

**KINGSLEY-PIERSON COMMUNITY  
SCHOOL DISTRICT**

**INDEPENDENT AUDITORS' REPORT**

**JUNE 30, 2005**

**KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT  
FOR THE YEAR ENDED JUNE 30, 2005  
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**KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT**

**LIST OF OFFICIALS**

**June 30, 2005**

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**Board of Education  
(Before September 2004 Election)**

		Term Expires
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

**Board of Education  
(After September 2004 Election)**

Tim Sudbeck	President	2007
Bud Herbold	Vice President	2005
Cindy Powell Inman	Board Member	2005
Julie Hlas	Board Member	2006
Scott Bohle	Board Member	2007

**School Officials**

Scott Bailey	Superintendent	2005
Audrey Bollin	Secretary-Treasurer	2005
James Hanks	Attorney	2005



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## 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, 2005, 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 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, 2005 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 5, 2005, 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be 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 38 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 financial statements for the three years ended June 30, 2004 were audited by us or other auditors (none of which are presented herein) in accordance with the standards referred to in the second paragraph of this report, and had unqualified opinions expressed on them. 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.

*Williams & Company, P.C.*  
Certified Public Accountants

Sioux City, Iowa  
August 5, 2005

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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, 2005. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### 2005 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$3,527,504 in fiscal 2004 to \$3,674,820 in fiscal 2005, while General Fund expenditures increased from \$3,745,612 in fiscal 2004 to \$3,778,765 in fiscal 2005. The District's General Fund balance decreased from \$274,962 in fiscal 2004 to \$171,442 in fiscal 2005, a 38% decrease.
- The increase in General Fund revenues was mostly attributable to an increase in state foundation aid revenue in fiscal 2005. Allowable growth of 2%, coupled with a 2% increase in the budget enrollment count from September 2003, provided the District with an increase of \$216,015 in state aid. Allowable growth is the percentage increase in the per student rate paid to schools based on prior years' enrollment. However, property tax receipts and some grant receipts were less than fiscal 2004. Agricultural land values were reduced by 15% affecting property taxes assessed for fiscal 2005. Despite an increase in the District's General Fund levy of \$1.26 per thousand, tax dollars generated decreased by \$67,192.
- The increase in total General Fund expenditures was only 1% more than fiscal 2004. On a functional level, instruction increased by less than 1%, while support services increased by 2%. The District continues to trim expenses by reducing positions when employees retire or terminate employment with the District. The cost of gasoline and repairs for the District's licensed vehicles continues to climb. The District is planning to replace a vehicle each year out of PPEL funds. Newer vehicles are safer and should cost less to maintain. The District has not taken any action to reduce fuel costs, such as limiting travel for field trips and extra curricular events.
- Despite lower cash balances, interest earned in the general fund increased by 30% compared to fiscal 2004.
- The District participated in the ISCAP program to provide cash flow during August and September when receipts were minimal. This program allows schools to borrow with very low interest costs, as warrant proceeds for all participating schools are pooled and invested. Districts make withdrawals as needed, within borrowing limitations calculated by the ISCAP financial advisors, and repay balances when property tax and state aid payments are available. The District borrowed \$50,000 with a net cost of borrowing of \$86 in fiscal 2005.

- Although, general fund expenses only increased by 1%, the 4% increase in General Fund revenues was not enough to break even for fiscal 2005. The District spent \$103,520 more than it received. This led to a 38% decrease in the General Fund balance.
- Proceeds from sales tax revenue bonds in the amount of \$890,000 were received in July 2004. The proceeds were used to pay for facility projects started at the end of fiscal 2004 and completed during the summer and fall of 2005. Expenses were accrued in Capital Projects for fiscal 2004 construction in progress, leaving a \$365,457 deficit. The fiscal 2005 fund balance in Capital Projects settled at \$180,099. Receipts for Plymouth and Cherokee County sales tax were about \$35,000 more than projected in fiscal 2005. Increased revenues contributed to the increase in fund balance, as well as limiting summer projects that would be paid out of this fund.

### **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 non-major 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.

**Figure A-1**  
**Major Features of the Government-wide and Fund Financial Statements**

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

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

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

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

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

### *Fund Financial Statements*

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

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

The District has three kinds of funds:

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

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

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

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

The required financial statements for proprietary funds include a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

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, 2005 compared to June 30, 2004.

Figure A-2  
Condensed Statement of Net Assets  
(Expressed in Thousands)

	Governmental Activities		Business type Activities		Total District		Total % Change
	June 30, 2005	June 30, 2004	June 30, 2005	June 30, 2004	June 30, 2005	June 30, 2004	2004-2005
Current and other assets	3,079	2,596	35	26	3,114	2,622	18.8%
Capital assets	6,011	5,517	16	18	6,027	5,535	8.9%
Total assets	9,090	8,113	51	44	9,141	8,157	12.1%
Long-term liabilities	3,800	3,146	-	-	3,800	3,146	20.8%
Other liabilities	2,588	2,440	-	6	2,588	2,446	5.8%
Total liabilities	6,388	5,586	-	6	6,388	5,592	14.2%
Net assets							
Invested in capital assets net of related debt	2,211	2,371	16	18	2,227	2,389	-6.8%
Restricted	135	123	11	-	146	123	18.7%
Unrestricted	356	33	24	20	380	53	617.0%
Total net assets	2,702	2,527	51	38	2,753	2,565	7.3%

Total net assets increased by 7.3% compared to fiscal 2004. Total assets increased by 12.1%, while liabilities increased by 14.2%. Invested in capital assets net of related debt decreased due to the addition of sales tax revenue bonds to long-term liabilities. About half of the assets funded by the revenue bonds were capitalized in fiscal 2004 as construction in progress. The debt related to the investment in capital assets is liquidated with sources other than capital assets. Restricted and unrestricted net assets increased substantially.

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 are 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.

Figure A-3 shows the change in net assets for the year ended June 30, 2005.

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

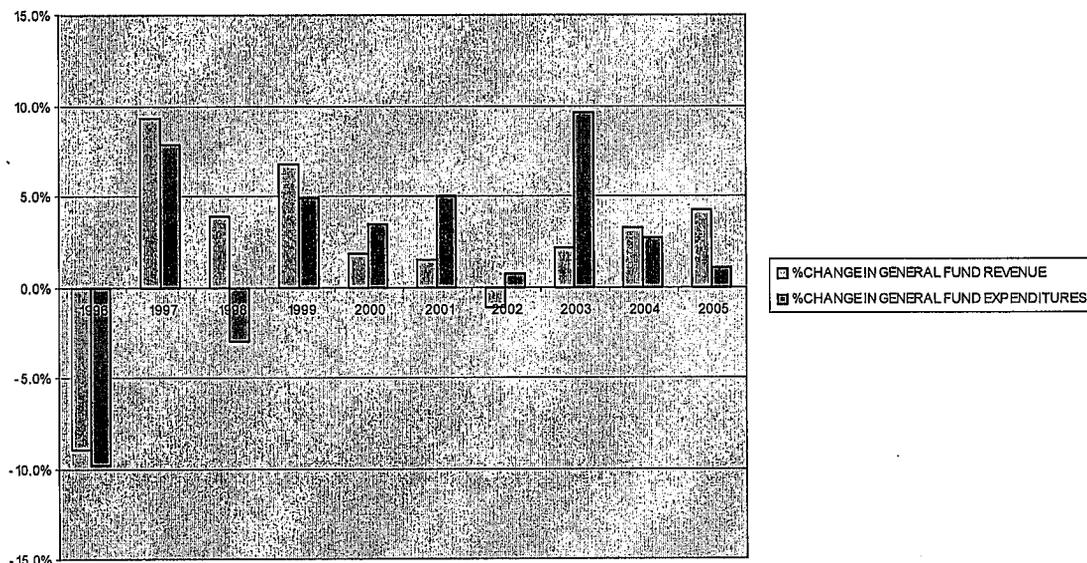
	Governmental Activities	Business Type Activities	Total District
<b>Revenues</b>			
Program revenues			
Charges for Services	424	118	542
Operating grants and contributions	460	85	545
Capital grants and contributions	40		40
General revenues			
Property tax	1,683		1,683
Other taxes	319		319
Interest on investments	21		21
State aid not restricted to specific programs	1,674		1,674
Contributions	18		18
Miscellaneous	29		29
Sale of Equipment	32		32
Total revenues	4,700	203	4,903
<b>Program expenses</b>			
Governmental activities			
Instruction	2,800		2,800
Support services	1,364		1,364
Non-instructional programs		190	190
Other expenses	361		361
Total expenses	4,525	190	4,715
Change in net assets	175	13	188

Property tax and unrestricted state grants account for 71% of the total governmental activities revenue, down from 75% in fiscal 2004. The District's expenses primarily relate to instruction and support services, which account for 92% of the total governmental activities expense. There was no change in this percentage from fiscal 2004.

### **Governmental Activities**

Revenues for governmental activities were \$4,699,692 and expenses were \$4,524,261. Governmental activities net assets increased by \$175,431 compared to a decrease of \$208,021 in fiscal 2004. The percentage increase in General Fund revenues was 4.2%, while the percentage increase in General Fund expenses was 1% (see Figure A-4). This is the second year that the percentage increase in revenues was higher than the percentage increase in expenses, following four years where the opposite was true.

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	2,800	2,104
Support services	1,364	1,314
Other expenses	361	183
<b>Total expenses</b>	<b>4,525</b>	<b>3,601</b>

- The cost financed by users of the District's programs was \$423,592. Federal and state governments subsidized certain programs with grants and contributions totaling \$460,360.
- The net cost of governmental activities was financed with \$2,002,528 in property and other taxes and \$1,673,948 in unrestricted state grants. The remaining \$139,264 in revenue came from interest, contributions, sales of equipment and other miscellaneous local sources. The District sold an old bus storage facility and received numerous contributions in fiscal 2005. These two items added almost \$90,000 to district revenues.

## **Business Type Activities**

Revenues for business type activities were \$203,082 and expenses were \$189,584. 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.

The lunch fund paid the balance due to the general fund in the amount of \$5,850. Net assets remained nearly the same as fiscal 2004.

## **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 \$525,329, compared to last year's ending fund balances of \$63,618.

## **Governmental Fund Highlights**

- The Capital Projects Fund went from a negative \$365,457 balance to a positive \$180,099 balance. Proceeds from the sale of sales tax revenue bonds were received in July 2004. Since work began in fiscal 2004, much of the expense of the projects funded by the bonds had already been accrued in the prior year. The remainder of the bond money was expended for completion of the projects in the fall of 2004. The District completed some smaller projects during the summer of 2005. Plymouth County sales tax receipts were about \$35,000 more than projected. Conservative projects and increased revenues contributed to the increase in fund balance in the Capital Projects fund.
- Conversely, the General fund suffered a 38% decrease, ending at \$171,442. Although the percentage decrease is improved over last year, the District cannot continue to deficit spend. The remaining fund balance is below recommended target limits. The District will need to increase revenues or significantly trim expenses to replenish its General fund balance.
- The Debt Service fund balance decreased by 14%, compared to fiscal 2004. Other governmental funds include the Activity, Management and PPEL funds. Property tax levies for the Management fund were increased to allow a reserve for July payments. The District pays insurance costs and early retirement benefits in July and has to wait for property tax collection throughout the year. To avoid cash flow problems, the District finds it necessary to increase reserves in the Management fund. Management fund balance increased 83% in fiscal 2005, although the balance was a negative \$3,467 at the end of fiscal 2005. Activity fund balances decreased by 50% compared to fiscal 2004. Expenditures increased due to purchasing new equipment for the

renovated football/track complex and increased travel expenses for state competitions. The District set aside another \$15,000 for future Kingsley building improvements, bringing that balance to \$78,716. Combined PPEL fund balances increased by 37% compared to fiscal 2004.

### **Proprietary Fund Highlights**

School Nutrition Fund net assets increased from \$37,572 at June 30, 2004 to \$51,070 at June 30, 2005, representing an increase of approximately 36%. The District reduced its liabilities by paying the remaining \$5,850 due to the general fund. Average daily lunch counts increased by about 3% and average daily breakfast counts increased by about 13%. Operating revenues increased by 3.6% and non-operating revenues increased by 6.3% compared to fiscal 2004. Operating expenses increased by 4.5%. Overall, the nutrition fund has improved its financial health with an increase in net assets of \$13,498.

### **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.

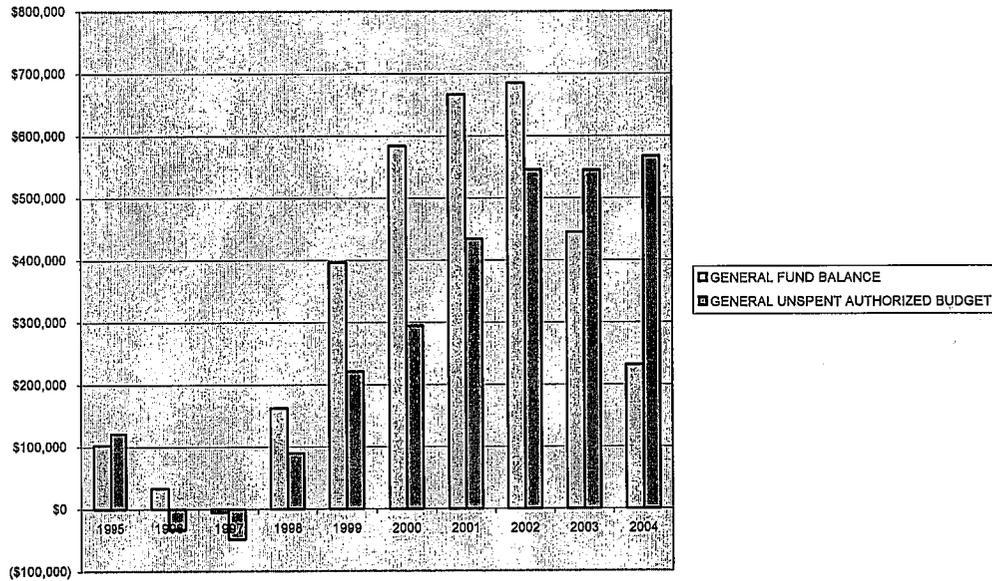
The District's receipts were \$28,613 more than budgeted receipts, a variance of 1%. When certifying the budget, the District tries to estimate revenues conservatively, and this variance is most likely a result of that, rather than any significant increases in revenue.

Total expenditures were \$150,163 less than budgeted, a variance of 4%. This is due again to conservative estimating. 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 few 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 District's cash (fund balance) compared to unspent balance over the last ten years. Final unspent authorized budget from fiscal 2005 will not be available until January, 2006.

Figure A-6



## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2005, the District had invested \$2.2 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 \$241,333.

	Original Cost of Capital Assets	Prior Years' Accum. Deprec.	Figure A-7 Current Year Deprec.	Capital Assets Less Depreciation 2005	Capital Assets Less Depreciation 2004	% CHANGE
Land & Impr.	770,614	272,942	22,457	475,215	165,713	186.77
Buildings & Impr.	6,944,504	1,749,122	148,224	5,047,158	4,721,426	6.90
Vehicles & Equip.	1,027,892	452,671	70,652	504,569	200,478	151.68
Constr. in Progress					446,765	-100.00
	<u>8,743,010</u>	<u>2,474,735</u>	<u>241,333</u>	<u>6,026,942</u>	<u>5,534,382</u>	<u>8.90</u>

The original cost of the District's capital assets was \$8.7 million. Accumulated depreciation for prior years was calculated at \$2.5 million. Buildings and building improvements account for 84% 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 68% of net capital assets.

The completion of athletic facilities, new bus storage facility, other building and site improvements and the purchase of a new bus during fiscal 2005 increased the value of all asset categories, except Construction in Progress, which was zeroed out. The value of all assets less depreciation increased by 9% over fiscal 2004.

### Long-Term Debt

At June 30, 2005, the District had \$3,828,618 in general obligation and other long-term debt outstanding. This represents an increase of approximately 25% 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, 2005, principal on the bonds was equal to \$2,910,000. Debt service on these bonds will continue until 2020.

The District also had early retirement incentives payable on June 30, 2005 of \$28,618, down 17% 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 2004-2005
	2005	2004	
General obligation bonds	2,910	3,030	-4.0%
Revenue bonds	890		100.0%
Early retirement	29	34	-16.9%
	3,829	3,064	25.0%

### **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:

- It appears that property valuations may be up considerably for the 2006-2007 budget year, based on information received thus far. Some counties in Iowa were reportedly undervaluing property and the state assessor's board recommended increases. This could have an impact on the District's valuations.
- The District's enrollment increased by 0.2% for the 2006 budget year (previous year's enrollment) and the state has set allowable growth at 4% for 2005-2006. These two factors should help the District to come closer to break even in the general fund for 2005-2006. Increases in the cost of fuel for vehicles and propane and energy costs will hinder the District's ability to boost General fund reserves, as was originally intended when the 2005-2006 budget was adopted. Enrollment was down markedly this year (used in calculating fiscal 2007 revenues) and allowable growth at this point will be 4%. The District will have very little "new money" to meet increases in expenses for 2006-2007 because of the large decrease in enrollment. The District will need to cut expenses or levy more cash reserve for the 2006-2007 budget year.
- Preschool class sizes indicate a small kindergarten class for 2007, contributing to a declining enrollment trend.
- IPERS continues to request increases in contribution rates. Although, the requests have not been approved yet, it is very likely that the request will be approved at some point in the near future. The District's expense is currently 5.75% of covered wages. Any increase in the rate would be a material increase to district expenses. Increases are needed to maintain the level of benefits for future retirees, given lower investment earnings and the baby boomer generation reaching retirement age.
- 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. Additionally, recent legal cases have forced districts to look at their early retirement policies. It is likely that age requirements will change and this may mean that benefits for retirees over age 65 will need to be paid out of the General fund, unless the Iowa Code is changed. The board has the ability to approve or deny applications for early retirement, so the effects can be somewhat controlled.

- Government mandates such as “No Child Left Behind” and most recently the focus on increasing rigor in high schools are stretching district resources. Starting July 1, 2006, the District must have new wellness policies in place to aid in the fight against childhood obesity. This could mean increased food costs because healthier foods generally cost more. If the requirements for physical education are increased, this would mean an increase in salary expense for that department. As candy and pop machines are removed, district activity funds will likely see declines in revenue, until other fund-raising ideas are implemented. While all of these changes are necessary and important to the education and well being of students, the District will likely see adverse financial effects.
- As resources are dwindling and expenses continue to increase, districts are exploring more sharing opportunities. Program sharing for high school vocational areas could provide some additional revenue to the District. Travel time and expense and scheduling conflicts among schools are potential roadblocks.
- Voters in Woodbury County approved the extension of the Woodbury County One Cent Sales Tax until 2018. This provides the District with some security for facility needs. The Physical Plant and Equipment Levy will be up for renewal in 2007. Voters will need to decide whether to renew the voted portion of that levy. The Kingsley building roof has been inspected and written reports outlining future costs were provided. The projected costs are substantial. The District has been saving \$15,000 each year for the roof, but the savings are far below what will be needed. Additional work on the Kingsley building’s heating and cooling system has been recommended as well. Two compressors need to be replaced at a total cost of \$50,000.

#### **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, 2005**

	Governmental Activities	Business Type Activity	Total
<b>ASSETS</b>			
Cash and Pooled Investments	\$ 890,345	\$ 24,513	\$ 914,858
Receivables:			
Property Tax	33,035		33,035
Succeeding Year Property Tax	1,690,024		1,690,024
Due from Other Governmental Agencies	141,838		141,838
Inventories		10,848	10,848
Prepaid Expenses	2,345		2,345
Restricted ISCAP Assets:			
Investments	321,418		321,418
Accrued Interest Receivable	120		120
Land	64,335		64,335
Infrastructure, Property and Equipment, Net of Accumulated Depreciation (Note 4)	5,946,898	15,709	5,962,607
<b>Total Assets</b>	<u>9,090,358</u>	<u>51,070</u>	<u>9,141,428</u>
<b>LIABILITIES</b>			
Payables:			
Accounts Payable	134,458		134,458
Other Payables	6,656		6,656
Deferred Revenue:			
Succeeding Year Property Tax	1,690,024		1,690,024
Other	7,285		7,285
Accrued Wages and Benefits	367,548		367,548
Accrued Early Retirement	28,618		28,618
Accrued Interest Payable	28,881		28,881
ISCAP Liabilities:			
Warrants Payable	320,000		320,000
Unamortized Premium	4,298		4,298
Accrued Interest Payable	61		61
Long Term Debt Due Within One Year	175,000		175,000
Long Term Debt Due in More Than One Year	3,625,000		3,625,000
<b>Total Liabilities</b>	<u>6,387,829</u>	<u>-</u>	<u>6,387,829</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	2,211,233	15,709	2,226,942
Restricted for:			
Inventories		10,848	10,848
Debt Service	14,937		14,937
Talented and Gifted Program	41,565		41,565
Unrestricted	434,794	24,513	459,307
<b>Total Net Assets</b>	<u>\$ 2,702,529</u>	<u>\$ 51,070</u>	<u>\$ 2,753,599</u>

See Accompanying Notes to Financial Statements

**KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2005

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	<u>Charges for Services</u>
<b>Governmental Activities:</b>			
Instruction:			
Regular	\$ 1,905,206	\$ 200,415	
Special Programs	386,640	69,260	
Vocational	255,749		
Co-curricular	252,404		153,917
Support Services:			
Student Support	82,506		
Instructional Staff Support	87,304		
General Administration	293,240		
Building Administration	292,880		
Business Administration	86,584		
Operations and Maintenance	314,704		
Student Transportation	206,479		
Facilities Acquisition:			
Building Improvement Services	15,261		
Construction Services	7,238		
Equipment	7,574		
Debt Service:			
Services	400		
Interest	191,949		
Intergovernmental:			
AEA Flowthrough	138,143		
Total governmental activities	<u>4,524,261</u>		<u>423,592</u>
<b>Business Type Activity</b>			
School Nutrition Fund	189,584		117,755
<b>Total School District</b>	<u>\$ 4,713,845</u>		<u>\$ 541,347</u>
General Revenues:			
Property taxes			
Other taxes			
Interest on Investments			
State aid not restricted to specific programs			
Contributions			
Miscellaneous			
Sale of Equipment			
<b>Total general revenues</b>			
Change in net assets			
Net assets - beginning			
Net assets - ending			

See Accompanying Notes to Financial Statements

Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
Operating Grants Contributions	Capital Grants Contributions	Governmental Activities	Business Type Activity	Total
\$ 233,970		\$ (1,470,821)		\$ (1,470,821)
23,431		(293,949)		(293,949)
15,337		(240,412)		(240,412)
		(98,487)		(98,487)
		(82,506)		(82,506)
48,263		(39,041)		(39,041)
		(293,240)		(293,240)
		(292,880)		(292,880)
		(86,584)		(86,584)
		(314,704)		(314,704)
1,216		(205,263)		(205,263)
	\$ 39,436	24,175		24,175
		(7,238)		(7,238)
		(7,574)		(7,574)
		(400)		(400)
		(191,949)		(191,949)
138,143		-		-
460,360	39,436	(3,600,873)		(3,600,873)
84,935	-		\$ 13,106	13,106
\$ 545,295	\$ 39,436	(3,600,873)	13,106	(3,587,767)
		1,682,973	-	1,682,973
		319,555	-	319,555
		20,817	392	21,209
		1,673,948	-	1,673,948
		18,332	-	18,332
		28,929	-	28,929
		31,750	-	31,750
		3,776,304	392	3,776,696
		175,431	13,498	188,929
		2,527,098	37,572	2,564,670
		\$ 2,702,529	\$ 51,070	\$ 2,753,599

See Accompanying Notes to Financial Statements

**KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT**  
**BALANCE SHEET**  
**Governmental Funds**  
**June 30, 2005**

		General
<b>Assets</b>		
Cash and Pooled Investments	\$	563,862
Receivables:		
Property Tax		24,167
Future Property Tax		1,291,574
Due from Other Governmental Agencies		72,847
Prepaid Expenses		2,345
Restricted ISCAP Assets:		
Investments		321,418
Accrued Interest Receivable		120
Total Assets		2,276,333
<b>Liabilities</b>		
Payables:		
Accounts Payable		107,469
Other Payables		6,656
Deferred Revenue:		
Succeeding Year Property Tax		1,291,574
Other		7,285
Accrued Wages		367,548
Accrued Early Retirement		
ISCAP Liabilities:		
Warrants Payable		320,000
Unamortized Premium		4,298
Accrued Interest Payable		61
Total Liabilities		2,104,891
<b>Equity</b>		
Fund Balances:		
Reserved for Debt Service		
Reserved for Talented and Gifted Program		41,565
Unreserved for:		
Designated, Special Revenue Fund		
Undesignated		129,877
Total Fund Balances		171,442
Total Liabilities and Equity	\$	2,276,333

See Accompanying Notes to Financial Statements

Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
\$ 131,221	\$ 9,578	\$ 185,684	\$ 890,345
	5,359	3,509	33,035
	278,160	120,290	1,690,024
68,991			141,838
			2,345
			321,418
			120
<u>200,212</u>	<u>293,097</u>	<u>309,483</u>	<u>3,079,125</u>

20,113		6,876	134,458
			6,656
	278,160	120,290	1,690,024
			7,285
			367,548
		23,466	23,466
			320,000
			4,298
			61
<u>20,113</u>	<u>278,160</u>	<u>150,632</u>	<u>2,553,796</u>

	14,937		14,937
			41,565
		78,716	78,716
180,099		80,135	390,111
<u>180,099</u>	<u>14,937</u>	<u>158,851</u>	<u>525,329</u>
<u>\$ 200,212</u>	<u>\$ 293,097</u>	<u>\$ 309,483</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	6,011,233
Deferred revenues and accrued expenses from the balance sheet that provide current financial resources for governmental activities	(34,033)
Long-term liabilities included in the long-term debt account group net of debt service that are not reported in the funds	(3,800,000)
Net Assets of Governmental Activities	<u>\$ 2,702,529</u>

See Accompanying Notes to Financial Statements

**KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**Governmental Funds**  
**For the Year Ended June 30, 2005**

	General
<b>Revenue:</b>	
Local Sources	\$ 1,539,490
State Appropriations	1,996,877
Federal Appropriations	138,453
Total Revenue	3,674,820
<b>Expenditures:</b>	
Governmental Activities:	
Instruction:	
Regular	1,869,247
Special Programs	386,640
Vocational	254,493
Co-curricular	78,067
Support Services:	
Student Support	82,506
Instructional Staff Support	51,353
General Administration	86,959
Building Administration	292,880
Business Administration	86,584
Operations and Maintenance	281,793
Student Transportation	170,100
Facilities Acquisition:	
Building Improvement Services	
Construction Services	
Equipment	
Debt Service:	
Services	
Principal	
Interest	
Intergovernmental:	
AEA Flowthrough	138,143
Total Expenditures	3,778,765
Excess (Deficiency) of Revenues Over Expenditures	(103,945)
<b>Other Financing Sources (Uses):</b>	
Proceeds from Bond Issue	
Sale of Equipment	425
Total Other Financing Sources (Uses)	425
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(103,520)
Fund Balances (Deficit)-Beginning of Year	274,962
Fund Balances-End of Year	\$ 171,442

See Accompanying Notes to Financial Statements

Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
\$ 277,369	\$ 277,641	\$ 397,128	\$ 2,491,628
	1,397	151	1,998,425
			138,453
277,369	279,038	397,279	4,628,506
		28,040	1,897,287
			386,640
			254,493
		191,769	269,836
			82,506
		35,951	87,304
		15,004	101,963
			292,880
			86,584
316		29,366	311,475
		62,318	232,418
122,508			122,508
484,063		7,682	491,745
		36,417	36,417
	400		400
	120,000		120,000
14,926	161,020		175,946
			138,143
621,813	281,420	406,547	5,088,545
(344,444)	(2,382)	(9,268)	(460,039)
890,000			890,000
		31,325	31,750
890,000	-	31,325	921,750
545,556	(2,382)	22,057	461,711
(365,457)	17,319	136,794	63,618
\$ 180,099	\$ 14,937	\$ 158,851	\$ 525,329

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, 2005**

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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)	\$	461,711
<p>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.</p>		
		494,580
<p>Accrued Expenses not reported on modified accrual basis</p>		
		(10,860)
<p>The addition of new bonded long-term debt increases the current financial resources of governmental funds without affecting the net assets. The statement of activities does not reflect the addition of bonded long-term debt. The principal received on bonded long-term debt during the current year was:</p>		
		(890,000)
<p>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:</p>		
		120,000
		<hr/>
Change in net assets of governmental activities (page 19)	\$	<u>175,431</u>

**KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT**  
**BALANCE SHEET**  
**Proprietary Fund**  
**June 30, 2005**

		<b>School Nutrition Fund</b>
<b>Assets</b>		
Cash and Pooled Investments		\$ 24,513
Inventories		10,848
Property and Equipment, Net of Accumulated Depreciation		<u>15,709</u>
Total Assets		<u><u>51,070</u></u>
<b>Equity</b>		
Invested in Capital Assets		15,709
Restricted for Inventories		10,848
Unrestricted		<u>24,513</u>
Total Equity		<u><u>\$ 51,070</u></u>

See Accompanying Notes to Financial Statements

**KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT**  
**Statement of Revenues, Expenses, and Changes in Net Assets**  
**Proprietary Fund**  
**For the Year Ended June 30, 2005**

	<b>School Nutrition Fund</b>
Operating Revenues:	
Sales of lunches and breakfasts:	
Students	\$ 97,640
Adults	11,430
A la carte	7,096
Miscellaneous	1,589
Total Operating Revenue	117,755
Operating Expenditures:	
Food Service Operations:	
Salaries	64,101
Benefits	11,475
Services	330
Supplies	111,657
Depreciation	2,021
Total Operating Expenses	189,584
Operating Loss	(71,829)
Non-Operating Revenues :	
Interest Income	392
State Lunch and Breakfast Program Claims	3,068
National School Lunch Program	62,515
Food Distribution	19,352
Total Non-Operating Revenues	85,327
Change in net assets	13,498
Net Assets-beginning	37,572
Net Assets-ending	\$ 51,070

See Accompanying Notes to Financial Statements

**KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**Business Type Activity**  
**For the Year Ended June 30, 2005**

	<b>School Nutrition Fund</b>
<b>Cash flows from operating activities:</b>	
Cash received from sale of lunches and breakfast	\$ 116,166
Cash received from miscellaneous operating activities	1,589
Cash payments to employees for services	(76,158)
Cash payments to suppliers for goods and services	(118,967)
<b>Net cash (used) by operating activities</b>	<b>(77,370)</b>
 <b>Cash flows from noncapital financing activities:</b>	
State grants received	3,068
Federal grants received	81,867
<b>Net cash provided by noncapital financing activities</b>	<b>84,935</b>
 <b>Cash flows from investing activities:</b>	
Interest on investments	392
<b>Net increase in cash and cash equivalents</b>	<b>7,957</b>
Cash and pooled investments - beginning of year	16,556
Cash and pooled investments - end of year	<b>24,513</b>
 <b>Reconciliation of operating (loss) to net cash used in operating activities:</b>	
Operating (loss)	(71,829)
Depreciation	2,021
Change in assets and liabilities:	
Increase in inventory	(1,130)
Decrease in interfund payable	(5,850)
Decrease in salaries and benefits payable	(582)
<b>Net cash (used) in operating activities</b>	<b>\$ (77,370)</b>
 <b>Supplemental schedule of noncash noncapital financing activities:</b>	
Federal food commodities received	<b>\$ 19,352</b>

See Accompanying Notes to Financial Statements

**KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2005**

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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 include the cities of Kingsley and Pierson, Iowa, and the predominant 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.

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.

**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 District first uses restricted resources to finance qualifying activities.

**KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2005**

---

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

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.

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.

**KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2005**

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

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. It is the policy of the District to treat all direct food sales as operating revenues, and to treat all investment income and state and federal aid as nonoperating revenues.

MAJOR FUNDS

Major funds are those funds whose operations have a material impact on the operation of the government on the whole. They are presented separately from the other governmental funds. The General Fund is always a major fund. This year, the Capital Projects Fund qualified for as a major fund, and the District requested that the Debt Service Fund be treated as a major fund.

**D. 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 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.

**KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2005**

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

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.

**E. Assets, Liabilities, and Fund Equity**

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, 2005 included certificates of deposits of \$87,044 with original maturity dates longer than three months.

**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.

**KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2005**

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

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, 2005 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2004.

**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, 2005, 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.

The Proprietary Fund uses the same capitalization policy as the rest of the District. 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 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.

**KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2005**

**Note 2 – Deposits and Investments**

The School District's deposits at June 30, 2005 were entirely covered by Federal Depository Insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The 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, 2005, the District had deposits with financial institutions with a carrying amount of \$914,858 and a bank balance of \$949,558. At June 30, 2005, its investment balances were as follows:

Investment Type	Fair Value	Maturity	Rating
Iowa School Cash Anticipation Program 2005-2006 Series A	\$ 321,418	6/26/06	Unrated

**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 \$138,143 for the year ended June 30, 2005, and is recorded in the General Fund.

**Note 4 – Capital Assets**

Capital Asset activity for the year ended June 30, 2005 was as follows:

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 64,335			\$ 64,335
Construction in Progress	446,765		\$ 446,765	
Total capital assets not being depreciated	511,100		446,765	64,335
Capital assets being depreciated:				
Buildings	6,485,548	\$ 473,956	15,000	6,944,504
Improvements Other than Buildings	374,320	331,959		706,279
Furniture and Equipment	601,494	374,743		976,237
Total capital assets being depreciated	7,461,362	1,180,658	15,000	8,627,020
Less accumulated depreciation for:				
Buildings	1,764,122	148,224	15,000	1,897,346
Improvements Other than Buildings	272,941	22,458		295,399
Furniture and Equipment	418,746	68,631		487,377
Total accumulated depreciation	2,455,809	239,313	15,000	2,680,122
Total capital assets being depreciated, net	5,005,553	941,345	446,765	5,946,898
Governmental activities capital assets, net	\$ 5,516,653	\$ 941,345	\$ 446,765	\$ 6,011,233

**KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2005**

**Note 4 – Capital Assets (Continued)**

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005
<b>Business-Type Activities:</b>				
Furniture and Equipment	\$ 51,655			\$ 51,655
Less accumulated depreciation	33,926	\$ 2,020		35,946
Business-type activities capital assets, net	\$ 17,729	\$ (2,020)		\$ 15,709

Depreciation expense was charged to functions as follows:

<b>Governmental Activities:</b>	
Regular Instruction	\$ 13,062
Vocational Instruction	1,256
Co-Curricular Instruction	3,157
General Administration/Multi-Functional	191,277
Operations and Maintenance	3,229
Transportation	<u>27,332</u>
Total depreciation expense – governmental activities	<u>\$ 239,313</u>
<b>Business-Type Activities:</b>	
Food Service Operations	<u>\$ 2,020</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, 2005, 2004, and 2003 were \$139,422, \$140,403, and \$137,003 respectively, equal to the required contributions for each year.

**Note 6 – Long-Term Debt**

A summary of changes in long-term debt of the year ended June 30, 2005 is as follows:

	General Obligation Bonds	Early Retirement	Local Option Sales Tax Bonds	Total
Balance beginning of year	\$ 3,030,000	\$ 34,449	\$ -	\$ 3,064,449
Additions	-	22,896	890,000	912,896
Deletions	(120,000)	(28,727)	-	(148,727)
Balance end of year	<u>\$ 2,910,000</u>	<u>\$ 28,618</u>	<u>\$ 890,000</u>	<u>\$ 3,828,618</u>

**KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2005**

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**Note 6 – Long-Term Debt (Continued)**

**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, 2005 totaled \$28,727. 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 government-wide financial statements representing the District's commitment to fund non-current early retirement.

Details of the District's June 30, 2005 early retirement obligation are as follows:

<u>Ending June 30</u>	<u>Total</u>
2006	\$ 25,653
2007	2,093
2008	<u>872</u>
Totals	<u>\$ 28,618</u>

**Bonded Debt**

Details of the District's June 30, 2005 general obligation bonded indebtedness are as follows:

<u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	160,000	121,210	281,210
2011-2015	950,000	479,550	1,429,550
2016-2020	1,250,000	208,470	<u>1,458,470</u>
Totals	<u>\$ 2,910,000</u>	<u>\$ 1,380,385</u>	<u>\$ 4,290,385</u>

**KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2005**

**Note 6 – Long-Term Debt (Continued)**

**Local Option Sales Tax Bonds**

Details of the District's June 30, 2005 local option sales tax bonded indebtedness are as follows:

<u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 50,000	\$ 32,670	\$ 82,670
2007	75,000	31,308	106,308
2008	85,000	29,212	114,212
2009	85,000	26,620	111,620
2010	90,000	23,618	113,618
2011-2015	505,000	58,192	563,192
<b>Totals</b>	<b>\$ 890,000</b>	<b>\$ 201,620</b>	<b>\$ 1,091,620</b>

**Note 7 – Iowa Schools Cash Anticipation Program (ISCAP)**

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semi-annual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semi-annual period. ISCAP accounts for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co., N.A. is the trustee for the program. The accounts are reflected as restricted assets on the balance sheet. A summary of the District's participation in ISCAP as of June 30, 2005 is as follows:

<u>Series</u>	<u>Warrant Date</u>	<u>Date Warrant Reinvested</u>	<u>Investments</u>	<u>Accrued Interest Receivable</u>	<u>Warrants Payable</u>	<u>Accrued Interest Payable</u>
2004-2005A	6/30/04	6/28/05	\$ -	\$ 51	\$ -	\$ -
2005-2006A	6/30/05	6/26/06	321,418	69	320,000	61
		Totals	<u>\$ 321,418</u>	<u>\$ 120</u>	<u>\$ 320,000</u>	<u>\$ 61</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25<sup>th</sup> of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. There was one ISCAP advance for the year of \$50,000 in August 2004, and it was repaid in September 2004 with \$86 interest.

The 2004-2005A Series warrants carried an interest rate of 3.00%, and available proceeds of the warrants were invested at a rate of 2.4630%. The 2005-2006A Series warrants have an interest rate of 3.50%, and available proceeds of the warrants are invested at a rate of 3.9030%.

**KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2005**

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**Note 8 – Operating Leases**

In August 2005, the District committed to a new non-cancelable operating lease for three copiers. The minimum monthly payments under the new lease is \$1,129. Future minimum operating lease commitments are as follows:

Year Ending June 30,	PPEL Fund
2006	\$ 13,548
2007	13,548
2008	<u>1,129</u>
Totals	<u>\$ 28,225</u>

Rent expenditures were \$13,598 for the year ended June 30, 2005.

**Note 9 – Deficit Fund Balances**

As of June 30, 2005, the following fund had a deficit fund balance in the amount shown:

Special Revenue:	
Management	\$ <u>3,467</u>

The management fund deficit will be funded through future property tax revenue.

**Note 10 – 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, 2005 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.

**Note 11 – 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 \$78,716 in the Physical Plant and Equipment Levy Fund is intended for future roofing needs of the Kingsley Building.

**REQUIRED SUPPLEMENTAL INFORMATION**

**KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT**  
**Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances-**  
**Budget and Actual (Cash Basis)-**  
**General Fund and Proprietary Fund**  
**Year Ended June 30, 2005**

	General Fund Actual	Proprietary Fund Actual	Total Actual	Final Budget	Variance with budget Favorable (Unfavorable)
<b>Receipts:</b>					
Local Sources	\$ 1,501,785	\$ 118,146	\$ 1,619,931	\$ 1,610,278	\$ 9,653
State Sources	2,005,341	3,068	2,008,409	1,985,211	23,198
Federal Sources	139,247	62,515	201,762	206,000	(4,238)
Total Revenues	<u>3,646,373</u>	<u>183,729</u>	<u>3,830,102</u>	<u>3,801,489</u>	<u>28,613</u>
<b>Expenditures:</b>					
Instruction	2,572,623	-	2,572,623	2,644,109	71,486
Support Services	1,045,645	-	1,045,645	1,103,696	58,051
Non-Instructional Programs	-	175,772	175,772	185,000	9,228
Other Expenditures	138,143	-	138,143	149,541	11,398
Total Expenditures	<u>3,756,411</u>	<u>175,772</u>	<u>3,932,183</u>	<u>4,082,346</u>	<u>150,163</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(110,038)</u>	<u>7,957</u>	<u>(102,081)</u>	<u>(280,857)</u>	
Other Financing Sources (Uses)	<u>425</u>	<u>-</u>	<u>425</u>	<u>-</u>	
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other (Uses)	<u>(109,613)</u>	<u>7,957</u>	<u>(101,656)</u>	<u>(280,857)</u>	
Fund Balance/Retained Earnings Beginning of Year	<u>666,819</u>	<u>16,556</u>	<u>683,375</u>	<u>633,143</u>	
Fund Balance/Retained Earnings End of Year	<u>\$ 557,206</u>	<u>\$ 24,513</u>	<u>\$ 581,719</u>	<u>\$ 352,286</u>	

**KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT**  
**Notes to Required Supplementary Information – Budgetary Reporting**  
**June 30, 2005**

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 Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District disbursements in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted disbursements by \$473,854.

There was one amendment made during the fiscal year ending June 30, 2005. The original budget by functional area, amendments, and the amended budget by functional area were as follows:

	Original Budget	Amendments	Amended Budget
Instruction	\$ 2,844,157		\$ 2,844,157
Student Support Services	1,225,555		1,225,555
Non-Instructional	187,093		187,093
Other Expenditures	896,146	\$ 473,854	1,370,000

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, is presented here. Operations and ending fund balances on the cash and modified accrual or accrual basis have been reconciled as follows:

Governmental Fund Types			
<u>General</u>			
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 3,646,373	\$ 28,447	\$ 3,674,820
Expenditures	3,756,411	22,354	3,778,765
Net	(110,038)	6,093	(103,945)
Other Financing Sources (Uses)	425	-	425
Beginning Fund Balance	666,819	(391,857)	274,962
Ending Fund Balance	\$ 557,206	\$ (385,764)	\$ 171,442

Governmental Fund Types			
<u>Special Revenue</u>			
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 397,274	\$ 5	\$ 397,279
Expenditures	370,362	36,185	406,547
Net	26,912	(36,180)	(9,268)
Other Financing Sources (Uses)	31,325	-	31,325
Beginning Fund Balance	127,447	9,347	136,794
Ending Fund Balance	\$ 185,684	\$ (26,833)	\$ 158,851

**KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT**  
**Notes to Required Supplementary Information – Budgetary Reporting**  
**June 30, 2005**

	<u>Governmental Fund Types</u>		
	<u>Cash Basis</u>	<u>Debt Service</u>	
		<u>Accrual Adjustments</u>	<u>Modified Accrual Basis</u>
Revenues	\$ 279,815	\$ (777)	\$ 279,038
Expenditures	282,478	(1,058)	281,420
Net	(2,663)	281	(2,382)
Other Financing Sources (Uses)	-	-	-
Beginning Fund Balance	12,241	5,078	17,319
Ending Fund Balance	<u>\$ 9,578</u>	<u>\$ 5,359</u>	<u>\$ 14,937</u>

	<u>Governmental Fund Types</u>		
	<u>Cash Basis</u>	<u>Capital Projects</u>	
		<u>Accrual Adjustments</u>	<u>Modified Accrual Basis</u>
Revenues	\$ 1,112,917	\$ 54,452	\$ 1,167,369
Expenditures	866,878	(245,065)	621,813
Net	246,039	299,517	545,556
Other Financing Sources (Uses)	-	-	-
Beginning Fund Balance	(114,818)	(250,639)	(365,457)
Ending Fund Balance	<u>\$ 131,221</u>	<u>\$ 48,878</u>	<u>\$ 180,099</u>

	<u>Governmental Fund Types</u>		
	<u>Total</u>		
	<u>Cash Basis</u>	<u>Accrual Adjustments</u>	<u>Modified Accrual Basis</u>
Revenues	\$ 5,436,379	\$ 82,127	\$ 5,518,506
Expenditures	5,276,129	(187,584)	5,088,545
Net	160,250	269,711	429,961
Other Financing Sources (Uses)	31,750	-	31,750
Beginning Fund Balance	691,689	(628,071)	63,618
Ending Fund Balance	<u>\$ 883,689</u>	<u>\$ (358,360)</u>	<u>\$ 525,329</u>

	<u>Proprietary Fund Type-Enterprise</u>		
	<u>Total</u>		
	<u>Cash Basis</u>	<u>Accrual Adjustments</u>	<u>Accrual Basis</u>
Revenues	\$ 183,729	\$ 19,353	\$ 203,082
Expenditures	175,772	13,812	189,584
Net	7,957	5,541	13,498
Other Financing Sources (Uses)	-	-	-
Beginning Fund Balance	16,556	21,016	37,572
Ending Retained Earnings	<u>\$ 24,513</u>	<u>\$ 26,557</u>	<u>\$ 51,070</u>

**SUPPLEMENTAL INFORMATION**

**KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT**  
**Statement of Revenue, Expenditures and Changes in Fund Balance**  
**General Fund**  
**Year Ended June 30, 2005**

**Schedule 1**

**Revenues:**

**Local Sources:**

**Local Tax:**

Property Tax	\$ 1,225,050
Mobile Home Tax	904
	1,225,954

**Other Local Sources:**

Interest on Investments	14,825
Tuition from Other Districts	237,750
Miscellaneous	60,961
	313,536
	1,539,490

**State Sources:**

Foundation Aid-District's Share	1,666,645
Instructional Support State Aid	18,501
Educational Excellence Program:	
Phase I	46,006
Phase II	40,021
Vocational Education Aid	12,174
Revenue in Lieu of Taxes - Military Credit	1,022
Iowa Early Intervention Block Grant	29,213
AEA Flow-Through	138,143
Other State Aid	45,152
	1,996,877

**Federal Sources:**

Title I Grants to Local Educational Agencies	53,857
Teacher Quality Program	20,937
Innovative Education Program Strategies (Title VI Program)	3,090
Vocational Education - Basic Grants to States	3,163
Other	57,406
	138,453

**Total Revenue**

3,674,820

**Expenditures:**

**Instruction:**

**Regular Program Instruction:**

Salaries	1,312,148
Employee Benefits	374,178
Contractual Services	90,279
General Supplies	71,397
Equipment	12,431
Other	8,814
	1,869,247

Continued

**KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT**  
**Statement of Revenue, Expenditures and Changes in Fund Balance**  
**General Fund - Continued**  
**Year Ended June 30, 2005**

**Schedule 1 (Continued)**

Expenditures (continued):

**Instruction (continued):**

Special Program Instruction:

Salaries	194,956
Employee Benefits	53,082
Contractual Services	134,775
General Supplies	2,937
Equipment	710
Other	180
	386,640

Vocational Program Instruction:

Salaries	166,041
Employee Benefits	61,659
Contractual Services	3,334
General Supplies	16,164
Equipment	4,390
Other	2,905
	254,493

Cocurricular Program Instruction and Sports:

Salaries	69,227
Employee Benefits	8,840
	78,067

**Total Instruction**

2,588,447

**Support Services:**

Student Support Services:

Salaries	57,483
Employee Benefits	18,598
Contractual Services	3,266
General Supplies	2,252
Equipment	20
Other	887
	82,506

Instructional Staff Support Services:

Salaries	35,670
Employee Benefits	9,963
Contractual Services	765
General Supplies	2,982
Equipment	977
Other	996
	51,353

General Administration:

Salaries	51,786
Employee Benefits	12,052
Contractual Services	7,971
General Supplies	1,995
Equipment	279
Other	12,876
	86,959

Continued

**KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT**  
**Statement of Revenue, Expenditures and Changes in Fund Balance**  
**General Fund - Continued**  
**Year Ended June 30, 2005**

Schedule 1 (Continued)

Expenditures (continued):

**Support Services (continued):**

Building Administration:

Salaries	219,641
Employee Benefits	60,004
Contractual Services	3,595
General Supplies	858
Equipment	2,068
Other	6,714
	292,880

Business Administration:

Salaries	47,638
Employee Benefits	11,465
Contractual Services	8,516
General Supplies	1,006
Equipment	968
Other	16,991
	86,584

Operation and Maintenance Services:

Salaries	113,740
Employee Benefits	28,002
Contractual Services	102,320
General Supplies	36,872
Other	859
	281,793

Student Transportation:

Salaries	77,716
Employee Benefits	10,347
Purchased Services	31,828
General Supplies	46,357
Equipment	1,555
Other	2,297
	170,100

**Total Support Services**

1,052,175

**Other Expenditures:**

AEA Flow-Through	138,143
	138,143

**Total Expenditures**

3,778,765

(Deficiency) of Revenues Over Expenditures

(103,945)

**Other Financing Sources:**

Sale of Equipment	425
	425

(Deficiency) of Revenues and other Sources Over Expenditures

(103,520)

Balance Beginning of Year

274,962

Balance End of Year

\$ 171,442

**KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT**  
**COMBINING BALANCE SHEET**  
**Governmental Nonmajor Special Revenue Funds**  
**June 30, 2005**

**Schedule 2**

	Management Levy	Student Activity	Physical Plant and Equipment Levy	Total
<b>Assets</b>				
Cash and Pooled Investments	\$ 17,653	\$ 36,832	\$ 131,199	\$ 185,684
Receivables:				
Property Tax - Current Year	2,346		1,163	3,509
Property Tax - Succeeding Year	92,000		28,290	120,290
<b>Total Assets</b>	<u>111,999</u>	<u>36,832</u>	<u>160,652</u>	<u>309,483</u>
<b>Liabilities</b>				
Accounts Payable		6,876		6,876
Early Retirement Payable	23,466			23,466
Deferred Revenue - Succeeding Year Property Tax	92,000		28,290	120,290
<b>Total Liabilities</b>	<u>115,466</u>	<u>6,876</u>	<u>28,290</u>	<u>150,632</u>
<b>Fund Balances:</b>				
Unreserved, designated fund balance			78,716	78,716
Unreserved, undesignated fund balance	(3,467)	29,956	53,646	80,135
<b>Total Fund Balances</b>	<u>(3,467)</u>	<u>29,956</u>	<u>132,362</u>	<u>158,851</u>
<b>Total Liabilities and Equity</b>	<u>\$ 111,999</u>	<u>\$ 36,832</u>	<u>\$ 160,652</u>	<u>\$ 309,483</u>

**KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES**  
**Governmental Nonmajor Special Revenue Funds**  
**For the Year Ended June 30, 2005**

**Schedule 3**

	Management Levy	Student Activity	Physical Plant and Equipment Levy	Total
<b>Revenue:</b>				
Local Sources:				
Property Taxes	\$ 118,905		\$ 60,191	\$ 179,096
Mobile Home Taxes	88		43	131
Surtax			44,241	44,241
Additional Local Taxes			10,000	10,000
Other Local Sources:				
Interest on Investments		\$ 942	1,601	2,543
Student Activities		150,238		150,238
Contributions and Donations from Private Sources		10,220		10,220
Sale of Equipment			31,325	31,325
Refunds of Prior Year Expenditures	659			659
State Sources:				
Revenue in Lieu of Taxes - Military Credit	100		51	151
<b>Total Revenue</b>	<b>119,752</b>	<b>161,400</b>	<b>147,452</b>	<b>428,604</b>
<b>Expenditures:</b>				
Instruction:				
Regular Instruction	28,040			28,040
Co-curricular Instruction		191,769		191,769
Support Services:				
Instructional Staff Support Services	35,951			35,951
General Administration	13,996		1,008	15,004
Operations and Maintenance	15,768		13,598	29,366
Student Transportation	9,047		53,271	62,318
Facilities Acquisition:				
Construction Services			7,682	7,682
Equipment			36,417	36,417
<b>Total Expenditures</b>	<b>102,802</b>	<b>191,769</b>	<b>111,976</b>	<b>406,547</b>
Excess (Deficiency) of Revenues Over Expenditures	16,950	(30,369)	35,476	22,057
Fund Balances (Deficits) - Beginning of Year	(20,417)	60,325	96,886	136,794
Fund Balances (Deficits) - End of Year	\$ (3,467)	\$ 29,956	\$ 132,362	\$ 158,851

**KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT**  
**Schedule of Individual Student Activity Account Activity**  
**For the Year Ended June 30, 2005**

					Schedule 4
	Balance June 30, 2004	Revenues	Expenditures	Transfers	Balance June 30, 2005
<b>Kingsley Accounts</b>					
Athletics	\$ 23,238	\$ 54,308	\$ 72,010	\$ (664)	\$ 4,872
K-P Letterman's Club	81	-	-	-	81
Children's Theater	308	-	-	-	308
Christian Athletes	31	1,696	1,737	-	(10)
Dance Team	1,389	7,484	8,024	-	849
F.F.A.	5,397	10,489	15,559	-	327
General Fund	(3,967)	721	-	664	(2,582)
Homemaking Fund	374	430	503	-	301
Student Insurance	-	249	249	-	-
Music Fund	1,749	16,353	16,271	-	1,831
Musical	912	-	95	-	817
PEP	747	2,196	4,394	-	(1,451)
Pictures	-	7,292	7,292	-	-
Softball	497	6,410	4,161	-	2,746
Spanish Club	47	-	-	-	47
Speech/Drama	603	1,233	543	-	1,293
Student Council	3,406	16,642	17,451	-	2,597
Revolving	172	2,714	2,556	-	330
Class of 2004	4,920	740	5,382	-	278
Class of 2005	3,168	6,040	7,408	-	1,800
Class of 2006	952	13,159	10,560	-	3,551
Class of 2007	134	2,200	1,420	-	914
Class of 2008	-	155	75	64	144
	44,158	150,511	175,690	64	19,043
<b>Pierson Accounts:</b>					
Athletics	16,103	10,889	16,079	-	10,913
Class of 2008	64	-	-	(64)	-
	16,167	10,889	16,079	(64)	10,913
<b>Total for Activity Funds</b>	<b>\$ 60,325</b>	<b>\$ 161,400</b>	<b>\$ 191,769</b>	<b>-</b>	<b>\$ 29,956</b>

**KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT**  
**Comparison of Taxes and Intergovernmental Revenues**  
**For the Years Ended June 30, 2005, 2004, 2003, 2002**

Schedule 5

	Modified Accrual Basis of Accounting			
	2005	2004	2003	2002
<b>Local Sources:</b>				
Property Taxes	\$ 1,630,054	\$ 1,684,420	\$ 1,640,575	\$ 1,618,138
Utility Tax Replacement Excise Tax	51,303	46,378	41,743	36,326
Mobile Home Taxes	1,236	1,051	1,086	1,098
Surtax	44,241	48,026	42,904	43,531
Local Sales and Services Tax	264,292	103,938	86,218	78,894
	<u>1,991,126</u>	<u>1,883,813</u>	<u>1,812,526</u>	<u>1,777,987</u>
<b>State Sources:</b>				
State Foundation Aid	1,666,645	1,449,110	1,407,323	1,373,776
School Improvement and Technology	-	-	-	10,032
Shelter Care/Juvenile Home Aid	-	9,636	3,542	7,853
Instructional Support State Aid	18,501	16,295	17,263	17,995
Lunch and Breakfast Program Claims	3,068	2,875	2,944	3,021
Educational Excellence Program:				
Phase I	46,006	45,664	46,006	46,006
Phase II	40,021	39,310	40,197	40,101
Phase III	-	-	9,988	22,916
Vocational Education Aid	12,174	10,289	12,513	13,135
Revenue in Lieu of Taxes - Military Credit	1,403	1,366	1,122	1,197
Iowa Early Intervention Block Grant	29,213	31,584	26,331	27,243
AEA Flow-Through	138,143	134,400	140,870	140,400
Other State Aid	45,152	43,554	31,730	34,725
	<u>2,000,326</u>	<u>1,784,083</u>	<u>1,739,829</u>	<u>1,738,400</u>
<b>Federal Sources:</b>				
Title I	53,857	54,220	54,307	54,493
Class Size Reduction	-	-	-	16,049
Safe and Drug Free Schools and Communities	-	-	-	1,683
Innovative Education Program Strategies (Title VI Program)	3,090	2,988	5,159	2,518
Vocational Education	3,163	27,490	28,621	25,625
National School Lunch Fund	62,515	56,283	50,909	48,150
Food Distribution	19,352	20,759	27,250	27,104
Other Federal Aid	78,343	72,863	71,555	8,223
	<u>220,320</u>	<u>234,603</u>	<u>237,801</u>	<u>183,845</u>
<b>Total</b>	<u>\$ 4,211,772</u>	<u>\$ 3,902,499</u>	<u>\$ 3,790,156</u>	<u>\$ 3,700,232</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, 2005, and have issued our report thereon dated August 5, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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, 2005 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-05.

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-05 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.

*Williams + Company, P.C.*  
Certified Public Accountants

Sioux City, Iowa  
August 5, 2005

**KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2005**

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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 Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

There were no prior year audit findings.

**REPORTABLE CONDITIONS:**

**II-A-05 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, 2005**

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

- III-A-05      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, 2005.
- III-B-05      Certified Budget – Disbursements for the year ended June 30, 2005 did not exceed amounts budgeted.
- III-C-05      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-05      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-05      Business Transactions – There were no business transactions between the District and District officials or employees during the year ended June 30, 2005.
- III-F-05      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-05      Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- III-H-05      Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.
- III-I-05      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-05      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.