

KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT

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

June 30, 2011

Table of Contents

		<u>Page</u>
Officials		1
Independent Auditor's Report		2-3
Management's Discussion and Analysis (MD&A)		4-12
Basic Financial Statements:	<u>Exhibit</u>	
Government-Wide Financial Statements:		
Statement of Net Assets	A	14-15
Statement of Activities	B	16-17
Governmental Fund Financial Statements:		
Balance Sheet	C	18
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	19
Statement of Revenues, Expenditures and Changes in Fund Balances	E	20-21
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	22
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	23
Statement of Revenues, Expenses, and Changes in Net Assets	H	24
Statement of Cash Flows	I	25
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Assets	J	26
Notes to Financial Statements		27-37
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		39
Notes to Required Supplementary Information - Budgetary Reporting		40
Schedule of Funding Progress for the Retiree Health Plan		41
	<u>Schedule</u>	
Other Supplementary Information:		
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	43
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	44
Capital Project Accounts:		
Combining Balance Sheet	3	45
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	4	46
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	5	47
Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund	6	48
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	7	49
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		50-51
Schedule of Findings and Responses		52-54

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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, 2011, 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, 2011, 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 23, 2012, 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 12 and 39 through 41 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. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those 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 7, 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 23, 2012

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, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$4,224,735 in fiscal 2010 to \$4,764,558 in fiscal 2011, while General Fund expenditures increased from \$4,310,762 in fiscal 2010 to \$4,580,710 in fiscal 2011. The District's General Fund balance increased from \$352,213 in fiscal 2010 to \$537,941 in fiscal 2011, a 53% increase.
- State funding for the general fund increased by 22% despite the fact that the 2% allowable growth was under funded. The increase is due to a lesser cut in state foundation aid than the previous year and a 1.5% increase in budget enrollment. Allowable growth is the percentage increase in the per-student rate paid to schools based on prior year's enrollment. The district increased property taxes in the general fund by 11.5% and received additional funding from a Microsoft Settlement, Medicaid claiming and increased teacher sharing contributing to the overall 13% increase in general fund revenues.
- The increase in total General Fund expenditures was 6% compared to fiscal 2010. Much of the increase is due to increased salary and benefit costs for district employees. Special education expenses increased due to the hiring of an additional teacher, increased tuition to other schools and transportation of students needing specialized services under an Individual Education Plan. Additional state aid for special education weighting and Medicaid reimbursements helped reduce the overall special education deficit by 89% over fiscal 2010. Technology and library expenses were higher but they were paid for with Microsoft settlement money and a grant for library books.
- Total state revenues in the governmental funds increased by 22% while federal governmental fund revenues decreased by 31%. The decrease in federal funding is due to smaller allocations from the American Recovery and Reinvestment Act of 2009 that was passed by congress in an effort to stimulate the economy. At the local level, governmental fund revenues increased by 6%, including property tax, surtax and sales taxes.
- Non-major governmental fund balances decreased by 79% over fiscal 2010 due to the change in fund classification of Physical Plant and Equipment Levy Fund to Capital Projects, making the total Capital Projects fund a major fund. When comparing the change in fund balances for the remaining three non-major funds, there was a 6% decrease in fund balance compared to fiscal 2010. The district levied 34% less property tax in the management fund and needed to use some of the prior year's fund balance for normal expenditures.

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, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the non-major governmental funds.

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

Figure A-1 Major Features of the Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: such as food services	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • 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.

- Agency Fund – This is a fund through which the District administers and accounts for the District 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, 2011 compared to June 30, 2010.

Figure A-2

	Condensed Statement of Net Assets						Percentage Change 2010-2011 %
	Governmental Activities		Business-type Activities		Total School District		
	2011	2010	2011	2010	2011	2010	
	\$	\$	\$	\$	\$	\$	
Current and other assets	4,256,654	3,907,104	51,766	36,963	4,308,420	3,944,067	9%
Capital assets	5,433,616	5,582,591	23,552	28,025	5,457,168	5,610,616	-3%
Total assets	9,690,270	9,489,695	75,318	64,988	9,765,588	9,554,683	2%
Long-term liabilities	2,530,000	2,810,000	-	-	2,530,000	2,810,000	-10%
Other liabilities	2,926,119	2,838,981	3,763	-	2,929,882	2,838,981	3%
Total liabilities	5,456,119	5,648,981	3,763	-	5,459,882	5,648,981	-3%
Net Assets:							
Invested in capital assets, net of related debt	2,903,616	2,772,591	23,552	28,025	2,927,168	2,800,616	5%
Restricted	816,322	742,173	-	-	816,322	742,173	10%
Unrestricted	514,213	325,950	48,003	36,963	562,216	362,913	55%
TOTAL NET ASSETS	4,234,151	3,840,714	71,555	64,988	4,305,706	3,905,702	10%

The District’s combined total net assets increased by nearly 10%, or approximately \$400,004, 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 \$74,149 or 10% over the prior year. The increase was primarily a result of decreased expenditures in the Physical Plant and Equipment Levy Fund and the Sales Tax Fund.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately \$199,303, or 55%. This increase in unrestricted net assets was a result of the District increasing its general fund unrestricted balance by increasing local revenues and not spending all of that increase.

Figure A-3 shows the change in net assets for the years ended June 30, 2011 and 2010.

Figure A3

	Change in Net Assets						Percentage Change 2010-2011 %
	Governmental Activities		Business-type Activities		Total School District		
	2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$	
Revenues							
Program Revenues:							
Charges for services	487,823	424,479	132,354	132,666	620,177	557,145	11%
Operating grants & contributions	799,930	875,413	84,600	79,157	884,530	954,570	-7%
Capital grants & contributions	9,614	-	-	-	9,614	-	100%
General Revenues:							
Property taxes	2,090,715	1,984,956	-	-	2,090,715	1,984,956	5%
Income Surtax	77,578	126,286	-	-	77,578	126,286	-39%
Statewide Sales & Service Tax	326,893	292,727	-	-	326,893	292,727	12%
Unrestricted state grants	1,756,340	1,382,841	-	-	1,756,340	1,382,841	27%
Unrestricted investment earnings	15,098	25,036	187	501	15,285	25,537	-40%
Other revenue	15,073	5,611	-	-	15,073	5,611	169%
Total Revenues	5,579,064	5,117,349	217,141	212,324	5,796,205	5,329,673	9%
Expenses:							
Instruction	3,293,368	3,117,026	-	-	3,293,368	3,117,026	6%
Support services	1,330,253	1,255,168	-	-	1,330,253	1,255,168	6%
Non-instructional programs	6,404	866	210,574	209,454	216,978	210,320	3%
Other expenditures	555,602	545,570	-	-	555,602	545,570	2%
Total expenses	5,185,627	4,918,630	210,574	209,454	5,396,201	5,128,084	5%
CHANGE IN NET ASSETS	393,437	183,544	6,567	18,045	400,004	201,589	98%
Net assets beginning of year	3,840,714	3,657,170	64,988	46,943	3,905,702	3,704,113	5%
Net assets end of year	4,234,151	3,840,714	71,555	64,988	4,305,706	3,905,702	10%

In fiscal year 2011 property tax and unrestricted state grants account for 66% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 86% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$5,579,064 and expenses were \$5,185,627. 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		
	2011	2010	Percent Change 2010-2011	2011	2010	Percent Change 2010-2011
	\$	\$	%	\$	\$	%
Instruction	3,293,368	3,117,026	6%	2,199,332	1,999,209	10%
Support Services	1,330,253	1,255,168	6%	1,327,960	1,252,928	6%
Non-instructional Programs	6,404	866	639%	6,404	866	639%
Other Expenses	555,602	545,570	2%	354,564	365,735	-3%
TOTAL	5,185,627	4,918,630	5%	3,888,260	3,618,738	7%

For the year ended June 30, 2011

- The cost financed by users of the District's programs was \$487,823. 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 \$799,930.
- The net cost of governmental activities was financed with \$2,495,186 in property and local other taxes and \$1,756,340 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$217,141 and expenses were \$210,574. 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 \$1,268,123, above last year's ending fund balances of \$1,017,171.

Governmental Fund Highlights

- The General Fund balance increased from \$352,213 to \$537,941, due to increased property tax and increased state funding.
- The Capital Project Fund includes revenues from sales tax and from the physical plant and equipment property tax levy. These two revenue streams and the related expenditures are tracked separately in the District's accounting records, but are combined into one Capital Projects Fund for financial reporting. The monies in the Capital Projects fund will be used for future capital improvements and equipment purchases.
 - The Physical Plant and Equipment Levy account balance increased from \$225,873 to \$283,878.
 - The Statewide Sales Tax account balance increased from \$291,631 at June 30, 2010 to \$307,446 at June 30, 2011.

Proprietary Fund Highlights

School Nutrition Fund net assets increased from \$64,988 at June 30, 2010 to \$71,555 at June 30, 2011, representing an increase of approximately 10%. The increase is due to more students qualifying for free/reduced lunches supplemented by the federal government and a capital contribution from the Physical Plant and Equipment Levy Fund.

BUDGETARY HIGHLIGHTS

Over the course of the year, Kingsley-Pierson Community School District amended its annual budget one time increasing budgeted expenditures by \$253,342.

The District's receipts were \$79,263 more than budgeted receipts. The variance resulted from the District receiving less in state aid than originally anticipated but receiving more in local and federal funding 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, 2011, the District had invested \$5.5 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 3% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$283,637.

Figure A-5

Capital Assets (net of depreciation)

	Governmental		Business type		Total		Percentage
	Activities		Activities		School District		
	2011	2010	2011	2010	2011	2010	2010-2011
	\$	\$	\$	\$	\$	\$	%
Land	72,035	72,035	-	-	72,035	72,035	0%
Construction in progress	-	21,530	-	-	-	21,530	-100%
Buildings	4,677,032	4,757,092	-	-	4,677,032	4,757,092	-2%
Improvements	359,266	390,634	-	-	359,266	390,634	-8%
Equipment & furniture	325,283	341,300	23,552	28,025	348,835	369,325	-6%
TOTAL	5,433,616	5,582,591	23,552	28,025	5,457,168	5,610,616	-3%
Long-Term Debt							

At June 30, 2011 the District had \$2,530,000 in general obligation and revenue bonds outstanding. This represents a decrease of approximately 10% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

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

	Total School District		Percentage
	2011	2010	Change
			2010-2011
	\$	\$	%
General obligation bonds	2,120,000	2,305,000	-8%
Revenue bonds	410,000	505,000	-19%
	<u>2,530,000</u>	<u>2,810,000</u>	<u>-10%</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:

- Iowa's governor wants to reform education and has proposed significant changes that may require more resources. The legislature is currently working through the details. Until there are more answers there is no way to estimate what this means for the district, but it is likely there will be an economic impact.
- The legislature is waiting to set allowable growth for 2013-2014 until they have more information on education reform efforts. The allowable growth rate for fiscal 2012 was 0% and it will be 2% for fiscal 2013. The district will use some of its unspent balance from previous years because expenditures will increase by more than the allowable growth. If allowable growth rates do not return to levels that are equivalent to increases in expenditures, the district will likely need to look at reducing staff.
- Employee benefit costs continue to escalate. Contributions to Iowa Public Employers Retirement funds are set to increase by at least 1% per year and health insurance rates are increasing by 7.95% for fiscal 2013. The district has been able to lessen the effects of insurance increases by increasing employee contributions and offering higher deductible plans. There are some reform proposals at the state level that could have a positive impact on health insurance spending for school districts. The federal health care reforms, if not repealed, could have a negative impact on finances.
- The district's certified enrollment decreased by 3 students or .6% for the 2013 budget year (current year's enrollment). The decrease in enrollment along with allowable growth of 2% gives the district \$37,266 additional budget authority. The number of students the district is actually serving decreased by 7 students, or 1.5%, compared to counts in 2010. While open enrolled in students still exceed open enrolled out students by 2, 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 2011 increased by 11% over December 2010. The weighting of those students increased by 13% from 2010 to 2011. The weighting indicates the level of service required to meet the needs of the students that must have 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 the 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. Additional weighting provides additional funding from the state, but the money comes a year after the count.

- The district's general fund balance increased by 67% over fiscal 2010. Increases in state aid payments and levying cash reserves helped to get this balance up. Levying cash reserves helps cash flow but not spending authority.
- 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 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 or debt service.
- Overall property valuations for the 2013 budget increased by 8%. This means the district can collect the same amount of property tax with a significant decrease in the levy rate. It is likely the district will reduce the total levy but keep it at a rate that still increases property tax collections.
- The district may look at refinancing its general obligation bonds in June of 2013 if interest rates remain low. This could save \$100,000 to \$170,000 in interest depending on the market at the time. Another option would be to save sales tax revenue and pay off original bonds early.
- For the 2012 fiscal year, the district has entered into three 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 and fill part-time positions.

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, 2011

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and cash equivalents	1,713,752	38,445	1,752,197
Receivables:			
Property tax:			
Delinquent	30,277	-	30,277
Succeeding year	2,181,292	-	2,181,292
Accounts	360	4,599	4,959
Accrued interest	710	-	710
Due from other governments	250,481	-	250,481
Inventories	-	8,722	8,722
Prepaid expenses	47,526	-	47,526
Unamortized bond issuance costs	32,256	-	32,256
Capital assets, net of accumulated depreciation	5,433,616	23,552	5,457,168
Total assets	9,690,270	75,318	9,765,588
Liabilities			
Accounts payable	165,248	-	165,248
Salaries and benefits payable	449,904	760	450,664
Accrued interest payable	16,445	-	16,445
Deferred revenue:			
Succeeding year property tax	2,181,292	-	2,181,292
Other	91,647	3,003	94,650
Unamortized bond issuance premium	21,583	-	21,583
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	195,000	-	195,000
Revenue bonds payable	95,000	-	95,000
Portion due after one year:			
General obligation bonds payable	1,925,000	-	1,925,000
Revenue bonds payable	315,000	-	315,000
Total liabilities	5,456,119	3,763	5,459,882

KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2011

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Net assets			
Invested in capital assets, net of related debt	2,903,616	23,552	2,927,168
Restricted for:			
Categorical funding	34,401	-	34,401
Management levy	59,641	-	59,641
Physical plant and equipment levy	352,062	-	352,062
Student activities	62,017	-	62,017
School infrastructure	307,446	-	307,446
Debt service	755	-	755
Unrestricted	<u>514,213</u>	<u>48,003</u>	<u>562,216</u>
Total net assets	<u><u>4,234,151</u></u>	<u><u>71,555</u></u>	<u><u>4,305,706</u></u>

KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2011

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	2,159,607	353,110	438,093	-
Special	487,643	745	107,841	-
Other	646,118	132,018	62,229	-
	<u>3,293,368</u>	<u>485,873</u>	<u>608,163</u>	<u>-</u>
Support services:				
Student	87,773	-	-	-
Instructional staff	134,820	-	-	-
Administration	440,225	-	-	-
Operation and maintenance of plant	394,485	1,950	-	-
Transportation	272,950	-	343	-
	<u>1,330,253</u>	<u>1,950</u>	<u>343</u>	<u>-</u>
Non-instructional programs	<u>6,404</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	29,886	-	-	9,614
Long-term debt interest	111,727	-	-	-
AEA flowthrough	191,424	-	191,424	-
Loss on disposal of capital assets	14,076	-	-	-
Depreciation (unallocated)*	208,489	-	-	-
	<u>555,602</u>	<u>-</u>	<u>191,424</u>	<u>9,614</u>
Total governmental activities	<u>5,185,627</u>	<u>487,823</u>	<u>799,930</u>	<u>9,614</u>
Business type activities:				
Non-instructional programs:				
Food service operations	210,574	132,354	84,600	-
Total	<u>5,396,201</u>	<u>620,177</u>	<u>884,530</u>	<u>9,614</u>
General Revenues:				
Property taxes levied for:				
General purposes				
Debt service				
Capital outlay				
Income surtax				
Statewide sales, services and use tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				

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
\$	\$	\$
(1,368,404)	-	(1,368,404)
(379,057)	-	(379,057)
(451,871)	-	(451,871)
<u>(2,199,332)</u>	<u>-</u>	<u>(2,199,332)</u>
(87,773)	-	(87,773)
(134,820)	-	(134,820)
(440,225)	-	(440,225)
(392,535)	-	(392,535)
(272,607)	-	(272,607)
<u>(1,327,960)</u>	<u>-</u>	<u>(1,327,960)</u>
<u>(6,404)</u>	<u>-</u>	<u>(6,404)</u>
(20,272)	-	(20,272)
(111,727)	-	(111,727)
-	-	-
(14,076)	-	(14,076)
(208,489)	-	(208,489)
<u>(354,564)</u>	<u>-</u>	<u>(354,564)</u>
<u>(3,888,260)</u>	<u>-</u>	<u>(3,888,260)</u>
<u>-</u>	<u>6,380</u>	<u>6,380</u>
<u>(3,888,260)</u>	<u>6,380</u>	<u>(3,881,880)</u>
1,888,970	-	1,888,970
181,175	-	181,175
20,570	-	20,570
77,578	-	77,578
326,893	-	326,893
1,756,340	-	1,756,340
15,098	187	15,285
15,073	-	15,073
<u>4,281,697</u>	<u>187</u>	<u>4,281,884</u>
393,437	6,567	400,004
<u>3,840,714</u>	<u>64,988</u>	<u>3,905,702</u>
<u>4,234,151</u>	<u>71,555</u>	<u>4,305,706</u>

KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2011

	General	Capital Projects	Nonmajor Governmental	Total
	\$	\$	\$	\$
Assets				
Cash and pooled investments	1,006,873	562,133	144,746	1,713,752
Receivables:				
Property tax:				
Delinquent	26,647	296	3,334	30,277
Succeeding year	1,897,134	25,366	258,792	2,181,292
Accounts	-	-	360	360
Accrued interest	-	710	-	710
Due from other governments	122,263	128,218	-	250,481
Prepaid expenses	47,526	-	-	47,526
Total assets	3,100,443	716,723	407,232	4,224,398
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	123,817	31,849	9,582	165,248
Salaries and benefits payable	449,904	-	-	449,904
Deferred revenue:				
Succeeding year property tax	1,897,134	25,366	258,792	2,181,292
Income surtax	-	68,184	-	68,184
Other	91,647	-	-	91,647
Total liabilities	2,562,502	125,399	268,374	2,956,275
Fund balances:				
Nonspendable:				
Prepaid expenses	47,526	-	-	47,526
Restricted for:				
Categorical funding	34,401	-	-	34,401
Debt service	-	-	17,200	17,200
Management levy	-	-	59,641	59,641
Student activities	-	-	62,017	62,017
School infrastructure	-	307,446	-	307,446
Physical plant and equipment	-	283,878	-	283,878
Unassigned	456,014	-	-	456,014
Total fund balances	537,941	591,324	138,858	1,268,123
Total liabilities and fund balances	3,100,443	716,723	407,232	4,224,398

KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT

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

June 30, 2011

\$

Total fund balances of governmental funds (Exhibit C)	1,268,123
<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.	5,433,616
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	68,184
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.	(16,445)
Bond issue costs are reported as an asset in the statement of net assets and are amortized over the life of the bonds.	32,256
Long-term liabilities, including bonds payable and unamortized bond premiums are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(2,551,583)</u>
Net assets of governmental activities (Exhibit A)	<u><u>4,234,151</u></u>

KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2011

	General	Capital Projects	Nonmajor Governmental	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	1,838,954	414,951	231,191	2,485,096
Tuition	229,292	-	-	229,292
Other	146,145	10,841	140,857	297,843
State sources	2,295,203	12	136	2,295,351
Federal sources	254,964	6,428	-	261,392
Total revenues	<u>4,764,558</u>	<u>432,232</u>	<u>372,184</u>	<u>5,568,974</u>
Expenditures:				
Current:				
Instruction:				
Regular	2,109,968	1,217	24,075	2,135,260
Special	487,643	-	-	487,643
Other	520,950	-	123,269	644,219
	<u>3,118,561</u>	<u>1,217</u>	<u>147,344</u>	<u>3,267,122</u>
Support services:				
Student	97,668	-	878	98,546
Instructional staff	134,411	-	409	134,820
Administration	441,921	-	11,024	452,945
Operation and maintenance of plant	362,018	2,884	26,756	391,658
Transportation	234,707	15,277	8,945	258,929
	<u>1,270,725</u>	<u>18,161</u>	<u>48,012</u>	<u>1,336,898</u>
Non-instructional programs	-	2,585	3,819	6,404
Other expenditures:				
Facilities acquisition	-	121,373	-	121,373
Long-term debt:				
Principal	-	-	280,000	280,000
Interest and fiscal charges	-	-	116,681	116,681
AEA flowthrough	191,424	-	-	191,424
	<u>191,424</u>	<u>121,373</u>	<u>396,681</u>	<u>709,478</u>
Total expenditures	<u>4,580,710</u>	<u>143,336</u>	<u>595,856</u>	<u>5,319,902</u>
Excess (deficiency) of revenues over (under) expenditures	<u>183,848</u>	<u>288,896</u>	<u>(223,672)</u>	<u>249,072</u>

KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2011

	<u>General</u>	<u>Capital</u>	<u>Nonmajor</u>	<u>Total</u>
	\$	\$	\$	\$
Other financing sources (uses):				
Sales of materials and equipment	1,880	-	-	1,880
Operating transfers in	-	-	215,076	215,076
Operating transfers out	-	(215,076)	-	(215,076)
Total other financing sources (uses)	<u>1,880</u>	<u>(215,076)</u>	<u>215,076</u>	<u>1,880</u>
Net change in fund balances	185,728	73,820	(8,596)	250,952
Fund balances beginning of year, as restated	<u>352,213</u>	<u>517,504</u>	<u>147,454</u>	<u>1,017,171</u>
Fund balances end of year	<u><u>537,941</u></u>	<u><u>591,324</u></u>	<u><u>138,858</u></u>	<u><u>1,268,123</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, 2011

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		250,952
 <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	(15,956)	
Expenditures for capital assets	146,145	
Depreciation expense	<u>(279,164)</u>	(148,975)
 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.		
		10,090
 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.		
		280,000
 Bond issue costs are reported as an expense in the governmental fund financial statements, but are capitalized and amortized over the life of the bonds in the government-wide financial statements.		
		(3,584)
 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 and premiums are recorded as an expenditure when paid. In the Statement of Activities interest expense is recognized as the interest accrues, regardless of when it is due.		
		<u>4,954</u>
Changes in net assets of governmental activities (Exhibit B)		<u><u>393,437</u></u>

KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2011

	Nonmajor School Nutrition
	<u>\$</u>
Assets	
Cash and cash equivalents	38,445
Accounts receivable	4,599
Inventories	8,722
Capital assets, net of accumulated depreciation	<u>23,552</u>
Total assets	<u>75,318</u>
Liabilities	
Salaries and benefits payable	760
Deferred revenue	<u>3,003</u>
Total liabilities	<u>3,763</u>
Net assets	
Invested in capital assets	23,552
Unrestricted	<u>48,003</u>
Total net assets	<u><u>71,555</u></u>

KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds

Year ended June 30, 2011

	Nonmajor School Nutrition <u> </u> \$
Operating revenue:	
Local sources:	
Charges for service	<u>132,354</u>
Operating expenses:	
Non-instructional programs:	
Salaries	65,818
Benefits	16,760
Purchased services	4,500
Supplies	119,023
Depreciation	<u>4,473</u>
Total operating expenses	<u>210,574</u>
Operating income (loss)	<u>(78,220)</u>
Non-operating revenue:	
State sources	2,128
Federal sources	82,472
Interest income	<u>187</u>
Total non-operating revenue	<u>84,787</u>
Change in net assets	6,567
Net assets beginning of year	<u>64,988</u>
Net assets end of year	<u><u>71,555</u></u>

KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2011

	Nonmajor School Nutrition
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	130,758
Cash payments to employees for services	(81,818)
Cash payments to suppliers for goods or services	(101,402)
Net cash used by operating activities	<u>(52,462)</u>
Cash flows from non-capital financing activities:	
Repayment of loan to (from) other funds	6,825
State grants received	2,128
Federal grants received	67,489
Net cash provided by non-capital financing activities	<u>76,442</u>
Cash flows from capital and related financing activities	<u>-</u>
Cash flows from investing activities:	
Interest on investments	<u>187</u>
Net increase (decrease) in cash and cash equivalents	24,167
Cash and cash equivalents at beginning of year	<u>14,278</u>
Cash and cash equivalents at end of year	<u><u>38,445</u></u>
Reconciliation of operating income (loss) to net cash used by operating activities:	
Operating income (loss)	(78,220)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:	
Commodities used	14,983
Depreciation	4,473
Decrease (increase) in inventories	7,138
Decrease (increase) in accounts receivable	(4,599)
(Decrease) increase in salaries and benefits payable	760
(Decrease) increase in deferred revenue	3,003
Net cash used by operating activities	<u><u>(52,462)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2011, the District received \$14,983 of federal commodities.

KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2011

	Agency Flexible Spending Fund
	<u> </u>
	\$
Assets	
Cash and pooled investments	2,781
Liabilities	
Other payables	<u>2,781</u>
Net Assets	<u><u> </u></u>

KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2011

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. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues 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 Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

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.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the district's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned, and then unassigned fund balances.

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

Proprietary funds distinguish operating revenues and expenses from 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, 2009 assessed property valuations; is for the tax accrual period July 1, 2010, through June 30, 2011, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2010.

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 fund balances are classified as follows:

Non-spendable – Amounts which cannot be spent because they are in a non-spendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in other classifications.

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, 2011, expenditures did not exceed the amended amounts budgeted.

2. **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2011 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.

At June 30, 2011, the District had investments in the Iowa Schools Joint Investment Trust. Which are valued at an amortized cost of \$46 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk: The investment in the Iowa Schools Joint Investment Trust was rated Aaa by Moody's Investors Service.

3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

Transfer To	Transfer From	Amount
		\$
Nonmajor Governmental, Debt Service Fund	Capital Projects Fund	215,076

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

4. 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 the 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 the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The interest rate on the Series 2010-11A warrants is 1.2% plus the one-month LIBOR rate, adjusted daily. A summary of the District's ISCAP activity for the year ended June 30, 2011, is as follows:

Series	Warrant Date	Final Warrant Maturity Date	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
			\$	\$	\$	\$
2010-11A	6/23/10	6/28/11	-	-	-	-

During the year ended June 30, 2011, the District did not pay any interest on ISCAP warrants.

5. Capital Assets

Capital assets activity for the year ended June 30, 2011 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Construction in progress	21,530	-	21,530	-
Land	72,035	-	-	72,035
Total capital assets not being depr.	<u>93,565</u>	<u>-</u>	<u>21,530</u>	<u>72,035</u>
Capital assets being depreciated:				
Buildings	7,470,707	113,017	17,729	7,565,995
Improvements other than buildings	830,690	-	-	830,690
Furniture and equipment	1,200,664	54,658	26,600	1,228,722
Total capital assets being deprec.	<u>9,502,061</u>	<u>167,675</u>	<u>44,329</u>	<u>9,625,407</u>
Less accumulated depreciation for:				
Buildings	2,713,615	177,121	1,773	2,888,963
Improvements other than buildings	440,056	31,368	-	471,424
Furniture and equipment	859,364	70,675	26,600	903,439
Total accumulated depreciation	<u>4,013,035</u>	<u>279,164</u>	<u>28,373</u>	<u>4,263,826</u>
Total capital assets being depreciated, net	<u>5,489,026</u>	<u>(111,489)</u>	<u>15,956</u>	<u>5,361,581</u>
Governmental activities capital assets, net	<u>5,582,591</u>	<u>(111,489)</u>	<u>37,486</u>	<u>5,433,616</u>
Business type activities:				
Furniture and equipment	69,158	-	-	69,158
Less accumulated depreciation	41,133	4,473	-	45,606
Business type activities capital assets, net	<u>28,025</u>	<u>(4,473)</u>	<u>-</u>	<u>23,552</u>

Depreciation expense was charged to the following functions:

	Amount
	\$
Governmental activities:	
Instruction:	
Regular	28,494
Other	1,899
Support Services:	
Student services	8,156
Operation and maintenance of plant services	2,827
Transportation	29,299
	<u>70,675</u>
Unallocated depreciation	<u>208,489</u>
Total depreciation expense – governmental activities	<u>279,164</u>
Business type activities:	
Food services	<u>4,473</u>

6. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2011, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Governmental activities:					
General obligation bonds	2,305,000	-	185,000	2,120,000	195,000
Revenue bonds	505,000	-	95,000	410,000	95,000
Total	2,810,000	-	280,000	2,530,000	290,000

General Obligation Bonds

Details of the District's June 30, 2011 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of May, 2006			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
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	4.250	230,000	52,593	282,593
2017-2020	4.000-4.150	1,050,000	110,145	1,160,145
		<u>2,120,000</u>	<u>464,484</u>	<u>2,584,484</u>

Revenue Bonds

Details of the District's June 30, 2011 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
	%	\$	\$	\$
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>410,000</u>	<u>38,118</u>	<u>448,118</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 school infrastructure. 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. Annual principal and interest payments on the bonds are expected to require nearly 40% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$448,118. For the current year, \$95,000 of principal and \$20,075 of interest was paid on the bonds and total statewide sales, services and use tax revenues were \$326,893.

7. 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 4.50% of their annual salary and the District is required to contribute 6.95% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2011, 2010, and 2009 were \$186,842, \$174,941, and \$175,139 respectively, equal to the required contributions for each year.

8. 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.

9. 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 \$191,424 for the year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

10. Lease Commitment

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

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

11. Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 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, 2011, 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, 2011.

For the year ended June 30, 2011, the District contributed \$30,000 to the medical plan. Plan members eligible for benefits contributed \$41,000 or 58% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2011 are summarized as follows:

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
	\$	%	\$
2010	30,000	100%	-
2011	30,000	100%	-

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, 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 \$2,290,000, and the ratio of the UAAL to covered payroll was 14.5%. As of June 30, 2011, 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.

12. Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2011 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
	\$
Gifted and talented	3,307
Teacher salary supplement	585
Core curriculum	23,735
Educator quality, professional development	6,774
	<u>34,401</u>

13. Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund type Definitions, was implemented during the year ended 2011. The effect of fund type reclassifications is as follows:

	<u>Capital Projects</u>	<u>Special Revenue, Physical Plant and Equipment Levy</u>
	\$	\$
Balances June 30, 2010, as previously reported	291,631	225,873
Change in fund type classification per implementation of GASB Statement No. 54	<u>225,873</u>	<u>(225,873)</u>
Balances July 1, 2010, as restated	<u>517,504</u>	<u>-</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, 2011

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	3,012,231	132,541	3,144,772	3,007,135	3,007,135	137,637
State sources	2,295,351	2,128	2,297,479	2,479,791	2,479,791	(182,312)
Federal sources	261,392	82,472	343,864	219,926	219,926	123,938
Total revenues	<u>5,568,974</u>	<u>217,141</u>	<u>5,786,115</u>	<u>5,706,852</u>	<u>5,706,852</u>	<u>79,263</u>
Expenditures/Expenses:						
Instruction	3,267,122	-	3,267,122	3,251,632	3,375,000	107,878
Support services	1,336,898	-	1,336,898	1,300,026	1,430,000	93,102
Non-instructional programs	6,404	210,574	216,978	220,850	220,850	3,872
Other expenditures	709,478	-	709,478	865,072	865,072	155,594
Total expenditures/expenses	<u>5,319,902</u>	<u>210,574</u>	<u>5,530,476</u>	<u>5,637,580</u>	<u>5,890,922</u>	<u>360,446</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	249,072	6,567	255,639	69,272	(184,070)	439,709
Other financing sources (uses) net	<u>1,880</u>	<u>-</u>	<u>1,880</u>	<u>-</u>	<u>-</u>	<u>1,880</u>
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures/expenses	250,952	6,567	257,519	69,272	(184,070)	441,589
Balance beginning of year	<u>1,017,171</u>	<u>64,988</u>	<u>1,082,159</u>	<u>925,264</u>	<u>925,264</u>	<u>156,895</u>
Balance end of year	<u><u>1,268,123</u></u>	<u><u>71,555</u></u>	<u><u>1,339,678</u></u>	<u><u>994,536</u></u>	<u><u>741,194</u></u>	<u><u>598,484</u></u>

KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2011

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 \$253,342.

During the year ended June 30, 2011, 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

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a) \$	Actuarial Accrued Liability (AAL) (b) \$	Unfunded AAL (UAAL) (b-a) \$	Funded Ratio (a/b) %	Covered Payroll (c) \$	UAAL as a Percentage of Covered Payroll ((b-a)/c) %
2010	July 1, 2009	-	331,000	331,000	0.0%	2,190,000	15.1%
2011	July 1, 2009	-	331,000	331,000	0.0%	2,290,000	14.5%

See Note 11 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, 2011

Assets	Special Revenue Funds			Total
	Management	Student	Debt Service	
	Levy	Activity		
	\$	\$	\$	\$
Cash and pooled investments	61,965	68,190	14,591	144,746
Receivables:				
Property tax:				
Delinquent	725	-	2,609	3,334
Succeeding year	75,000	-	183,792	258,792
Accounts	-	360	-	360
Total assets	137,690	68,550	200,992	407,232
Liabilities & Fund Balances				
Liabilities:				
Accounts payable	3,049	6,533	-	9,582
Deferred revenue:				
Succeeding year property tax	75,000	-	183,792	258,792
Total liabilities	78,049	6,533	183,792	268,374
Fund balances:				
Restricted for:				
Debt service	-	-	17,200	17,200
Management levy	59,641	-	-	59,641
Student activities	-	62,017	-	62,017
Total fund balances	59,641	62,017	17,200	138,858
Total liabilities and fund balances	137,690	68,550	200,992	407,232

KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2011

	Special Revenue Funds			Total
	Management	Student	Debt	
	Levy	Activity	Service	
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	50,016	-	181,175	231,191
Other	7,897	132,405	555	140,857
State sources	30	-	106	136
Total revenues	<u>57,943</u>	<u>132,405</u>	<u>181,836</u>	<u>372,184</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	24,075	-	-	24,075
Other instruction	-	123,269	-	123,269
Support services:				
Student services	878	-	-	878
Instructional staff services	409	-	-	409
Administration services	11,024	-	-	11,024
Operation and maintenance of plant services	26,756	-	-	26,756
Transportation services	8,945	-	-	8,945
Non-instructional programs	3,819	-	-	3,819
Other expenditures:				
Long-term debt:				
Principal	-	-	280,000	280,000
Interest and fiscal charges	-	-	116,681	116,681
Total expenditures	<u>75,906</u>	<u>123,269</u>	<u>396,681</u>	<u>595,856</u>
Excess (deficiency) of revenues over (under) expenditures	(17,963)	9,136	(214,845)	(223,672)
Other financing sources (uses):				
Operating transfers in	-	-	215,076	215,076
Net change in fund balances	(17,963)	9,136	231	(8,596)
Fund balances beginning of year, as restated	<u>77,604</u>	<u>52,881</u>	<u>16,969</u>	<u>147,454</u>
Fund balances end of year	<u>59,641</u>	<u>62,017</u>	<u>17,200</u>	<u>138,858</u>

KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Capital Project Accounts

June 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets	\$	\$	\$
Cash and pooled investments	279,261	282,872	562,133
Receivables:			
Property tax:			
Delinquent	-	296	296
Succeeding year	-	25,366	25,366
Accrued interest	-	710	710
Due from other governments	60,034	68,184	128,218
Total assets	339,295	377,428	716,723
Liabilities & Fund Balances			
Liabilities:			
Accounts payable	31,849	-	31,849
Deferred revenue:			
Succeeding year property tax	-	25,366	25,366
Income surtax	-	68,184	68,184
Total liabilities	31,849	93,550	125,399
Fund balances:			
Restricted for:			
School infrastructure	307,446	-	307,446
Physical plant and equipment	-	283,878	283,878
Total fund balances	307,446	283,878	591,324
Total liabilities and fund balances	339,295	377,428	716,723

KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures and Fund Balance
Capital Project Accounts

Year ended June 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
	\$	\$	\$
Revenues:			
Local sources:			
Local tax	326,893	88,058	414,951
Other	3,421	7,420	10,841
State sources	-	12	12
Federal sources	-	6,428	6,428
Total revenues	<u>330,314</u>	<u>101,918</u>	<u>432,232</u>
Expenditures:			
Current:			
Instruction:			
Regular instruction	-	1,217	1,217
Support services:			
Operation and maintenance of plant	-	2,884	2,884
Transportation services	-	15,277	15,277
Non-instructional programs	-	2,585	2,585
Other expenditures:			
Facilities acquisition	99,423	21,950	121,373
Total expenditures	<u>99,423</u>	<u>43,913</u>	<u>143,336</u>
Excess (deficiency) of revenues over (under) expenditures	230,891	58,005	288,896
Other financing sources (uses):			
Operating transfers out	<u>(215,076)</u>	<u>-</u>	<u>(215,076)</u>
Net change in fund balance	15,815	58,005	73,820
Fund balances beginning of year, as restated	<u>291,631</u>	<u>225,873</u>	<u>517,504</u>
Fund balance end of year	<u><u>307,446</u></u>	<u><u>283,878</u></u>	<u><u>591,324</u></u>

KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2011

<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	17,876	50,378	44,669	-	23,585
Childres's theater	316	-	-	-	316
Christian athletes	-	685	276	-	409
Dance team	2,141	8,637	8,102	-	2,676
F.F.A.	5,458	17,597	16,073	-	6,982
Homemaking fund	81	-	-	-	81
National Honor Society	273	3,300	2,492	-	1,081
Music fund	354	8,330	7,018	-	1,666
Musical	1,119	-	15	-	1,104
Pep	1,665	2,192	3,001	-	856
Speech/drama	2,602	2,006	1,851	-	2,757
Student council	92	4,022	3,825	348	637
Class of 2008	1,989	-	1,989	-	-
Class of 2009	1,378	40	1,418	-	-
Class of 2010	3,861	1,515	5,327	-	49
Class of 2011	3,244	7,036	7,025	-	3,255
Class of 2012	471	14,298	10,327	-	4,442
Class of 2013	-	2,476	1,400	-	1,076
CD fund balance	6,129	95	-	-	6,224
Interest - now acct.	1	348	1	(348)	-
Pierson Accounts:					
Athletics	3,831	9,450	8,460	-	4,821
Total	52,881	132,405	123,269	-	62,017

KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Fiduciary Assets and Liabilities
Agency Fund

Year ended June 30, 2011

		Balance Beginning of Year	Additions	Deductions	Balance End of Year
		\$	\$	\$	\$
	Assets				
Cash		6,010	41,580	44,809	2,781
	Liabilities				
Other payables		6,010	41,580	44,809	2,781

KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT

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

For the Last Eight Years

	Modified Accrual Basis							
	2011	2010	2009	2008	2007	2006	2005	2004
	\$	\$	\$	\$	\$	\$	\$	\$
Revenues:								
Local sources:								
Local tax	2,485,096	2,345,875	2,312,627	2,241,987	2,249,761	2,050,310	1,991,126	1,883,813
Tuition	229,292	247,750	274,376	263,529	235,469	257,125	237,750	226,268
Other	297,843	210,321	233,384	248,237	291,135	279,464	262,752	207,451
State sources	2,295,351	1,881,305	2,276,778	2,285,436	2,086,084	2,104,132	1,998,425	1,784,083
Federal sources	261,392	376,949	183,055	132,905	133,997	141,077	138,453	157,561
Total revenues	<u>5,568,974</u>	<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	2,135,260	2,126,165	2,202,048	2,274,263	2,016,624	1,942,697	1,897,287	1,855,050
Special instruction	487,643	453,400	429,209	382,244	362,937	377,381	386,640	403,335
Other instruction	644,219	537,650	418,382	442,380	447,979	470,812	524,329	486,259
Support services:								
Student services	98,546	99,419	98,009	94,466	98,343	86,916	82,506	81,925
Instructional staff services	134,820	83,523	84,744	93,469	81,033	128,999	87,304	93,143
Administration services	452,945	447,367	515,279	543,190	495,051	481,363	481,427	461,781
Operation and maintenance	391,658	385,942	395,599	376,835	362,318	339,093	311,475	331,125
Transportation services	258,929	206,425	245,649	196,262	234,601	190,286	232,418	190,549
Non-instructional programs	6,404	16,041	567	-	-	-	-	-
Other expenditures:								
Facilities acquisition	121,373	133,033	233,309	180,445	183,782	196,251	650,670	575,512
Long-term debt:								
Services	-	-	475	-	-	-	-	300
Principal	280,000	265,000	250,000	245,000	150,000	180,000	120,000	115,000
Interest and other charges	116,681	128,923	138,537	148,531	163,572	320,837	176,346	169,096
AEA flowthrough	191,424	179,835	165,044	160,437	149,896	143,436	138,143	134,400
Total expenditures	<u>5,319,902</u>	<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>

See accompanying independent auditor's report.

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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, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 23, 2012. 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 11-I-A and 11-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, 2011 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 23, 2012

KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

June 30, 2011

Part I: Findings Related to the Financial Statements:

Instances of Noncompliance:

No matters were reported.

Internal Control Deficiencies:

11-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, payroll processing, 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.

11-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, 2011

Part II: Other Findings Related to Required Statutory Reporting:

11-II-A Certified Budget: Expenditures for the year ended June 30, 2011 did not exceed the amounts budgeted.

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

11-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.

11-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	Snow removal	6,060
Part owner of Bohle Construction	Maintenance	788

The snow removal transaction does not appear to represent a conflict of interest because the job was bid as allowed by the Code of Iowa. The other maintenance amounts do not appear to be a conflict of interest because they are less than the \$2,500 allowed by Iowa law.

11-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.

11-II-F Board Minutes: We noted that the Student Activity Fund and School Nutrition Fund bills were approved after they were paid.

Recommendation: Chapter 279.29 of the Code of Iowa provides that "the Board shall audit all just claims against the corporation and no order shall be drawn upon the treasury until the claim therefore has been audited and allowed." Chapter 279.30 of the Code of Iowa allows payment of specific items, such as utilities, postage, printing, and salaries without prior Board approval. The Board may approve a resolution designating certain other disbursements that may be paid prior to a Board Meeting with the approval of the Superintendent or other appointee. The Board's written policy should comply with Chapter 279.30 of the Code of Iowa. Then, except as expressly permitted, no checks should be prepared for claims that have not been properly audited and allowed. All bills for which checks are issued prior to audit and allowance by the board must be passed upon by the board of directors at the next meeting and be entered in the regular minutes of the secretary.

District Response: We will revise our procedures for board approval of bills.

Conclusion: Response accepted.

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

KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

June 30, 2011

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

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

- 11-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.

- 11-II-J Certified Annual Report: The Certified Annual Report was certified to the Iowa Department of Education timely.

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

- 11-II-L Statewide Sales, Services and Use Tax: No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

	\$	\$
Beginning balance		291,631
Revenues/transfers in:		
Statewide sales, services and use tax revenue	326,893	
Other local revenues	3,421	330,314
Expenditures/transfers out:		
School infrastructure construction	99,423	
Transfers to debt service fund	215,076	314,499
Ending balance		307,446

For the year ended June 30, 2011, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	Rate of Levy Reduction Per \$1,000 of Taxable Valuation	Property Tax Dollars Reduced
	\$	\$
Debt service Levy	.75491	100,000