050
		403,335
		266,791
	130,599	219,468
		81,925
	33,779	93,143
	12,807	167,470
		235,158
		59,153
	29,545	331,125
	48,058	190,549
		111,545
	21,746	420,720
	43,247	43,247
300		300
115,000		115,000
169,096		169,096
		134,400
284,396	356,735	4,897,475
(3,203)	(13,540)	(641,174)
		4,053
-	-	4,053
(3,203)	(13,540)	(637,121)
20,522	150,334	700,739
\$ 17,319	\$ 136,794	\$ 63,618

See Accompanying Notes to Financial Statements

**KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2004**

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Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds (page 23)	\$	(637,121)
Governmental funds report capital outlays, including infrastructure, as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current year.		337,273
Accrued Expenses not reported on modified accrual basis		(23,173)
The repayment of the principal of bonded long-term debt consumes the current financial resources of governmental funds without affecting the net assets. The statement of activities does not reflect the payment of principal on bonded long-term debt. The principal paid on bonded long-term debt during the current year was:		115,000
Change in net assets of governmental activities (page 19)	\$	<u>(208,021)</u>

**KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT**  
**Statement of Revenues, Expenses, and Changes in Net Assets**  
**Proprietary Fund**  
**For the Year Ended June 30, 2004**

	<b>School Nutrition Fund</b>
Operating Revenues:	
Sales of lunches and breakfasts:	
Students	\$ 96,509
Adults	9,542
A la carte	6,331
Miscellaneous	1,264
Total Operating Revenue	113,646
Operating Expenditures:	
Food Service Operations:	
Salaries	62,850
Benefits	11,344
Services	501
Supplies	105,080
Other	140
Depreciation	1,408
Total Operating Expenses	181,323
Operating Loss	(67,677)
Non-Operating Revenues :	
Interest Income	383
State Lunch and Breakfast Program Claims	2,875
National School Lunch Program	56,283
Food Distribution	20,759
Total Non-Operating Revenues	80,300
Change in net assets	12,623
Net Assets-beginning	24,949
Net Assets-ending	\$ 37,572

**KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**Proprietary Fund Type**  
**For the Year Ended June 30, 2004**

	<b>School Nutrition Fund</b>
<b>Cash flows from operating activities:</b>	
Cash received from sale of lunches and breakfast	\$ 112,382
Cash received from miscellaneous operating activities	1,264
Cash payments to employees for services	(83,321)
Cash payments to suppliers for goods and services	(109,850)
<b>Net cash (used) by operating activities</b>	<u>(79,525)</u>
<b>Cash flows from noncapital financing activities:</b>	
State grants received	2,875
Federal grants received	77,042
<b>Net cash provided by noncapital financing activities</b>	<u>79,917</u>
<b>Cash flows from investing activities:</b>	
Interest on investments	383
<b>Net increase (decrease) in cash and cash equivalents</b>	775
Cash and pooled investments - beginning of year	<u>15,781</u>
Cash and pooled investments - end of year	<u><u>16,556</u></u>
<b>Reconciliation of operating (loss) to net cash used in operating activities:</b>	
Operating (loss)	(67,677)
Depreciation	1,408
Change in assets and liabilities:	
Decrease in inventory	2,871
Decrease in interfund payable	(7,000)
Decrease in salaries and benefits payable	(9,127)
<b>Net cash (used) in operating activities</b>	<u><u>\$ (79,525)</u></u>
<b>Supplemental schedule of noncash noncapital financing activities:</b>	
Federal food commodities received	<u><u>\$ 20,759</u></u>

See Accompanying Notes to Financial Statements

**KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2004**

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**Note 1 – Summary of Significant Accounting Policies**

The Kingsley-Pierson 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 areas served includes the cities of Kingsley and Pierson, Iowa, and the predominate agricultural territory in Plymouth County. The district is governed by a Board of Education whose members are elected on a non-partisan basis.

**A. Reporting Entity**

For financial reporting purposes, Kingsley-Pierson Community School District has included all funds, organizations, account groups, 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 Kingsley-Pierson Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

These financial statements have been prepared in conformity with U.S. Generally Accepted Accounting Principles (GAAP) that apply to governmental units. All funds created under the authority of the State Code of Iowa, the operations of which are under the control of the District's governing body, and by financial reporting standards for governmental units are included herewith.

The Governmental Accounting Standards Board is responsible for establishing U.S. GAAP for state and local government through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The District applies only the applicable FASB pronouncements issued prior to November 30, 1989 in accounting and reporting its proprietary operations. The more significant accounting policies established in U.S. GAAP and used by the District are discussed below.

In June 1999, GASB unanimously approved Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*; Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments: Omnibus*; Statement No. 38, *Certain Financial Statement Note Disclosures*; Statement No. 41, *Budgetary Comparison Schedule – Perspective Differences*; and Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*. Certain significant changes in the statement include the following:

- For the first time:
  - A Management Discussion and Analysis (MD&A) section providing an analysis of the District's overall financial position and result of operations.
  - Financial statements prepared using full accrual accounting for all the District's activities.
- A change in the fund financial statements to focus on the major funds of the District.

These and other changes are reflected in the accompanying financial statements (including notes to the financial statements). The District has implemented the statement for the year ended June 30, 2004.

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

**KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2004**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

**B. Basic Financial Statements- Government-Wide Statements**

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The District's general, special revenue, capital project, and debt service funds are classified as governmental activities. The District's school nutrition fund is classified as a business-type activity.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts- invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The Government-wide Statement of Activities reports both the gross and net cost of each of the District's functions and business-type activities. The functions are also supported by general government expenses (including depreciation) by related program revenues, operating grants, and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

**C. Fund Accounting**

The District uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. Funds are classified into two types: governmental and proprietary. The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB No. 34 sets forth minimum criteria for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements. The various funds reported in the financial statements are grouped into fund types as follows:

**GOVERNMENTAL FUND TYPES**

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities, except those accounted for in proprietary funds, are accounted for through governmental funds. The measurement focus is on determination of financial position and changes in financial position, rather than upon net income determination. The following are the District's governmental funds.

General Fund – The General Fund is the primary operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund accounts for the instructional and most of the support service programs of the District's operations. Revenue of the General Fund consists primarily of local property taxes and state government aid.

**KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2004**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

Special Revenue Fund – Special Revenue Funds account for the proceeds of specific revenue sources (other than expendable trusts, or for major capital projects) that are legally restricted for specified purposes. Each of the District's Special Revenue Funds has been established to reflect restricted revenue sources provided to school districts by the Iowa State Statutes. The funds included in this category and their purposes are as follows:

Management Fund – Accounts for a levy of forty-nine cents per thousand dollars of assessed valuation in the district for insurance premiums and unemployment compensation insurance claims.

Physical Plant and Equipment Levy – Accounts for a regular levy of thirty-three cents per thousand dollars of assessed valuation in the district as well as an additional special voted property tax levy of one dollar per thousand dollars of assessed valuation in the district for use in purchase of equipment and repairing and improving schoolhouse buildings and grounds.

Student Activity Fund – Accounts for student clubs and other activities not necessary to regular instruction services that are financed partly or entirely by admissions and student fund-raising activities.

Debt Service Fund – The Debt Service Fund accounts for the accumulation of resources for and the payment of general long-term debt principal and interest.

Capital Projects Fund – The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through enterprise funds.

**PROPRIETARY FUND TYPES**

Proprietary funds are used to account for the District's ongoing activities that are similar to those often found in the private sector, where the measurement focus is upon the flow of economic resources. The fund included in this category and its' purpose are as follows:

Enterprise Fund – The Enterprise Fund is used to account for operations: (a) which are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The fund included in this category and its purpose is as follows:

School Nutrition Fund – Accounts for the food service operations of the District.

Basis of Accounting/Measurement Focus – The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e. revenues and other financing sources) and decreases (i.e. expenditures and other financing uses) in net current assets.

All governmental fund types use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual (i.e., when they

**KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2004**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due.

Because of their flow of current financial resources measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Those revenues susceptible to accrual are property taxes, interest revenue, and intergovernmental revenue (shared revenues, grants and reimbursements from other governments). Revenue from federal and state grants and similar programs are recognized when a District has done everything necessary to establish its right to the revenue. Usually this is at the time an expenditure has been incurred for an authorized purpose.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. Propriety Fund type-operating statements present increases (e.g. revenue) and decreases (e.g. expenses) in net total assets. In reporting the financial activity of its proprietary funds, 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 fund types utilize the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Budgetary Accounting- 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 expendable trust funds and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional area level, not at the fund or fund type level. The Code of Iowa also provides that District disbursements in the General Fund may not exceed the amount authorized by the school finance formula.

There was one amendment made during the fiscal year ending June 30, 2004. The original budget by functional area, amendments, and the amended budget by functional area were as follows:

	Original Budget	Amendments	Amended Budget
Instruction	\$ 2,821,419	\$ -	\$ 2,821,419
Student Support Services	1,169,599	-	1,169,599
Non-Instructional	191,966	3,004	195,000
Other Expenditures	568,450	531,550	1,100,000

**KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2004**

**Note 1 – Summary of Significant Accounting Policies (Continued)**

A comparison of cash basis revenues, expenditures or expenses and changes in balance with the cash basis budget, which is legally controlled by functional areas, not fund type is presented as required supplemental information following the notes. Operations and ending fund balances on the cash and modified accrual or accrual basis have been reconciled as follows:

<b>Governmental Fund Types</b>			
<b>General</b>			
	<b>Cash Basis</b>	<b>Accrual Adjustments</b>	<b>Modified Accrual Basis</b>
Revenues	\$ 3,554,946	\$ (27,442)	\$ 3,527,504
Expenditures	3,716,836	28,776	3,745,612
Net	(161,890)	(56,218)	(218,108)
Other Financing Sources (Uses)	4,053	-	4,053
Beginning Fund Balance	824,656	(335,639)	489,017
Ending Fund Balance	\$ 666,819	\$ (391,857)	\$ 274,962

<b>Governmental Fund Types</b>			
<b>Special Revenue</b>			
	<b>Cash Basis</b>	<b>Accrual Adjustments</b>	<b>Modified Accrual Basis</b>
Revenues	\$ 342,337	\$ 858	\$ 343,195
Expenditures	367,092	(10,357)	356,735
Net	(24,755)	11,215	(13,540)
Other Financing Sources (Uses)	-	-	-
Beginning Fund Balance	152,202	(1,868)	150,334
Ending Fund Balance	\$ 127,447	\$ 9,347	\$ 136,794

<b>Governmental Fund Types</b>			
<b>Debt Service</b>			
	<b>Cash Basis</b>	<b>Accrual Adjustments</b>	<b>Modified Accrual Basis</b>
Revenues	\$ 279,803	\$ 1,390	\$ 281,193
Expenditures	284,396	-	284,396
Net	(4,593)	1,390	(3,203)
Other Financing Sources (Uses)	-	-	-
Beginning Fund Balance	16,834	3,688	20,522
Ending Fund Balance	\$ 12,241	\$ 5,078	\$ 17,319

**KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2004**

**Note 1 – Summary of Significant Accounting Policies (Continued)**

	<b>Governmental Fund Types</b>		
	<b>Cash Basis</b>	<b>Capital Projects</b>	<b>Modified Accrual Basis</b>
		<b>Accrual Adjustments</b>	
Revenues	\$ 96,636	\$ 7,773	\$ 104,409
Expenditures	257,465	253,267	510,732
Net	(160,829)	(245,494)	(406,323)
Other Financing Sources (Uses)	-	-	-
Beginning Fund Balance	46,011	(5,145)	40,866
Ending Fund Balance	\$ (114,818)	\$ (250,639)	\$ (365,457)

	<b>Governmental Fund Types</b>		
	<b>Cash Basis</b>	<b>Total</b>	<b>Modified Accrual Basis</b>
		<b>Accrual Adjustments</b>	
Revenues	\$ 4,273,722	\$ (17,421)	\$ 4,256,301
Expenditures	4,625,789	271,686	4,897,475
Net	(352,067)	(289,107)	(641,174)
Other Financing Sources (Uses)	4,053	-	4,053
Beginning Fund Balance	1,039,703	(338,964)	700,739
Ending Fund Balance	\$ 691,689	\$ (628,071)	\$ 63,618

	<b>Proprietary Fund Type-Enterprise</b>		
	<b>Cash Basis</b>	<b>Total</b>	<b>Modified Accrual Basis</b>
		<b>Accrual Adjustments</b>	
Revenues	\$ 173,185	\$ 20,761	\$ 193,946
Expenditures	172,410	8,913	181,323
Net	775	11,848	12,623
Other Financing Sources (Uses)	-	-	-
Beginning Fund Balance	15,781	9,168	24,949
Ending Retained Earnings	\$ 16,556	\$ 21,016	\$ 37,572

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

**Cash and Temporary Cash Investments** – The cash balances of most District funds are pooled and invested. For purposes of the statement of cash flows, the proprietary fund type considers 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, they have a maturity date no longer than three months. Cash investments not meeting the definition of cash equivalents at June 30, 2004 included certificates of deposits of \$74,137 with original maturity dates longer than three months.

**Interfund Activity** – Interfund balances outstanding at year-end were between the General Fund, the Capital Projects Fund, the Nutrition Fund, and the Physical Plant and Equipment Levy (PPEL) Fund. The purpose of the balances between the General Fund and the Nutrition Fund was to accrue expenses that the General Fund paid on the Nutrition Fund's behalf. The purpose of the balances between the Capital Projects Fund and the PPEL Fund was to accrue expenses that the PPEL Fund paid on the Capital Projects Fund's behalf.

**KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2004**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

**Property Tax Receivable** – Property tax in Governmental Funds are 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 that the tax asking is certified by the Board of Education to the County Board of Supervisors. Current year delinquent property taxes receivable represents unpaid taxes from the current year. 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 Board of Education is required to certify its budget to the County Auditor by April 15 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 and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2003.

**Due From Other Governments** – Due from other governments represents amounts due from the State of Iowa, various shared revenue, grants and reimbursements from other governments.

**Inventories** – Inventory items are valued at cost using the first-in, first-out method for purchased items and contributed value for government commodities.

**Property and Equipment** – Property and equipment are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed assets are reported at their fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The District's capitalization policy is \$3,000. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings and structures	25 - 50 years
Machinery and equipment	5 - 10 years

During the year ended June 30, 2004, no interest costs were capitalized since the District's policy is not to capitalize interest costs on assets constructed or acquired with tax-exempt debt paid for from annual debt service tax levies.

**Proprietary Fund** – Proprietary fund type property and equipment is accounted for at historical costs or estimated historical costs where historical cost is not available. Contributed fixed assets are recorded at estimated fair market value at the date received.

Accumulated depreciation is reported on the Proprietary Fund balance sheet. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives for machinery and equipment are 10 years.

**Accrued Payroll and Related Expenditures** – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

**Deferred Revenue** – Although certain revenues are measurable, they are not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue represents the amount of assets that have been recognized, but the related

**KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2004**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

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, the succeeding year property tax receivable as well as delinquent property tax receivable and other receivables not collected within sixty days after year end, excluding grant receivables.

**Compensated Absences** – There is no liability for unpaid accumulated vacation or sick leave since the District does have a policy in which employees are required to use it or lose it. The District does not pay this amount when employees separate from service.

**Designated Fund Balance** – The District has designated a portion of its fund balance for cash flow as well as providing for a potential emergency.

**Note 2 – Deposits and Investments**

The School District's deposits at June 30, 2004 were entirely covered by Federal Depository Insurance or by a multiple financial institution collateral pool in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the members of the pool to insure there will be no loss of public funds.

The School 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; and certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2004 the carrying amounts of the School District's deposits were as follows:

	<b><u>Carrying Balance</u></b>	<b><u>Bank Balance</u></b>
All Fund Types	\$ 829,226	\$ 861,944

**Note 3 – Area Education Agency**

The District is required by the Code of Iowa to budget for its share of the media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$134,400 for the year ended June 30, 2004, and is recorded in the General Fund.

**KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2004**

**Note 4 – Changes in General Fixed Assets**

A summary of changes in general fixed assets follows:

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004
Land	\$ 470,579	\$ -	\$ 31,924	\$ 438,655
Buildings	6,477,335	45,933	37,720	6,485,548
Vehicles and Equipment	1,845,898	27,207	1,219,956	653,149
Construction in Progress	-	446,765	-	446,765
	<u>8,793,812</u>	<u>519,905</u>	<u>1,289,600</u>	<u>8,024,117</u>
Acc. Dep.	(2,305,696)	(184,039)	-	(2,489,735)
Total	<u>\$ 6,488,116</u>	<u>\$ 335,866</u>	<u>\$ 1,289,600</u>	<u>\$ 5,534,382</u>

An adjustment was made to the Fixed Assets due to a change in the capitalization threshold and a comprehensive physical inventory of fixed assets taken as of June 30, 2004. Current year deletions were not separately identified from those resulting from this adjustment.

Depreciation Expense was charged to governmental activities as follows:

General Administration/Multi-Functional Instruction	\$ 147,775
Vocational Instruction	4,071
Co-Curricular Instruction	823
Instructional Staff Support	819
Operations and Maintenance	201
Transportation	3,229
Nutrition	25,714
	<u>1,407</u>
	<u>\$ 184,039</u>

**Note 5 – Retirement System**

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 that are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$140,403, \$137,003, and \$128,074 respectively, equal to the required contributions for each year.

**KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2004**

**Note 6 – Long-Term Debt**

A summary of changes in long-term debt of the year ended June 30, 2004 is as follows:

	General Obligation Bonds	Early Retirement	Lease/ Purchase Agreement	Total
Balance beginning of year	\$ 3,150,000	\$ 27,559	\$ 50,544	\$ 3,228,103
Additions	-	22,435	-	22,435
Deletions	(120,000)	(15,545)	(50,544)	(186,089)
Balance end of year	<u>\$ 3,030,000</u>	<u>\$ 34,449</u>	<u>\$ -</u>	<u>\$ 3,064,449</u>

**Early Retirement**

The District offers a voluntary early retirement plan to its employees. Eligible employees must be at least age fifty-nine and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to a percentage of the applicant's current salary until the retiree reaches age 65.

The District adopted a new early retirement policy effective for fiscal years June 30, 2003, and thereafter. Eligible employees must be at least age fifty-nine and have not reached the age of sixty-six at retirement. Employees must have completed ten years of continuous service to the District and is actively employed during the last fiscal year prior to early retirement. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to a percentage of the applicant's current salary.

Early retirement benefits (including payroll taxes) paid during the year ended June 30, 2004 totaled \$15,545. The cost of early retirement payments expected to be liquidated currently are recorded as a liability of the Special Revenue, Management Levy Fund. A liability has been recorded in the General Long-Term Debt Account Group representing the District's commitment to fund non-current early retirement.

**Bonded Debt**

Details of the District's June 30, 2004 general obligation bonded indebtedness are as follows:

Ending June 30	Principal	Interest	Total
2005	120,000	162,080	282,080
2006	125,000	154,760	279,760
2007	135,000	147,135	282,135
2008	140,000	138,900	278,900
2009	150,000	130,360	280,360
2010-2014	900,000	523,710	1,423,710
2015-2019	1,180,000	270,400	1,450,400
2020	280,000	15,120	295,120
Totals	<u>\$ 3,030,000</u>	<u>\$ 1,542,465</u>	<u>\$ 4,572,465</u>

**KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2004**

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**Note 7– Notes Payable**

The District arranged for a short-term loan of \$115,500 on June 29, 2004. The loan was to provide for interim financing of sales tax revenue bond projects, and carried an annual interest rate of 5%. The note and any unpaid interest are due October 15, 2004.

**Note 8 – Capital Leases**

The District purchased a \$47,000 bus in fiscal 2002 through capital leasing arrangements in the PPEL fund. The District paid an initial down payment of \$10,000 in fiscal 2002. The District completed the lease in the current year with a payment of \$39,691, representing \$2,691 in interest and \$37,000 in lease principal.

**Note 9 – Operating Leases**

The District is committed under a non-cancelable operating lease for copiers. Future minimum operating lease commitments are as follows:

Year Ending June 30,	PPEL Fund
2005	2,257

Rent expenditures were \$13,544 for the year ended June 30, 2003.

**Note 10 – Deficit Fund Balances**

As of June 30, 2004, the following funds had deficit fund balances in the amount shown:

Capital Projects	\$ <u>365,457</u>
Special Revenue: Management	\$ <u>20,417</u>

The capital projects fund deficit will be funded through future bond proceeds. The management fund deficit will be funded through future property tax revenue.

**Note 11 – Risk Financing**

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. During the year ended June 30, 2004 the District has elected to purchase commercial insurance to cover against the risk of loss. There were no settlements that exceeded insurance coverage during the past three years or any significant reductions in coverage.

**KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2004**

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**Note 12 – Designated Fund Equity**

Designations of equity are used to show the amounts within unreserved equity which are intended to be used for specific purposes, but are not legally restricted. Designated equity of \$62,612 in the Physical Plant and Equipment Levy Fund is intended for future roofing needs of the Kingsley Building.

**Note 13 – Prior Period Adjustments**

In the prior period, enterprise fund equipment was understated by \$43,174, and accumulated depreciation for the same fund was understated by \$31,395. The resulting net increase in assets of \$11,779 was added to the beginning fund balance for the current period.

In the prior period, an operating lease for a copier was included in long-term debt when it should have been excluded. The lease's value of \$3,169 at June 30, 2003 was removed from the beginning debt balance for the current period.

In the prior period, the long-term portion of accrued early retirement was excluded from the long-term debt table in Note 6. The portion's value of \$2,760 was added to the table's beginning debt balance for the current period.

**Note 14 – Construction Commitments**

The school district entered into a series of construction contracts as of June 30, 2004 totaling \$479,318 for the renovation of the athletic complex and the construction of a new bus barn. The remaining balance not in process at year end was \$134,770.

**REQUIRED SUPPLEMENTAL INFORMATION**

**KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT**  
**Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances-**  
**Budget and Actual (Cash Basis)-**  
**All Governmental Fund Types and Proprietary Fund Type**  
**Year Ended June 30, 2004**

	Governmental Fund Types - Actual	Proprietary Fund Type - Actual	Total Actual	Amended Budget	Variance with budget Favorable (Unfavorable)
Receipts:					
Local Sources	\$ 2,360,423	\$ 114,027	\$ 2,474,450	\$ 2,341,626	\$ 132,824
State Sources	1,768,387	2,875	1,771,262	1,818,270	(47,008)
Federal Sources	144,912	56,283	201,195	234,424	(33,229)
Total Revenues	<u>4,273,722</u>	<u>173,185</u>	<u>4,446,907</u>	<u>4,394,320</u>	<u>52,587</u>
Expenditures:					
Instruction	2,692,584	-	2,692,584	2,821,419	128,835
Support Services	1,161,051	-	1,161,051	1,169,599	8,548
Non-Instructional Programs	-	172,410	172,410	195,000	22,590
Other Expenditures	772,153	-	772,153	1,100,000	327,847
Total Expenditures	<u>4,625,788</u>	<u>172,410</u>	<u>4,798,198</u>	<u>5,286,018</u>	<u>487,820</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(352,066)</u>	<u>775</u>	<u>(351,291)</u>	<u>(891,698)</u>	
Other Financing Sources (Uses)	<u>4,053</u>	<u>-</u>	<u>4,053</u>	<u>-</u>	
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other (Uses)	<u>(348,013)</u>	<u>775</u>	<u>(347,238)</u>	<u>(891,698)</u>	
Fund Balance/Retained Earnings Beginning of Year	<u>1,039,703</u>	<u>15,781</u>	<u>1,055,484</u>	<u>969,754</u>	
Fund Balance/Retained Earnings End of Year	<u>\$ 691,690</u>	<u>\$ 16,556</u>	<u>\$ 708,246</u>	<u>\$ 78,056</u>	

**SUPPLEMENTAL INFORMATION**

**KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT**  
**Statement of Revenue, Expenditures and Changes in Fund Balance**  
**General Fund**  
**Year Ended June 30, 2004**

**Schedule 1**

Revenues:

Local Sources:

Local Tax:

Property Tax	\$ 1,292,360
Mobile Home Tax	786
	1,293,146

Other Local Sources:

Interest on Investments	11,387
Tuition from Other Districts	226,268
Miscellaneous	58,280
	295,935
	1,589,081

State Sources:

Foundation Aid-District's Share	1,449,110
Shelter Care/Juvenile Home Aid	9,636
Instructional Support State Aid	16,295
Educational Excellence Program:	
Phase I	45,664
Phase II	39,310
Vocational Education Aid	10,289
Revenue in Lieu of Taxes - Military Credit	1,020
Iowa Early Intervention Block Grant	31,584
AEA Flow-Through	134,400
Other State Aid	43,554
	1,780,862

Federal Sources:

Title I Grants to Local Educational Agencies	54,220
Teacher Quality Program	20,966
Innovative Education Program Strategies (Title VI Program)	2,988
Vocational Education - Basic Grants to States	27,490
Other	51,897
	157,561

Total Revenue	\$ 3,527,504
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Expenditures:

**Instruction:**

Regular Program Instruction:

Salaries	\$ 1,269,018
Employee Benefits	381,413
Contractual Services	86,950
General Supplies	45,796
Equipment	27,637
Other	7,282
	1,818,096
	Continued

**KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT**  
**Statement of Revenue, Expenditures and Changes in Fund Balance**  
**General Fund - Continued**  
**Year Ended June 30, 2004**

Schedule 1 (Continued)

Expenditures (continued):

**Instruction (continued):**

Special Program Instruction:

Salaries	210,856
Employee Benefits	58,409
Contractual Services	129,283
General Supplies	4,389
Other	398
	403,335

Vocational Program Instruction:

Salaries	162,990
Employee Benefits	58,435
Contractual Services	2,570
General Supplies	10,184
Equipment	10,865
Other	21,747
	266,791

Cocurricular Program Instruction and Sports:

Salaries	76,425
Employee Benefits	10,194
Other	2,250
	88,869

**Total Instruction**

**\$ 2,577,091**

**Support Services:**

Student Support Services:

Salaries	\$ 57,624
Employee Benefits	17,839
Contractual Services	3,802
General Supplies	1,430
Other	1,230
	81,925

Instructional Staff Support Services:

Salaries	41,015
Employee Benefits	11,772
Contractual Services	3,952
General Supplies	1,188
Equipment	1,252
Other	185
	59,364

General Administration:

Salaries	103,493
Employee Benefits	29,400
Contractual Services	5,381
General Supplies	2,050
Equipment	96
Other	14,243
	154,663

Continued

**KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT**  
**Statement of Revenue, Expenditures and Changes in Fund Balance**  
**General Fund - Continued**  
**Year Ended June 30, 2004**

Schedule 1 (Continued)

Expenditures (continued):	
<b>Support Services (continued):</b>	
Building Administration:	
Salaries	171,110
Employee Benefits	53,365
Contractual Services	3,018
General Supplies	757
Equipment	1,100
Other	5,808
	235,158
Business Administration:	
Salaries	38,263
Employee Benefits	9,835
Contractual Services	5,790
General Supplies	1,770
Other	3,495
	59,153
Operation and Maintenance Services:	
Salaries	119,878
Employee Benefits	32,092
Contractual Services	110,870
General Supplies	38,096
Other	431
	\$ 301,367
Student Transportation:	
Salaries	\$ 73,711
Employee Benefits	9,855
Purchased Services	20,368
General Supplies	36,466
Other	2,091
	142,491
<b>Total Support Services</b>	<b>1,034,121</b>
<b>Other Expenditures:</b>	
AEA Flow-Through	134,400
	3,745,612
Total Expenditures	3,745,612
(Deficiency) of Revenues Over Expenditures	(218,108)
<b>Other Financing Sources:</b>	
Sale of Equipment	4,053
	(214,055)
(Deficiency) of Revenues and other Sources Over Expenditures	(214,055)
Balance Beginning of Year	489,017
Balance End of Year	\$ 274,962

**KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT**  
**COMBINING BALANCE SHEET**  
**Governmental Nonmajor Funds**  
**June 30, 2004**

**Schedule 2**

	Management Levy	Student Activity	Physical Plant and Equipment Levy	Total
<b>Assets</b>				
Cash and Pooled Investments	\$ 2,072	\$ 61,343	\$ 64,031	\$ 127,446
Receivables:				
Property Tax - Current Year	1,665		1,840	3,505
Property Tax - Succeeding Year	119,000		60,226	179,226
Due from Other Funds			31,015	31,015
<b>Total Assets</b>	<u>122,737</u>	<u>61,343</u>	<u>157,112</u>	<u>341,192</u>
<b>Liabilities</b>				
Accounts Payable		1,018		1,018
Early Retirement Payable	24,154			24,154
Deferred Revenue - Succeeding Year Property Tax	119,000		60,226	179,226
<b>Total Liabilities</b>	<u>143,154</u>	<u>1,018</u>	<u>60,226</u>	<u>204,398</u>
<b>Fund Balances:</b>				
Unreserved, designated fund balance			62,612	62,612
Unreserved, undesignated fund balance	(20,417)	60,325	34,274	74,182
<b>Total Fund Balances</b>	<u>(20,417)</u>	<u>60,325</u>	<u>96,886</u>	<u>136,794</u>
<b>Total Liabilities and Equity</b>	<u>\$ 122,737</u>	<u>\$ 61,343</u>	<u>\$ 157,112</u>	<u>\$ 341,192</u>

**KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCES  
 Governmental Nonmajor Funds  
 For the Year Ended June 30, 2004**

**Schedule 3**

	Management Levy	Student Activity	Physical Plant and Equipment Levy	Total
<b>Revenue:</b>				
<b>Local Sources:</b>				
Property Taxes	\$ 75,040		\$ 83,861	\$ 158,901
Mobile Home Taxes	46		50	96
Surtax			48,026	48,026
<b>Other Local Sources:</b>				
Interest on Investments		\$ 300	1,323	1,623
Student Activities		126,719		126,719
Contributions and Donations from Private Sources		7,705		7,705
<b>State Sources:</b>				
Revenue in Lieu of Taxes - Military Credit	58		67	125
<b>Total Revenue</b>	<u>75,144</u>	<u>134,724</u>	<u>133,327</u>	<u>343,195</u>
<b>Expenditures:</b>				
<b>Instruction:</b>				
Regular Instruction	36,954			36,954
Co-curricular Instruction		130,599		130,599
<b>Support Services:</b>				
Instructional Staff Support Services	33,779			33,779
General Administration	11,742		1,065	12,807
Operations and Maintenance	15,171		14,374	29,545
Student Transportation	8,367		39,691	48,058
<b>Facilities Acquisition:</b>				
Construction Services			21,746	21,746
Equipment			43,247	43,247
<b>Total Expenditures</b>	<u>106,013</u>	<u>130,599</u>	<u>120,123</u>	<u>356,735</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(30,869)</u>	<u>4,125</u>	<u>13,204</u>	<u>(13,540)</u>
<b>Fund Balances - Beginning of Year</b>	<u>10,452</u>	<u>56,200</u>	<u>83,682</u>	<u>150,334</u>
<b>Fund Balances - End of Year</b>	<u>\$ (20,417)</u>	<u>\$ 60,325</u>	<u>\$ 96,886</u>	<u>\$ 136,794</u>

**KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT**  
**Schedule of Individual Student Activity Account Activity**  
**For the Year Ended June 30, 2004**

					Schedule 4
	Balance June 30, 2003	Revenues	Expenditures	Transfers	Balance June 30, 2004
<b>Kingsley Accounts</b>					
Athletics	\$ 15,660	\$ 37,299	\$ 29,721	\$ -	\$ 23,238
K-P Letterman's Club	81	-	-	-	81
Children's Theater	308	-	-	-	308
Christian Athletes	454	20	443	-	31
Dance Team	1,686	5,116	5,413	-	1,389
F.F.A.	1,286	13,805	9,694	-	5,397
Football Fund	500	-	500	-	-
General Fund	(4,820)	853	-	-	(3,967)
Homemaking Fund	493	13	132	-	374
Student Insurance	-	1,113	1,113	-	-
Music Fund	6,507	10,456	15,214	-	1,749
Musical	1,407	1,303	1,798	-	912
PEP	55	2,764	1,935	(137)	747
Football Cheerleaders	68	-	289	221	-
Basketball Cheerleaders	113	-	54	(59)	-
Wrestling Cheerleaders	26	-	-	(26)	-
Pictures	725	6,855	6,855	(725)	-
Softball	1,015	6,561	7,079	-	497
Spanish Club	47	-	-	-	47
Speech/Drama	970	734	1,101	-	603
Student Council	5,770	10,890	13,254	-	3,406
Revolving	192	1,732	1,752	-	172
Class of 2002	(922)	-	-	922	-
Class of 2003	2,979	895	3,678	(196)	-
Class of 2004	4,542	7,463	7,085	-	4,920
Class of 2005	1,349	10,290	8,471	-	3,168
Class of 2006	200	2,251	1,499	-	952
Class of 2007	-	170	36	-	134
	40,691	120,583	117,116	-	44,158
<b>Pierson Accounts:</b>					
Athletics	15,509	14,077	13,483	-	16,103
Class of 2008	-	64	-	-	64
	15,509	14,141	13,483	-	16,167
<b>Total for Activity Funds</b>	<b>\$ 56,200</b>	<b>\$ 134,724</b>	<b>\$ 130,599</b>	<b>-</b>	<b>\$ 60,325</b>

**KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT**  
**Comparison of Taxes and Intergovernmental Revenues**  
**For the Years Ended June 30, 2004, 2003, 2002, 2001**

**Schedule 5**

	<b>Modified Accrual Basis of Accounting</b>			
	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>
<b>Local Sources:</b>				
Property Taxes	\$ 1,684,420	\$ 1,640,575	\$ 1,618,138	\$ 1,420,145
Utility Tax Replacement Excise Tax	46,378	41,743	36,326	39,373
Mobile Home Taxes	1,051	1,086	1,098	1,178
Surtax	48,026	42,904	43,531	42,002
Local Sales and Services Tax	103,938	86,218	78,894	88,762
	<u>1,883,813</u>	<u>1,812,526</u>	<u>1,777,987</u>	<u>1,591,460</u>
<b>State Sources:</b>				
State Foundation Aid	1,449,110	1,407,323	1,373,776	1,395,154
School Improvement and Technology	-	-	10,032	29,817
Shelter Care/Juvenile Home Aid	9,636	3,542	7,853	-
Instructional Support State Aid	16,295	17,263	17,995	19,943
Lunch and Breakfast Program Claims	2,875	2,944	3,021	3,235
Educational Excellence Program:				
Phase I	45,664	46,006	46,006	46,006
Phase II	39,310	40,197	40,101	40,646
Phase III	-	9,988	22,916	22,646
Vocational Education Aid	10,289	12,513	13,135	11,582
Revenue in Lieu of Taxes - Military Credit	1,366	1,122	1,197	473
Iowa Early Intervention Block Grant	31,584	26,331	27,243	13,258
AEA Flow-Through	134,400	140,870	140,400	142,972
Other State Aid	43,554	31,730	34,725	2,387
	<u>1,784,083</u>	<u>1,739,829</u>	<u>1,738,400</u>	<u>1,728,119</u>
<b>Federal Sources:</b>				
Title I	54,220	54,307	54,493	55,864
Class Size Reduction	-	-	16,049	13,055
Safe and Drug Free Schools and Communities	-	-	1,683	1,734
Innovative Education Program Strategies (Title VI Program)	2,988	5,159	2,518	2,345
Vocational Education	27,490	28,621	25,625	24,494
National School Lunch Fund	56,283	50,909	48,150	49,072
Food Distribution	20,759	27,250	27,104	13,496
Other Federal Aid	72,863	71,555	8,223	1,029
	<u>234,603</u>	<u>237,801</u>	<u>183,845</u>	<u>161,089</u>
<b>Total</b>	<u>\$ 3,902,499</u>	<u>\$ 3,790,156</u>	<u>\$ 3,700,232</u>	<u>\$ 3,480,668</u>

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON  
AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Education of the  
Kingsley-Pierson Community School District

We have audited the financial statements of the KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT as of and for the year ended June 30, 2004, and have issued our report thereon dated August 18, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance:

As part of obtaining reasonable assurance about whether the Kingsley-Pierson Community School District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2004 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.

Internal Control Over Financial Reporting:

In planning and performing our audit, we considered Kingsley-Pierson Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Kingsley-Pierson Community School District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-03.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe II-A-03 is a material weakness.

This report, a public record by law, is intended solely for the information and use of the board of education, management, employees and citizens of Kingsley-Pierson Community School District and other parties to whom the Kingsley-Pierson Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Kingsley-Pierson Community School District during the course of our audit. If you have any questions concerning any of the above matters, we would be pleased to discuss them with you at your convenience.

Certified Public Accountants

Sioux City, Iowa  
August 18, 2004

**KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2004**

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**Part I: Summary of the Independent Auditor's Results**

- (a) An unqualified opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance, which is material to the financial statements.

**Part II: Findings Related to the General Purpose Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

There were no prior year audit findings.

**REPORTABLE CONDITIONS:**

**II-A-03 Financial Accounting – Segregation of Duties**

- A. Observation – The School District accountant is involved in almost all phases of the finance operations, including check preparation, preparation of journal entries, as well as financial reporting and statements. We did note that the accountant is not involved with the receipt of any cash or checks and that invoices/claims are not paid until reviewed by the superintendent. We also noted that the financial reporting is under the direction of the superintendent.

Recommendation – With a limited number of personnel, segregation of duties is difficult. The School District has implemented management review procedures which we feel aid in improving the internal controls of the School District. However, we comment that this weakness exists and the duties of the accountant should be continually monitored by management.

Response – The District feels that additional personnel would not be cost effective. However, management will continue to monitor transactions on a regular basis.

Conclusion – Response accepted.

**KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2004**

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**Part III: Other Findings Related to Statutory Reporting:**

- III-A-03      Official Depositories – A resolution naming official depositories has been approved by the District. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.
- III-B-03      Certified Budget – Disbursements for the year ended June 30, 2004 did not exceed amounts budgeted.
- III-C-03      Questionable Disbursements – No disbursements were noted that they may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- III-D-03      Travel Expense – 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.
- III-E-03      Business Transactions – There were no business transactions between the District and District officials or employees during the year ended June 30, 2004.
- III-F-03      Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- III-G-03      Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- III-H-03      Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.
- III-I-03      Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- III-J-03      Certified Annual Report – The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.