

KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT

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

June 30, 2012

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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, 2012, 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, 2012, 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 14, 2013, 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.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on Pages 4 through 12 and 39 through 41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the

required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 two years ended June 30, 2011 (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. The 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information 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 14, 2013

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Kingsley-Pierson Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### 2012 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$4,764,558 in fiscal 2011 to \$4,899,497 in fiscal 2012, while General Fund expenditures increased from \$4,580,710 in fiscal 2011 to \$4,638,039 in fiscal 2012. The District's General Fund balance increased from \$537,941 in fiscal 2011 to \$800,299 in fiscal 2012, a 49% increase. Amounts restricted for categorical funding in the general fund increased by 77%.
- State funding for the general fund increased by 7% even though there was no increase in the allowable growth rate. The increase is due to a 1.5% increase in budget enrollment and an 11% increase in special education weighting, with no underfunding. 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 3%.
- The increase in total General Fund expenditures was 1% compared to fiscal 2012. Much of the increase is due to increased salary and benefit costs for district employees. Technology and library expenses were 33% lower due to a reduction in Microsoft funding and spending and a reduction in other local grant funding/spending. Plant operation and maintenance spending was 3% lower due to savings in snow removal and labor costs, mostly attributable to a mild winter and summer drought. The district was able to reduce transportation expenses by 4% due to the reduction of a bus route.
- Total state revenues in the governmental funds increased by 7% while federal governmental fund revenues decreased by 4%. 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 1%, including property tax, surtax and sales taxes.
- The capital projects fund balance decreased by 1% over fiscal 2011 while the non-major governmental fund balances increased by 5% over fiscal 2011.

### 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.

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

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

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

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

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

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

### *Fund Financial Statements*

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

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

The District has three kinds of funds:

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

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

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

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

The required financial statements for proprietary funds include a statement of 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, 2012 compared to June 30, 2011.

Figure A-2

	Condensed Statement of Net Assets						Percentage Change 2011-2012 %
	Governmental Activities		Business-type Activities		Total School District		
	2011	2012	2011	2012	2011	2012	
	\$	\$	\$	\$	\$	\$	
Current and other assets	4,256,654	4,586,409	51,766	66,114	4,308,420	4,652,523	8%
Capital assets	5,433,616	5,327,216	23,552	22,772	5,457,168	5,349,988	-2%
<b>Total assets</b>	<b>9,690,270</b>	<b>9,913,625</b>	<b>75,318</b>	<b>88,886</b>	<b>9,765,588</b>	<b>10,002,511</b>	<b>2%</b>
Long-term liabilities	2,530,000	2,259,185	-	-	2,530,000	2,259,185	-11%
Other liabilities	2,926,119	2,953,311	3,763	6,741	2,929,882	2,960,052	1%
<b>Total liabilities</b>	<b>5,456,119</b>	<b>5,212,496</b>	<b>3,763</b>	<b>6,741</b>	<b>5,459,882</b>	<b>5,219,237</b>	<b>-4%</b>
Net Assets:							
Invested in capital assets, net of related debt	2,903,616	3,087,216	23,552	22,772	2,927,168	3,109,988	6%
Restricted	816,322	842,433	-	-	816,322	842,433	3%
Unrestricted	514,213	771,480	48,003	59,373	562,216	830,853	48%
<b>TOTAL NET ASSETS</b>	<b>4,234,151</b>	<b>4,701,129</b>	<b>71,555</b>	<b>82,145</b>	<b>4,305,706</b>	<b>4,783,274</b>	<b>11%</b>

The District’s combined total net assets increased by nearly 11%, or approximately \$477,568, 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 \$26,111 or 3% over the prior year. The increase was primarily a result of an increase in leftover categorical funds in the general fund. The leftover funds will be used in future years as needed for the intended purpose.

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 \$268,637, or 48%. 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 year ended June 30, 2012 compared to the year ended June 30, 2011.

Figure A3

	Change in Net Assets						Percentage Change 2011-2012 %
	Governmental Activities		Business-type Activities		Total School District		
	2011 \$	2012 \$	2011 \$	2012 \$	2011 \$	2012 \$	
Revenues							
Program Revenues:							
Charges for services	487,823	391,302	132,354	142,020	620,177	533,322	-14%
Operating grants & contributions	799,930	762,092	84,600	90,551	884,530	852,643	-4%
Capital grants & contributions	9,614	-	-	-	9,614	-	-100%
General Revenues:							
Property taxes	2,090,715	2,180,539	-	-	2,090,715	2,180,539	4%
Income Surtax	77,578	92,346	-	-	77,578	92,346	19%
Statewide Sales & Service Tax	326,893	362,415	-	-	326,893	362,415	11%
Unrestricted state grants	1,756,340	1,958,942	-	-	1,756,340	1,958,942	12%
Unrestricted investment earnings	15,098	12,412	187	236	15,285	12,648	-17%
Other revenue	15,073	14,614	-	-	15,073	14,614	-3%
<b>Total Revenues</b>	<b>5,579,064</b>	<b>5,774,662</b>	<b>217,141</b>	<b>232,807</b>	<b>5,796,205</b>	<b>6,007,469</b>	<b>4%</b>
Expenses:							
Instruction	3,293,368	3,396,014	-	-	3,293,368	3,396,014	3%
Support services	1,330,253	1,323,453	-	-	1,330,253	1,323,453	-1%
Non-instructional programs	6,404	8,184	210,574	222,217	216,978	230,401	6%
Other expenditures	555,602	580,033	-	-	555,602	580,033	4%
<b>Total expenses</b>	<b>5,185,627</b>	<b>5,307,684</b>	<b>210,574</b>	<b>222,217</b>	<b>5,396,201</b>	<b>5,529,901</b>	<b>2%</b>
<b>CHANGE IN NET ASSETS</b>	<b>393,437</b>	<b>466,978</b>	<b>6,567</b>	<b>10,590</b>	<b>400,004</b>	<b>477,568</b>	<b>19%</b>
Net assets beginning of year	3,840,714	4,234,151	64,988	71,555	3,905,702	4,305,706	10%
Net assets end of year	4,234,151	4,701,129	71,555	82,145	4,305,706	4,783,274	11%

In fiscal year 2012 property tax and unrestricted state grants account for 69% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 85% of the total expenses.

### Governmental Activities

Revenues for governmental activities were \$5,774,662 and expenses were \$5,307,684. 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	2012	Percent Change 2011-2012	2011	2012	Percent Change 2011-2012
	\$	\$	%	\$	\$	%
Instruction	3,293,368	3,396,014	3%	2,199,332	2,424,085	10%
Support Services	1,330,253	1,323,453	-1%	1,327,960	1,321,175	-1%
Non-instructional Programs	6,404	8,184	28%	6,404	8,184	28%
Other Expenses	555,602	580,033	4%	354,564	400,846	13%
<b>TOTAL</b>	<b>5,185,627</b>	<b>5,307,684</b>	<b>2%</b>	<b>3,888,260</b>	<b>4,154,290</b>	<b>7%</b>

For the year ended June 30, 2012

- The cost financed by users of the District's programs was \$391,302. 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 \$762,092.
- The net cost of governmental activities was financed with \$2,635,300 in property and local other taxes and \$1,958,942 in unrestricted state grants.

### Business Type Activities

Revenues for business type activities were \$232,807 and expenses were \$222,217. 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 \$1,528,142, above last year's ending fund balances of \$1,268,123.

### Governmental Fund Highlights

- The General Fund balance increased from \$537,941 to \$800,299, due to increased property tax and increased state funding and holding the increase in expenditures to 1%.
- 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 decreased from \$283,878 to \$210,943.

- The Statewide Sales Tax account balance increased from \$307,446 at June 30, 2011 to \$371,566 at June 30, 2012.

### Proprietary Fund Highlights

School Nutrition Fund net assets increased from \$71,555 at June 30, 2011 to \$82,145 at June 30, 2012, representing an increase of approximately 15%. The increase is due to more students qualifying for free/reduced lunches supplemented by the federal government and increased sales due to the addition of a salad bar and a second entrée.

### BUDGETARY HIGHLIGHTS

Over the course of the year, Kingsley-Pierson Community School District amended its annual budget one time increasing budgeted expenditures by \$44,128.

The District's receipts were \$142,141 less 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, 2012, the District had invested \$5.3 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of 2% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$294,366.

Figure A-5

Capital Assets (net of depreciation)

	Governmental		Business type		Total		Percentage
	Activities		Activities		School District		
	2011	2012	2011	2012	2011	2012	2011-2012
	\$	\$	\$	\$	\$	\$	%
Land	72,035	72,035	-	-	72,035	72,035	0%
Buildings	4,677,032	4,504,680	-	-	4,677,032	4,504,680	-4%
Improvements	359,266	392,844	-	-	359,266	392,844	9%
Equipment & furniture	325,283	357,657	23,552	22,772	348,835	380,429	9%
<b>TOTAL</b>	<b>5,433,616</b>	<b>5,327,216</b>	<b>23,552</b>	<b>22,772</b>	<b>5,457,168</b>	<b>5,349,988</b>	<b>-2%</b>

## Long-Term Debt

At June 30, 2012 the District had \$2,240,000 in general obligation and revenue bonds outstanding. This represents a decrease of approximately 11% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

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

	<u>Total School District</u>		<u>Percentage</u>
	<u>2011</u>	<u>2012</u>	<u>Change</u>
	\$	\$	2011-2012
			%
General obligation bonds	2,120,000	1,925,000	-9%
Revenue bonds	410,000	315,000	-23%
	<u>2,530,000</u>	<u>2,240,000</u>	<u>-11%</u>

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The education reform legislation introduced last year is likely to be passed in some form this legislative session. Although the state is pledging money toward the reform, it is projected to cost the district around \$17,000 more per year than it will receive for this purpose. The district may have an option to participate or be able to formulate an alternate plan that meets most of the requirements, but doesn't require additional district funding. There is also concern about whether the mandate would continue to receive the necessary funding from the state down the road.
- The legislature is waiting to set allowable growth for 2013-2014 until they have more information on education reform efforts. The 2% allowable growth rate for fiscal 2013 is not enough to cover the increase in expenditures. 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 will see a lesser percentage increase than has been customary for the last several years. Contributions to Iowa Public Employers Retirement funds are set to increase by .5% next year and health insurance rates are increasing by 1.4% for fiscal 2014. The district is looking at policy for managing the effects of the Affordable Care Act. Starting in January 2014, additional fees will kick in and could cost the district around \$9000.00 through June 30, 2014. The district has 5-10 employees that could be deemed to have unaffordable coverage. If any of those employees seek a subsidy, the district could face a penalty of \$3000 annually for each of these employees. None of these penalties would be payable in fiscal 2014, but could be assessed in years after that.
- The district's certified enrollment decreased by 7 students or 1.4% for the 2014 budget year (current year's enrollment). The district will be under the 101% budget guarantee, unless 4% allowable growth is approved. The number of students the district is actually serving decreased by 8 students, or 1.7%, compared to counts in 2011. It is likely that the district will see a similar drop in enrollment next year as this year's graduating class is one of the largest.

- The number of students identified as needing special education services in December of 2012 decreased. The weighting of those students decreased by 15% from 2011 to 2012. The weighting indicates the level of service required to meet the needs of the students that must have more individual attention. If staffing is not adjusted, the district's special education deficit is projected to increase by \$100,000.
- The district's general fund balance increased by 49% over fiscal 2011. 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 district's ability to levy cash reserves will be reduced for the 2014 budget. The state has set a limit of 20% of the prior year expenditures less the ending fund balance. This control is in place to make sure districts aren't accumulating too much cash at the expense of property owners.
- 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 2014 budget increased by 4.5%. The district will be able to reduce the property tax levy rate substantially due to the valuation increase, the cash reserve cap and decreased need in the management fund. This could make the district more attractive to home buyers.
- The district is refinancing its general obligation bonds, saving over \$200,000 over the remaining life of the bonds payments. The refinancing bonds were structured so that the savings will be recognized at the end of the payment schedule. This allows for maximum savings.
- For the 2013 fiscal year, the district has entered into four 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. The board is constantly looking at ways to best use our human resources. Over the next ten years, there should be some sizeable savings due to attrition.

## **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, 2012

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
<b>Assets</b>			
Cash and cash equivalents	2,024,795	58,415	2,083,210
Receivables:			
Property tax:			
Delinquent	34,456	-	34,456
Succeeding year	2,265,207	-	2,265,207
Income surtax			
Sales tax			
Accounts	1,067	1,071	2,138
Accrued interest	726	-	726
Due from other governments	180,139	-	180,139
Inventories	-	6,628	6,628
Prepaid expenses	47,347	-	47,347
Other current assets	4,000	-	4,000
Unamortized bond issuance costs	28,672	-	28,672
Capital assets, net of accumulated depreciation	5,327,216	22,772	5,349,988
	<u>9,913,625</u>	<u>88,886</u>	<u>10,002,511</u>
<b>Total assets</b>			
<b>Liabilities</b>			
Accounts payable	225,949	3,622	229,571
Salaries and benefits payable	448,395	-	448,395
Accrued interest payable	13,760	-	13,760
Deferred revenue:			
Succeeding year property tax	2,265,207	-	2,265,207
Other	-	3,119	3,119
Long-term liabilities:			
Unamortized bond premium	19,185	-	19,185
Portion due within one year:			
General obligation bonds payable	205,000	-	205,000
Revenue bonds payable	100,000	-	100,000
Portion due after one year:			
General obligation bonds payable	1,720,000	-	1,720,000
Revenue bonds payable	215,000	-	215,000
	<u>5,212,496</u>	<u>6,741</u>	<u>5,219,237</u>
<b>Total liabilities</b>			

## KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2012

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
<b>Net assets</b>			
Invested in capital assets, net of related debt	3,087,216	22,772	3,109,988
Restricted for:			
Categorical funding	60,817	-	60,817
Management levy	60,589	-	60,589
Physical plant and equipment levy	278,476	-	278,476
Student activities	67,116	-	67,116
School infrastructure	371,566	-	371,566
Debt service	3,869	-	3,869
Unrestricted	771,480	59,373	830,853
	<u>4,701,129</u>	<u>82,145</u>	<u>4,783,274</u>
<b>Total net assets</b>	<u>4,701,129</u>	<u>82,145</u>	<u>4,783,274</u>

KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2012

<b>Functions/Programs</b>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	2,219,548	265,668	478,433	-
Special	507,911	6,428	61,005	-
Other	668,555	117,631	42,764	-
	<u>3,396,014</u>	<u>389,727</u>	<u>582,202</u>	<u>-</u>
Support services:				
Student	104,051	-	-	-
Instructional staff	89,940	-	-	-
Administration	476,357	-	-	-
Operation and maintenance of plant	380,775	1,575	-	-
Transportation	272,330	-	703	-
	<u>1,323,453</u>	<u>1,575</u>	<u>703</u>	<u>-</u>
Non-instructional programs	<u>8,184</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	51,740	-	-	-
Long-term debt interest	99,890	-	391	-
AEA flowthrough	178,796	-	178,796	-
Loss on disposal of capital assets	10,792	-	-	-
Depreciation (unallocated)*	238,815	-	-	-
	<u>580,033</u>	<u>-</u>	<u>179,187</u>	<u>-</u>
Total governmental activities	<u>5,307,684</u>	<u>391,302</u>	<u>762,092</u>	<u>-</u>
Business type activities:				
Non-instructional programs:				
Food service operations	<u>222,217</u>	<u>142,020</u>	<u>90,551</u>	<u>-</u>
Total	<u>5,529,901</u>	<u>533,322</u>	<u>852,643</u>	<u>-</u>
<b>General Revenues:</b>				
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
\$	\$	\$
(1,475,447)	-	(1,475,447)
(440,478)	-	(440,478)
(508,160)	-	(508,160)
<u>(2,424,085)</u>	<u>-</u>	<u>(2,424,085)</u>
(104,051)	-	(104,051)
(89,940)	-	(89,940)
(476,357)	-	(476,357)
(379,200)	-	(379,200)
(271,627)	-	(271,627)
<u>(1,321,175)</u>	<u>-</u>	<u>(1,321,175)</u>
(8,184)	-	(8,184)
(51,740)	-	(51,740)
(99,499)	-	(99,499)
-	-	-
(10,792)	-	(10,792)
(238,815)	-	(238,815)
<u>(400,846)</u>	<u>-</u>	<u>(400,846)</u>
(4,154,290)	-	(4,154,290)
-	10,354	10,354
<u>(4,154,290)</u>	<u>10,354</u>	<u>(4,143,936)</u>
1,971,459	-	1,971,459
183,724	-	183,724
25,356	-	25,356
92,346	-	92,346
362,415	-	362,415
1,958,942	-	1,958,942
12,412	236	12,648
14,614	-	14,614
<u>4,621,268</u>	<u>236</u>	<u>4,621,504</u>
466,978	10,590	477,568
<u>4,234,151</u>	<u>71,555</u>	<u>4,305,706</u>
<u>4,701,129</u>	<u>82,145</u>	<u>4,783,274</u>

## KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT

Balance Sheet  
Governmental Funds

June 30, 2012

	<u>General</u>	<u>Capital</u>	<u>Nonmajor</u>	<u>Total</u>
	\$	\$	\$	\$
<b>Assets</b>				
Cash and pooled investments	1,326,059	555,930	142,806	2,024,795
Receivables:				
Property tax:				
Delinquent	29,996	397	4,063	34,456
Succeeding year	1,904,804	29,898	330,505	2,265,207
Accounts	444	-	623	1,067
Accrued interest	-	726	-	726
Due from other governments	52,495	123,636	4,008	180,139
Prepaid expenditures	47,347	-	-	47,347
Other current assets	4,000	-	-	4,000
	<u>3,365,145</u>	<u>710,587</u>	<u>482,005</u>	<u>4,557,737</u>
<b>Total assets</b>				
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	189,136	30,647	6,166	225,949
Salaries and benefits payable	448,395	-	-	448,395
Deferred revenue:				
Succeeding year property tax	1,904,804	29,898	330,505	2,265,207
Income surtax	22,511	67,533	-	90,044
Total liabilities	<u>2,564,846</u>	<u>128,078</u>	<u>336,671</u>	<u>3,029,595</u>
Fund balances:				
Nonspendable:				
Prepaid expenditures	47,347	-	-	47,347
Restricted for:				
Categorical funding	60,817	-	-	60,817
Debt service	-	-	17,629	17,629
Management levy	-	-	60,589	60,589
Student activities	-	-	67,116	67,116
School infrastructure	-	371,566	-	371,566
Physical plant and equipment	-	210,943	-	210,943
Unassigned	692,135	-	-	692,135
Total fund balances	<u>800,299</u>	<u>582,509</u>	<u>145,334</u>	<u>1,528,142</u>
<b>Total liabilities and fund balances</b>	<u>3,365,145</u>	<u>710,587</u>	<u>482,005</u>	<u>4,557,737</u>

## KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT

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

June 30, 2012

\$

<b>Total fund balances of governmental funds (Exhibit C)</b>	1,528,142
<b><i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i></b>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	5,327,216
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	90,044
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.	(13,760)
Bond issue costs are reported as an asset in the statement of net assets and are amortized over the life of the bonds.	28,672
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>(2,259,185)</u>
<b>Net assets of governmental activities (Exhibit A)</b>	<u><u>4,701,129</u></u>

## KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2012

	General	Capital Projects	Nonmajor Governmental	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	1,896,484	458,257	258,699	2,613,440
Tuition	201,582	-	-	201,582
Other	85,444	6,251	129,034	220,729
State sources	2,465,985	15	149	2,466,149
Federal sources	250,002	-	-	250,002
Total revenues	<u>4,899,497</u>	<u>464,523</u>	<u>387,882</u>	<u>5,751,902</u>
Expenditures:				
Current:				
Instruction:				
Regular	2,179,335	14,074	23,175	2,216,584
Special	507,911	-	-	507,911
Other	541,732	-	116,721	658,453
	<u>3,228,978</u>	<u>14,074</u>	<u>139,896</u>	<u>3,382,948</u>
Support services:				
Student	103,200	-	851	104,051
Instructional staff	89,501	-	439	89,940
Administration	461,860	4,477	11,134	477,471
Operation and maintenance of plant	350,723	8,094	26,982	385,799
Transportation	224,981	100,749	10,128	335,858
	<u>1,230,265</u>	<u>113,320</u>	<u>49,534</u>	<u>1,393,119</u>
Non-instructional programs	-	-	8,184	8,184
Other expenditures:				
Facilities acquisition	-	134,763	-	134,763
Long-term debt:				
Principal	-	-	290,000	290,000
Interest and fiscal charges	-	-	104,973	104,973
AEA flowthrough	178,796	-	-	178,796
	<u>178,796</u>	<u>134,763</u>	<u>394,973</u>	<u>708,532</u>
Total expenditures	<u>4,638,039</u>	<u>262,157</u>	<u>592,587</u>	<u>5,492,783</u>
Excess (deficiency) of revenues over (under) expenditures	<u>261,458</u>	<u>202,366</u>	<u>(204,705)</u>	<u>259,119</u>

## KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2012

	General	Capital Projects	Nonmajor Governmental	Total
	\$	\$	\$	\$
Other financing sources (uses):				
Sales of materials and equipment	900	-	-	900
Operating transfers in	-	-	211,181	211,181
Operating transfers out	-	(211,181)	-	(211,181)
Total other financing sources (uses)	<u>900</u>	<u>(211,181)</u>	<u>211,181</u>	<u>900</u>
Net change in fund balances	262,358	(8,815)	6,476	260,019
Fund balances beginning of year	<u>537,941</u>	<u>591,324</u>	<u>138,858</u>	<u>1,268,123</u>
Fund balances end of year	<u><u>800,299</u></u>	<u><u>582,509</u></u>	<u><u>145,334</u></u>	<u><u>1,528,142</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, 2012

	\$	\$
<b>Net change in fund balances - total governmental funds (Exhibit E)</b>		260,019
<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 capital outlay expenditures in the year are as follows:		
Basis in capital assets demolished	(10,792)	
Expenditures for capital assets	193,912	
Depreciation expense	<u>(289,520)</u>	(106,400)
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.		21,860
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.		290,000
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>5,083</u>
<b>Changes in net assets of governmental activities (Exhibit B)</b>		<u><u>466,978</u></u>

## KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT

Statement of Net Assets  
Proprietary Funds

June 30, 2012

	Nonmajor School Nutrition
	<u>\$</u>
<b>Assets</b>	
Cash and cash equivalents	58,415
Accounts receivable	1,071
Inventories	6,628
Capital assets, net of accumulated depreciation	<u>22,772</u>
<b>Total assets</b>	<u>88,886</u>
<b>Liabilities</b>	
Accounts payable	3,622
Deferred revenue	<u>3,119</u>
<b>Total liabilities</b>	<u>6,741</u>
<b>Net assets</b>	
Invested in capital assets	22,772
Unrestricted	<u>59,373</u>
<b>Total net assets</b>	<u><u>82,145</u></u>

## KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2012

	Nonmajor School Nutrition
	<u>\$</u>
Operating revenue:	
Local sources:	
Charges for service	<u>142,020</u>
Operating expenses:	
Non-instructional programs:	
Purchased services	198,082
Supplies	19,289
Depreciation	4,846
Total operating expenses	<u>222,217</u>
Operating income (loss)	<u>(80,197)</u>
Non-operating revenue:	
State sources	2,202
Federal sources	88,349
Interest income	236
Total non-operating revenue	<u>90,787</u>
Change in net assets	10,590
Net assets beginning of year	<u>71,555</u>
Net assets end of year	<u><u>82,145</u></u>

## KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows  
Proprietary Funds

Year ended June 30, 2012

	Nonmajor School Nutrition
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	145,664
Cash payments to employees for services	(760)
Cash payments to suppliers for goods or services	(198,164)
Net cash used by operating activities	<u>(53,260)</u>
Cash flows from non-capital financing activities:	
State grants received	2,202
Federal grants received	74,858
Net cash provided by non-capital financing activities	<u>77,060</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(4,066)</u>
Cash flows from investing activities:	
Interest on investments	<u>236</u>
Net increase (decrease) in cash and cash equivalents	19,970
Cash and cash equivalents at beginning of year	<u>38,445</u>
Cash and cash equivalents at end of year	<u><u>58,415</u></u>
<b>Reconciliation of operating income (loss) to net cash used by operating activities:</b>	
Operating income (loss)	(80,197)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:	
Commodities used	13,491
Depreciation	4,846
Decrease (increase) in inventories	2,094
Decrease (increase) in accounts receivable	3,528
(Decrease) increase in accounts payable	3,622
(Decrease) increase in salaries and benefits payable	(760)
(Decrease) increase in deferred revenue	116
Net cash used by operating activities	<u><u>(53,260)</u></u>

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2012, the District received \$13,491 of federal commodities.

KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets  
Fiduciary Funds

June 30, 2012

	Agency Flexible Spending Fund
	<u>          </u>
<b>Assets</b>	\$
Cash and pooled investments	13,482
<b>Liabilities</b>	
Other payables	<u>13,482</u>
<b>Net Assets</b>	<u><u>          </u></u> -

# KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2012

### 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, 2010 assessed property valuations; is for the tax accrual period July 1, 2011, through June 30, 2012, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2011.

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.

#### E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012, expenditures did not exceed the amended amounts budgeted.

## 2. **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2012 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, 2012, the District had investments in the Iowa Schools Joint Investment Trust, which are valued at an amortized cost of \$100 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAAM by Standard & Poor's Financial Services.

### 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

Transfer To	Transfer From	Amount
		\$
Nonmajor Governmental, Debt Service Fund	Capital Projects Fund	211,181

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

### 4. Capital Assets

Capital assets activity for the year ended June 30, 2012 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	72,035	-	-	72,035
Capital assets being depreciated:				
Buildings	7,565,995	5,329	-	7,571,324
Improvements other than buildings	830,690	77,694	22,197	886,187
Furniture and equipment	1,228,722	110,889	30,093	1,309,518
Total capital assets being deprec.	9,625,407	193,912	52,290	9,767,029
Less accumulated depreciation for:				
Buildings	2,888,963	177,681	-	3,066,644
Improvements other than buildings	471,424	33,324	11,405	493,343
Furniture and equipment	903,439	78,515	30,093	951,861
Total accumulated depreciation	4,263,826	289,520	41,498	4,511,848
Total capital assets being depreciated, net	5,361,581	(95,608)	10,792	5,255,181
Governmental activities capital assets, net	5,433,616	(95,608)	10,792	5,327,216
<b>Business type activities:</b>				
Furniture and equipment	69,158	4,066	-	73,224
Less accumulated depreciation	45,606	4,846	-	50,452
Business type activities capital assets, net	23,552	(780)	-	22,772

Depreciation expense was charged to the following functions:

	<u>Amount</u>
	\$
Governmental activities:	
Instruction:	
Regular	2,964
Other	10,102
Support Services:	
Operation and maintenance of plant services	2,276
Transportation	<u>35,363</u>
	50,705
Unallocated depreciation	<u>238,815</u>
Total depreciation expense – governmental activities	<u>289,520</u>
Business type activities:	
Food services	<u>4,846</u>

## 5. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2012, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Governmental activities:					
General obligation bonds	2,120,000	-	195,000	1,925,000	205,000
Revenue bonds	<u>410,000</u>	-	<u>95,000</u>	<u>315,000</u>	<u>100,000</u>
Total	<u>2,530,000</u>	-	<u>290,000</u>	<u>2,240,000</u>	<u>305,000</u>

### General Obligation Bonds

Details of the District's June 30, 2012 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of May, 2006			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
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	4.000	245,000	67,328	312,328
2018-2020	4.050-4.150	<u>805,000</u>	<u>67,328</u>	<u>872,328</u>
		<u>1,925,000</u>	<u>400,702</u>	<u>2,325,702</u>

### Revenue Bonds

Details of the District's June 30, 2012 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
	%	\$	\$	\$
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>315,000</u>	<u>21,938</u>	<u>336,938</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 \$336,938. For the current year, \$95,000 of principal and \$16,180 of interest was paid on the bonds and total statewide sales, services and use tax revenues were \$362,415.

## 6. 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 5.38% of their annual salary and the District is required to contribute 8.07% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2012, 2011, and 2010 were \$219,268, \$186,842, and \$174,941 respectively, equal to the required contributions for each year.

## 7. 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.

## 8. 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 \$178,796 for the year ended June 30, 2012 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

## 9. Lease Commitment

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

<u>Year Ended June 30</u>	<u>Lease Payment</u>
	\$
2013	8,374
2014	1,396

#### 10. 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, 2012, 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>-</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, 2012.

For the year ended June 30, 2012, the District contributed \$30,000 to the medical plan. Plan members eligible for benefits contributed \$44,000 or 59% 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, 2012 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%	-
2012	30,000	100%	-

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, 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 \$2,350,000, and the ratio of the UAAL to covered payroll was 14.1%. As of June 30, 2012, 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 projected unit credit cost 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 11%. 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 based on GASB 45; Table 1, Paragraph 35(b).

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.

## **11. Categorical Funding**

The District's restricted fund balance for categorical funding at June 30, 2012 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
	\$
Early intervention	18,806
Teacher salary supplement	1,988
Core curriculum	29,489
Educator quality, professional development	10,534
	<u>60,817</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, 2012

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	3,035,751	142,256	3,178,007	3,092,034	3,092,034	85,973
State sources	2,466,149	2,202	2,468,351	2,819,768	2,819,768	(351,417)
Federal sources	250,002	88,349	338,351	215,048	215,048	123,303
Total revenues	<u>5,751,902</u>	<u>232,807</u>	<u>5,984,709</u>	<u>6,126,850</u>	<u>6,126,850</u>	<u>(142,141)</u>
Expenditures/Expenses:						
Instruction	3,382,948	-	3,382,948	3,537,077	3,537,077	154,129
Support services	1,393,119	-	1,393,119	1,455,776	1,455,776	62,657
Non-instructional programs	8,184	222,217	230,401	235,872	260,000	29,599
Other expenditures	708,532	-	708,532	752,607	772,607	64,075
Total expenditures/expenses	<u>5,492,783</u>	<u>222,217</u>	<u>5,715,000</u>	<u>5,981,332</u>	<u>6,025,460</u>	<u>310,460</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	259,119	10,590	269,709	145,518	101,390	168,319
Other financing sources (uses) net	<u>900</u>	<u>-</u>	<u>900</u>	<u>-</u>	<u>-</u>	<u>900</u>
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures/expenses	260,019	10,590	270,609	145,518	101,390	169,219
Balance beginning of year	<u>1,268,123</u>	<u>71,555</u>	<u>1,339,678</u>	<u>1,126,905</u>	<u>1,126,905</u>	<u>212,773</u>
Balance end of year	<u><u>1,528,142</u></u>	<u><u>82,145</u></u>	<u><u>1,610,287</u></u>	<u><u>1,272,423</u></u>	<u><u>1,228,295</u></u>	<u><u>381,992</u></u>

KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2012

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 \$44,128.

During the year ended June 30, 2012, 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%
2012	July 1, 2009	-	331,000	331,000	0.0%	2,350,000	14.1%

See Note 10 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.

SUPPLEMENTARY INFORMATION

## KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2012

Assets	Special Revenue Funds			Total
	Management Levy	Student Activity	Debt Service	
	\$	\$	\$	
Cash and pooled investments	59,440	68,615	14,751	142,806
Receivables:				
Property tax:				
Delinquent	1,185	-	2,878	4,063
Succeeding year	145,000	-	185,505	330,505
Accounts	-	623	-	623
Due from other governments	-	4,008	-	4,008
<b>Total assets</b>	<b>205,625</b>	<b>73,246</b>	<b>203,134</b>	<b>482,005</b>
<b>Liabilities &amp; Fund Balances</b>				
Liabilities:				
Accounts payable	36	6,130	-	6,166
Deferred revenue:				
Succeeding year property tax	145,000	-	185,505	330,505
Total liabilities	145,036	6,130	185,505	336,671
Fund balances:				
Restricted for:				
Debt service	-	-	17,629	17,629
Management levy	60,589	-	-	60,589
Student activities	-	67,116	-	67,116
Total fund balances	60,589	67,116	17,629	145,334
<b>Total liabilities and fund balances</b>	<b>205,625</b>	<b>73,246</b>	<b>203,134</b>	<b>482,005</b>

## KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2012

	Special Revenue Funds			Total
	Management	Student	Debt	
	Levy	Activity	Service	
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	74,975	-	183,724	258,699
Other	6,823	121,820	391	129,034
State sources	43	-	106	149
Total revenues	<u>81,841</u>	<u>121,820</u>	<u>184,221</u>	<u>387,882</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	23,175	-	-	23,175
Other instruction	-	116,721	-	116,721
Support services:				
Student services	851	-	-	851
Instructional staff services	439	-	-	439
Administration services	11,134	-	-	11,134
Operation and maintenance of plant services	26,982	-	-	26,982
Transportation services	10,128	-	-	10,128
Non-instructional programs	8,184	-	-	8,184
Other expenditures:				
Long-term debt:				
Principal	-	-	290,000	290,000
Interest and fiscal charges	-	-	104,973	104,973
Total expenditures	<u>80,893</u>	<u>116,721</u>	<u>394,973</u>	<u>592,587</u>
Excess (deficiency) of revenues over (under) expenditures	948	5,099	(210,752)	(204,705)
Other financing sources (uses):				
Operating transfers in	-	-	211,181	211,181
Net change in fund balances	948	5,099	429	6,476
Fund balances beginning of year	<u>59,641</u>	<u>62,017</u>	<u>17,200</u>	<u>138,858</u>
Fund balances end of year	<u><u>60,589</u></u>	<u><u>67,116</u></u>	<u><u>17,629</u></u>	<u><u>145,334</u></u>

## KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet  
Capital Project Accounts

June 30, 2012

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>Assets</b>	\$	\$	\$
Cash and pooled investments	346,110	209,820	555,930
Receivables:			
Property tax:			
Delinquent	-	397	397
Succeeding year	-	29,898	29,898
Accrued interest	-	726	726
Due from other governments	56,103	67,533	123,636
<b>Total assets</b>	<b>402,213</b>	<b>308,374</b>	<b>710,587</b>
<b>Liabilities &amp; Fund Balances</b>			
Liabilities:			
Accounts payable	30,647	-	30,647
Deferred revenue:			
Succeeding year property tax	-	29,898	29,898
Income surtax	-	67,533	67,533
Total liabilities	30,647	97,431	128,078
Fund balances:			
Restricted for:			
School infrastructure	371,566	-	371,566
Physical plant and equipment	-	210,943	210,943
Total fund balances	371,566	210,943	582,509
<b>Total liabilities and fund balances</b>	<b>402,213</b>	<b>308,374</b>	<b>710,587</b>

## KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2012

	Capital Projects		Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
	\$	\$	\$
Revenues:			
Local sources:			
Local tax	362,415	95,842	458,257
Other	1,584	4,667	6,251
State sources	-	15	15
Total revenues	<u>363,999</u>	<u>100,524</u>	<u>464,523</u>
Expenditures:			
Current:			
Instruction:			
Regular instruction	-	14,074	14,074
Support services:			
Administration services	-	4,477	4,477
Operation and maintenance of plant	-	8,094	8,094
Transportation services	-	100,749	100,749
Other expenditures:			
Facilities acquisition	88,698	46,065	134,763
Total expenditures	<u>88,698</u>	<u>173,459</u>	<u>262,157</u>
Excess (deficiency) of revenues over (under) expenditures	275,301	(72,935)	202,366
Other financing sources (uses):			
Operating transfers out	<u>(211,181)</u>	-	<u>(211,181)</u>
Net change in fund balance	64,120	(72,935)	(8,815)
Fund balances beginning of year	<u>307,446</u>	<u>283,878</u>	<u>591,324</u>
Fund balance end of year	<u><u>371,566</u></u>	<u><u>210,943</u></u>	<u><u>582,509</u></u>

## KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2012

<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>
	\$	\$	\$	\$	\$
<b>Kingsley Accounts:</b>					
Athletics	23,585	43,055	43,936	-	22,704
Children's theater	316	-	-	-	316
Christian athletes	409	835	814	-	430
Dance team	2,676	2,850	5,073	-	453
F.F.A.	6,982	22,081	15,462	-	13,601
Homemaking fund	81	75	153	-	3
National Honor Society	1,081	2,503	2,636	-	948
Music fund	1,666	6,661	6,602	-	1,725
Musical	1,104	3,336	3,200	-	1,240
Pep	856	1,760	2,240	312	688
Speech/drama	2,757	1,532	1,523	-	2,766
Student council	637	4,501	3,183	-	1,955
Class of 2010	49	-	-	-	49
Class of 2011	3,255	530	2,185	-	1,600
Class of 2012	4,442	6,178	7,189	-	3,431
Class of 2013	1,076	15,547	10,226	-	6,397
Class of 2014	-	1,985	1,310	-	675
CD fund balance	6,224	74	-	-	6,298
Interest - now acct.	-	312	-	(312)	-
<b>Pierson Accounts:</b>					
Athletics	4,821	8,005	10,989	-	1,837
Total	62,017	121,820	116,721	-	67,116

## KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Fund

Year ended June 30, 2012

		Balance Beginning of Year	Additions	Deductions	Balance End of Year
		\$	\$	\$	\$
	<b>Assets</b>				
Cash		2,781	90,383	79,682	13,482
	<b>Liabilities</b>				
Other payables		2,781	90,383	79,682	13,482

## KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT

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

For the Last Nine Years

	Modified Accrual Basis								
	2012	2011	2010	2009	2008	2007	2006	2005	2004
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues:									
Local sources:									
Local tax	2,613,440	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	201,582	229,292	247,750	274,376	263,529	235,469	257,125	237,750	226,268
Other	220,729	297,843	210,321	233,384	248,237	291,135	279,464	262,752	207,451
State sources	2,466,149	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	250,002	261,392	376,949	183,055	132,905	133,997	141,077	138,453	157,561
Total revenues	<u>5,751,902</u>	<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	2,216,584	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	507,911	487,643	453,400	429,209	382,244	362,937	377,381	386,640	403,335
Other instruction	658,453	644,219	537,650	418,382	442,380	447,979	470,812	524,329	486,259
Support services:									
Student services	104,051	98,546	99,419	98,009	94,466	98,343	86,916	82,506	81,925
Instructional staff services	89,940	134,820	83,523	84,744	93,469	81,033	128,999	87,304	93,143
Administration services	477,471	452,945	447,367	515,279	543,190	495,051	481,363	481,427	461,781
Operation and maintenance	385,799	391,658	385,942	395,599	376,835	362,318	339,093	311,475	331,125
Transportation services	335,858	258,929	206,425	245,649	196,262	234,601	190,286	232,418	190,549
Non-instructional programs	8,184	6,404	16,041	567	-	-	-	-	-
Other expenditures:									
Facilities acquisition	134,763	121,373	133,033	233,309	180,445	183,782	196,251	650,670	575,512
Long-term debt:									
Services	-	-	-	475	-	-	-	-	300
Principal	290,000	280,000	265,000	250,000	245,000	150,000	180,000	120,000	115,000
Interest and other charges	104,973	116,681	128,923	138,537	148,531	163,572	320,837	176,346	169,096
AEA flowthrough	178,796	191,424	179,835	165,044	160,437	149,896	143,436	138,143	134,400
Total expenditures	<u>5,492,783</u>	<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, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 14, 2013. 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

The management of Kingsley-Pierson Community School District is responsible for establishing and maintaining effective 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 12-I-A and 12-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, 2012 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 14, 2013

KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

June 30, 2012

Part I: Findings Related to the Financial Statements:

Instances of Noncompliance:

No matters were reported.

Internal Control Deficiencies:

12-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.

12-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, 2012

Part II: Other Findings Related to Required Statutory Reporting:

12-II-A Certified Budget: Expenditures for the year ended June 30, 2012 did not exceed the amounts budgeted.

12-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.

12-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.

12-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, Co-owner of Bohle Construction	Snow removal	2,878

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.

12-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.

12-II-F Board Minutes: No transactions requiring board approval that had not been approved by the board were noted.

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

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

12-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.

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

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

KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

June 30, 2012

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

12-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, 2012, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance	\$	\$
		307,446
Revenues/transfers in:		
Statewide sales, services and use tax revenue	362,415	
Other local revenues	<u>1,584</u>	363,999
Expenditures/transfers out:		
School infrastructure construction	88,698	
Transfers to debt service fund	<u>211,181</u>	<u>299,879</u>
Ending balance		<u>371,566</u>

For the year ended June 30, 2012, 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
	<u>\$</u>	<u>\$</u>
Debt service levy	.72122	100,000