

**KINGSLEY-PIERSON COMMUNITY  
SCHOOL DISTRICT**

**INDEPENDENT AUDITORS' REPORT**

**JUNE 30, 2007**

**KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT  
FOR THE YEAR ENDED JUNE 30, 2007  
TABLE OF CONTENTS**

	<b>Page</b>
List of Officials	1
<b>FINANCIAL SECTION</b>	
Independent Auditors' Report	2 – 3
Management Discussion and Analysis	4 – 16
<b>BASIC FINANCIAL STATEMENTS</b>	
District-Wide Financial Statements:	
Statement of Net Assets	17
Statement of Activities	18 – 19
Governmental Fund Financial Statements:	
Balance Sheet	20 – 21
Statements of Revenues, Expenditures, and Changes in Fund Balances	22 – 23
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	24
Proprietary Fund Financial Statements:	
Statement of Net Assets	25
Statement of Revenue, Expenses and Changes in Net Assets	26
Statement of Cash Flows – Business Type Activity	27
Notes to Financial Statements	28 – 38
<b>REQUIRED SUPPLEMENTAL INFORMATION</b>	
Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances – Budget and Actual (GAAP Basis) – Governmental Funds and Proprietary Fund	39
Notes to Required Supplemental Information – Budgetary Reporting	40
<b>SUPPLEMENTAL INFORMATION</b>	
	<b>Schedule</b>
Statement of Revenues, Expenditures and Changes in Fund Balance – General Fund	1 41 – 43
Combining Balance Sheet – Governmental Nonmajor Funds	2 44
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Nonmajor Funds	3 45
Schedule of Individual Student Activity Account Activity	4 46
Schedule of Revenues by Source and Expenditures by Function	5 47
Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	48 – 49
Schedule of Findings and Questioned Costs	50 – 52

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**KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT**

**LIST OF OFFICIALS**

**June 30, 2007**

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**Board of Education  
(Before September 2006 Election)**

		Term Expires
Tim Sudbeck	President	2007
Julie Hlas	Vice President	2006
Scott Bohle	Board Member	2007
Cindy Powell Inman	Board Member	2008
Bill Riorden	Board Member	2008

**Board of Education  
(After September 2006 Election)**

Tim Sudbeck	President	2007
Scott Bohle	Vice President	2007
Cindy Powell Inman	Board Member	2008
Shari Seuntjens	Board Member	2009
Clayton Powell	Board Member	2009

**School Officials**

Scott Bailey	Superintendent	2007
Audrey Bollin	Secretary-Treasurer	2007
James Hanks	Attorney	2007



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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, 2007, 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, 2007 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 January 3, 2008, 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, 2006 were audited by us (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  
January 3, 2008

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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, 2007. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### 2007 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$3,901,685 in fiscal 2006 to \$4,136,629 in fiscal 2007, while General Fund expenditures increased from \$3,901,015 in fiscal 2006 to \$3,927,961 in fiscal 2007. The District's General Fund balance increased from \$172,512 in fiscal 2006 to \$382,431 in fiscal 2007, a 122% increase. The increase in fund balance was critical to the financial health of the district, bringing the district's solvency ratio back to an acceptable level of 9.2%.
- The increase in General Fund revenues is attributable to an increase in the cash reserve levy. The cash reserve levy was increased from \$76,380 in fiscal 2006 to \$278,187 in fiscal 2007, accounting for the majority of the increase in general fund property tax revenue. State foundation aid revenue decreased by 3% due to a 3% decline in enrollment. Allowable growth is the percentage increase in the per-student rate paid to schools based on prior years' enrollment. Allowable growth for 2006-2007 was set at 4%, however districts must have stable enrollment to experience an actual 4% increase.
- Total state revenues decreased by 1%, while local revenues increased by 7%. At the federal level, several grants decreased leading to overall total federal sources declining by 5%. In order to keep the same level of programming, local revenues must be increased to make up for decreases in state and federal funding.
- The increase in total General Fund expenditures was less than 1% more than fiscal 2006. On a functional level, instruction increased by 1%, while expenses in support services remained about the same. Although the total change in support services was minimal, there were some notable variances within its sub-functions. Instructional staff support decreased by 13% due to a reduction of hours for library aides. Overall administration costs were down by 2% even with the addition of a 1/3 time middle school principal. This is attributable to the retirement of a long-term secretarial employee. Fiscal year 2006 expenses included an early retirement payment increasing that year's expenses. Fiscal 2007 expenses were also lower due to replacement of that position at entry-level wages. Operation and maintenance expenses increased by 7% from fiscal 2006. Snow removal, insurance costs, maintenance supplies, and electricity were all significantly higher contributing to the increase in that area.
- Interest earned in the general fund increased by 102%. A large portion of this increase was due to ISCAP investment earnings. Interest expense on ISCAP withdrawals increased by 94%. In fiscal 2006, the district borrowed \$300,000 and in fiscal 2007 the district borrowed \$220,000. General fund cash balances increased throughout the year leading to higher interest earnings. The district will not need and is not eligible to borrow through ISCAP in fiscal 2008.

- The district's nonmajor special revenue funds include the management fund and the activity fund. The management fund balance increased by over 300% and the activity fund balance increased by 44%. The management property tax levy was greatly increased for fiscal 2007 in order to meet possible early retirement application benefits. Expenses in the management fund did increase by 37%, due mostly to payments to employees under the terms of the early retirement program. The board of education made changes to the early retirement program in fiscal 2007 in order to control costs. Benefits were reduced and the program will be eliminated after fiscal 2009. These changes along with fewer applications for early retirement than budgeted for allowed the district to increase its management fund balance in fiscal 2007 and levy less for fiscal 2008 for the management fund.
- In order to keep total property taxes within an acceptable level for fiscal 2007, the district issued refunding bonds in fiscal 2006. This allowed a one time large reduction in the debt service levy for fiscal 2007. The district then was able to increase the general fund and management fund levies in fiscal 2007 to generate enough revenue to stabilize those funds.

## **USING THIS ANNUAL REPORT**

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

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

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

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Kingsley-Pierson Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds.

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

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

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

Figure A-1 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

**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, 2007 compared to June 30, 2006.

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

	Governmental Activities		Business type Activities		Total District		Total % Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-2007
Current and other assets	\$ 3,298	\$ 3,634	\$ 45	\$ 47	\$ 3,343	\$ 3,681	-9.2%
Capital assets	5,897	5,958	22	16	5,919	5,974	-0.9%
<b>Total assets</b>	<b>9,195</b>	<b>9,592</b>	<b>67</b>	<b>63</b>	<b>9,262</b>	<b>9,655</b>	<b>-4.1%</b>
Long-term liabilities	3,571	3,723	-	-	3,571	3,723	-4.1%
Other liabilities	2,429	3,024	-	-	2,429	3,024	-19.7%
<b>Total liabilities</b>	<b>6,000</b>	<b>6,747</b>	<b>-</b>	<b>-</b>	<b>6,000</b>	<b>6,747</b>	<b>-11.1%</b>
<b>Net assets</b>							
Invested in capital assets net of related debt	2,326	2,238	22	16	2,348	2,254	4.2%
Restricted	12	51			12	51	-76.5%
Unrestricted	857	556	45	47	902	603	49.6%
<b>Total net assets</b>	<b>\$ 3,195</b>	<b>\$ 2,845</b>	<b>\$ 67</b>	<b>\$ 63</b>	<b>\$ 3,262</b>	<b>\$ 2,908</b>	<b>12.2%</b>

Total net assets increased by 12% compared to fiscal 2006. Total assets decreased by 4%, while liabilities decreased by 11%. Capital assets decreased by 1.0%, while invested in capital assets net of related debt increased by 4%. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used.

Unrestricted net assets 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, 2007.

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

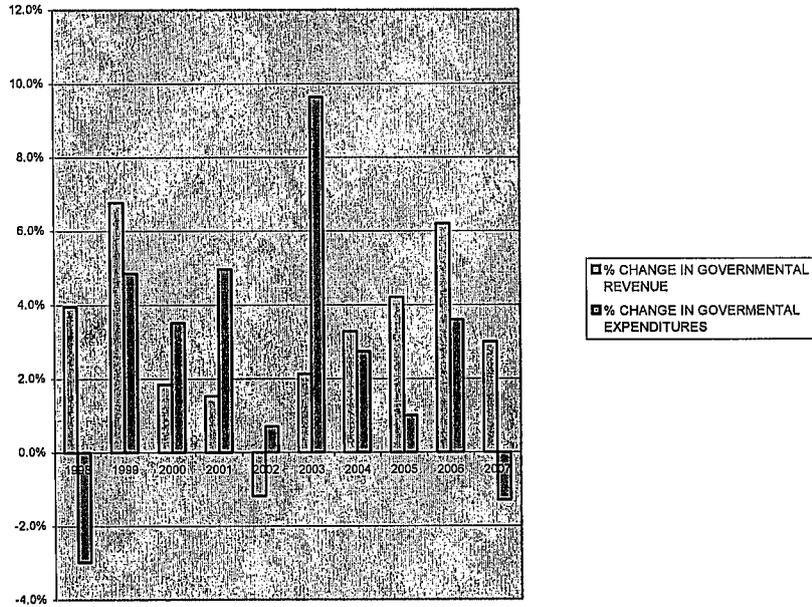
	Governmental Activities		Business Type Activities		Total District		Total % Change
	2007	2006	2007	2006	2007	2006	2007-2006
<b>Revenues</b>							
<b>Program revenues</b>							
Charges for Services	\$ 423	\$ 439	\$ 126	\$ 120	\$ 549	\$ 559	-1.8%
Operating grants and contributions	548	509	87	83	635	592	7.3%
<b>General revenues</b>							
Property tax	1,892	1,696			1,892	1,696	11.6%
Other taxes	359	358			359	358	0.3%
Interest on investments	59	34	1	1	60	35	71.4%
State aid not restricted to specific programs	1,676	1,733			1,676	1,733	-3.3%
Miscellaneous	41	83		1	41	84	-51.2%
<b>Total revenues</b>	<b>4,998</b>	<b>4,852</b>	<b>214</b>	<b>205</b>	<b>5,212</b>	<b>5,057</b>	<b>3.1%</b>
<b>Program expenses</b>							
<b>Governmental activities</b>							
Instruction	2,846	2,809			2,846	2,809	1.3%
Support services	1,453	1,445			1,453	1,445	0.6%
Non-instructional programs			210	194	210	194	8.2%
Other expenses	349	454			349	454	-23.1%
<b>Total expenses</b>	<b>4,648</b>	<b>4,708</b>	<b>210</b>	<b>194</b>	<b>4,858</b>	<b>4,862</b>	<b>-0.1%</b>
Transfers		-1		1			
<b>Change in net assets</b>	<b>\$ 350</b>	<b>\$ 143</b>	<b>\$ 4</b>	<b>\$ 12</b>	<b>\$ 354</b>	<b>\$ 155</b>	<b>128.4%</b>

Property tax and unrestricted state grants account for 71% of the total governmental activities revenue, equal to fiscal 2006. The District's expenses primarily relate to instruction and support services, which account for 88% of the total governmental activities expense, up from 91% in fiscal 2006.

#### **Governmental Activities**

Revenues for governmental activities were \$4,997,697 and expenses were \$4,647,225. Governmental activities net assets increased by \$350,472 compared to an increase of \$142,304 in fiscal 2006. The percentage increase in governmental activity revenues was 3%, while the percentage decrease in governmental activity expenses was 1% (see Figure A-4).

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 of Dollars)

	Total Cost of Services 2007	Net Cost of Services 2007	Total Cost of Services 2006	Net Cost of Services 2006	Total % Change in Net Cost
Instruction	\$ 2,846	\$ 2,082	\$ 2,809	\$ 2,060	1.1%
Support services	1,453	1,395	1,445	1,389	0.4%
Other expenses	349	199	454	311	-36.0%
Total expenses	\$ 4,648	\$ 3,676	\$ 4,708	\$ 3,760	-2.2%

- The cost financed by users of the District's programs was \$423,118. Federal and state governments subsidized certain programs with grants and contributions totaling \$547,834. The total cost of services decreased by 1.2%, while the net cost of services decreased by 2.1% over fiscal 2006. This means that user charges and operating grants and contributions funded a slightly larger percentage of services than fiscal 2006.
- The net cost of governmental activities was financed with \$2,251,091 in property and other taxes, up 10% from fiscal 2006 and \$1,675,491 in unrestricted state grants, down 3% from fiscal 2006. The remaining \$100,163 in revenue came from interest, contributions, sales of equipment and other miscellaneous local sources, down 14% from fiscal 2006.

## **Business Type Activities**

Revenues for business type activities were \$213,262 and expenses were \$210,131. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for services, federal and state reimbursements and investment income.

Net assets for business type activities increased by 6% over fiscal 2006.

## **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 \$878,543, compared to last year's ending fund balances of \$626,982.

### **Governmental Fund Highlights**

- The General fund balance more than doubled ending at \$382,431. This was the next step in regaining stability for the general fund. The district increased the general fund levy by 12% from fiscal 2006. This was necessary to compensate for lost revenue due to decreased enrollment. Actual expenditures in the general fund were less than anticipated, causing fund balance to increase.
- The Capital Projects Fund remains stable with a 3.5% decrease in fund balance from fiscal 2006. Expenses from the completion of the Pierson gym renovation and heating and cooling work at Kingsley were the biggest line item projects. The district used \$50,000 of sales tax money to reduce the debt service levy in fiscal 2007. Principal on sales tax revenue bonds issued in 2004 was decreased by \$75,000.
- Debt service expenditures decreased by 50% from fiscal 2006 due to a one-time reduction of payments due on general obligation bonds. This was accomplished through a refunding bond issue in which the savings were recognized in fiscal 2007. The decrease in the debt service levy allowed the district to levy the necessary amounts in the general and management funds.
- PPEL fund balances continue to grow as the district sets aside money for some major facility renovations. The total PPEL fund balance increased 18% over fiscal 2006, including the increase in the fund balance designated for future facility work. The balance in the PPEL C.D. was \$115,563 at June 30, 2007.
- Other governmental funds include the Activity and Management funds. Property tax levies for the Management fund were increased 41% to fund potential early retirement benefits in fiscal 2007. The board of education revised the policy in 2007 to reduce the financial burden of benefit payments. Benefits were reduced and are set to end under the policy after fiscal 2009. Management fund balance increased to \$51,107 in fiscal 2007 from \$12,702 in fiscal 2006. Activity fund balances increased substantially, also. While activity fund revenues remained about the same, expenditures decreased by 10%.

## **Proprietary Fund Highlights**

School Nutrition Fund net assets increased from \$62,987 at June 30, 2006 to \$66,802 at June 30, 2007, representing an increase of approximately 6%. Average daily lunch counts remained the same and average daily breakfast counts increased slightly over fiscal 2006. Operating revenues increased by 5% and non-operating revenues increased by 2% compared to fiscal 2006. Operating expenses increased by 8%. Overall, the nutrition fund has improved its financial health with an increase in net assets of \$3,815.

## **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. Beginning with fiscal 2007, districts are required to certify their budget on a GAAP basis to match year-end reporting. 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 increased electric, snow removal and other maintenance costs as well as increased food costs and capital project expenditures that were unplanned at the time of budget certification.

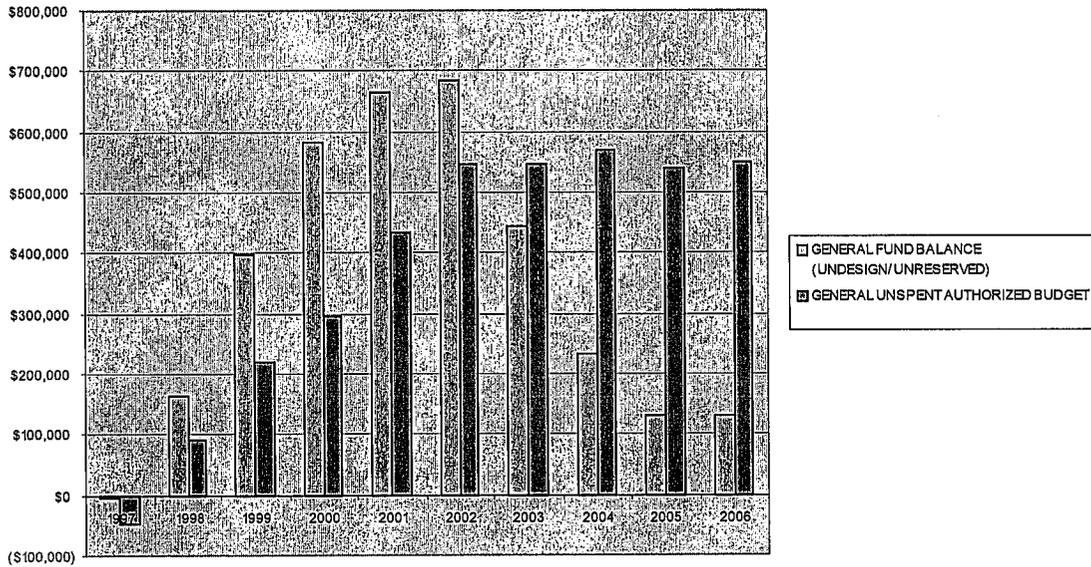
The District's receipts were \$144,633 more than budgeted receipts, a variance of 3%. Local receipts of tuition and sales tax can vary from year to year. State sources were more than budgeted due to new funding under teacher quality programs. When certifying the budget, the district tries to estimate revenues conservatively, and this contributes to budget variances.

Total expenditures were \$215,396 less than budgeted, a variance of 4%. This percentage is equal to last year's percentage variance for budgeted expenditures. 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's spending authority increased by 2% from fiscal 2006. 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 2007 will not be available until January, 2008.

Figure A-6



**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At June 30, 2007, the District had invested \$2.3 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 \$271,266.

Figure A-7  
Capital Assets (Expressed in Dollars)

	Original Cost Of Capital Assets	Prior Years' Accum. Deprec.	Current Year Deprec.	Capital Assets Less Deprec. 2007	Capital Assets Less Deprec. 2006	% CHANGE
Land & Impr.	\$ 809,394	\$ 315,761	\$ 21,335	\$ 472,298	\$ 493,633	-4.32%
Buildings & Impr.	7,217,398	2,066,160	173,946	4,977,292	4,933,535	0.89%
Vehicles & Equip.	1,120,858	580,998	75,985	468,775	455,085	3.01%
Constr. in Progress	-	-	-	-	91,918	-100.00%
	<u>\$9,147,650</u>	<u>\$2,962,919</u>	<u>\$271,266</u>	<u>\$5,918,365</u>	<u>\$5,974,171</u>	<u>-0.93%</u>

The original cost of the District's capital assets was \$9.1 million. Accumulated depreciation for prior years was calculated at \$2.96 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.

Construction in progress at June 30, 2006 included \$91,918 for expenditures on the Pierson gym remodel. This project was completed by June 30, 2007. Buildings & Improvements increased by \$137,988 and Construction in Progress was zeroed out. The next biggest addition to capital assets was \$38,295 for heating and cooling renovations at the Kingsley building. The value of all assets less depreciation decreased by 1% from fiscal 2006, the same decrease as last fiscal year.

### Long-Term Debt

At June 30, 2007, the District had \$3,570,000 in general obligation and other long-term debt outstanding. This represents a decrease of approximately 4% from last year. (See Figure A-8) The district also has \$2,700,000 of defeased bonds. Principal and interest payments on these bonds are being paid from an escrow account until the bonds can be called in June of 2009.

Retirement of general obligation bond principal was only \$75,000 for fiscal 2007. The repayment schedule for the new bonds was set up to allow the district to recognize the savings from the refunding mostly in fiscal 2007. Principal payments on the sales tax revenue bonds were also \$75,000 for fiscal 2007.

The District also had early retirement incentives payable on June 30, 2007 of \$872, down 67% from last year. Early retirement is generally paid out of the Management fund and is funded by a tax levy. The board of education reduced benefits payable under early retirement and also set an ending date of fiscal 2009 for all early retirement benefits. The policy changes enacted in fiscal 2007 were an effort to reduce expenditures and future tax levies in the management fund.

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

	Total District		% Change
	2007	2006	2006-2007
General obligation bonds	\$ 2,805	\$ 2,880	-2.6%
Revenue bonds	765	840	-8.9%
Early retirement	1	3	-66.7%
	\$ 3,571	\$ 3,723	-4.1%

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

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

- Projections for fiscal 2008 general fund balances are good. It is possible that the fund balance could increase by \$150,000 to \$200,000.
- The district's enrollment decreased by 13 students or 3% for the 2009 budget year (current year's enrollment). The state has set allowable growth at 4% for 2008-2009. Even with the increase in the per student rate paid by the state, the drop in enrollment will likely lead to less state aid for fiscal 2009.

- The district will need to use some of its fund balance in fiscal 2009 to avoid a large increase in taxes. The only other alternative is to reduce expenditures, which is difficult without cutting programs. There could be some savings through attrition. The district will need to look at how labor costs can be reduced.
- Expenses in the management fund should remain about the same for fiscal 2008 and fiscal 2009. This is dependent upon insurance premiums staying relatively the same. In fiscal 2010, management fund expenses will decrease due to the elimination of the early retirement program. Early retirement incentives were originally put in place to encourage tenured staff to retire so that they could be replaced with individuals making less. Due to changes in allowable ages for the incentives and hiring difficulties, the district has determined that the incentive is not netting much savings. The general fund may actually benefit by seeing individuals retiring earlier because they are not waiting to be eligible for early retirement.
- The district has eight students enrolled in transitional kindergarten programs in fiscal 2008. This should mean that the fiscal 2009 kindergarten class will be larger than fiscal 2008. However, it is difficult to predict whether overall enrollment will increase. Graduating classes for the next several years are fairly big, so kindergarten numbers will need to exceed number of students graduating the year before.
- Legislation to increase IPERS contribution rates beginning on July 1, 2007 was enacted. Combined contributions for regular IPERS members will increase one-half percentage point per year for four years. Employers will pay 60% and employees will pay 40%. The second year of increases will occur in fiscal 2009. By the end of the four-year period, the district will likely be spending an additional \$35,000 each year due to the increases.
- 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. The state has put some incentives for sharing of administrative and other support services in place. At this point, the district is not aware of any opportunities for sharing of support services that would decrease expenses.
- The district has moved back to three full-time administrators. This will increase administrative salaries and travel expense. Although cutting back on administrators helps with reducing expenses, it also leads to job dissatisfaction for the remaining administrators. The district will continue to struggle with finding the best administrative structure to meet its needs.
- Voters will decide whether to renew the Plymouth County One Cent Sales Tax on February 12, 2008. This would extend the tax until its sunset date in December 2022. An extension of the tax would give the district flexibility for financing expensive repairs and remaining money could be used for debt reduction. The district receives sales tax money from three counties but Plymouth County generates approximately 65% of the sales tax revenue.

## **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, 2007

	Governmental Activities	Business Type Activity	Total
<b>ASSETS</b>			
Cash and Pooled Investments	\$ 1,176,214	\$ 33,186	\$ 1,209,400
Receivables:			
Property Tax	31,174		31,174
Succeeding Year Property Tax	1,889,421		1,889,421
Interfund Balances	811	(811)	-
Due from Other Governmental Agencies	110,692		110,692
Other	2,570		2,570
Inventories		12,745	12,745
Prepaid Expenses	37,957		37,957
Restricted ISCAP Assets:			
Accrued Interest Receivable	3,111		3,111
Unamortized Bond Issuance Costs	46,592		46,592
Land	72,035		72,035
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	5,824,488	21,842	5,846,330
<b>Total Assets</b>	<u>9,195,065</u>	<u>66,962</u>	<u>9,262,027</u>
<b>LIABILITIES</b>			
Payables:			
Accounts Payable	105,265	160	105,425
Other Payables	7,345		7,345
Deferred Revenue:			
Succeeding Year Property Tax	1,889,421		1,889,421
Accrued Wages and Benefits	371,027		371,027
Accrued Interest Payable	24,655		24,655
Unamortized Bond Issuance Premium	31,175		31,175
Long-Term Liabilities:			
Portion Due Within One Year:			
General Obligation Bonds Payable	160,000		160,000
Revenue Bonds Payable	85,000		85,000
Accrued Early Retirement	872		872
Portion Due After One Year:			
General Obligation Bonds Payable	2,645,000		2,645,000
Revenue Bonds Payable	680,000		680,000
<b>Total Liabilities</b>	<u>5,999,760</u>	<u>160</u>	<u>5,999,920</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	2,326,523	21,842	2,348,365
Restricted for:			
Debt Service	11,844		11,844
Management Levy	51,107		51,107
Physical Plant and Equipment Levy	155,868		155,868
Other Special Revenue Purposes	46,448		46,448
Unrestricted	603,515	44,960	648,475
<b>Total Net Assets</b>	<u>\$ 3,195,305</u>	<u>\$ 66,802</u>	<u>\$ 3,262,107</u>

See Accompanying Notes to Financial Statements

**KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2007

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>
		<u>Charges for Services</u>
<b>Governmental Activities:</b>		
Instruction:		
Regular	\$ 2,028,858	\$ 231,129
Special Programs	362,937	43,838
Vocational	241,010	
Co-curricular	212,885	146,900
Support Services:		
Student Support	98,343	
Instructional Staff Support	81,033	
General Administration	385,123	
Building Administration	245,520	
Business Administration	71,041	
Operations and Maintenance	365,244	
Student Transportation	206,307	1,251
Facilities Acquisition:		
Building Improvement Services	31,950	
Construction Services	4,450	
Equipment	7,391	
Debt Service:		
Services	1,386	
Interest	153,851	
Intergovernmental:		
AEA Flowthrough	149,896	
Total governmental activities	<u>4,647,225</u>	<u>423,118</u>
<b>Business Type Activity</b>		
School Nutrition Fund	<u>210,131</u>	<u>126,491</u>
<b>Total School District</b>	<u>\$ 4,857,356</u>	<u>\$ 549,609</u>
<b>General Revenues:</b>		
Property taxes		
Other taxes		
Interest on Investments		
State aid not restricted to specific programs		
Miscellaneous		
<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
\$ 293,714		\$ (1,504,015)		\$ (1,504,015)
32,843		(286,256)		(286,256)
11,795		(229,215)		(229,215)
3,557		(62,428)		(62,428)
		(98,343)		(98,343)
49,743		(31,290)		(31,290)
		(385,123)		(385,123)
5,114		(240,406)		(240,406)
		(71,041)		(71,041)
		(365,244)		(365,244)
1,172		(203,884)		(203,884)
		(31,950)		(31,950)
		(4,450)		(4,450)
		(7,391)		(7,391)
		(1,386)		(1,386)
		(153,851)		(153,851)
149,896		-		-
<u>547,834</u>	<u>-</u>	<u>(3,676,273)</u>		<u>(3,676,273)</u>
86,771			\$ 3,131	3,131
<u>\$ 634,605</u>	<u>\$ -</u>	<u>(3,676,273)</u>	<u>3,131</u>	<u>(3,673,142)</u>
		1,891,822		1,891,822
		359,269		359,269
		59,012	684	59,696
		1,675,491		1,675,491
		41,151		41,151
		<u>4,026,745</u>	<u>684</u>	<u>4,027,429</u>
		350,472	3,815	354,287
		2,844,833	62,987	2,907,820
		<u>\$ 3,195,305</u>	<u>\$ 66,802</u>	<u>\$ 3,262,107</u>

See Accompanying Notes to Financial Statements

**KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT**  
**BALANCE SHEET**  
**Governmental Funds**  
**June 30, 2007**

	<b>General</b>
<hr/>	
<b>Assets</b>	
Cash and Pooled Investments	\$ 720,763
Receivables:	
Property Tax	25,489
Future Property Tax	1,508,708
Due from Other Funds	2,972
Due from Other Governmental Agencies	62,190
Other	2,570
Prepaid Expenses	37,957
Restricted ISCAP Assets:	
Accrued Interest Receivable	3,111
<b>Total Assets</b>	<u><u>2,363,760</u></u>
<b>Liabilities</b>	
Payables:	
Accounts Payable	94,249
Other Payables	7,345
Due to Other Funds	
Deferred Revenue:	
Succeeding Year Property Tax	1,508,708
Accrued Wages	371,027
Accrued Early Retirement	
<b>Total Liabilities</b>	<u><u>1,981,329</u></u>
<b>Equity</b>	
Fund Balances:	
Reserved for Debt Service	
Reserved for Prepaid Expenses	37,957
Unreserved for:	
Designated, Special Revenue Fund	
Undesignated	
General Fund	344,474
Special Revenue	
Capital Projects	
<b>Total Fund Balances</b>	<u><u>382,431</u></u>
<b>Total Liabilities and Equity</b>	<u><u>\$ 2,363,760</u></u>

See Accompanying Notes to Financial Statements

Capital Projects	Debt Service	Physical Plant and Equipment Levy	Other Governmental Funds	Total Governmental Funds
\$ 194,248	\$ 9,154	\$ 155,736	\$ 96,313	\$ 1,176,214
	2,690	542	2,453	31,174
	254,117	21,596	105,000	1,889,421
			811	3,783
48,502				110,692
				2,570
				37,957
				3,111
<u>242,750</u>	<u>265,961</u>	<u>177,874</u>	<u>204,577</u>	<u>3,254,922</u>
8,991		410	1,615	105,265
				7,345
2,914			58	2,972
	254,117	21,596	105,000	1,889,421
				371,027
			349	349
<u>11,905</u>	<u>254,117</u>	<u>22,006</u>	<u>107,022</u>	<u>2,376,379</u>
	11,844			11,844
				37,957
		115,563		115,563
				344,474
		40,305	97,555	137,860
230,845				230,845
<u>230,845</u>	<u>11,844</u>	<u>155,868</u>	<u>97,555</u>	<u>878,543</u>
\$ 242,750	\$ 265,961	\$ 177,874	\$ 204,577	

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

Infrastructure, property, and equipment used in governmental activities are not financial resources and, therefore, are not reported in the funds	5,896,523
Accrued expenses from the balance sheet that provide current financial resources for governmental activities:	
Accrued interest payable not reported on the modified accrual basis	(24,655)
Accrued retirement payable not reported on the modified accrual basis	(523)
Unamortized bond issuance premiums not reported on the modified accrual basis	(31,175)
Unamortized bond issuance costs not reported on the modified accrual basis	46,592
Long-term liabilities net of debt service that are not reported in the funds	(3,570,000)
Net Assets of Governmental Activities	<u>\$ 3,195,305</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, 2007**

	<b>General</b>
<b>Revenue:</b>	
Local Sources	\$ 1,916,779
State Appropriations	2,085,853
Federal Appropriations	133,997
Total Revenue	4,136,629
<b>Expenditures:</b>	
Governmental Activities:	
Instruction:	
Regular	1,983,558
Special Programs	362,937
Vocational	239,763
Co-curricular	77,176
Support Services:	
Student Support	88,660
Instructional Staff Support	80,645
General Administration	164,412
Building Administration	224,727
Business Administration	70,683
Operations and Maintenance	327,054
Student Transportation	158,450
Facilities Acquisition:	
Building Improvement Services	
Construction Services	
Equipment	
Debt Service:	
Services	
Principal	
Interest	
Intergovernmental:	
AEA Flowthrough	149,896
Total Expenditures	3,927,961
Excess (Deficiency) of Revenues Over Expenditures	208,668
<b>Other Financing Sources (Uses):</b>	
Sale of Equipment	1,251
Transfers In	
Transfers Out	
Total Other Financing Sources (Uses)	1,251
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	209,919
Fund Balances-Beginning of Year	172,512
Fund Balances-End of Year	\$ 382,431

See Accompanying Notes to Financial Statements

Capital Projects	Debt Service	Physical Plant and Equipment Levy	Other Governmental Funds	Total Governmental Funds
\$ 307,132	\$ 158,990	\$ 97,984	\$ 295,480	\$ 2,776,365
	110	22	99	2,086,084
				133,997
307,132	159,100	98,006	295,579	4,996,446
			33,066	2,016,624
				362,937
				239,763
			131,040	208,216
			9,683	98,343
			388	81,033
			14,078	178,490
			20,793	245,520
			358	71,041
		13,548	21,716	362,318
		65,946	10,205	234,601
154,600		7,154		161,754
4,671		2,168		6,839
		15,189		15,189
	200			200
75,000	75,000			150,000
31,308	132,064			163,372
				149,896
265,579	207,264	104,005	241,327	4,746,136
41,553	(48,164)	(5,999)	54,252	250,310
				1,251
	50,000	1,603		51,603
(50,000)			(1,603)	(51,603)
(50,000)	50,000	1,603	(1,603)	1,251
(8,447)	1,836	(4,396)	52,649	251,561
239,292	10,008	160,264	44,906	626,982
\$ 230,845	\$ 11,844	\$ 155,868	\$ 97,555	\$ 878,543

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, 2007**

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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) \$ 251,561

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. Depreciation expense exceeded capital outlays in the current year as follows:

Expenditures for capital assets	207,471	
Depreciation expense	(268,988)	(61,517)

Accrued Expenses not reported on modified accrual basis:

Interest on long-term debt	9,521	
Accrued early retirement	2,093	
Unamortized bond premium	2,398	
Unamortized bond costs	(3,584)	

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:

150,000

Change in net assets of governmental activities (page 19) \$ 350,472

**KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT**  
**STATEMENT OF NET ASSETS**  
**Proprietary Fund**  
**June 30, 2007**

	<b>School Nutrition Fund</b>
<b>Assets</b>	
Cash and Pooled Investments	\$ 33,186
Inventories	12,745
Property and Equipment, Net of Accumulated Depreciation	21,842
Total Assets	67,773
<b>Liabilities</b>	
Payables:	
Accounts Payable	160
Due to Other Funds	811
Total Liabilities	971
<b>Net Assets</b>	
Invested in Capital Assets	21,842
Unrestricted	44,960
Total Net Assets	\$ 66,802

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, 2007**

	<b>School Nutrition Fund</b>
Operating Revenues:	
Sales of lunches and breakfasts:	
Students	\$ 99,697
Adults	10,706
A la carte	7,031
Miscellaneous	9,057
Total Operating Revenue	126,491
Operating Expenditures:	
Food Service Operations:	
Salaries	70,275
Benefits	13,862
Services	2,405
Supplies	121,311
Depreciation	2,278
Total Operating Expenses	210,131
Operating Loss	(83,640)
Non-Operating Revenues :	
Interest Income	684
State Lunch and Breakfast Program Claims	2,892
National School Lunch Program	69,000
Food Distribution	14,879
Total Non-Operating Revenues	87,455
Change in net assets	3,815
Net Assets-beginning	62,987
Net Assets-ending	\$ 66,802

See Accompanying Notes to Financial Statements

**KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**Business Type Activity**  
**For the Year Ended June 30, 2007**

	<b>School Nutrition Fund</b>
<b>Cash flows from operating activities:</b>	
Cash received from sale of lunches and breakfast	\$ 117,434
Cash received from miscellaneous operating activities	9,057
Cash payments to employees for services	(84,137)
Cash payments to suppliers for goods and services	(126,092)
<b>Net cash (used) by operating activities</b>	<u>(83,738)</u>
<b>Cash flows from noncapital financing activities:</b>	
Due to other Funds	811
State grants received	2,892
Federal grants received	83,879
<b>Net cash provided by noncapital financing activities</b>	<u>87,582</u>
<b>Cash flows from capital and related financing activities:</b>	
Purchase of equipment	(7,989)
<b>Cash flows from investing activities:</b>	
Interest on investments	684
<b>Net (decrease) in cash and cash equivalents</b>	<u>(3,461)</u>
Cash and pooled investments - beginning of year	<u>36,647</u>
Cash and pooled investments - end of year	<u><u>33,186</u></u>
<b>Reconciliation of operating (loss) to net cash used in operating activities:</b>	
Operating (loss)	(83,640)
Adjustments to reconcile operating loss to net cash (used) by operating activities:	
Depreciation	2,278
Change in assets and liabilities:	
(Increase) in Inventory	(2,536)
Increase in Accounts Payable	160
<b>Net cash (used) by operating activities</b>	<u><u>\$ (83,738)</u></u>
<b>Supplemental schedule of noncash noncapital financing activities:</b>	
Federal food commodities received	<u><u>\$ 14,879</u></u>

**KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2007**

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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, 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 (GASB) 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, as prescribed by the Governmental Accounting Standards Board (GASB). 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.

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. Basis of Presentation**

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvements of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

**KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2007**

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues. The District does not allocate indirect costs.

Fund Financial Statements – Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. The 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. This is a major fund.

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 eighty-seven cents per thousand dollars of assessed valuation in the district for insurance premiums, unemployment compensation insurance claims, and early retirement.

Physical Plant and Equipment Levy – Accounts for a voted property tax levy of twenty-six cents per thousand dollars of assessed valuation in the district, plus a three percent surtax. The levy is to be used in the purchasing of equipment and repairing and improving schoolhouse buildings and grounds. This is a major fund.

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. This is a major fund.

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 proprietary funds. This is a major fund.

The following is the District's proprietary fund:

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. This is a major fund.

**KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2007**

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

**C. Basis of Accounting/Measurement Focus**

The government-wide and proprietary funds financial statements are reported using the economic resource measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

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

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

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's proprietary fund are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**D. 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, 2007 included certificates of deposits of \$124,587 with original maturity dates longer than three months.

**KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2007**

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

**Property Tax Receivable** – Property tax in Governmental Funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education to the County Board of Supervisors. Current year delinquent property taxes receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Education is required to certify its budget to the County Auditor by April 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2006.

**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

**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 a \$500 capitalization policy. 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 life for machinery and equipment is 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.

**KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2007**

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

**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.

**E. Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, expenditures did not exceed the amounts budgeted.

**Note 2 – Deposits and Investments**

The School District's deposits at June 30, 2007 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, 2007, the District had deposits with financial institutions with a carrying amount of \$1,209,400 and a bank balance of \$1,244,652.

**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 \$149,896 for the year ended June 30, 2007, and is recorded in the General Fund.

**KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2007**

**Note 4 – Due From and Due to Other Funds**

The detail of interfund receivables and payables at June 30, 2007 is as follows:

Receivable Fund	Payable Fund	Amount
General	Activity	\$ 58
	Capital Projects	2,914
Activity	Nutrition	<u>811</u>
		<u>\$ 3,783</u>

The Nutrition Fund is repaying the Activity Fund for gate receipts accidentally deposited in the Nutrition Fund. The Activity Fund is repaying the General Fund for library fines accidentally deposited in the Activity Fund. The Capital Projects Fund is repaying the General Fund for construction materials paid for out of the General Fund. These balances will be repaid by June 30, 2008.

**Note 5 – Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2007 is as follows:

Transfer To	Transfer From	Amount
Debt Service	Capital Projects	\$ 50,000
Physical Plant and Equipment Levy	Activity	<u>1,603</u>
		<u>\$ 51,603</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

**KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2007**

**Note 6 – Capital Assets**

Capital asset activity for the year ended June 30, 2007 was as follows:

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 72,035			\$ 72,035
Construction in Progress	91,918		\$ 91,918	-
Total capital assets not being depreciated	163,953	-	91,918	72,035
Capital assets being depreciated:				
Buildings	6,999,695	\$ 217,703		7,217,398
Improvements Other than Buildings	737,359			737,359
Furniture and Equipment	983,071	81,686	4,900	1,059,857
Total capital assets being depreciated	8,720,125	299,389	4,900	9,014,614
Less accumulated depreciation for:				
Buildings	2,066,160	173,946		2,240,106
Improvements Other than Buildings	315,761	21,335		337,096
Furniture and Equipment	544,117	73,707	4,900	612,924
Total accumulated depreciation	2,926,038	268,988	4,900	3,190,126
Total capital assets being depreciated, net	5,794,087	30,401	-	5,824,488
Governmental activities capital assets, net	\$ 5,958,040	\$ 30,401	\$ 91,918	\$ 5,896,523
	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
<b>Business-Type Activity:</b>				
Furniture and Equipment	\$ 53,012	\$ 7,989		\$ 61,001
Less accumulated depreciation	36,881	2,278		39,159
Business-type activities capital assets, net	\$ 16,131	\$ 5,711	\$ -	\$ 21,842

Depreciation expense was charged to functions as follows:

<b>Governmental Activities:</b>	
Regular Instruction	\$ 14,327
Vocational Instruction	1,247
Co-Curricular Instruction	6,203
General Administration/Multi-Functional	206,633
Operations and Maintenance	2,926
Transportation	37,652
Total depreciation expense – governmental activities	\$ 268,988
<b>Business-Type Activities:</b>	
Food Service Operations	\$ 2,278

**KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2007**

**Note 7 – 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 covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2007, 2006 and 2005. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$150,037, \$147,748, and \$139,422, respectively, equal to the required contributions for each year.

**Note 8 – Long-Term Debt**

A summary of changes in long-term debt of the year ended June 30, 2007 is as follows:

	General Obligation Bonds	Early Retirement	Local Option Sales Tax Bonds	Total
Balance beginning of year	\$ 2,880,000	\$ 2,965	\$ 840,000	\$ 3,722,965
Additions	-	41,917	-	41,917
Deletions	(75,000)	(44,010)	(75,000)	(194,010)
Balance end of year	<u>\$ 2,805,000</u>	<u>\$ 872</u>	<u>\$ 765,000</u>	<u>\$ 3,570,872</u>
Due Within One Year	<u>\$ 160,000</u>	<u>\$ 872</u>	<u>\$ 85,000</u>	<u>\$ 245,872</u>

**Early Retirement**

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 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 at time of retirement.

Early retirement benefits (including payroll taxes) paid during the year ended June 30, 2007 totaled \$44,010. 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, 2007 early retirement obligation are as follows:

Ending June 30	Total
2008	<u>\$ 872</u>

**KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2007**

**Note 8 – Long-Term Debt (Continued)**

**Bonded Debt**

In prior years, the District defeased certain general obligation bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. Payments on these bonds will be made from the irrevocable trust account through June 2009, at which point the balance in the trust account will be used to pay the remaining principal on the bonds in full. In the case that the trust account is insufficient to cover the obligation at that time, the District will be responsible for the balance. At June 30, 2007, there was a balance of \$2,700,237 in the trust account, with \$2,650,000 of bonds considered defeased still outstanding.

The current general obligation bond issue requires semi-annual payments every December and June through June 2020. Details of the District's June 30, 2007 general obligation bonded indebtedness are as follows:

Ending June 30	Principal	Interest	Total
2008	\$ 160,000	\$ 118,718	\$ 278,718
2009	165,000	111,918	276,918
2010	175,000	104,905	279,905
2011	185,000	96,155	281,155
2012	195,000	88,293	283,293
2013-2017	1,120,000	308,861	1,428,861
2018-2020	805,000	67,328	872,328
Totals	\$ 2,805,000	\$ 896,178	\$ 3,701,178

**Local Option Sales Tax Bonds**

In July 2004, the District completed a local option sales tax revenue bond issue for \$890,000. It requires semi-annual payments every January and July through July 2014, and the average interest rate over the life of the issue is 4.07%. The bond proceeds were intended for school infrastructure improvements, and future local option sales tax proceeds will be used to make payments on the issue.

Details of the District's June 30, 2007 local option sales tax bonded indebtedness are as follows:

Ending June 30	Principal	Interest	Total
2008	\$ 85,000	\$ 29,212	\$ 114,212
2009	85,000	26,620	111,620
2010	90,000	23,618	113,618
2011	95,000	20,075	115,075
2012	95,000	16,180	111,180
2013-2015	315,000	21,938	336,938
Totals	\$ 765,000	\$ 137,643	\$ 902,643

**KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2007**

**Note 9 – 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, 2007 is as follows:

Series	Warrant Date	Date Warrant Reinvested	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2006-2007A	6/30/06	6/26/07	\$ -	\$ 3,111	\$ -	\$ -

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 in August 2006 for \$50,000 and another in September 2006 for \$170,000. They were repaid in October 2006.

The 2006-2007A Series warrants had an interest rate of 4.500%, and available proceeds of the warrants are invested at a rate of 5.676%. The District did not elect to participate in the 2007-2008A Series as of June 30, 2007.

**Note 10 – Operating Leases**

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

Year Ending June 30,	PPEL Fund
2008	\$ 1,129

Rent expenditures were \$13,548 for the year ended June 30, 2007.

**Note 11 – Risk Financing**

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. During the year ended June 30, 2007 the District has elected to purchase commercial insurance to cover against the risk of loss. There were no settlements that exceeded insurance coverage during the past three years or any significant reductions in coverage.

**KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2007**

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**Note 12 – Designated Fund Equity**

Designations of equity are used to show the amounts within unreserved equity which are intended to be used for specific purposes, but are not legally restricted. Designated equity of \$115,563 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 Revenues, Expenditures and Changes in Balances-**  
**Budget and Actual (GAAP Basis)-**  
**Governmental Funds and Proprietary Fund**  
**Year Ended June 30, 2007**

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Original Budget	Final Budget	Variance with budget Favorable (Unfavorable)
<b>Revenues:</b>						
Local Sources	\$ 2,776,365	\$ 127,175	\$ 2,903,540	\$ 2,819,789	\$ 2,819,789	\$ 83,751
State Sources	2,086,084	2,892	2,088,976	2,035,970	2,035,970	53,006
Federal Sources	133,997	83,879	217,876	210,000	210,000	7,876
Total Revenues	<u>4,996,446</u>	<u>213,946</u>	<u>5,210,392</u>	<u>5,065,759</u>	<u>5,065,759</u>	<u>144,633</u>
<b>Expenditures:</b>						
Instruction	2,827,540	-	2,827,540	2,954,732	2,954,732	127,192
Support Services	1,271,346	-	1,271,346	1,288,972	1,334,473	63,127
Non-Instructional Programs	-	210,131	210,131	202,885	220,016	9,885
Other Expenditures	647,250	-	647,250	621,474	662,442	15,192
Total Expenditures	<u>4,746,136</u>	<u>210,131</u>	<u>4,956,267</u>	<u>5,068,063</u>	<u>5,171,663</u>	<u>\$ 215,396</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>250,310</u>	<u>3,815</u>	<u>254,125</u>	<u>(2,304)</u>	<u>(105,904)</u>	
<b>Other Financing Sources</b>						
Sale of Equipment & Material	<u>1,251</u>	<u>-</u>	<u>1,251</u>	<u>-</u>	<u>-</u>	
Total Other Financing Sources	<u>1,251</u>	<u>-</u>	<u>1,251</u>	<u>-</u>	<u>-</u>	
Excess (Deficiency) of Revenues and Other Sources Over Expenditures	<u>251,561</u>	<u>3,815</u>	<u>255,376</u>	<u>(2,304)</u>	<u>(105,904)</u>	
Fund Balance/Retained Earnings Beginning of Year	<u>626,982</u>	<u>62,987</u>	<u>689,969</u>	<u>641,073</u>	<u>641,073</u>	
Fund Balance/Retained Earnings End of Year	<u>\$ 878,543</u>	<u>\$ 66,802</u>	<u>\$ 945,345</u>	<u>\$ 638,769</u>	<u>\$ 535,169</u>	

**KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT**  
**Notes to Required Supplementary Information – Budgetary Reporting**  
**June 30, 2007**

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except 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 GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund 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. This level of control is at a higher level than the individual fund. It is necessary, therefore, to aggregate the expenditures of governmental funds with expenses of proprietary funds on a functional area basis and to compare such functional area totals to functional area budgeted totals in order to demonstrate legal compliance with the budget. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$103,600.

**SUPPLEMENTAL INFORMATION**

**KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT**  
**Statement of Revenue, Expenditures and Changes in Fund Balance**  
**General Fund**  
**Year Ended June 30, 2007**

**Schedule 1**

**Revenues:**

**Local Sources:**

**Local Tax:**

Property Tax	\$ 1,560,760
Mobile Home Tax	1,156
	1,561,916

**Other Local Sources:**

Interest on Investments	42,194
Tuition from Other Districts	235,469
Miscellaneous	77,200
	354,863
	1,916,779

**State Sources:**

Foundation Aid-District's Share	1,673,255
Instructional Support State Aid	24,863
Educational Excellence Program:	
Phase I	46,006
Phase II	39,221
Vocational Education Aid	7,632
Revenue in Lieu of Taxes - Military Credit	1,099
Iowa Early Intervention Block Grant	32,509
AEA Flow-Through	149,896
Other State Aid	111,372
	2,085,853

**Federal Sources:**

Title I Grants to Local Educational Agencies	45,672
Teacher Quality Program	20,629
Innovative Education Program Strategies (Title VI Program)	3,577
Vocational Education - Basic Grants to States	4,163
Other	59,956
	133,997

Total Revenue

4,136,629

**Expenditures:**

**Instruction:**

**Regular Program Instruction:**

Salaries	1,427,060
Employee Benefits	416,598
Contractual Services	55,864
General Supplies	61,603
Equipment	8,592
Other	13,841
	1,983,558

Continued

**KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT**  
**Statement of Revenue, Expenditures and Changes in Fund Balance**  
**General Fund - Continued**  
**Year Ended June 30, 2007**

**Schedule 1 (Continued)**

Expenditures (continued):

**Instruction (continued):**

Special Program Instruction:

Salaries	190,281
Employee Benefits	53,230
Contractual Services	116,125
General Supplies	2,769
Other	532
	362,937

Vocational Program Instruction:

Salaries	170,941
Employee Benefits	50,608
General Supplies	11,183
Equipment	5,440
Other	1,591
	239,763

Co-curricular Program Instruction and Sports:

Salaries	68,863
Employee Benefits	8,313
	77,176

**Total Instruction**

2,663,434

**Support Services:**

Student Support Services:

Salaries	59,058
Employee Benefits	20,413
Contractual Services	4,173
General Supplies	4,494
Other	522
	88,660

Instructional Staff Support Services:

Salaries	43,372
Employee Benefits	9,717
Contractual Services	7,676
General Supplies	2,709
Equipment	12,811
Other	4,360
	80,645

General Administration:

Salaries	100,313
Employee Benefits	28,370
Contractual Services	18,164
General Supplies	2,505
Other	15,060
	164,412

Continued

**KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT**  
**Statement of Revenue, Expenditures and Changes in Fund Balance**  
**General Fund - Continued**  
**Year Ended June 30, 2007**

**Schedule 1 (Continued)**

Expenditures (continued):

**Support Services (continued):**

Building Administration:

Salaries	165,896
Employee Benefits	51,627
Contractual Services	1,738
Other	5,466
	224,727

Business Administration:

Salaries	40,057
Employee Benefits	10,211
ISCAP Interest	16,566
General Supplies	680
Other	3,169
	70,683

Operation and Maintenance Services:

Salaries	117,929
Employee Benefits	33,042
Contractual Services	127,707
General Supplies	48,027
Other	349
	327,054

Student Transportation:

Salaries	79,227
Employee Benefits	13,622
Purchased Services	15,028
General Supplies	49,442
Other	1,131
	158,450

**Total Support Services**

1,114,631

**Other Expenditures:**

AEA Flow-Through	149,896
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Total Expenditures

3,927,961

(Deficiency) of Revenues Over Expenditures

208,668

**Other Financing Sources:**

Sale of Equipment	1,251
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Excess of Revenues and other Sources Over Expenditures

209,919

Balance - Beginning of Year

172,512

Balance - End of Year

\$ 382,431

**KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
Governmental Nonmajor Special Revenue Funds  
June 30, 2007**

**Schedule 2**

	Management Levy	Student Activity	Total
<b>Assets</b>			
Cash and Pooled Investments	\$ 49,003	\$ 47,310	\$ 96,313
Receivables:			
Property Tax - Current Year	2,453		2,453
Property Tax - Succeeding Year	105,000		105,000
Due from Other Funds		811	811
<b>Total Assets</b>	<u>156,456</u>	<u>48,121</u>	<u>204,577</u>
<b>Liabilities</b>			
Payables:			
Accounts Payable		1,615	1,615
Due to Other Funds		58	58
Early Retirement Payable	349		349
Deferred Revenue - Succeeding Year Property Tax	105,000		105,000
<b>Total Liabilities</b>	<u>105,349</u>	<u>1,673</u>	<u>107,022</u>
<b>Fund Balances:</b>			
Unreserved for special revenue funds	51,107	46,448	97,555
<b>Total Fund Balances</b>	<u>51,107</u>	<u>46,448</u>	<u>97,555</u>
<b>Total Liabilities and Equity</b>	<u>\$ 156,456</u>	<u>\$ 48,121</u>	<u>\$ 204,577</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, 2007**

Schedule 3

	Management Levy	Student Activity	Total
<b>Revenue:</b>			
Local Sources:			
Property Taxes	\$ 140,570		\$ 140,570
Mobile Home Taxes	104		104
Other Local Sources:			
Interest on Investments	1,027	\$ 1,235	2,262
Student Activities		142,095	142,095
Contributions and Donations from Private Sources		3,557	3,557
Refunds of Prior Year Expenditures	6,892		6,892
State Sources:			
Revenue in Lieu of Taxes - Military Credit	99		99
<b>Total Revenue</b>	<u>148,692</u>	<u>146,887</u>	<u>295,579</u>
<b>Expenditures:</b>			
Instruction:			
Regular	33,066		33,066
Co-curricular		131,040	131,040
Support Services:			
Student Support Services	9,683		9,683
Instructional Staff Support Services	388		388
General Administration	14,078		14,078
Building Administration	20,793		20,793
Business Administration	358		358
Operations and Maintenance	21,716		21,716
Student Transportation	10,205		10,205
<b>Total Expenditures</b>	<u>110,287</u>	<u>131,040</u>	<u>241,327</u>
<b>Excess of Revenues Over Expenditures</b>	<b>38,405</b>	<b>15,847</b>	<b>54,252</b>
<b>Other Financing (Uses)</b>			
Transfers Out		(1,603)	(1,603)
<b>Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	<b>38,405</b>	<b>14,244</b>	<b>52,649</b>
<b>Fund Balances - Beginning of Year</b>	<u>12,702</u>	<u>32,204</u>	<u>44,906</u>
<b>Fund Balances - End of Year</b>	<u>\$ 51,107</u>	<u>\$ 46,448</u>	<u>\$ 97,555</u>

**KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT**  
**Schedule of Individual Student Activity Account Activity**  
**For the Year Ended June 30, 2007**

					<b>Schedule 4</b>
	<b>Balance</b>				<b>Balance</b>
	<b>June 30,</b>	<b>Revenues</b>	<b>Expenditures</b>	<b>Transfers</b>	<b>June 30,</b>
	<b>2006</b>				<b>2007</b>
<b>Kingsley Accounts</b>					
Athletics	\$ 1,891	\$ 46,901	\$ 34,415	\$ 2,750	\$ 17,127
Children's Theater	308	-	-	-	308
Christian Athletes	2	884	835	-	51
Dance Team	230	4,937	4,681	-	486
F.F.A.	721	14,990	12,611	-	3,100
General Fund	5,309	7,542	6,160	(1,153)	5,538
Homemaking Fund	319	272	238	-	353
National Honor Society	655	2,726	3,290	46	137
Student Insurance	-	222	222	-	-
Music Fund	1,078	10,029	10,940	200	367
Musical	741	-	-	-	741
PEP	1	2,383	2,555	171	-
Softball	1,692	1,483	624	(2,551)	-
Speech/Drama	1,351	210	322	-	1,239
Student Council	2,914	9,474	9,481	200	3,107
Revolving	-	9,507	9,507	-	-
Class of 2006	2,976	760	2,470	(1,266)	-
Class of 2007	3,245	6,196	6,957	-	2,484
Class of 2008	1,212	14,079	11,327	-	3,964
Class of 2009	202	2,090	1,325	-	967
Class of 2010	-	200	-	-	200
	<u>24,847</u>	<u>134,885</u>	<u>117,960</u>	<u>(1,603)</u>	<u>40,169</u>
<b>Pierson Accounts:</b>					
Athletics	7,357	12,002	13,080	-	6,279
	<u>7,357</u>	<u>12,002</u>	<u>13,080</u>	<u>-</u>	<u>6,279</u>
<b>Total for Activity Funds</b>	<u>\$ 32,204</u>	<u>\$ 146,887</u>	<u>\$ 131,040</u>	<u>\$ (1,603)</u>	<u>\$ 46,448</u>

**KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT**  
**Schedule of Revenues and Expenditures by Function**  
**For the Years Ended June 30, 2007, 2006, 2005, 2004**

Schedule 5

	Modified Accrual Basis of Accounting			
	2007	2006	2005	2004
<b>Revenues:</b>				
Local sources:				
Local Tax	\$ 2,249,761	\$ 2,050,310	\$ 1,991,126	\$ 1,883,813
Tuition	235,469	257,125	237,750	226,268
Other	291,135	279,464	262,752	207,451
State Sources	2,086,084	2,104,132	1,998,425	1,781,208
Federal Sources	133,997	141,077	138,453	157,561
<b>Total</b>	<b>\$ 4,996,446</b>	<b>\$ 4,832,108</b>	<b>\$ 4,628,506</b>	<b>\$ 4,256,301</b>
<b>Expenditures:</b>				
Instruction:				
Regular	\$ 2,016,624	\$ 1,942,697	\$ 1,897,287	\$ 1,855,050
Special	362,937	377,381	386,640	403,335
Other	447,979	470,812	524,329	486,259
Support Services:				
Student	98,343	86,916	82,506	81,925
Instructional Staff	81,033	128,999	87,304	93,143
Administration	495,051	481,363	481,427	461,781
Operation and Maintenance of Plant	362,318	339,093	311,475	331,125
Transportation	234,601	190,286	232,418	190,549
Other Expenditures:				
Facilities Acquisition	183,782	196,251	650,670	575,512
Long-term Debt:				
Principal	150,000	180,000	120,000	115,000
Interest and Other Charges	163,572	320,837	176,346	169,396
AEA Flowthrough	149,896	143,436	138,143	134,400
<b>Total</b>	<b>\$ 4,746,136</b>	<b>\$ 4,858,071</b>	<b>\$ 5,088,545</b>	<b>\$ 4,897,475</b>



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**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 governmental activities, the business-type activities, 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, 2007, and have issued our report thereon dated January 3, 2008. 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 and Other Matters:

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, 2007 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, but not for the purpose of expressing an opinion on the effectiveness of Kingsley-Pierson Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Kingsley-Pierson Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Kingsley-Pierson Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Kingsley-Pierson Community School District's financial

statements that is more than inconsequential will not be prevented or detected by Kingsley-Pierson Community School District's internal control. We consider the deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Kingsley-Pierson Community School District's internal control.

Our consideration of the internal control over financial reporting would not necessarily disclose all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe II-A-07 and II-B-07 are material weaknesses.

The Kingsley-Pierson Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit the Kingsley-Pierson Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the 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.

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

Sioux City, Iowa  
January 3, 2008

**KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2007**

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

- (a) An unqualified opinion was issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any non-compliance, which is material to the financial statements.
- (d) See below for the status of prior audit findings.

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

**INSTANCES OF NON-COMPLIANCE:**

None.

**STATUS OF PRIOR AUDIT FINDINGS:**

**II-A-06 Financial Accounting – Segregation of Duties**

Condition – This finding was a material weakness stating that the District does not have an adequate segregation of duties in its accounting functions.

Recommendation – The auditor recommended that, in lieu of hiring additional staff, management should address this weakness by continually monitoring the fiscal officer's duties.

Current Status – The District did not correct this weakness, and it is renumbered below as II-A-07.

**SIGNIFICANT DEFICIENCIES:**

**II-A-07 Financial Accounting – Segregation of Duties**

Observation – The 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 District has implemented management review procedures which we feel aid in improving the internal controls of the District. However, we comment that this weakness exists and the duties of the accountant should be continually monitored by management.

**KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2007**

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.

**II-B-07 Financial Accounting – Recording Errors**

Observation – Errors were noted on Kingsley-Pierson Community School District's annual financial report. Our audit of Kingsley-Pierson Community School District's annual financial report disclosed numerous material reporting errors for the year ended June 30, 2007. These reporting errors result in a diminished reliability of accounting data being supplied to the users of the unaudited financial statements. We identified the material reporting errors discussed above and therefore, these matters do not affect our independent auditor's report on the financial statements contained in this audit report.

Recommendation – We recommend future financial reports are prepared completely and accurately in accordance with U.S. generally accepted accounting principles.

Response – The District will monitor its financial reporting process more closely in the future in order to make its annual financial report as accurate as possible.

Conclusion – Response accepted.

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

III-A-07      Certified Budget – Expenditures for the year ended June 30, 2007 did not exceed amounts budgeted.

III-B-07      Questionable Expenditures – No expenditures 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-C-07      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-D-07      Business Transactions – Business transactions between the District and District officials are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Bohle Construction Owned by Board Member Scott Bohle	Snow Removal	\$5,611

III-E-07      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.

**KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2007**

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- III-F-07      Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- III-G-07      Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.
- III-H-07      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-I-07      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.