

KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT

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

June 30, 2010

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Kingsley-Pierson Community School District, Kingsley, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Kingsley-Pierson Community School District as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our reports dated March 30, 2011, on our consideration of Kingsley-Pierson Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contract and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 13 and 40 through 42 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Kingsley-Pierson Community School District's basic financial statements. The financial statements for the six years ended June 30, 2009, (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

BURTON E. TRACY & CO., P.C.
Certified Public Accountants

March 30, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2010. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2010 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$4,366,441 in fiscal 2009 to \$4,224,735 in fiscal 2010, while General Fund expenditures increased from \$4,286,606 in fiscal 2009 to \$4,310,762 in fiscal 2010. The District's General Fund balance decreased from \$437,030 in fiscal 2009 to \$352,213 in fiscal 2010, a 20% decrease.
- State foundation aid revenue decreased by 21% due to a 4% decrease in budget enrollment and a 4% increase in allowable growth, coupled with a 10% across the board cut due to state budget shortfalls. Allowable growth is the percentage increase in the per-student rate paid to schools based on prior year's enrollment.
- The increase in total General Fund expenditures was less than 1% compared to fiscal 2009, but with a 3% decrease in General Fund revenues, the financial condition of the district's general fund declined. The fund balance in the General Fund decreased by 19% because carryover funds had to be used to cover the budget deficit. The effect was lessened by the reduction of one principal and one full-time teacher in anticipation of a tough budget year. Special education expenses increased due to increased costs for tuition and transportation of students needing specialized services under an Individual Education Plan.
- Total state revenues in the governmental funds decreased by 17% while federal governmental fund revenues increased by 106%. The increase in federal funding came from the American Recovery and Reinvestment Act of 2009 that was passed by congress in an effort to stimulate the economy. The district received \$253,219 of which \$182,700 was allocated for stabilization, \$7,850 was allocated for Title I, \$12,717 was allocated for instructional support and \$49,950 was allocated for special education expenses. At the local level, governmental fund revenues decreased by 1%, despite a 2% increase in property tax collected.
- Non-major governmental fund balances increased by 15% over fiscal 2009 due mainly to a reduction in facility remodeling expenditures in the capital projects fund and an increase in certificates of deposit in the Physical Plant and Equipment Levy fund. The district has been saving money for future roof replacements and track resurfacing.

USING THIS ANNUAL REPORT

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

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

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

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Kingsley-Pierson Community

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

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

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

Other Supplementary Information provides detailed information about the non-major Special Revenue Funds. In addition, the Comparison of Taxes and intergovernmental Revenues and Receipts, provides a summary of how funding at different levels has changed over the last seven years.

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-2 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"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
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 net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include an Agency Fund, through which the District administers and accounts for the District employee flexible spending plan.

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-2 below provides a summary of the District's net assets at June 30, 2010 compared to June 30, 2009.

Figure A-2

	Condensed Statement of Net Assets						Percentage Change 2009-2010 %
	Governmental Activities		Business-type Activities		Total School District		
	2009	2010	2009	2010	2009	2010	
	\$	\$	\$	\$	\$	\$	
Current and other assets	3,949,517	3,907,104	31,011	36,963	3,980,728	3,944,067	-1%
Capital assets	5,723,783	5,582,591	15,932	28,025	5,739,515	5,610,616	-2%
Total assets	9,673,300	9,489,695	46,943	64,988	9,720,243	9,554,683	-2%
Long-term liabilities	3,075,000	2,810,000	-	-	3,075,000	2,810,000	-9%
Other liabilities	2,941,130	2,838,981	-	-	2,941,130	2,838,981	-3%
Total liabilities	6,016,130	5,648,981	-	-	6,016,130	5,648,981	-6%
Net Assets:							
Invested in capital assets, net of related debt	2,648,583	2,772,591	15,932	28,025	2,664,515	2,800,616	5%
Restricted	337,333	742,173	-	-	337,333	742,173	120%
Unrestricted	671,254	325,950	31,011	36,963	702,265	362,913	-48%
TOTAL NET ASSETS	3,657,170	3,840,714	46,943	64,988	3,704,113	3,905,702	5%

The District's combined total net assets increased by nearly 5%, or approximately \$201,589, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$404,840 or 120% over the prior year. The increase was primarily a result of decreased expenditures in the Physical Plant and Equipment Levy Fund and a change in classification of Capital Projects fund balance to restricted.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately \$339,352, or 48%. This reduction in unrestricted net assets was a result of the District using carryover fund balance to meet its financial obligations during the year in the general fund and a change in classification of Capital Projects fund balance to restricted.

Figure A-3 shows the change in net assets for the years ended June 30, 2010 and 2009.

Figure A3

	Change in Net Assets						Percentage Change 2009-2010 %
	Governmental Activities		Business-type Activities		Total School District		
	2009 \$	2010 \$	2009 \$	2010 \$	2009 \$	2010 \$	
Revenues							
Program Revenues:							
Charges for services	411,802	424,479	137,669	132,666	549,471	557,145	1%
Operating grants & contributions	714,020	875,413	70,740	79,157	784,760	954,570	22%
Capital grants & contributions	25,001	-	-	-	25,001	-	-100%
General Revenues:							
Property taxes	1,939,298	1,984,956	-	-	1,939,298	1,984,956	2%
Income Surtax	58,226	126,286	-	-	58,226	126,286	117%
Statewide Sales & Service Tax	315,104	292,727	-	-	315,104	292,727	-7%
Unrestricted state grants	1,748,619	1,382,841	-	-	1,748,619	1,382,841	-21%
Unrestricted investment earnings	32,819	25,036	460	501	33,279	25,537	-23%
Other revenue	35,331	5,611	442	-	35,773	5,611	-84%
Total Revenues	5,280,220	5,117,349	209,311	212,324	5,489,531	5,329,673	-3%
Expenses:							
Instruction	3,070,535	3,117,026	-	-	3,070,535	3,117,026	2%
Support services	1,557,245	1,255,168	-	-	1,557,245	1,255,168	-19%
Non-instructional programs	567	866	207,045	209,454	207,612	210,320	1%
Other expenditures	348,764	545,570	-	-	348,764	545,570	56%
Total expenses	4,977,111	4,918,630	207,045	209,454	5,184,156	5,128,084	-1%
Change in net assets before transfers	303,109	198,719	2,266	2,870	305,375	201,589	-34%
Transfers	-	(15,175)	-	15,175	-	-	-
CHANGE IN NET ASSETS	303,109	183,544	2,266	18,045	305,375	201,589	-34%
Net assets beginning of year	3,354,061	3,657,170	44,677	46,943	3,398,738	3,704,113	9%
Net assets end of year	3,657,170	3,840,714	46,943	64,988	3,704,113	3,905,702	5%

In fiscal year 2010 property tax and unrestricted state grants account for 63% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 85% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$5,117,349 and expenses were \$4,918,630. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

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

Figure A-4

	Total Cost of Services			Net Cost of Services		
	2009	2010	Percent Change 2009-2010	2009	2010	Percent Change 2009-2010
	\$	\$	%	\$	\$	%
Instruction	3,070,535	3,117,026	2%	2,113,994	1,999,209	-5%
Support Services	1,557,245	1,255,168	-19	1,554,275	1,252,928	-19%
Non-instructional Programs	565	866	53%	(700)	866	224%
Other Expenses	348,764	545,570	56%	158,719	365,735	130%
TOTAL	4,977,109	4,918,630	-1%	3,826,288	3,618,738	-5%

For the year ended June 30, 2010

- The cost financed by users of the District's programs was \$424,479. Most of these revenues are derived from tuition charged to other school districts and from student activities.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$875,413.
- The net cost of governmental activities was financed with \$2,403,969 in property and local other taxes and \$1,382,841 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$212,324 and expenses were \$209,454. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, 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 \$1,017,171, above last year's ending fund balances of \$1,016,484.

Governmental Fund Highlights

- The General Fund balance decreased from \$437,030 to \$352,213, due in part to the negotiated salary and benefits settlement, the increase in special education tuition, the reduction in state aid and existing expenditure commitments of the District.
- The Physical Plant and Equipment Levy (PEEL) Fund balance increased from \$183,764 in fiscal 2009 to \$225,873 in fiscal 2010. While revenues remained approximately the same, the District substantially reduced spending from the PEEL Fund to improve the financial condition of the fund and save for future facility improvements.
- The Capital Projects Fund balance increased from \$261,783 in fiscal 2009 to \$291,631 in fiscal 2010.

Proprietary Fund Highlights

School Nutrition Fund net assets increased from \$46,943 at June 30, 2009 to \$64,988 at June 30, 2010, representing an increase of approximately 37%. The increase is mostly due to a capital contribution from the Physical Plant and Equipment Levy Fund. The district needed a new dishwasher and it was purchased with Physical Plant and Equipment Levy funds.

BUDGETARY HIGHLIGHTS

Over the course of the year, Kingsley-Pierson Community School District amended its annual budget one time increasing budgeted expenditures by \$74,875.

The District's receipts were \$173,154 less than budgeted receipts. The most significant variance resulted from the District receiving less in state aid than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures within its maximum budget authority for the General Fund and at a conservative level that allows some flexibility for unknown expenses. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year. The other expense category is also budgeted higher to allow for facility projects that take place during the summer. It is hard to know whether work will be done by June 30 or fall in the next fiscal year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2010, the District had invested \$5.6 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of 2% from last year. More detailed information about the District's capital assets is presented in Note 6 to the financial statements. Depreciation expense for the year was \$283,892.

Figure A-5

Capital Assets (net of depreciation)

	Governmental Activities		Business type Activities		Total School District		Percentage Change 2009-2010 %
	2009	2010	2009	2010	2009	2010	
	\$	\$	\$	\$	\$	\$	
Land	72,035	72,035	-	-	72,035	72,035	0%
Construction in progress	9,882	21,530	-	-	9,882	21,530	118%
Buildings	4,842,864	4,757,092	-	-	4,842,864	4,757,092	-2%
Improvements	422,230	390,634	-	-	422,230	390,634	-7%
Equipment & furniture	376,572	341,300	15,932	28,025	392,504	369,325	-6%
TOTAL	5,723,583	5,582,591	15,932	28,025	5,739,515	5,610,616	-2%

Long-Term Debt

At June 30, 2010 the District had \$2,810,000 in general obligation, revenue and other long-term debt outstanding. This represents a decrease of approximately 9% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 7 to the financial statements.

**Figure A-7
Outstanding Long-Term Obligations**

	Total School District		Percentage Change
	2009	2010	2009-2010
	\$	\$	%
General obligation bonds	2,480,000	2,305,000	-7%
Revenue bonds	595,000	505,000	-15%
	<u>3,075,000</u>	<u>2,810,000</u>	<u>-9%</u>

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:

- The economy appears to be rebounding somewhat with state revenue projections coming in higher than expected. It will however, likely take several years for the economy to fully recover. Iowa seems to be in pretty good shape financially compared to many states. This could bring families back to the state.
- There is a new Republican governor that is calling for budget cuts in all areas. The governor's budget plan calls for a 0% increase in allowable growth for 2011-2012. This is an effort to reduce property taxes by forcing schools to operate without increasing expenses. Schools will receive full funding under this proposal as opposed to the past couple of budget years where schools were given the authority to increase their budgets by increasing property taxes to make up for state shortfalls.
- The district has reduced staffing helping the budget but causing heavy workloads for many employees. The district is receiving about \$90,000 in federal education jobs funding that must be obligated by 9/30/2012. This is a one time appropriation that must be used for salaries and benefits of building level personnel. It can be used to supplant current staff expenses. There are many areas where extra personnel would be beneficial, but because the funding is not ongoing, unless other revenues increase, it would be difficult to maintain the expense of the added positions. If the board decides to use the money to offset current staffing expense, the general fund balance will improve.
- The district's certified enrollment increased by 7 students or 1.5% for the 2012 budget year (current year's enrollment). The increase will mean the district will receive about \$40,000 additional allowable growth, despite a projected 0% increase in the per student amount allowed under the budget formulas. The number of students the district is actually serving decreased by 1 student, less than 1%, compared to counts in 2009. This is a change from the trend of students served exceeding resident students. While open enrolled in students still exceed open enrolled out students by 7, the district is sending higher percentages of its students to other districts for special education services.
- The number of students identified as needing special education services in December of 2009 increased by 12% over December 2008. The number increased again in December of 2010, with counts 22% higher than December 2009. The weighting of those students increased by 34% from 2008 to 2009 and by 11%

from 2009 to 2010. The weighting indicates the level of service required to meet the needs of the students with higher weightings for students that need more individual attention. The increases have caused higher special education staffing expenses and higher tuition out expenses for those students that cannot be served in district. The district has started receiving Medicaid funding for some services provided to eligible students. This funding will help cover the increased costs for special education staffing.

- Medicaid eligibility and free/reduced lunch eligibility have both been increasing, likely due to the economy. This helps increase funding from federal and state grants that use poverty guidelines as part of the formula for distribution.
- The district's general fund balance ended at its lowest level in four years after suffering a 10% state aid cut. This can be brought up by levying more cash reserves, but the total property tax rate needs to be considered first. An option that the district has been utilizing is dedicating a portion of the sales tax balance to reduce the debt service levy, allowing for an increase in the levy for the General Fund, without raising the total tax rate. This practice will likely continue.
- The district's instructional support levy is up for renewal in 2011 and the district has taken steps to renew the levy for five years. The district will be introducing a surtax component to the levy. While the initial rates have not been set yet, the addition of a surtax delays some funding by one year and also adds some uncertainty as to how much will be collected. It will however, offer an opportunity to decrease property taxes slightly.
- Besides cash and fund balance, the district also needs to be concerned about its spending authority. Spending authority is projected to increase by about 39%, the first increase since fiscal 2007. This is due to holding the increase in expenses to less than 1% coupled with modified allowable growth for a large special education deficit and allowable growth for open enrollment out students. Projections for fiscal 2011 include a slight increase in spending authority.
- Payroll taxes and insurance are increasing again on July 1, 2011. Contribution rates for IPERS will increase in July of 2011 by 2%, 1.2% of which is employer liability. Health insurance premiums will increase by 9.85%, unless coverage is changed through negotiations with the teacher's association. This is a smaller increase than last year, but there were some moderate changes to coverage. At this point, the district does not know what to expect for increases due to healthcare reform. Initial projections by the insurance industry indicate very significant increases.
- The only major known facility need at this point is a new roof for the Kingsley building. Some repairs were done in the summer of 2009 to extend the life of the current roof and allow more time to save for roof replacement. The district also began setting money aside for resurfacing of the all weather track. The one cent sales tax raises enough revenue to cover payments on revenue bonds and pay for facility improvement projects with the remainder going towards reduction of the debt service levy. The revenue bonds will be paid for in 2014, leaving more funds to go toward roof replacement.
- For the 2011 fiscal year, the district has entered into two teacher sharing arrangements, one shared class arrangement and three shared athletic programs. Sharing continues to be an attractive option for the district to minimize costs.

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 Avenue, Kingsley, Iowa, 51028.

BASIC FINANCIAL STATEMENTS

KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2010

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and cash equivalents	1,507,154	14,278	1,521,432
Receivables:			
Property tax:			
Delinquent	29,716	-	29,716
Succeeding year	2,090,087	-	2,090,087
Accounts	743	-	743
Accrued interest	8	-	8
Due from other governments	206,990	-	206,990
Internal balances	(6,825)	6,825	-
Inventories	-	15,860	15,860
Prepaid expenses	43,391	-	43,391
Unamortized bond issuance costs	35,840	-	35,840
Capital assets, net of accumulated depreciation	5,582,591	28,025	5,610,616
Total assets	9,489,695	64,988	9,554,683
Liabilities			
Accounts payable	265,774	-	265,774
Salaries and benefits payable	426,439	-	426,439
Accrued interest payable	19,001	-	19,001
Deferred revenue:			
Succeeding year property tax	2,090,087	-	2,090,087
Other	13,699	-	13,699
Unamortized bond issuance premium	23,981	-	23,981
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	185,000	-	185,000
Revenue bonds payable	95,000	-	95,000
Portion due after one year:			
General obligation bonds payable	2,120,000	-	2,120,000
Revenue bonds payable	410,000	-	410,000
Total liabilities	5,648,981	-	5,648,981

KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2010

	Governmental Activities	Business Type Activities	Total
	<u>\$</u>	<u>\$</u>	<u>\$</u>
Net assets			
Invested in capital assets, net of related debt	2,772,591	28,025	2,800,616
Restricted for:			
Categorical funding	36,090	-	36,090
Management levy	77,604	-	77,604
Physical plant and equipment levy	283,967	-	283,967
Other special revenue purposes	52,881	-	52,881
Sales tax capital projects	291,631	-	291,631
Unrestricted	<u>325,950</u>	<u>36,963</u>	<u>362,913</u>
Total net assets	<u><u>3,840,714</u></u>	<u><u>64,988</u></u>	<u><u>3,905,702</u></u>

KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2010

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	2,125,976	297,285	569,069	-
Special	453,400	15,959	72,784	-
Other	537,650	109,635	53,085	-
	<u>3,117,026</u>	<u>422,879</u>	<u>694,938</u>	<u>-</u>
Support services:				
Student	121,380	-	-	-
Instructional staff	83,523	-	-	-
Administration	435,272	-	-	-
Operation and maintenance of plant	375,768	1,600	-	-
Transportation	239,225	-	640	-
	<u>1,255,168</u>	<u>1,600</u>	<u>640</u>	<u>-</u>
Non-instructional programs	<u>866</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	35,053	-	-	-
Long-term debt interest	126,982	-	-	-
AEA flowthrough	179,835	-	179,835	-
Depreciation (unallocated)*	203,700	-	-	-
	<u>545,570</u>	<u>-</u>	<u>179,835</u>	<u>-</u>
Total governmental activities	<u>4,918,630</u>	<u>424,479</u>	<u>875,413</u>	<u>-</u>
Business type activities:				
Non-instructional programs:				
Food service operations	<u>209,454</u>	<u>132,666</u>	<u>79,157</u>	<u>-</u>
Total	<u>5,128,084</u>	<u>557,145</u>	<u>954,570</u>	<u>-</u>
General Revenues:				
Property taxes levied for:				
General purposes				
Debt service				
Capital outlay				
Income surtax				
Statewide sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets beginning of year				
Net assets end of year				

*This amount excludes the depreciation that is included in the direct expenses of the various programs.

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$	\$	\$
(1,259,622)	-	(1,259,622)
(364,657)	-	(364,657)
(374,930)	-	(374,930)
<u>(1,999,209)</u>	<u>-</u>	<u>(1,999,209)</u>
(121,380)	-	(121,380)
(83,523)	-	(83,523)
(435,272)	-	(435,272)
(374,168)	-	(374,168)
(238,585)	-	(238,585)
<u>(1,252,928)</u>	<u>-</u>	<u>(1,252,928)</u>
(866)	-	(866)
(35,053)	-	(35,053)
(126,982)	-	(126,982)
-	-	-
(203,700)	-	(203,700)
<u>(365,735)</u>	<u>-</u>	<u>(365,735)</u>
<u>(3,618,738)</u>	<u>-</u>	<u>(3,618,738)</u>
-	2,369	2,369
<u>(3,618,738)</u>	<u>2,369</u>	<u>(3,616,369)</u>
1,728,654	-	1,728,654
229,707	-	229,707
26,595	-	26,595
126,286	-	126,286
292,727	-	292,727
1,382,841	-	1,382,841
25,036	501	25,537
5,611	-	5,611
<u>3,817,457</u>	<u>501</u>	<u>3,817,958</u>
(15,175)	15,175	-
<u>3,802,282</u>	<u>15,676</u>	<u>3,817,958</u>
183,544	18,045	201,589
<u>3,657,170</u>	<u>46,943</u>	<u>3,704,113</u>
<u>3,840,714</u>	<u>64,988</u>	<u>3,905,702</u>

KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2010

	General Fund	Nonmajor Governmental Funds	Total
	\$	\$	\$
Assets			
Cash and pooled investments	821,556	685,598	1,507,154
Receivables:			
Property tax:			
Delinquent	24,799	4,917	29,716
Succeeding year	1,838,364	251,723	2,090,087
Accounts	-	743	743
Accrued interest	8	-	8
Prepaid expenses	43,391	-	43,391
Due from other governments	94,850	112,140	206,990
	<u>2,822,968</u>	<u>1,055,121</u>	<u>3,878,089</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	185,428	80,346	265,774
Salaries and benefits payable	426,439	-	426,439
Interfund payable	6,825	-	6,825
Deferred revenue:			
Succeeding year property tax	1,838,364	251,723	2,090,087
Income surtax	-	58,094	58,094
Other	13,699	-	13,699
Total liabilities	<u>2,470,755</u>	<u>390,163</u>	<u>2,860,918</u>
Fund balances:			
Reserved for:			
Prepaid expenses	43,391	-	43,391
Categorical funding	36,090	-	36,090
Debt service	-	16,969	16,969
Unreserved reported in:			
General fund	272,732	-	272,732
Special revenue funds	-	356,358	356,358
Capital projects funds	-	291,631	291,631
Total fund balances	<u>352,213</u>	<u>664,958</u>	<u>1,017,171</u>
	<u>2,822,968</u>	<u>1,055,121</u>	<u>3,878,089</u>
Total liabilities and fund balances			

KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT

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

June 30, 2010

\$

Total fund balances of governmental funds (Exhibit C)	1,017,171
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	5,582,591
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	58,094
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(19,001)
Unamortized bond issue costs and bond premiums.	11,859
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(2,810,000)</u>
Net assets of governmental activities (Exhibit A)	<u><u>3,840,714</u></u>

KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2010

	General Fund	Nonmajor Governmental Funds	Total
	\$	\$	\$
Revenues:			
Local sources:			
Local tax	1,652,854	693,021	2,345,875
Tuition	247,750	-	247,750
Other	66,087	144,234	210,321
State sources	1,881,095	210	1,881,305
Federal sources	376,949	-	376,949
Total revenues	<u>4,224,735</u>	<u>837,465</u>	<u>5,062,200</u>
Expenditures:			
Current:			
Instruction:			
Regular	2,086,321	39,844	2,126,165
Special	453,400	-	453,400
Other	430,547	107,103	537,650
	<u>2,970,268</u>	<u>146,947</u>	<u>3,117,215</u>
Support services:			
Student	96,447	2,972	99,419
Instructional staff	83,041	482	83,523
Administration	432,720	14,647	447,367
Operation and maintenance of plant	351,872	34,070	385,942
Transportation	196,579	9,846	206,425
	<u>1,160,659</u>	<u>62,017</u>	<u>1,222,676</u>
Non-instructional programs	-	16,041	16,041
Other expenditures:			
Facilities acquisition	-	133,033	133,033
Long-term debt:			
Principal	-	265,000	265,000
Interest and fiscal charges	-	128,923	128,923
AEA flowthrough	179,835	-	179,835
	<u>179,835</u>	<u>526,956</u>	<u>706,791</u>
Total expenditures	<u>4,310,762</u>	<u>751,961</u>	<u>5,062,723</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(86,027)</u>	<u>85,504</u>	<u>(523)</u>

KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2010

	General Fund	Nonmajor Governmental Funds	Total
	\$	\$	\$
Other financing sources (uses):			
Sales of materials and equipment	1,210	-	1,210
Operating transfers in	-	163,618	163,618
Operating transfers out	-	(163,618)	(163,618)
Total other financing sources (uses)	<u>1,210</u>	<u>-</u>	<u>1,210</u>
Net change in fund balances	(84,817)	85,504	687
Fund balances beginning of year	<u>437,030</u>	<u>579,454</u>	<u>1,016,484</u>
Fund balances end of year	<u><u>352,213</u></u>	<u><u>664,958</u></u>	<u><u>1,017,171</u></u>

KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2010

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		687
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense and loss on disposal of capital assets exceeded capital outlay expenditures in the year as follows:		
Loss on disposal of capital assets	(2,969)	
Expenditures for capital assets	142,787	
Depreciation expense	<u>(280,810)</u>	(140,992)
Income surtaxes and receivables not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the statement of activities.		58,094
Repayment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		265,000
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities interest expense is recognized as the interest accrues, regardless of when it is due.		1,941
Amortization bond issue costs/premium		<u>(1,186)</u>
Changes in net assets of governmental activities (Exhibit B)		<u><u>183,544</u></u>

KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2010

	Nonmajor School Nutrition
	<u>\$</u>
Assets	
Cash and cash equivalents	14,278
Interfund receivable	6,825
Inventories	15,860
Capital assets, net of accumulated depreciation	<u>28,025</u>
Total assets	<u>64,988</u>
Liabilities	-
Net assets	
Invested in capital assets	28,025
Unrestricted	<u>36,963</u>
Total net assets	<u><u>64,988</u></u>

KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2010

	Nonmajor School Nutrition
	<u>\$</u>
Operating revenue:	
Local sources:	
Charges for service	<u>132,666</u>
Operating expenses:	
Non-instructional programs:	
Salaries	65,367
Benefits	15,966
Purchased services	2,982
Supplies	122,057
Depreciation	3,082
Total operating expenses	<u>209,454</u>
Operating gain (loss)	<u>(76,788)</u>
Non-operating revenue:	
State sources	2,245
Federal sources	76,912
Interest income	501
Total non-operating revenue	<u>79,658</u>
Gain (loss) before contributions	2,870
Capital contributions	<u>15,175</u>
Change in net assets	18,045
Net assets beginning of year	<u>46,943</u>
Net assets end of year	<u><u>64,988</u></u>

KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2010

	Nonmajor School Nutrition \$
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	132,666
Cash payments to employees for services	(81,333)
Cash payments to suppliers for goods or services	(108,058)
Net cash used by operating activities	<u>(56,725)</u>
Cash flows from non-capital financing activities:	
Loan to (from) other funds	(6,825)
State grants received	2,245
Federal grants received	58,363
Net cash provided by non-capital financing activities	<u>53,783</u>
Cash flows from capital and related financing activities	<u>-</u>
Cash flows from investing activities:	
Interest on investments	<u>501</u>
Net increase (decrease) in cash and cash equivalents	(2,441)
Cash and cash equivalents at beginning of year	<u>16,719</u>
Cash and cash equivalents at end of year	<u><u>14,278</u></u>
Reconciliation of operating gain (loss) to net cash used by operating activities:	
Operating gain (loss)	(76,788)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:	
Commodities used	18,549
Depreciation	3,082
Decrease (increase) in inventories	<u>(1,568)</u>
Net cash used by operating activities	<u><u>(56,725)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2010, the District received \$18,549 of federal commodities.

During the year ended June 30, 2010 the School Nutrition Fund received \$15,175 of equipment that was purchased by other funds.

KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2010

	Agency Flexible Spending Fund
	<u>\$</u>
Assets	
Cash and pooled investments	6,010
Liabilities	
Other payables	<u>6,010</u>
Net Assets	<u><u>-</u></u>

KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2010

1. Summary of Significant Accounting Policies

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 area served includes the Cities of Kingsley and Pierson, Iowa and the predominately agricultural territory in a portion of Plymouth County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, 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 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 that meet the Governmental Accounting Standards Board criteria.

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

B. Basis of Presentation

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

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

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

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

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

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

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The District reports the following major governmental fund:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instruction, support and other costs.

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit, which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-

wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds became due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2008 assessed property valuations; is for the tax accrual period July 1, 2009, through June 30, 2010, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2009.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants, and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture and equipment and intangibles, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
	\$
Land	
Buildings	5,000
Improvements other than buildings	5,000
Intangibles	25,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	3,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Intangibles	3-20 years
Furniture and equipment	5-10 years

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

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant

proceeds, as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use. Employees are not paid for unused vacation and sick leave benefits when employment with the District ends.

Long-term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, expenditures did not exceed the amended amounts budgeted.

2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2010 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

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

3. Interfund Receivables and Payables

The detail of interfund receivables and payables at June 30, 2010 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
		\$
Nonmajor Enterprise: School Nutrition Fund	General Fund	6,825

The General Fund owes the Nutrition Fund for reimbursements.

4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

Transfer To	Transfer From	Amount
		\$
Nonmajor Governmental: Debt Service	Nonmajor Governmental: Capital Projects Fund	163,618

This transfer moved revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

5. Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School 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 semiannual issuance of anticipatory warrants. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. Bankers Trust Co. NA is the trustee for the program.

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. The District must make minimum warrant repayments on the 25th 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. The interest rate on the Series 2009-10A warrants was 2.50%. The interest rate on the Series 2009-10B warrants is a variable rate, calculated daily based upon the Bankers Trust Co., NA prime rate plus 50 basis points with a minimum interest rate of 4.50%. A summary of the District's ISCAP activity for the year ended June 30, 2010, is as follows:

Series	Warrant Date	Final Warrant Maturity Date	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
			\$	\$	\$	\$
2009-10A	6/25/09	6/23/10	-	30,000	30,000	
			-	30,000	30,000	-

During the year ended June 30, 2010, the District paid \$1,249 of interest on the ISCAP warrants.

6. Capital Assets

Capital assets activity for the year ended June 30, 2010 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Construction in progress	9,882	11,648	-	21,530
Land	72,035	-	-	72,035
Total capital assets not being depr.	81,917	11,648	-	93,565

Capital assets being depreciated:				
Buildings	7,384,375	86,332	-	7,470,707
Improvements other than buildings	830,690	-	-	830,690
Furniture and equipment	1,175,001	44,807	19,144	1,200,664
Total capital assets being deprec.	<u>9,390,066</u>	<u>131,139</u>	<u>19,144</u>	<u>9,502,061</u>
Less accumulated depreciation for:				
Buildings	2,541,511	172,104	-	2,713,615
Improvements other than buildings	408,460	31,596	-	440,056
Furniture and equipment	798,429	77,110	16,175	859,364
Total accumulated depreciation	<u>3,748,400</u>	<u>280,810</u>	<u>16,175</u>	<u>4,013,035</u>
Total capital assets being depreciated, net	<u>5,641,666</u>	<u>(149,671)</u>	<u>2,969</u>	<u>5,489,026</u>
Governmental activities capital assets, net	<u>5,723,583</u>	<u>(138,023)</u>	<u>2,969</u>	<u>5,582,591</u>
	Balance			Balance
	Beginning of			End
	Year	Increases	Decreases	of Year
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	61,001	15,175	7,018	69,158
Less accumulated depreciation	<u>45,069</u>	<u>3,082</u>	<u>7,018</u>	<u>41,133</u>
Business type activities capital assets, net	<u>15,932</u>	<u>12,093</u>	<u>-</u>	<u>28,025</u>

Depreciation expense was charged to the following functions:

	Amount
	\$
Governmental activities:	
Instruction:	
Regular	3,623
Support Services:	
Student services	29,290
Administration services	9,571
Operation and maintenance of plant services	1,826
Transportation	32,800
	<u>77,110</u>
Unallocated depreciation	<u>203,700</u>
Total depreciation expense – governmental activities	<u>280,810</u>
Business type activities:	
Food services	<u>3,082</u>

7. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2010, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Governmental activities:					
General obligation bonds	2,480,000	-	175,000	2,305,000	185,000
Revenue bonds	595,000	-	90,000	505,000	95,000
Total	3,075,000	-	265,000	2,810,000	280,000

General Obligation Bonds

Details of the District's June 30, 2010 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of May, 2006			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2011	4.250	185,000	96,155	281,155
2012	4.250	195,000	88,293	283,293
2013	4.250	205,000	80,005	285,005
2014	4.250	215,000	71,293	286,293
2015	4,250	225,000	62,155	287,155
2016-2020	4.000-4.250	1,280,000	162,738	1,442,738
		<u>2,305,000</u>	<u>560,639</u>	<u>2,865,639</u>

Revenue Bonds

Details of the District's June 30, 2010 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of July 2004			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2011	4.000	95,000	20,075	115,075
2012	4.200	95,000	16,180	111,180
2013	4.400	100,000	11,985	111,985
2014	4.500	105,000	7,423	112,423
2015	4.600	110,000	2,530	112,530
		<u>505,000</u>	<u>58,193</u>	<u>563,193</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$890,000 bonds issued in July 2004. The bonds were issued for the purpose of financing a portion of the costs of a school infrastructure costs. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2015. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District.

8. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits 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 4.30% of their annual salary and the District is required to contribute 6.65% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2010, 2009, and 2008 were \$174,941, \$175,139, and \$168,395 respectively, equal to the required contributions for each year.

9. Risk Management

Kingsley-Pierson Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

10. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$179,835 for the year ended June 30, 2010 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

11. Lease Commitment

The District entered into a contract to lease copy machines. The payments the District will make over the next four years are as follows:

Year Ended June 30	Lease Payment
2011	\$ 9,174
2012	5,846
2013	5,846
2014	1,396

12. Other Postemployment Benefits (OPEB)

The District implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pensions during the year ended June 30, 2010.

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 61 active and 5 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2010, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

	\$
Annual required contribution	30,000
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	<u>30,000</u>
Contributions made	<u>30,000</u>
Increase in net OPEB obligation	-
Net OPEB obligation beginning of year	<u>-</u>
Net OPEB obligation end of year	<u>-</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

For the year ended June 30, 2010, the District contributed \$30,000 to the medical plan.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2010 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
	\$	%	\$
June 30, 2010	30,000	100%	0

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$331,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$331,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,190,000, and the ratio of the UAAL to covered payroll was 15.1%. As of June 30, 2010, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes

to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the alternative measurement method was used. The actuarial assumptions includes a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 1%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

Projected claim costs of the medical plan are \$443 per month for retirees less than age 65. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

13. Categorical Funding

The District's reserved fund balance for categorical funding at June 30, 2010 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
	\$
Gifted and Talented	15,954
Educator quality, professional development	20,136
	<u>36,090</u>

REQUIRED SUPPLEMENTARY INFORMATION

KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses, and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2010

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	2,803,946	133,167	2,937,113	2,886,658	2,886,658	50,455
State sources	1,881,305	2,245	1,883,550	2,367,020	2,367,020	(483,470)
Federal sources	376,949	76,912	453,861	194,000	194,000	259,861
Total revenues	<u>5,062,200</u>	<u>212,324</u>	<u>5,274,524</u>	<u>5,447,678</u>	<u>5,447,678</u>	<u>(173,154)</u>
Expenditures/Expenses:						
Instruction	3,117,215	-	3,117,215	3,097,650	3,153,530	36,315
Support services	1,222,676	-	1,222,676	1,337,893	1,337,893	115,217
Non-instructional programs	16,041	209,454	225,495	215,801	234,796	9,301
Other expenditures	706,791	-	706,791	847,415	847,415	140,624
Total expenditures/expenses	<u>5,062,723</u>	<u>209,454</u>	<u>5,272,177</u>	<u>5,498,759</u>	<u>5,573,634</u>	<u>301,457</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	(523)	2,870	2,347	(51,081)	(125,956)	128,303
Other financing sources (uses) net	<u>1,210</u>	<u>15,175</u>	<u>16,385</u>	<u>-</u>	<u>-</u>	<u>16,385</u>
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures/expenses	687	18,045	18,732	(51,081)	(125,956)	144,688
Balance beginning of year	<u>1,016,484</u>	<u>46,943</u>	<u>1,063,427</u>	<u>817,501</u>	<u>817,501</u>	<u>245,926</u>
Balance end of year	<u><u>1,017,171</u></u>	<u><u>64,988</u></u>	<u><u>1,082,159</u></u>	<u><u>766,420</u></u>	<u><u>691,545</u></u>	<u><u>390,614</u></u>

KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2010

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Internal Service, Private Purpose Trust and Agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on 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 the fund. 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 \$74,875.

During the year ended June 30, 2010, expenditures did not exceed the amended amounts budgeted.

KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT

Schedule of Funding Progress for the Retiree Health Plan

Required Supplementary Information

Actuarial Valuation Date	Actuarial Value of Assets (a) \$	Actuarial Accrued Liability (AAL) (b) \$	Unfunded AAL (UAAL) (b-a) \$	Funded Ratio (a/b) %	Covered Payroll (c) \$	UAAL as a Percentage of Covered Payroll ((b-a)/c) %
July 1, 2009	-	331,000	331,000	0.0%	2,190,000	15.1%

See Note 12 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2010

Assets	Special Revenue Funds					Total
	Management	Student	Physical	Capital	Debt	
	Levy	Activity	Plant and	Projects	Service	
	\$	Fund	Equipment	Fund	\$	\$
	\$	\$	Levy	\$	\$	\$
Cash and pooled investments	76,467	48,096	262,822	284,632	13,581	685,598
Receivables:						
Property tax:						
Delinquent	1,137	-	392	-	3,388	4,917
Succeeding year	50,000	-	20,568	-	181,155	251,723
Accounts	-	743	-	-	-	743
Due from other governments	-	5,529	58,094	48,517	-	112,140
Total assets	127,604	54,368	341,876	333,149	198,124	1,055,121
Liabilities & Fund Balances						
Liabilities:						
Accounts payable	-	1,487	37,341	41,518	-	80,346
Deferred revenue:						
Succeeding year property tax	50,000	-	20,568	-	181,155	251,723
Income surtax	-	-	58,094	-	-	58,094
Total liabilities	<u>50,000</u>	<u>1,487</u>	<u>116,003</u>	<u>41,518</u>	<u>181,155</u>	<u>390,163</u>
Fund balances:						
Reserved for debt service	-	-	-	-	16,969	16,969
Unreserved reported in:						
Special revenue funds	77,604	52,881	225,873	-	-	356,358
Capital projects funds	-	-	-	291,631	-	291,631
Total fund balances	<u>77,604</u>	<u>52,881</u>	<u>225,873</u>	<u>291,631</u>	<u>16,969</u>	<u>664,958</u>
Total liabilities and fund balances	127,604	54,368	341,876	333,149	198,124	1,055,121

KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2010

	Special Revenue Funds					Total
	Management	Student	Physical	Capital	Debt	
	Levy	Activity	Plant and	Projects	Service	
	\$	Fund	Equipment	Fund	\$	\$
	\$		Levy			\$
Revenues:						
Local sources:						
Local tax	75,800	-	94,787	292,727	229,707	693,021
Other	9,190	113,843	15,733	4,117	1,351	144,234
State sources	48	-	17	-	145	210
Total revenues	<u>85,038</u>	<u>113,843</u>	<u>110,537</u>	<u>296,844</u>	<u>231,203</u>	<u>837,465</u>
Expenditures:						
Current:						
Instruction:						
Regular instruction	25,766	-	14,078	-	-	39,844
Other instruction	-	107,103	-	-	-	107,103
Support services:						
Student services	867	-	2,105	-	-	2,972
Instructional staff services	482	-	-	-	-	482
Administration services	12,032	-	2,615	-	-	14,647
Operation and maintenance of plant services	29,270	-	4,800	-	-	34,070
Transportation services	9,846	-	-	-	-	9,846
Non-instructional programs	866	-	15,175	-	-	16,041
Other expenditures:						
Facilities acquisition	-	-	29,655	103,378	-	133,033
Long-term debt:						
Principal	-	-	-	-	265,000	265,000
Interest and fiscal charges	-	-	-	-	128,923	128,923
Total expenditures	<u>79,129</u>	<u>107,103</u>	<u>68,428</u>	<u>103,378</u>	<u>393,923</u>	<u>751,961</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,909</u>	<u>6,740</u>	<u>42,109</u>	<u>193,466</u>	<u>(162,720)</u>	<u>85,504</u>
Other financing sources (uses):						
Operating transfers in	-	-	-	-	163,618	163,618
Operating transfers out	-	-	-	(163,618)	-	(163,618)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(163,618)</u>	<u>163,618</u>	<u>-</u>
Net change in fund balances	5,909	6,740	42,109	29,848	898	85,504
Fund balances beginning of year	<u>71,695</u>	<u>46,141</u>	<u>183,764</u>	<u>261,783</u>	<u>16,071</u>	<u>579,454</u>
Fund balances end of year	<u>77,604</u>	<u>52,881</u>	<u>225,873</u>	<u>291,631</u>	<u>16,969</u>	<u>664,958</u>

See accompanying independent auditor's report.

KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2010

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Intra-fund Transfers</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$	\$
Kingsley Accounts:					
Athletics	17,374	40,756	40,580	326	17,876
Childres's theater	308	-	-	8	316
Christian athletes	16	150	183	17	-
Dance team	3,025	2,690	3,645	71	2,141
F.F.A.	3,249	16,447	14,380	142	5,458
Homemakeing fund	238	100	259	2	81
National Honor Society	-	2,430	2,164	7	273
Music fund	-	7,260	6,915	9	354
Musical	1,138	2,787	2,835	29	1,119
Pep	579	2,570	1,528	44	1,665
Speech/drama	1,402	1,820	688	68	2,602
Student council	921	3,119	3,950	2	92
Class of 2008	1,819	170	-	-	1,989
Class of 2009	2,424	1,305	2,351	-	1,378
Class of 2010	4,026	6,745	6,910	-	3,861
Class of 2011	244	12,784	9,869	85	3,244
Class of 2012	-	1,831	1,372	12	471
CD fund balance	5,996	133	-	-	6,129
Interest - now acct.	-	823	-	(822)	1
Pierson Accounts:					
Athletics	3,382	9,923	9,474	-	3,831
Total	<u>46,141</u>	<u>113,843</u>	<u>107,103</u>	<u>-</u>	<u>52,881</u>

KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Fiduciary Assets and Liabilities
Agency Fund

Year ended June 30, 2010

		Balance Beginning of Year	Additions	Deductions	Balance End of Year
		\$	\$	\$	\$
	Assets				
Cash		11,150	31,319	36,459	6,010
	Liabilities				
Other payables		11,150	31,319	36,459	6,010

KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function
All Governmental Fund Types

For the Last Seven Years

	Modified Accrual Basis						
	2010	2009	2008	2007	2006	2005	2004
	\$	\$	\$	\$	\$	\$	\$
Revenues:							
Local sources:							
Local tax	2,345,875	2,312,627	2,241,987	2,249,761	2,050,310	1,991,126	1,883,813
Tuition	247,750	274,376	263,529	235,469	257,125	237,750	226,268
Other	210,321	233,384	248,237	291,135	279,464	262,752	207,451
State sources	1,881,305	2,276,778	2,285,436	2,086,084	2,104,132	1,998,425	1,784,083
Federal sources	376,949	183,055	132,905	133,997	141,077	138,453	157,561
Total revenues	<u>5,062,200</u>	<u>5,280,220</u>	<u>5,172,094</u>	<u>4,996,446</u>	<u>4,832,108</u>	<u>4,628,506</u>	<u>4,259,176</u>
Expenditures:							
Instruction:							
Regular instruction	2,126,165	2,202,048	2,274,263	2,016,624	1,942,697	1,897,287	1,855,050
Special instruction	453,400	429,209	382,244	362,937	377,381	386,640	403,335
Other instruction	537,650	418,382	442,380	447,979	470,812	524,329	486,259
Support services:							
Student services	99,419	98,009	94,466	98,343	86,916	82,506	81,925
Instructional staff services	83,523	84,744	93,469	81,033	128,999	87,304	93,143
Administration services	447,367	515,279	543,190	495,051	481,363	481,427	461,781
Operation and maintenance	385,942	395,599	376,835	362,318	339,093	311,475	331,125
Transportation services	206,425	245,649	196,262	234,601	190,286	232,418	190,549
Central support services							
Non-instructional programs	16,041	567	-	-	-	-	-
Other expenditures:							
Facilities acquisition	133,033	233,309	180,445	183,782	196,251	650,670	575,512
Long-term debt:							
Services	-	475	-	-	-	-	300
Principal	265,000	250,000	245,000	150,000	180,000	120,000	115,000
Interest and other charges	128,923	138,537	148,531	163,572	320,837	176,346	169,096
AEA flowthrough	179,835	165,044	160,437	149,896	143,436	138,143	134,400
Total expenditures	<u>5,062,723</u>	<u>5,176,851</u>	<u>5,137,522</u>	<u>4,746,136</u>	<u>4,858,071</u>	<u>5,088,545</u>	<u>4,897,475</u>

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Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Kingsley-Pierson Community School District as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 30, 2011. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Kingsley-Pierson Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings and Responses as items 10-I-A and 10-I-B to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Kingsley-Pierson Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings and Responses.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2010 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.

Kingsley-Pierson Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Responses. While we have expressed our conclusions on the District's responses, we did not audit 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 officials, employees and citizens of Kingsley-Pierson Community School District and other parties to whom Kingsley-Pierson Community School District may report, and is not intended to be and should not be used by anyone other than these specified parties.

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

BURTON E. TRACY & CO., P.C.
Certified Public Accountants

March 30, 2011

KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

June 30, 2010

Part I: Findings Related to the Financial Statements:

Instances of Noncompliance:

No matters were reported.

Internal Control Deficiencies:

10-I-A Segregation of Duties: The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks and bank reconciliations, preparing and posting general journal entries, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important that District officials are aware that the condition exists.

Recommendation: We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its control procedures and investigate methods to increase monitoring activities to obtain the maximum internal control possible under the circumstances.

District Response: We will continue to review our procedures and implement additional controls where possible.

Conclusion: Response accepted.

10-I-B Financial Statement Preparation: Financial statement preparation is the responsibility of the District. At the present time District personnel do not have the skills necessary to be able to write the District's financial statements and the related note disclosures. This is not an unusual situation for small governmental entities.

Recommendation: District personnel should attend any governmental accounting and reporting training sessions that may be offered by the Iowa Department of Education, State Auditor's Office or Iowa Association of School Business Officials. The school business office should also have governmental accounting and reporting reference materials.

District Response: As a school we certainly understand the need for continuing education classes for all of our staff. However, we have a limited budget and must continually prioritize needs. At this point in time it is not cost effective to train our staff to the level necessary that would enable them to write the financial statements, nor is it feasible to hire additional employees that already possess the skills.

Conclusion: Response accepted.

KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

June 30, 2010

Part II: Other Findings Related to Required Statutory Reporting:

10-II-A Certified Budget: Expenditures for the year ended June 30, 2010 did not exceed the amounts budgeted.

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

10-II-C Travel Expenses: No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

10-II-D Business Transactions: Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u> \$
Scott Bohle, Board Member Part owner of Bohle Construction	Snow removal	5,990

The transaction does not appear to represent a conflict of interest because the job was bid as allowed by the Code of Iowa.

10-II-E Bond Coverage: Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of bond coverage should be reviewed annually to insure that the coverage is adequate for current operations.

10-II-F Board Minutes: We noted that the Board Minutes were signed only by the board secretary and not by the board president. We also noted that the activity and nutrition bills were approved after they were paid and that the list of approved bills in the minutes, were not signed.

Recommendation: We recommend the minutes be signed by the board president and that the approved list of bills in the minutes also be signed. All bills should be approved by the board prior to payment unless they are on a list of preapproved bills by the board. If bills are preapproved they should then be presented to the next board meeting for board review and be designated as such.

District response: We will have minutes signed and bills approved and signed in the future.

Conclusion: Response accepted.

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

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

KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

June 30, 2010

Part II: Other Findings Related to Required Statutory Reporting (continued):

- 10-II-I Deposits and Investments: No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- 10-II-J Certified Annual Report: The Certified Annual Report was certified to the Iowa Department of Education timely.
- 10-II-K Categorical Funding: No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- 10-II-L Statewide Sales, Services and Use Tax: No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. For the year ended June 30, 2010, the District's financial activity and other required information for the statewide sales, services and use tax revenue are as follows:

	\$	\$
Beginning balance		261,783
Statewide sales, services and use tax		292,727
Interest		4,117
Expenditures/transfers out:		
School infrastructure:		
Buildings and building improvements	103,378	
Debt service for school infrastructure:		
General obligation debt	50,000	
Revenue debt	113,618	266,996
		<u>291,631</u>
Ending balance		<u>291,631</u>

The statewide sales, services and use tax revenue received during the year ended June 30, 2010 is equivalent to a reduction in the following levies:

	Per \$1,000 of Taxable Valuation	Property Tax Dollars
	\$	\$
Debt service Levy	1.29	163,618
Physical plant and equipment levy	1.02	129,109