

KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2014

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Kingsley-Pierson Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2013 Election)		
Tim Sudbeck	President	2015
Scott Bohle	Vice President	2013
Bobbi Hirschman	Board Member	2015
Robin Peschau	Board Member	2015
Shari Seuntjens	Board Member	2013
(After September 2013 Election)		
Tim Sudbeck	President	2015
Scott Bohle	Vice President	2017
Bobbi Hirschman	Board Member	2015
Robin Peschau	Board Member	2015
Blake Laddusaw	Board Member	2017
School Officials		
Scott Bailey	Superintendent	2014
Audrey Bollin	Board Secretary/ District Treasurer	2014
Ahlers & Cooney, P.C.	Attorney	2014

Kingsley-Pierson Community School District

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

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 7 through 16 and 38 through 40 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 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 information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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 third paragraph of this report, the financial statements for the year ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the eight years ended June 30, 2012 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the 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 basic financial statements or to the basic 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 30, 2014 on our consideration of Kingsley-Pierson Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Kingsley-Pierson Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

December 30, 2014
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

Kingsley-Pierson Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$4,914,256 in fiscal 2013 to \$4,957,257 in fiscal 2014, while General Fund expenditures increased from \$4,809,711 in fiscal 2013 to \$5,021,903 in fiscal 2013. This resulted in a decrease in the District's General Fund balance from \$904,844 in fiscal 2013 to \$840,198 in fiscal 2014.
- The increase in General Fund revenues was attributable to increases in tuition and other local revenue, as well as state sourced revenue compared to the prior year. Local taxes decreased by 0.83% and state revenues increased by 0.60%, while tuition increased by 14.08% and federal revenues decreased by 5.02%. The 4.41% increase in total general fund expenditures was due primarily to increases in negotiated salaries and benefits and increases in purchased services. Expenditures in the instructional function increased by 3.42% over fiscal 2013, while support services increased by 7.38% and other expenditures increased by 2.63%.
- There was a 5.24% increase in revenue in the capital project funds over fiscal 2013 and a 58.5% increase in expenditures, causing the fund balance to increase by 20.1%. The most significant variance in revenue was due to an increase in tax revenue received. During the year the District also sold a bus barn resulting in a one time gain of \$10,000 in the Capital Project fund balance.
- The net position of the District increased by \$390,904 or 7.57% when compared to fiscal 2013. This includes a \$9,651 net increase in the business type activities of the District.

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 Position 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.

The remaining statements provide financial information about activities for which Kingsley-Pierson Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the 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.

Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

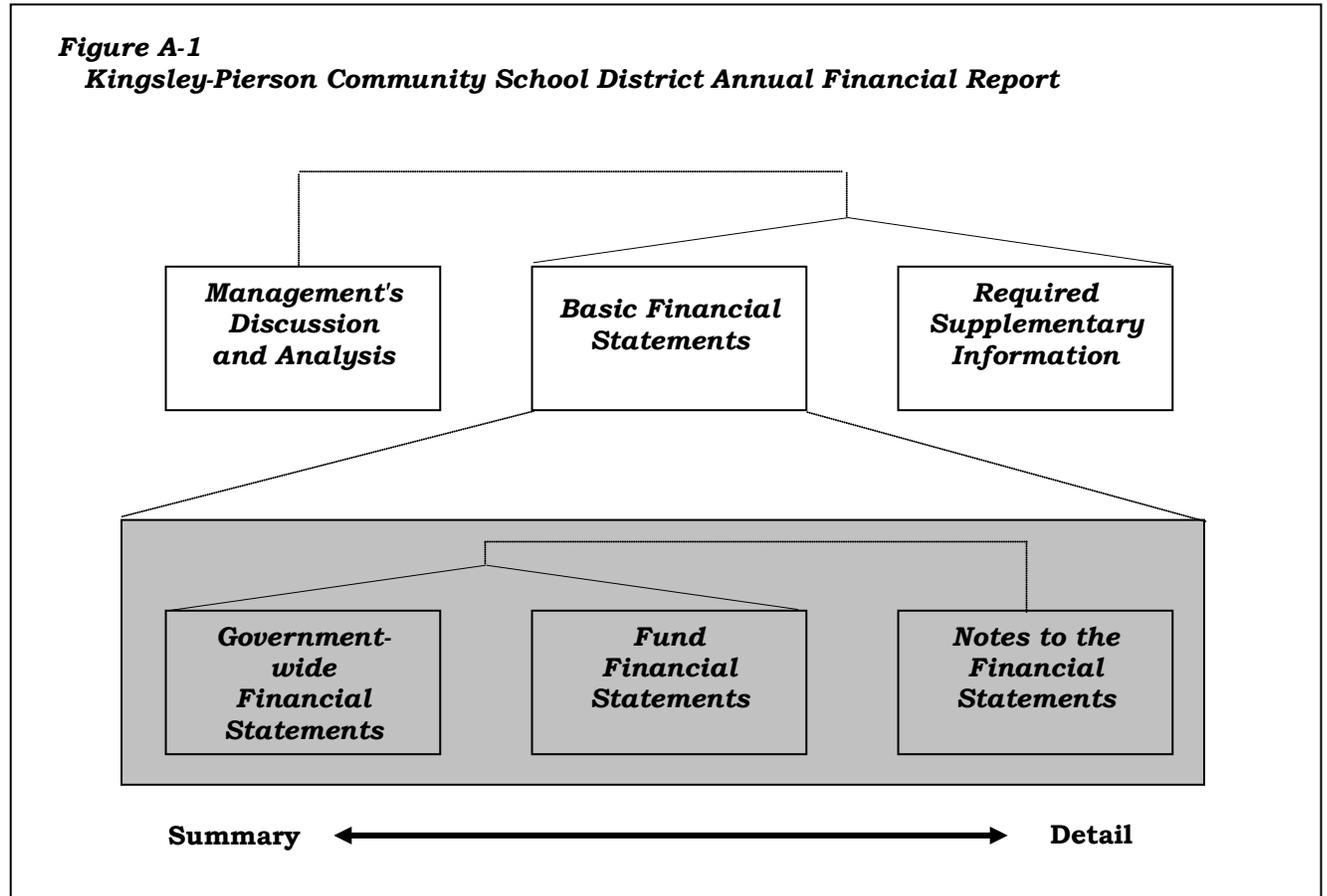


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2			
Major Features of the Government-wide and Fund Financial Statements			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education
Required financial statements	Statement of net position Statement of activities	Balance sheet Statement of revenues, expenditures, and changes in fund balances	Statement of Net Position Statement of revenues, expenses and changes in fund net position Statement of cash flows
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
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, and short-term and long-term
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

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 Position includes all of the District’s assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. 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 position and how they have changed. Net position is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position is 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 two 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.

The required financial statements for the 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 District's internal service fund, one type of proprietary fund, is the same as the governmental activities, but provide more detail and additional information, such as cash flows. The District currently has one internal service funds which is the Flex Benefit Fund.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's total net position at June 30, 2014 compared to June 30, 2013.

Figure A-3
Condensed Statement of Net Position

	Governmental		Business Type		Total		Total Change June 30, 2013-14
	Activities		Activities		School District		
	June 30,		June 30,		June 30,		
	2014	2013	2014	2013	2014	2013	
Current and other assets	\$ 5,062,260	4,886,487	76,627	62,248	5,138,887	4,948,735	3.84%
Capital assets	5,086,660	5,113,346	30,319	35,012	5,116,979	5,148,358	-0.61%
Total assets	10,148,920	9,999,833	106,946	97,260	10,255,866	10,097,093	1.57%
Long-term obligations	1,631,034	1,976,000	-	-	1,631,034	1,976,000	-17.46%
Other liabilities	672,364	662,354	4,632	4,597	676,996	666,951	1.51%
Total liabilities	2,303,398	2,638,354	4,632	4,597	2,308,030	2,642,951	-12.67%
Deferred inflows of resources	2,389,871	2,287,081	-	-	2,389,871	2,287,081	4.49%
Net position:							
Net investment in capital assets	3,491,660	3,143,346	30,319	35,012	3,521,979	3,178,358	10.81%
Restricted	1,161,384	1,009,703	-	-	1,161,384	1,009,703	15.02%
Unrestricted	802,607	921,349	71,995	57,651	874,602	979,000	-10.66%
Total net position	\$ 5,455,651	5,074,398	102,314	92,663	5,557,965	5,167,061	7.57%

The District's combined net position increased by 7.57%, or \$390,904, over the prior year. The largest portion of the District's net position is the invested in capital assets, less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represent resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. The District's restricted net position increased \$151,681, or 15.02% over the prior year. The increase in restricted net position can be attributed to the increase in fund balance of the Capital Projects Funds and an increase in categorical funding carryover.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraint established by debt covenants, enabling legislation, or the legal requirement - decreased \$104,398 or 10.66%. The decrease in unrestricted net position can be attributed to the decrease in fund balance of the General Fund.

Figure A-4 shows the changes in net position for the year ended June 30, 2014 compared to the year ended June 30, 2013.

Figure A-4
Changes of Net Position

	Governmental		Business Type		Total		Total
	Activities		Activities		School District		Change
	June 30,	June 30,	June 30,	June 30,	June 30,	June 30,	June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Revenues:							
Program revenues:							
Charges for services	\$ 408,233	382,773	137,187	127,385	545,420	510,158	6.91%
Operating grants, contributions and restricted interest	751,896	409,148	96,346	86,646	848,242	495,794	71.09%
Capital grants, contributions and restricted interest	-	6,979	-	-	-	6,979	-100.00%
General revenues:							
Property tax	2,287,467	2,270,571	-	-	2,287,467	2,270,571	0.74%
Income surtax	117,007	93,812	-	-	117,007	93,812	24.72%
Statewide sales, services and use tax	404,403	396,567	-	-	404,403	396,567	1.98%
Unrestricted state grants	1,971,162	2,307,151	-	-	1,971,162	2,307,151	-14.56%
Unrestricted investment earnings	7,322	8,179	105	91	7,427	8,270	-10.19%
Other	41,830	35,776	-	-	41,830	35,776	16.92%
Total revenues	5,989,320	5,910,956	233,638	214,122	6,222,958	6,125,078	1.60%
Program expenses:							
Governmental activities:							
Instruction	3,741,521	3,575,026	-	-	3,741,521	3,575,026	4.66%
Support services	1,438,087	1,421,180	10,906	3,775	1,448,993	1,424,955	1.69%
Non-instructional programs	-	-	213,081	199,829	213,081	199,829	6.63%
Other expenses	428,459	541,481	-	-	428,459	541,481	-20.87%
Total expenses	5,608,067	5,537,687	223,987	203,604	5,832,054	5,741,291	1.58%
Change in net position	381,253	373,269	9,651	10,518	390,904	383,787	1.85%
Net position beginning of year	5,074,398	4,701,129	92,663	82,145	5,167,061	4,783,274	8.02%
Net position end of year	\$ 5,455,651	5,074,398	102,314	92,663	5,557,965	5,167,061	7.57%

In fiscal 2014, property tax, income surtax, statewide sales and services tax and unrestricted state grants account for 79.81% of the revenue from governmental activities while charges for services and operating grants and contributions account for 99.96% of the revenue from business type activities.

The District's total revenues were approximately \$6.22 million of which approximately \$5.99 million was for governmental activities and approximately \$0.23 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced an increase of 1.60% in revenues and a 1.58% increase in expenses. The increase in expenses was related to the increase in instruction costs during the year. The increase in revenues was related to increases in local tax and state revenues.

Governmental Activities

Revenues for governmental activities were \$5,989,320 and expenses were \$5,608,067.

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

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2014	2013	Change 2013-14	2014	2013	Change 2013-14
	Instruction	\$ 3,741,521	3,575,026	4.66%	2,800,443	3,008,597
Support services	1,438,087	1,421,180	1.19%	1,407,931	1,372,760	2.56%
Other expenses	428,459	541,481	-20.87%	239,564	357,430	-32.98%
Totals	<u>\$ 5,608,067</u>	<u>5,537,687</u>	<u>1.27%</u>	<u>4,447,938</u>	<u>4,738,787</u>	<u>-6.14%</u>

- The cost financed by users of the District’s programs was \$408,233.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$751,896.
- The net cost of governmental activities was financed with \$2,287,467 in property tax, \$117,007 in income surtax, \$404,403 in statewide sales, services and use tax, \$1,971,162 in unrestricted state grants, \$7,322 in interest income and \$41,830 in other general revenues.

Business type Activities

Revenues for the District’s business type activities were \$233,638 and expenses were \$223,987. 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, the 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 combined fund balance of \$1,907,221, compared to last year’s ending fund balances of \$1,844,269. However, the primary reason for the increase was due to the increase in fund balance of the Capital Projects Fund.

Governmental Fund Highlights

- The District's General Fund balance decreased from \$904,844 on June 30, 2013 to \$840,198 on June 30, 2014. The District’s General Fund financial position is the product of many factors. Increases in expenses for salaries and benefits account for most of the decrease in fund balance compared to the prior year.
- The Capital Projects Fund balance increased from \$714,452 to \$868,178, due to an increase in local revenues and a decrease in capital outlay expenditures during the year.

Proprietary Fund Highlights

The School Nutrition Fund net position increased from \$92,663 at June 30, 2013 to \$102,314 at June 30, 2014, representing an increase of 10.42%.

BUDGETARY HIGHLIGHTS

The District’s revenues were \$219,779 more than budgeted revenues, a variance of 3.66%. The most significant variance resulted from the District receiving more in state sources than originally anticipated.

Total expenditures were less than budgeted, primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. 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.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had invested \$5,116,979, 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 amount represents a net decrease of 0.61% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$306,529.

The original cost of the District's capital assets was \$10,195,609. Governmental funds account for \$10,105,356 with the remainder of \$90,253 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$51,350 at June 30, 2013 compared to \$0 at June 30, 2014. This decrease resulted from the completion of construction on a new door lock system and remodeling project from the prior year.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Land	\$ 72,035	72,035	-	-	72,035	72,035	0.00%
Construction in progress	-	51,350	-	-	-	51,350	-100.00%
Buildings	4,366,673	4,327,982	-	-	4,366,673	4,327,982	0.89%
Land improvements	382,095	358,702	-	-	382,095	358,702	6.52%
Machinery and equipment	265,857	303,277	30,319	35,012	296,176	338,289	-12.45%
Total	\$ 5,086,660	5,113,346	30,319	35,012	5,116,979	5,148,358	-0.61%

Long-Term Debt

At June 30, 2014, the District had long-term debt outstanding of \$1,631,034 in long-term debt outstanding. This represents a decrease of 17.46% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had outstanding General Obligation bonds payable of \$1,485,000 at June 30, 2014.

The District had outstanding Revenue Bonds payable of \$110,000 at June 30, 2014.

The District had outstanding Termination Benefits payable of \$18,000 at June 30, 2014.

The District had a net OPEB liability of \$18,034 at June 30, 2014.

Figure A-7
Outstanding Long-Term Obligations

	Business Type				Total		Total
	Activities				School		Change
	2014	2013	2014	2013	June 30,	June 30,	June 30,
					2014	2013	2013-14
General obligation bonds	\$ 1,485,000	1,755,000	-	-	1,485,000	1,755,000	-15.38%
Revenue bonds	110,000	215,000	-	-	110,000	215,000	-48.84%
Termination benefits	18,000	-	-	-	18,000	-	100.00%
Net OPEB liability	18,034	6,000	-	-	18,034	6,000	200.57%
Total	\$ 1,631,034	1,976,000	-	-	1,631,034	1,976,000	-17.46%

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:

- Enrollment is down 2.6% compared to October of 2013. The district will graduate about 17 students in May of 2015 and should bring in about 30 students in the fall of 2015. The resulting increase in enrollment will likely be short-lived as the class of 2016 is the district's largest class with 48 students.
- The State of Iowa has yet to set an increase in supplemental state aid for fiscal 15/16. With a 2.6% decline in enrollment, the district will most likely fall under the 101% budget guarantee, making for another tough budget year.
- The district had several staff members retire after the 13/14 school year and two positions were not filled. This will help keep expenditures to a negligible increase over fiscal 2014, with revenues projected to increase about 1%. Gasoline prices have been steadily decreasing and this should also provide some general fund savings in fiscal 2015.
- As of the date of this report, the district has not heard what the health insurance renewal rates will be. The district is not projecting any large penalties due to the Affordable Care Act, but there will likely be an increase in expenses due to additional record keeping requirements and possibly some penalties for unaffordable coverage. The district will need to closely monitor premium trends as 2018 approaches to make sure it is not subject to any additional penalties.
- The Iowa Public Employee Retirement System has announced that there will be no increase in contribution rates for fiscal 2016.
- The district applied for the Teacher Leadership Grant, but was not selected as a recipient. The application will be revised and resubmitted next year. Obtaining the grant could help the district retain or attract quality teachers as it would provide pay incentives for leadership roles.
- The district added a Curriculum Coordinator position that we are sharing with two other districts. This will generate approximately \$19,000 in sharing incentives from the state of Iowa, further reducing the cost of this position. The district also shares two other teachers and three athletic programs with neighboring districts.
- Many districts are looking at potential sharing arrangements as state funding is not keeping up with the needs of school districts and many rural districts are suffering from decreased enrollments. In order to balance the budget, more sharing will likely need to occur over the next several years.
- Sales tax revenue bonds that were issued in 2004 were paid off in July of 2014. This frees up over \$100,000 per year for capital projects or debt service. Sales tax revenues continue to grow and provide resources for the district. The district will continue to evaluate its facilities to best meet the needs of the community in the future. The call date on refunding bonds issued in 2013 is June of 2018.
- The district continues to improve its technology learning by purchasing additional Chromebooks. The district has received several grants to help with this. The district also increased the physical plant and equipment levy for fiscal 2015 and that money was used to purchase Chromebooks for staff and mobile labs for students.

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 POSITION
JUNE 30, 2014

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments:	\$ 2,275,310	65,978	2,341,288
Receivables:			
Property tax:			
Delinquent	33,689	-	33,689
Succeeding year	2,389,871	-	2,389,871
Income surtax	93,801	-	93,801
Accounts	4,884	-	4,884
Due from other funds	2,685	(2,685)	-
Due from other governments	214,925	-	214,925
Prepaid expenses	47,095	-	47,095
Inventories	-	13,334	13,334
Capital assets, net of accumulated depreciation	5,086,660	30,319	5,116,979
Assets	10,148,920	106,946	10,255,866
Liabilities			
Accounts payable	215,965	-	215,965
Salaries and benefits payable	455,402	-	455,402
Due to other funds	-	-	-
Accrued interest payable	997	-	997
Deferred revenue:			
Unearned revenue	-	4,632	4,632
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	275,000	-	275,000
Revenue bonds payable	110,000	-	110,000
Termination benefits payable	6,000	-	6,000
Portion due after one year:			
General obligation bonds payable	1,210,000	-	1,210,000
Termination benefits payable	12,000	-	12,000
Net OPEB liability	18,034	-	18,034
Total Liabilities	2,303,398	4,632	2,308,030
Deferred Inflows of Resources			
Unavailable property tax revenue	2,389,871	-	2,389,871
Net Position			
Net investment in capital assets	3,491,660	30,319	3,521,979
Restricted for:			
Categorical funding	113,358	-	113,358
Management levy purposes	101,404	-	101,404
Student activities	60,622	-	60,622
School infrastructure	535,590	-	535,590
Physical plant and equipment	332,588	-	332,588
Debt service	17,822	-	17,822
Unrestricted	802,607	71,995	3,264,473
Total Net Position	\$ 5,455,651	102,314	7,947,836

SEE NOTES TO FINANCIAL STATEMENTS.

KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 2,434,062	265,538	312,498	(1,856,026)	-	(1,856,026)
Special	638,774	35,935	119,036	(483,803)	-	(483,803)
Other	668,685	106,760	101,311	(460,614)	-	(460,614)
	<u>3,741,521</u>	<u>408,233</u>	<u>532,845</u>	<u>(2,800,443)</u>	<u>-</u>	<u>(2,800,443)</u>
Support services:						
Student	154,337	-	-	(154,337)	-	(154,337)
Instructional staff	90,415	-	29,702	(60,713)	-	(60,713)
Administration	500,251	-	-	(500,251)	-	(500,251)
Operation and maintenance of plant	415,544	-	-	(415,544)	-	(415,544)
Transportation	277,540	-	454	(277,086)	-	(277,086)
	<u>1,438,087</u>	<u>-</u>	<u>30,156</u>	<u>(1,407,931)</u>	<u>-</u>	<u>(1,407,931)</u>
Long-term debt interest	21,372	-	-	(21,372)	-	(21,372)
Other expenditures:						
AEA flowthrough	188,895	-	188,895	-	-	-
Depreciation(unallocated)*	218,192	-	-	(218,192)	-	(218,192)
	<u>407,087</u>	<u>-</u>	<u>188,895</u>	<u>(218,192)</u>	<u>-</u>	<u>(218,192)</u>
Total governmental activities	<u>5,608,067</u>	<u>408,233</u>	<u>751,896</u>	<u>(4,447,938)</u>	<u>-</u>	<u>(4,447,938)</u>
Business type activities:						
Support services:						
Administration	7,318	-	-	-	(7,318)	(7,318)
Operation and maintenance of plant	3,588	-	-	-	(3,588)	(3,588)
	<u>10,906</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,906)</u>	<u>(10,906)</u>
Non-instructional programs:						
Nutrition services	213,081	137,187	96,346	-	20,452	20,452
Total business type activities	<u>223,987</u>	<u>137,187</u>	<u>96,346</u>	<u>-</u>	<u>9,546</u>	<u>9,546</u>
Total	<u>\$ 5,832,054</u>	<u>545,420</u>	<u>848,242</u>	<u>(4,447,938)</u>	<u>9,546</u>	<u>(4,438,392)</u>
General revenues						
Property tax levied for:						
General purposes				\$ 1,969,177	-	1,969,177
Debt service				285,598	-	285,598
Capital outlay				32,692	-	32,692
Income surtax				117,007	-	117,007
Statewide sales, service and use tax				404,403	-	404,403
Unrestricted state grants				1,971,162	-	1,971,162
Unrestricted investment earnings				7,322	105	7,427
Other general revenues				41,830	-	41,830
Total general revenues and transfers				<u>4,829,191</u>	<u>105</u>	<u>4,829,296</u>
Changes in net position				381,253	9,651	390,904
Net position beginning of year				5,074,398	92,663	5,167,061
Net position end of year				<u>\$ 5,455,651</u>	<u>102,314</u>	<u>5,557,965</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	General	Capital Projects	Nonmajor	Total
Assets				
Cash and pooled investments:	\$ 1,300,276	765,764	197,320	2,263,360
Receivables:				
Property tax:				
Delinquent	27,781	506	5,402	33,689
Succeeding year	1,873,033	79,377	437,461	2,389,871
Income surtax	23,450	70,351	-	93,801
Accounts	4,071	393	420	4,884
Due from other governments	104,296	104,501	6,128	214,925
Due from other funds	2,693	-	-	2,693
Prepaid expenses	47,095	-	-	47,095
Total Assets	\$ 3,382,695	1,020,892	646,731	5,050,318
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Due to other funds	\$ -	-	8	8
Accounts payable	190,612	2,986	10,417	204,015
Salaries and benefits payable	455,402	-	-	455,402
Total liabilities	646,014	2,986	10,425	659,425
Deferred inflows of resources:				
Deferred revenue:				
Succeeding year property tax	1,873,033	79,377	437,461	2,389,871
Income surtax	23,450	70,351	-	93,801
Total deferred inflows of resources	1,896,483	149,728	437,461	2,483,672
Fund balances:				
Nonspendable	47,095	-	-	47,095
Restricted for:				
Categorical funding	113,358	-	-	113,358
Management levy purposes	-	-	119,404	119,404
Student activities	-	-	60,622	60,622
School infrastructure	-	535,590	-	535,590
Physical plant and equipment	-	332,588	-	332,588
Debt service	-	-	18,819	18,819
Unassigned	679,745	-	-	679,745
Total fund balances	840,198	868,178	198,845	1,907,221
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 3,382,695	1,020,892	646,731	5,050,318

SEE NOTES TO FINANCIAL STATEMENTS.

KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2014

Total fund balances of governmental funds(page 20)	\$	1,907,221
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		5,086,660
Income surtax is not yet available to pay current year expenditures and, therefore, is recognized as deferred inflows of resources in the governmental funds.		93,801
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.		(997)
Long-term liabilities, including bonds payable, termination benefits payable and other postemployment benefits payable are not due and payable in the current period and, therefore are not reported in governmental funds.		(1,631,034)
		(1,631,034)
Net position of governmental activities(page 18)	\$	5,455,651
		5,455,651

SEE NOTES TO FINANCIAL STATEMENTS.

KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 1,913,452	120,561	370,613	2,404,626
Tuition	194,549	-	-	194,549
Other	147,888	16,184	120,622	284,694
State sources	2,515,159	404,419	172	2,919,750
Federal sources	185,853	-	-	185,853
Total revenues	4,956,901	541,164	491,407	5,989,472
Expenditures:				
Current:				
Instruction:				
Regular	2,340,157	15,616	30,638	2,386,411
Special	637,454	-	-	637,454
Other	524,622	-	137,575	662,197
	3,502,233	15,616	168,213	3,686,062
Support services:				
Student	151,987	603	1,521	154,111
Instructional staff	89,810	-	508	90,318
Administration	482,412	4,005	14,359	500,776
Operation and maintenance of plant	377,670	771	36,378	414,819
Transportation	228,896	26,513	12,434	267,843
	1,330,775	31,892	65,200	1,427,867
Capital outlay	-	237,507	-	237,507
Long-term debt:				
Principal	-	-	375,000	375,000
Interest and fiscal charges	-	-	21,545	21,545
	-	-	396,545	396,545
Other expenditures:				
AEA flowthrough	188,895	-	-	188,895
Total expenditures	5,021,903	285,015	629,958	5,936,876
Excess(Deficiency) of revenues over(under) expenditures	(65,002)	256,149	(138,551)	52,596
Other financing sources(uses):				
Sale of real property	-	10,000	-	10,000
Transfer in	-	-	112,423	112,423
Transfer out	-	(112,423)	-	(112,423)
Sale of equipment	356	-	-	356
Total other financing sources(uses)	356	(102,423)	112,423	10,356
Change in fund balances	(64,646)	153,726	(26,128)	62,952
Fund balance beginning of year	904,844	714,452	224,973	1,844,269
Fund balance end of year	\$ 840,198	868,178	198,845	1,907,221

SEE NOTES TO FINANCIAL STATEMENTS.

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, 2014

Change in fund balances - total governmental funds(page 22) \$ 62,952

*Amounts reported for governmental activities in the
 Statement of Activities are different because:*

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. Capital outlays expenditures, depreciation expense and loss on disposal of assets in the current year are as follows:

Capital outlay	\$ 275,150	
Depreciation expense	<u>(301,836)</u>	(26,686)

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position. 375,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 173

Income surtax not collected for several months after year end is not considered available revenue and is recognized as deferred inflows of resources in the governmental funds. (152)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental fund.

Termination benefits	(18,000)	
Other postemployment benefits	<u>(12,034)</u>	<u>(30,034)</u>

Change in net position of governmental activities(page 19) \$ 381,253

SEE NOTES TO FINANCIAL STATEMENTS.

KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014

	Business Type Activities: Enterprise Funds		Governmental Activities: Internal Service Funds	
	School		Flex	
	Nutrition		Benefit	
Assets				
Cash and cash equivalents	\$	65,978		11,950
Inventories		13,334		-
Capital assets, net of accumulated depreciation		30,319		-
Total Assets		109,631		11,950
Liabilities				
Current liabilities:				
Accounts payable		-		11,950
Unearned revenue		4,632		-
Due to other funds		2,685		-
Total Liabilities		7,317		11,950
Net Position				
Net investment in capital assets		30,319		-
Unrestricted		71,995		-
Total Net Position	\$	102,314		-

SEE NOTES TO FINANCIAL STATEMENTS.

KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2014

	Business Type Activities: Enterprise Funds	Governmental Activities: Internal Service Funds
	School Nutrition	Flex Benefit
OPERATING REVENUE:		
Local sources:		
Charges for services	\$ 137,187	-
Miscellaneous	-	92,786
TOTAL OPERATING REVENUES	137,187	92,786
OPERATING EXPENSES:		
Support services:		
Administration:		
Salaries	6,277	-
Benefits	1,041	92,786
Operation and maintenance of plant:		
Services	3,588	-
Total support services	10,906	92,786
Non-instructional programs:		
Food service operations:		
Services	58,494	-
Supplies	148,433	-
Depreciation	4,693	-
Other	1,461	-
	213,081	-
TOTAL OPERATING EXPENSES	223,987	92,786
OPERATING LOSS	(86,800)	-
NON-OPERATING REVENUES:		
Interest income	105	-
State sources	1,955	-
Federal sources	94,391	-
TOTAL NON-OPERATING REVENUES	96,451	-
Change in net position	9,651	-
Net position beginning of year	92,663	-
Net position end of year	\$ 102,314	-

SEE NOTES TO FINANCIAL STATEMENTS.

KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2014

	Business Type Activities: Enterprise Funds	Governmental Activities: Internal Service Funds
	School Nutrition	Flex Benefit
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 140,806	-
Cash received from miscellaneous operating activities	-	92,786
Cash payments to employees for services	(7,318)	(2,888)
Cash payments to suppliers for goods or services	(197,428)	(92,786)
Net cash used in operating activities	(63,940)	(2,888)
Cash flows from non-capital financing activities:		
Borrowings from the General Fund	3,143	-
State grants received	1,955	-
Federal grants received	76,307	-
Net cash provided by non-capital financing activities	81,405	-
Cash flows from investing activities:		
Interest on investments	105	-
Net increase(decrease) in cash and cash equivalents	17,570	(2,888)
Cash and cash equivalents at beginning of year	48,408	14,838
Cash and cash equivalents at end of year	\$ 65,978	11,950
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (86,800)	-
Adjustments to reconcile operating loss to net cash used in operating activities:		
Commodities consumed	18,084	-
Depreciation	4,693	-
Increase in inventories	(3,475)	-
Decrease in accounts receivable	3,523	-
Decrease in accounts payable	(61)	(2,888)
Increase in unearned revenue	96	-
Net cash used in operating activities	\$ (63,940)	(2,888)

Non-cash investing, capital and financing activities:

During the year ended June 30, 2014, the District received \$18,084 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS.

KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

(1) Summary of Significant Accounting Policies

The Kingsley-Pierson Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the Cities of Kingsley and Pierson, Iowa, and the predominate 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 do 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 Assessors' Conference Board.

B. Basis of Presentation

Government-wide financial statements - The Statement of Net Position 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 support.

The Statement of Net Position presents the District's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in three categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net position result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position

Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources that are imposed by management, but 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 that 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 that are 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 other 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 receipts 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 expenses, including instructional, 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 reports the following nonmajor propriety funds:

The District's proprietary funds are the Enterprise, School Nutrition Fund, and the Internal Service, Flex Benefit Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Internal Service, Flex Benefit Fund is used to account for the flexible health and childcare benefits program offered by the District.

C. Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. 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 judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under 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 - restricted and then unassigned fund balances.

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, Deferred Inflows of Resources and Fund Balances

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value.

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, they have a maturity date no longer than three months.

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. 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 become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2013.

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.

Prepaid Expenses - The District prepaid expenses are from the General Fund for employee health insurance and accounting software maintenance agreement.

Capital Assets - Capital assets, which include property, machinery and equipment and intangibles are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. 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 repairs 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.

Asset Class	Amount
Land	\$ -
Buildings	5,000
Land improvements	5,000
Intangibles	25,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	3,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20-50 years
Intangibles	3-20 years
Machinery and equipment	5-10 years

Salaries and Benefits Payable - Payroll and related expenditures for hourly employees corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Due to Other Governments - Due to other governments represents amounts due to the State of Iowa, local educational agencies, and other governments.

Deferred Inflows of Resources - 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 inflows of resources 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 inflows of resources consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the statement of net position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenues - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Position in the Proprietary, School Nutrition Fund.

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 Position.

Fund Balances - In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable - 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 spendable classifications.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) Cash and Pooled Investments

The District's deposits in banks at June 30, 2014 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. As of June 30, 2014, the District had no investments.

(3) Transfers

The detail of transfers for the year ended June 30, 2014 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 112,423

The transfer from the Capital Projects Fund to the Debt Service Fund was needed to pay principal and interest payments on the District's revenue bond indebtedness.

(4) Due From and Due to Other Funds

At June 30, 2014 the interfund receivable and payable consisted of the following:

Receivable Fund	Payable Fund	Amount
General Fund	Activity Fund	\$ 8
General Fund	Nutrition Fund	2,685
Total		\$ 2,693

The Student Activity Fund is repaying the General Fund for postage expenses paid during the year.

The School Nutrition Fund is repaying the General Fund for salaries and benefits paid to employees during the year.

(5) Capital Assets

Capital assets activity for the year ended June 30, 2014 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 72,035	-	-	72,035
Construction in progress	51,350	152,863	204,213	-
Total capital assets not being depreciated	<u>123,385</u>	<u>152,863</u>	<u>204,213</u>	<u>72,035</u>
Capital assets being depreciated:				
Buildings	7,571,324	221,765	7,000	7,786,089
Land improvements	886,187	58,511	-	944,698
Machinery and equipment	1,291,872	46,224	35,562	1,302,534
Total capital assets being depreciated	<u>9,749,383</u>	<u>326,500</u>	<u>42,562</u>	<u>10,033,321</u>
Less accumulated depreciation for:				
Buildings	3,243,342	183,074	7,000	3,419,416
Land improvements	527,485	35,118	-	562,603
Machinery and equipment	988,595	83,644	35,562	1,036,677
Total accumulated depreciation	<u>4,759,422</u>	<u>301,836</u>	<u>42,562</u>	<u>5,018,696</u>
Total capital assets being depreciated, net	<u>4,989,961</u>	<u>24,664</u>	<u>-</u>	<u>5,014,625</u>
Governmental activities capital assets, net	<u>\$ 5,113,346</u>	<u>177,527</u>	<u>204,213</u>	<u>5,086,660</u>
Business type activities:				
Machinery and equipment	\$ 90,253	-	-	90,253
Less accumulated depreciation	55,241	4,693	-	59,934
Business type activities capital assets, net	<u>\$ 35,012</u>	<u>(4,693)</u>	<u>-</u>	<u>30,319</u>

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 23,412
Other		10,694
Support services:		
Administration		12,926
Operation and maintenance of plant		1,602
Transportation		35,010
		<u>83,644</u>
Unallocated depreciation		<u>218,192</u>
Total governmental activities depreciation expense		<u>\$ 301,836</u>
Business type activities:		
Food services		<u>\$ 4,693</u>

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2014 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 1,755,000	-	270,000	1,485,000	275,000
Revenue bonds	215,000	-	105,000	110,000	110,000
Termination benefits	-	18,000	-	18,000	6,000
Net OPEB liability	6,000	12,034	-	18,034	-
Total	\$ 1,976,000	30,034	375,000	1,631,034	391,000

Revenue Bonds Payable

Details of the District's June 30, 2014 revenue bond indebtedness are as follows:

Year Ending June 30,	Bond Issue of July 2004			
	Interest Rate	Principal	Interest	Total
2015	4.60%	\$ 110,000	2,530	112,530

The District has pledged future statewide sales, services and use tax revenues to repay the \$890,000 bonds issued 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 limitation of the District. Annual principal and interest payments on the bonds are expected to require approximately 28 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$112,530. For the current year \$105,000 in principal and \$7,423 in interest was paid on the bonds and total statewide sales, services and use tax revenues were \$404,403.

General Obligation Bonds

Details of the District's June 30, 2014 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of May 15, 2013			
	Interest Rate	Principal	Interest	Total
2015	0.50	% \$ 275,000	11,963	286,963
2016	0.60	270,000	10,588	280,588
2017	0.75	275,000	8,967	283,967
2018	0.90	280,000	6,905	286,905
2019	1.10	285,000	4,385	289,385
2020	1.25	100,000	1,250	101,250
Total		\$ 1,485,000	44,058	1,529,058

(7) Other Postemployment Benefits(OPEB)

Plan Description - The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 63 active and 2 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, 2014, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 29,000
Interest on net OPEB obligation	270
Adjustment to annual required contribution	(236)
Annual OPEB cost	<u>29,034</u>
Contributions made	<u>(17,000)</u>
Increase in net OPEB obligation	12,034
Net OPEB obligation beginning of year	<u>6,000</u>
Net OPEB obligation end of year	<u><u>\$ 18,034</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2012. 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, 2014.

For the year ended June 30, 2014, the District contributed \$29,000 to the medical plan. Plan members eligible for benefits contributed \$17,000, 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, 2014 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 30,000	100.00%	\$ -
2013	29,000	58.62%	6,000
2014	29,000	58.55%	18,034

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$229,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$229,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,576,896, and the ratio of the UAAL to covered payroll was 8.9%. As of June 30, 2014, 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, 2012 actuarial valuation date, the projected unit credit cost method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy. The health cost trend rate is 10% a year.

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 \$600 per month for retirees and spouses less than 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.

(8) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which 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 5.95% of their annual covered salary and the District is required to contribute 8.93% of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2014, 2013, and 2012 were \$263,325, \$244,875 and \$219,268, respectively, equal to the required contributions for each year.

(9) Risk Management

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

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$188,895 for the year ended June 30, 2014 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2014 is comprised of the following programs:

Programs	Amount
Home School Assistance Program	\$ 1,867
Talented and Gifted	13,881
Iowa Early Intervention Block Grant	29,401
Successful Progression for Early Readers	10,141
Model Core Curriculum	35,637
Professional Development	15,720
Teacher Leadership Grants	6,711
Total	\$ 113,358

(12) Lease Commitment

The District entered into an operating lease to lease copy machines from Cannon. The payments the District will make over the next four years are as follows:

Year Ended June 30	Lease Payment
2015	\$ 9,943
2016	9,943
2017	1,657
	\$ 21,543

(13) Reconciliation of Governmental Fund Balances to Net Position

Reconciliation of certain governmental fund balances to net position are as follows:

	Invested in Capital Assets	Management Levy	Debt Service	Unassigned/ Unrestricted
Fund balance (Exhibit C)	\$ -	119,404	18,819	679,745
Capital assets, net of accumulated depreciation	5,086,660	-	-	-
General obligation bond capitalized indebtedness	(110,000)	-	-	-
Revenue bond capitalized indebtedness	(1,485,000)	-	-	-
Accrued interest payable	-	-	(997)	-
Income surtax receivable	-	-	-	93,801
Net OPEB liability	-	-	-	(18,034)
Prepaid expenses	-	-	-	47,095
Termination benefits	-	(18,000)	-	-
	\$ 3,491,660	101,404	17,822	802,607

(14) Prospective Accounting Change

The governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

REQUIRED SUPPLEMENTARY INFORMATION

KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2014

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 2,883,869	137,292	3,021,161	3,302,141	3,302,141	(280,980)
State sources	2,919,750	1,955	2,921,705	2,471,190	2,471,190	450,515
Federal sources	185,853	94,391	280,244	230,000	230,000	50,244
Total revenues	<u>5,989,472</u>	<u>233,638</u>	<u>6,223,110</u>	<u>6,003,331</u>	<u>6,003,331</u>	<u>219,779</u>
Expenditures/expenses:						
Instruction	3,686,062	-	3,686,062	3,716,245	3,750,000	63,938
Support services	1,427,867	10,906	1,438,773	1,397,093	1,450,000	11,227
Non-instructional programs	-	213,081	213,081	215,000	230,000	16,919
Other expenditures	822,947	-	822,947	752,614	850,000	27,053
Total expenditures/expenses	<u>5,936,876</u>	<u>223,987</u>	<u>6,160,863</u>	<u>6,080,952</u>	<u>6,280,000</u>	<u>119,137</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	52,596	9,651	62,247	(77,621)	(276,669)	338,916
Other financing sources, net	<u>10,356</u>	-	<u>10,356</u>	-	-	<u>10,356</u>
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	62,952	9,651	72,603	(77,621)	(276,669)	349,272
Balance beginning of year	<u>1,844,269</u>	<u>92,663</u>	<u>1,936,932</u>	<u>1,799,523</u>	<u>1,799,523</u>	<u>137,409</u>
Balance end of year	<u>\$ 1,907,221</u>	<u>102,314</u>	<u>2,009,535</u>	<u>1,721,902</u>	<u>1,522,854</u>	<u>486,681</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2014

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 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 a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. 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 \$199,048

**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%
2013	July 1, 2012	-	229,000	229,000	0.0%	2,440,640	9.4%
2014	July 1, 2012	-	229,000	229,000	0.0%	2,576,896	8.9%

See Note 7 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.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SUPPLEMENTARY INFORMATION

KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2014

	Special Revenue				
	Manage- ment Levy	Student Activity	Total	Debt Service	Total
Assets					
Cash and pooled investments	\$ 118,149	64,499	182,648	14,672	197,320
Receivables:					
Property tax:					
Delinquent	1,255	-	1,255	4,147	5,402
Succeeding year	150,000	-	150,000	287,461	437,461
Accounts	-	420	420	-	420
Due from other governments	-	6,128	6,128	-	6,128
Total Assets	\$ 269,404	71,047	340,451	306,280	646,731
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Due to other funds	\$ -	8	8	-	8
Accounts payable	-	10,417	10,417	-	10,417
Total liabilities	-	10,425	10,425	-	10,425
Deferred inflows of resources:					
Unavailable revenues:					
Deferred revenue:					
Succeeding year property tax	150,000	-	150,000	287,461	437,461
Total deferred inflows of resources	150,000	-	150,000	287,461	437,461
Fund balances:					
Restricted for:					
Management levy purposes	119,404	-	119,404	-	119,404
Student activities	-	60,622	60,622	-	60,622
Debt service	-	-	-	18,819	18,819
Total fund balances	119,404	60,622	180,026	18,819	198,845
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 269,404	71,047	340,451	306,280	646,731

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2014

	Special Revenue				
	Manage- ment Levy	Student Activity	Total	Debt Service	Total
Revenues:					
Local sources:					
Local tax	\$ 85,015	-	85,015	285,598	370,613
Other	3,776	116,483	120,259	363	120,622
State sources	40	-	40	132	172
Total revenues	<u>88,831</u>	<u>116,483</u>	<u>205,314</u>	<u>286,093</u>	<u>491,407</u>
Expenditures:					
Current:					
Instruction:					
Regular	30,638	-	30,638	-	30,638
Other	-	137,575	137,575	-	137,575
	<u>30,638</u>	<u>137,575</u>	<u>168,213</u>	<u>-</u>	<u>168,213</u>
Support services:					
Student	1,521	-	1,521	-	1,521
Instructional staff	508	-	508	-	508
Administration	14,359	-	14,359	-	14,359
Operation and maintenance of plant	36,378	-	36,378	-	36,378
Transportation	12,434	-	12,434	-	12,434
	<u>65,200</u>	<u>-</u>	<u>65,200</u>	<u>-</u>	<u>65,200</u>
Other expenditures:					
Principal	-	-	-	375,000	375,000
Interest and fiscal charges	-	-	-	21,545	21,545
	<u>-</u>	<u>-</u>	<u>-</u>	<u>396,545</u>	<u>396,545</u>
Total expenditures	<u>95,838</u>	<u>137,575</u>	<u>233,413</u>	<u>396,545</u>	<u>629,958</u>
Deficiency of revenues under expenditures	(7,007)	(21,092)	(28,099)	(110,452)	(138,551)
Other financing sources:					
Transfer in	-	-	-	112,423	112,423
Change in fund balances	(7,007)	(21,092)	(28,099)	1,971	(26,128)
Fund balance beginning of year	<u>126,411</u>	<u>81,714</u>	<u>208,125</u>	<u>16,848</u>	<u>224,973</u>
Fund balance end of year	<u>\$ 119,404</u>	<u>60,622</u>	<u>180,026</u>	<u>18,819</u>	<u>198,845</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 431,089	334,675	765,764
Receivables:			
Property tax:			
Delinquent	-	506	506
Succeeding year	-	79,377	79,377
Income surtax	-	70,351	70,351
Accounts	-	393	393
Due from other governments	104,501	-	104,501
Total Assets	\$ 535,590	485,302	1,020,892
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ -	2,986	2,986
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	79,377	79,377
Income surtax	-	70,351	70,351
Total deferred inflows of resources	-	149,728	149,728
Fund balances:			
Restricted for:			
School infrastructure	535,590	-	535,590
Physical plant and equipment levy	-	332,588	332,588
Total fund balances	535,590	332,588	868,178
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 535,590	485,302	1,020,892

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECT ACCOUNTS
 YEAR ENDED JUNE 30, 2014

	Capital Projects		Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
Revenues:			
Local sources:			
Local tax	\$ -	120,561	120,561
Other	733	15,451	16,184
State sources	404,403	16	404,419
Total revenues	<u>405,136</u>	<u>136,028</u>	<u>541,164</u>
Expenditures:			
Current:			
Instruction:			
Regular	-	15,616	15,616
Support services:			
Student	-	603	603
Administration	-	4,005	4,005
Operation and maintenance of plant	-	771	771
Transportation	-	26,513	26,513
Capital outlay	211,001	26,506	237,507
Total expenditures	<u>211,001</u>	<u>74,014</u>	<u>285,015</u>
Excess of revenues over expenditures	194,135	62,014	256,149
Other financing sources(uses):			
Sale of real property	-	10,000	10,000
Transfer out	(112,423)	-	(112,423)
Total other financing sources(uses)	<u>(112,423)</u>	<u>10,000</u>	<u>(102,423)</u>
Change in fund balances	81,712	72,014	153,726
Fund balances beginning of year	<u>453,878</u>	<u>260,574</u>	<u>714,452</u>
Fund balances end of year	<u>\$ 535,590</u>	<u>332,588</u>	<u>868,178</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2014

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Kingsley Accounts:				
Athletics	37,970	39,874	52,783	25,061
Children's theater	316	-	316	-
Christian athletes	425	-	44	381
Dance team	1,455	7,332	7,317	1,470
F.F.A.	16,808	19,405	22,588	13,625
Homemaking fund	213	-	-	213
National honor society	1,483	5,082	4,454	2,111
Music fund	493	5,310	5,654	149
Musical	1,203	1,205	2,223	185
Pep	1,530	3,445	4,583	392
Speech/drama	3,093	1,357	1,173	3,277
Student council	1,200	3,363	3,902	661
Class of 2012	2,088	-	2,088	-
Class of 2013	5,165	845	6,010	-
Class of 2014	5,512	6,569	7,181	4,900
Class of 2015	387	13,601	9,358	4,630
Class of 2016	-	2,598	1,445	1,153
Interest - now account	-	110	110	-
Pierson Accounts:				
Athletics	2,373	6,387	6,346	2,414
Total	<u>\$ 81,714</u>	<u>116,483</u>	<u>137,575</u>	<u>60,622</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUND TYPES
FOR THE LAST TEN YEARS

	Modified Accrual Basis									
	Years Ended June 30,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues:										
Local sources:										
Local tax	\$ 2,404,626	2,757,041	2,613,440	2,485,096	2,345,875	2,312,627	2,241,987	2,249,761	2,050,310	1,991,126
Tuition	194,549	170,531	201,582	229,292	247,750	274,376	263,529	235,469	257,125	237,750
Other	284,694	283,395	220,729	297,843	210,321	233,384	248,237	291,135	279,464	262,752
State sources	2,919,750	2,500,390	2,466,149	2,295,351	1,881,305	2,276,778	2,285,436	2,086,084	2,104,132	1,998,425
Federal sources	185,853	195,690	250,002	261,392	376,949	183,055	132,905	133,997	141,077	138,453
Total	\$ 5,989,472	5,907,047	5,751,902	5,568,974	5,062,200	5,280,220	5,172,094	4,996,446	4,832,108	4,628,506
Expenditures:										
Instruction:										
Regular	\$ 2,386,411	2,341,301	2,216,584	2,135,260	2,126,165	2,202,048	2,274,263	2,016,624	1,942,697	1,897,287
Special	637,454	525,614	507,911	487,643	453,400	429,209	382,244	362,937	377,381	386,640
Other	662,197	703,569	658,453	644,219	537,650	418,382	442,380	447,979	470,812	524,329
Support services:										
Student	154,111	106,885	104,051	98,546	99,419	98,009	94,466	98,343	86,916	82,506
Instructional staff	90,318	85,990	89,940	134,820	83,523	84,744	93,469	81,033	128,999	87,304
Administration	500,776	490,350	477,471	452,945	447,367	515,279	543,190	495,051	481,363	481,427
Operation and maintenance of plant	414,819	389,345	385,799	391,658	385,942	395,599	376,835	362,318	339,093	311,475
Transportation	267,843	246,880	335,858	258,929	206,425	245,649	196,262	234,601	190,286	232,418
Non-instructional programs	-	-	8,184	6,404	16,041	567	-	-	-	-
Capital outlay	237,507	120,293	134,763	121,373	133,033	233,309	180,445	183,782	196,251	650,670
Long-term debt:										
Principal	375,000	2,025,000	290,000	280,000	265,000	250,000	245,000	150,000	180,000	120,000
Interest and fiscal charges	21,545	121,687	104,973	116,681	128,923	139,012	148,531	163,572	320,837	176,346
Other expenditures:										
AEA flowthrough	188,895	184,051	178,796	191,424	179,835	165,044	160,437	149,896	143,436	138,143
Total	\$ 5,936,876	7,340,965	5,492,783	5,319,902	5,062,723	5,176,851	5,137,522	4,746,136	4,858,071	5,088,545

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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(a professional corporation)
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Telephone (641) 792-1910

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 the Kingsley-Pierson Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the 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, 2014, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 30, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Kingsley-Pierson Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of Kingsley-Pierson Community School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

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 deficiency described in Part I of the accompanying Schedule of Findings as items I-A-14 to be a material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-B-14 through I-C-14 to be significant deficiencies.

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 which are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2014 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

Kingsley-Pierson Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Kingsley-Pierson Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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.


NOLTE, CORNMAN & JOHNSON, P.C.

December 30, 2014
Newton, Iowa

KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2014

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-14 Segregation of Duties - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over each of the following areas for the District:

- 1) Cash - initiating cash receipt and disbursement transactions and handling and recording cash.
- 2) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 3) Receipts - collecting, recording, depositing, journalizing, posting and reconciling.
- 4) Disbursements - purchase order processing, check preparation, mailing and recording.
- 5) Inventories - ordering, receiving, issuing and storing.
- 6) Capital assets - purchasing, recording and reconciling.
- 7) Wire transfers - processing and approving.
- 8) Payroll - recording approved pay rates and deductions, recordkeeping, preparation, posting and distribution.
- 9) Transfers - preparing and approving.
- 10) Financial reporting - preparing, reconciling and approving.
- 11) Computer systems - performing all general accounting functions and controlling all data input and output.
- 12) School lunch program - collecting, recording, journalizing, posting, reconciling, purchase order processing, check preparation, mailing and recording.
- 13) Journal entries - writing, approving and posting.

Recommendation - We realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances utilizing current personnel, including elected officials.

Response - We are looking at ways to improve in this area. The Board is considering sharing business management and human resource functions with another District to include more staff in each process.

Conclusion - Response accepted.

I-B-14 Purchase Orders - We noted during our audit that the District currently uses purchase orders in the purchasing process, however we noted instances of purchase orders not being completed in the General Fund.

Recommendation - The advantage of using a purchase order system is that approvals of the items being purchased are noted prior to ordering of the items. In addition, when the items are approved and the purchase order is properly generated, it also reflects on the financial records as an outstanding order, which represents the amount as an obligation against the budget. When monitoring actual expenses, it can be helpful to know the outstanding orders which will be subsequently paid, therefore allowing the person who approves purchase orders the insight to know if there is still available funding to make the purchase.

Although districts are not required to use a purchase order system, the benefits to financial management make the system desirable. The District's current purchase order system should be reviewed and necessary changes made so that all disbursements are approved by the appropriate administrator before ordering of supplies takes place.

Response - We will review our purchase order system and again stress to employees the importance of obtaining a purchase order prior to placing an order. Our employees are good about asking for approval ahead of time but it is not always documented.

Conclusion - Response accepted.

- I-C-14 Deposit Slips - We noted during our audit instances of deposit slips lacking sufficient detail to determine the composition of the deposit. The lack of sufficient detail for the composition of the deposit on deposit slips makes it difficult to trace deposits in the event of errors in recording or disputes from parents if it is questioned that payments were made to the District.

Recommendation - The District should review and implement procedures to insure that sufficient detail is on the deposit slip for the composition of the deposit. Sufficient detail would include either listing out each check received on the deposit slip or maintaining a separate spreadsheet that details the composition of the deposit. The copy of the spreadsheet could be attached to the deposit slip as additional support in the event that the deposit slip does not have enough room to list all the details.

Response - We will stress to employees making deposits that they need to include more information on supporting spreadsheets.

Conclusion - Response accepted

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-14 Certified Budget - District disbursements for the year ended June 30, 2014 did not exceed the amount budgeted.

- II-B-14 Questionable Disbursements - We noted during our audit that the District purchased vases for retirement gifts. Giving retirement gifts does not appear to meet public purpose as defined in an Attorney General's opinion dated April 25, 1979.

Recommendation - The District should review the procedures in place, and make necessary adjustments to comply.

Response - The Board of Education is reviewing a Public Use Policy that will give parameters for expenses of non-essential costs that serve a purpose in meeting the goals of the school district.

Conclusion - Response accepted.

II-C-14 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

However we did note instances of expenses on the District credit cards not being supported by detailed receipts. Board policy 401.16 states that “Employees and officers using a school district credit card must submit a detailed receipt in addition to a credit card receipt indicating the date, purpose, and nature of the expense for each claim item. Failure to provide a proper receipt shall make the employee responsible for expenses incurred.”

Recommendation - The District should review Board Policy 401.16 with employees to ensure compliance.

Response - We will strictly enforce the itemized receipts and make employees responsible for expenses incurred without an itemized receipt

Conclusion - Response accepted.

II-D-14 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Scott Bohle, Board Member Co-owner of Bohle Construction	Snow Removal, per bid Construction work	\$ 4,358 566 <u>\$ 4,924</u>

In accordance with Chapter 279.7A of the Code of Iowa, the transactions with the Board Member does not appear to be a conflict of interest.

II-E-14 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-14 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

II-G-14 Certified Enrollment - We noted no variances regarding the basic enrollment data certified to the Department of Education.

II-H-14 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

II-I-14 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

II-J-14 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.

II-K-14 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

II-L-14 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.3 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 Reports (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2014, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 453,878
Revenues:		
Sales tax revenues	\$ 404,403	
Other local revenues	733	405,136
		<u>859,014</u>
Expenditures/transfers out:		
School infrastructure construction	\$ 187,582	
Other	23,419	
Transfer to other funds:		
Debt service fund	112,423	323,424
		<u>323,424</u>
Ending balance		<u>\$ 535,590</u>

For the year ended June 30, 2014, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

	<u>Rate of Levy Reduction Per \$1000 of Taxable Valuation</u>	<u>Property Tax Dollars Reduced</u>
Physical plant and equipment levy	\$ 0.33000	51,700

II-M-14 Checks Outstanding - We noted during our audit that the District had checks included in the bank reconciliations of the activity and lunch funds that have been outstanding for over a year.

Recommendation - The District needs to determine if the checks need to be voided, reissued or submitted to the State Treasurer as unclaimed property. Per Chapter 556.1(10) and 556.11 of the Code of Iowa the District is required to report unclaimed property to the State Treasurer annually before November 1st

Response - The District does submit unclaimed property to the State Treasurer according to their guidelines and checks are reissued or voided when appropriate.

Conclusion - Response accepted.