

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

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

June 30, 2012

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Independent Auditor's Report

To the Board of Education of
Pocahontas Area Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Pocahontas Area Community School District, Pocahontas, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Pocahontas Area Community School District as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our reports dated July 1, 2013, on our consideration of Pocahontas Area Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contract and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 13 and 41 through 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Pocahontas Area Community School District's basic financial statements. The financial statements for the eight years ended June 30, 2011, (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 7, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

July 1, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2012 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$6,516,549 in fiscal 2011 to \$6,551,246 in fiscal 2012, while General Fund expenditures increased from \$5,917,366 in fiscal 2011 to \$6,310,764 in fiscal 2012. The District's General Fund balance increased from \$1,361,248 in fiscal 2011 to \$1,601,730 in fiscal 2012, a 18% increase.
- The fiscal year 2012 increase in General Fund revenues is attributable to increases in property tax and state grant revenue. The increase in expenditures was due primarily to increases in collective bargaining costs. The District was able to increase the carryover fund balance by cutting expenditures while increasing General Fund revenue for fiscal 2012.

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

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

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Pocahontas 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 Pocahontas 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 Pocahontas Community School District acts solely as an agent or custodian for the benefit of those outside of District government.

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the nonmajor funds.

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

Figure A-1
Pocahontas Community School District Annual Financial Report

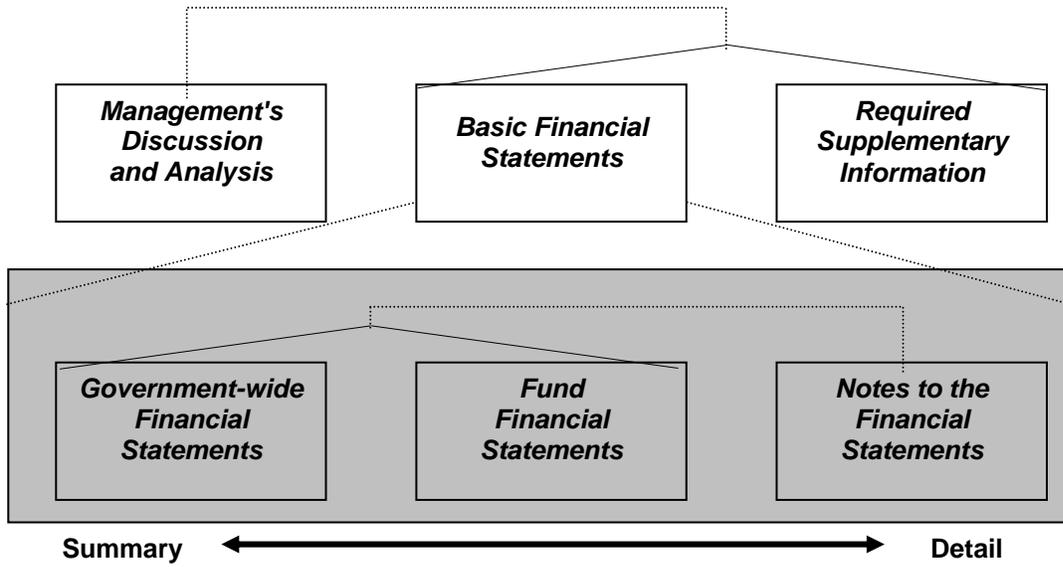


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and day care	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust Fund and Agency Funds.

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Funds – These are funds through which the District administers and accounts for certain federal and/or state grants as a fiscal agent.

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2012 compared to June 30, 2011.

Figure A-3

	Condensed Statement of Net Assets						Percentage Change 2011-2012 %
	Governmental Activities		Business-type Activities		Total School District		
	2011	2012	2011	2012	2011	2012	
	\$	\$	\$	\$	\$	\$	
Current and other assets	10,211,711	5,953,712	120,787	98,451	10,332,498	6,052,163	-41%
Capital assets	11,494,823	12,025,825	9,581	13,120	11,504,404	12,038,945	5%
Total assets	21,706,534	17,979,537	130,368	111,571	21,836,902	18,091,108	-17%
Long-term liabilities	10,428,768	9,933,358	-	2,563	10,428,768	9,935,921	-5%
Other liabilities	4,604,456	956,237	9,591	38,139	4,614,047	994,376	-78%
Total liabilities	15,033,224	10,889,595	9,591	40,702	15,042,815	10,930,297	-27%
Net Assets:							
Invested in capital assets, net of related debt	1,299,823	3,231,057	9,581	13,120	1,309,404	3,244,177	148%
Restricted	3,960,149	2,187,106	-	-	3,960,149	2,187,106	-45%
Unrestricted	1,413,338	1,671,779	111,196	57,749	1,524,534	1,729,528	13%
TOTAL NET ASSETS	6,673,310	7,089,942	120,777	70,869	6,794,087	7,160,811	5%

The District's combined total net assets increased by nearly 5%, or \$366,724, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased \$1,773,043 or 45% less than the prior year. The decrease was primarily a result of payments made on the new HS/MMS building.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately \$204,994, or 13%. This increase in unrestricted net assets was a result of the District implementing cost containment measures.

Figure A-4 shows the change in net assets for the years ended June 30, 2012 and 2011.

Figure A-4

	Change in Net Assets						Percentage Change 2011-2012 %
	Governmental Activities		Business-type Activities		Total School District		
	2011 \$	2012 \$	2011 \$	2012 \$	2011 \$	2012 \$	
Revenues							
Program Revenues:							
Charges for services	705,017	1,050,774	328,622	424,328	1,033,639	1,475,102	43%
Operating grants & contributions	1,673,092	873,245	164,592	244,129	1,837,684	1,117,374	-39%
Capital grants & contributions	-	-	-	-	-	-	-
General Revenues:							
Property taxes	3,459,849	3,638,557	-	-	3,459,849	3,638,557	5%
Income surtax	200,788	231,968	-	-	200,788	231,968	16%
Statewide sales, services and use tax	321,163	385,310	-	-	321,163	385,310	20%
Unrestricted state grants	1,610,241	1,970,579	-	-	1,610,241	1,970,579	22%
Unrestricted investment earnings	11,175	29,507	-	175	11,175	29,682	166%
Other revenue	67,068	8,493	-	4,820	67,068	13,313	-80%
Total Revenues	8,048,393	8,188,433	493,214	673,452	8,541,607	8,861,885	4%
Expenses:							
Instruction	4,238,340	4,504,222	-	-	4,238,340	4,504,222	6%
Support services	1,653,563	2,213,957	-	-	1,653,563	2,213,957	34%
Non-instructional programs	-	-	466,372	723,360	466,372	723,360	55%
Other expenditures	1,222,092	936,338	-	-	1,222,092	936,338	-23%
Total expenses	7,113,995	7,654,517	466,372	723,360	7,580,367	8,377,877	11%
CHANGE IN NET ASSETS	934,398	533,916	26,842	(49,908)	961,240	484,008	-50%
Net assets beginning of year	5,738,912	6,673,310	93,935	120,777	5,832,847	6,794,087	16%
Net assets end of year	6,673,310	7,207,226	120,777	70,869	6,794,087	7,278,095	7%

In fiscal year 2012 property tax and unrestricted state grants account for 63% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 80% of the total expenses.

As shown in figure A-4, the District as a whole experienced a 4% increase in revenues and a 11% increase in expenses. Property tax increased \$178,708 to fund increases in expenses. The increases in expenses related to increases in the negotiated salaries and benefits.

Governmental Activities

Revenues for governmental activities were \$8,188,433 and expenses were \$7,654,517. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

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

Figure A-5

	Total Cost of Services			Net Cost of Services		
	2011	2012	Percent Change 2011-2012	2011	2012	Percent Change 2011-2012
	\$	\$	%	\$	\$	%
Instruction	4,238,340	4,504,222	6%	2,230,644	2,832,128	27%
Support Services	1,653,563	2,213,957	34%	1,600,711	2,181,228	36%
Other Expenses	1,222,092	936,338	-23%	904,531	717,142	-21%
TOTAL	7,113,995	7,654,517	8%	4,735,886	5,730,498	21%

For the year ended June 30, 2012

- The cost financed by users of the District’s programs was \$1,050,774. Most of these revenues are derived from tuition charged to other school districts and from student activities.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$873,245.
- The net cost of governmental activities was financed with \$4,255,835 in property and local other taxes and \$1,970,579 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$673,452 and expenses were \$723,360. The District’s business type activities include the School Nutrition Fund and the Day Care Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

The Discovery Daycare Center was established in 2008 as part of a 28E agreement with the city of Pocahontas and the Pocahontas Community Hospital. There is no financial responsibility on the part of the school.

INDIVIDUAL FUND ANALYSIS

As previously noted, Pocahontas Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$4,688,454, below last year’s ending fund balances of \$5,183,035. This is the result of the continuation of an \$10.89 million construction project which will be completed during the next fiscal year.

Governmental Fund Highlights

- The District’s increasing General Fund financial position is the result of many factors. Growth during the year in tax and grants resulted in an increase in revenues.
- The General Fund balance increased from \$1,361,248 to \$1,601,730, due in part increased property taxes, cost containment measures and state sharing incentives.

- The Capital Projects Fund balance decreased as a result of the District continuing work on the new building addition project. The District ended fiscal 2011 with a balance of \$1,361,248 as a result of preliminary project costs. Fiscal 2012 ended with a balance of \$1,601,730, consisting primarily of unexpended bond proceeds which will be expended as the project is completed.

Proprietary Fund Highlights

School Nutrition Fund net assets decreased from \$62,285 at June 30, 2011 to \$51,020 at June 30, 2012, representing a decrease of 18%. Healthier food options have been incorporated into the menu selections resulting in increased expenditures.

The Day Care Fund balance decreased from \$58,492 at June 30, 2011 to \$19,849 at June 30, 2012. This decrease resulted primarily from increases in staff wages and benefits without any increases in tuition combined with a decline in the number of children being served.

BUDGETARY HIGHLIGHTS

The District's receipts were \$591,996 less than budgeted receipts, a variance of 7%. The most significant variance resulted from the District receiving less in state aid than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures 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.

In spite of the District's budgetary practice, the certified budget was exceeded in the non-instructional and other expenditures functional areas due to the timing of disbursements paid at year-end without sufficient time to amend the certified budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, the District had invested \$12 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 5% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$503,518.

Figure A-6

Capital Assets (net of depreciation)

	Governmental		Business type		Total		Percentage Change 2011-2012
	Activities		Activities		School District		
	2011	2012	2011	2012	2011	2012	
	\$	\$	\$	\$	\$	\$	%
Land	153,862	153,862	-	-	153,862	153,862	0%
Buildings	10,541,812	10,893,862	-	-	10,541,812	10,893,862	3%
Improvements	283,269	393,207	-	-	283,269	393,207	39%
Equipment & furniture	515,880	584,894	9,581	13,120	525,461	598,014	14%
TOTAL	11,494,823	12,025,825	9,581	13,120	11,504,404	12,038,945	5%

Long-Term Debt

The voters of the District approved a \$10.89 Million bond issue in December, 2008 for the construction of a major addition to the existing middle school/high school. This will be paid off over the next twenty years beginning in June of 2010.

At June 30, 2012 the District had \$9,933,358 in general obligation, revenue and other long-term debt outstanding. This represents a decrease of approximately 5% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

The District continues to carry a bond rating of (A3) assigned by national rating agencies to the District's debt since 2009.

Figure A-7

Outstanding Long-Term Obligations

	Total School District		Percentage Change 2011-2012
	2011	2012	
	\$	\$	%
General obligation bonds	10,195,000	9,825,000	-4%
USDA Rural Development Loan	180,000	-	-100%
Early retirement	34,776	26,822	-22%
Net OPEB liability	53,768	81,536	52%
	<u>10,463,544</u>	<u>9,933,358</u>	<u>-5%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The District has evaluated the condition of its transportation vehicles and determined, due to safety precautions, two buses must be replaced during fiscal 2013 at a cost of \$180,000. To pay for these buses, the District will use a combination of resources from the Physical Plant and Equipment Levy Fund.
- Fiscal 2013 is the first year reorganization with Pomeroy-Palmer. The District's negotiated agreement for fiscal 2013 with the Pocahontas Area Education Association resulted in a larger settlement than normal in

order to bring the Pomeroy-Palmer staff onto the PAC salary schedule. Settlements in excess of “new money” or allowable growth in state funding will have an adverse effect on the District’s General Fund budget and related fund balance.

- The reorganization will also result in an increase in fund balances as the assets of Pomeroy-Palmer are incorporated into the financial statements of Pocahontas Area.

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 Diane Pattee, District Secretary/Treasurer and Business Manager Pocahontas Area Community School District, 202 1st Ave. SW, Pocahontas, IA 50574.

BASIC FINANCIAL STATEMENTS

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2012

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and cash equivalents:			
Other	5,134,359	72,093	5,206,452
Receivables:			
Property tax:			
Delinquent	35,815	-	35,815
Income surtax-succeeding year	227,364	-	227,364
Other	12,256	4,452	16,708
Accrued interest:			
Other	2,612	-	2,612
Due from other governments	541,306	13,322	554,628
Inventories	-	8,584	8,584
Capital assets, net of accumulated depreciation	<u>12,025,825</u>	<u>13,120</u>	<u>12,038,945</u>
Total assets	<u>17,979,537</u>	<u>111,571</u>	<u>18,091,108</u>
Liabilities			
Accounts payable	858,454	15,405	873,859
Salaries and benefits payable	29,610	19,559	49,169
Accrued interest payable	68,173	-	68,173
Deferred revenue:			
Other	-	3,175	3,175
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	390,000	-	390,000
Termination benefits	21,706	-	21,706
Portion due after one year:			
General obligation bonds payable	9,435,000	-	9,435,000
Termination benefits	5,116	-	5,116
Net OPEB liability	<u>81,536</u>	<u>2,563</u>	<u>84,099</u>
Total liabilities	<u>10,889,595</u>	<u>40,702</u>	<u>10,930,297</u>

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2012

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Net assets			
Invested in capital assets, net of related debt	3,231,057	13,120	3,244,177
Restricted for:			
Categorical funding	46,651	-	46,651
Employee benefits	149,830	-	149,830
Management levy	326,884	-	326,884
Student activities	104,511	-	104,511
Physical plant and equipment levy purposes	157,660	-	157,660
School infrastructure	1,401,570	-	1,401,570
Unrestricted	1,671,779	57,749	1,729,528
Total net assets	<u>7,089,942</u>	<u>70,869</u>	<u>7,160,811</u>

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2012

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	2,767,985	587,246	491,419	-
Special	715,205	213,971	28,078	-
Other	1,021,032	248,025	103,355	-
	<u>4,504,222</u>	<u>1,049,242</u>	<u>622,852</u>	<u>-</u>
Support services:				
Student	186,361	-	-	-
Instructional staff	186,221	-	-	-
Administration	838,188	-	-	-
Operation and maintenance of plant	582,458	1,532	-	-
Transportation	420,729	-	31,197	-
	<u>2,213,957</u>	<u>1,532</u>	<u>31,197</u>	<u>-</u>
Other expenditures:				
Long-term debt interest	421,872	-	-	-
AEA flowthrough	219,196	-	219,196	-
Depreciation (unallocated)*	295,270	-	-	-
	<u>936,338</u>	<u>-</u>	<u>219,196</u>	<u>-</u>
Total governmental activities	<u>7,654,517</u>	<u>1,050,774</u>	<u>873,245</u>	<u>-</u>
Business type activities:				
Non-instructional programs:				
Food service operations	467,589	207,273	244,129	-
Daycare	255,771	217,055	-	-
Total business-type activities	<u>723,360</u>	<u>424,328</u>	<u>244,129</u>	<u>-</u>
Total	<u>8,377,877</u>	<u>1,475,102</u>	<u>1,117,374</u>	<u>-</u>
General Revenues:				
Property taxes levied for:				
General purposes				
Debt service				
Capital outlay				
Income surtax				
Statewide sales, services and use tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				

Change in net assets

Net assets beginning of year

Net assets end of year

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

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$	\$	\$
(1,689,320)	-	(1,689,320)
(473,156)	-	(473,156)
(669,652)	-	(669,652)
<u>(2,832,128)</u>	<u>-</u>	<u>(2,832,128)</u>
(186,361)	-	(186,361)
(186,221)	-	(186,221)
(838,188)	-	(838,188)
(580,926)	-	(580,926)
(389,532)	-	(389,532)
<u>(2,181,228)</u>	<u>-</u>	<u>(2,181,228)</u>
(421,872)	-	(421,872)
-	-	-
(295,270)	-	(295,270)
<u>(717,142)</u>	<u>-</u>	<u>(717,142)</u>
<u>(5,730,498)</u>	<u>-</u>	<u>(5,730,498)</u>
-	(16,187)	(16,187)
-	(38,716)	(38,716)
-	(54,903)	(54,903)
<u>(5,730,498)</u>	<u>(54,903)</u>	<u>(5,785,401)</u>
2,805,377	-	2,805,377
594,670	-	594,670
238,510	-	238,510
231,968	-	231,968
385,310	-	385,310
1,970,579	-	1,970,579
29,507	175	29,682
8,493	4,820	13,313
<u>6,264,414</u>	<u>4,995</u>	<u>6,269,409</u>
533,916	(49,908)	484,008
<u>6,673,310</u>	<u>120,777</u>	<u>6,794,087</u>
<u>7,207,226</u>	<u>70,869</u>	<u>7,278,095</u>

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2012

	General	Capital Projects	Debt Service	Nonmajor	Total
	\$	\$	\$	\$	\$
Assets					
Cash and pooled investments	1,128,182	3,353,940	33,277	471,304	4,986,703
Receivables:					
Property tax:					
Delinquent	26,150	2,314	5,768	1,583	35,815
Income surtax-succeeding year	227,364	-	-	-	227,364
Accrued interest - other	2,612	-	-	-	2,612
Interfund receivable	180,000	-	-	-	180,000
Due from other governments	469,302	72,004	-	-	541,306
Other	3,611	3,588	-	2,883	10,082
	<u>2,037,221</u>	<u>3,431,846</u>	<u>39,045</u>	<u>475,770</u>	<u>5,983,882</u>
Total assets					
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	178,517	662,384	-	17,553	858,454
Salaries and benefits payable	29,610	-	-	-	29,610
Interfund payable	-	180,000	-	-	180,000
Deferred revenue:					
Income surtax	227,364	-	-	-	227,364
Total liabilities	<u>435,491</u>	<u>842,384</u>	<u>-</u>	<u>17,553</u>	<u>1,295,428</u>
Fund balances:					
Restricted for:					
Categorical funding	46,651	-	-	-	46,651
Debt service	-	-	39,045	-	39,045
Management levy	-	-	-	353,706	353,706
Student activities	-	-	-	104,511	104,511
School infrastructure	-	2,431,802	-	-	2,431,802
Physical plant and equipment	-	157,660	-	-	157,660
Unassigned	1,555,079	-	-	-	1,555,079
Total fund balances	<u>1,601,730</u>	<u>2,589,462</u>	<u>39,045</u>	<u>458,217</u>	<u>4,688,454</u>
Total liabilities and fund balances	<u>2,037,221</u>	<u>3,431,846</u>	<u>39,045</u>	<u>475,770</u>	<u>5,983,882</u>

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

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

June 30, 2012

\$

Total fund balances of governmental funds (Exhibit C)	4,688,454
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*Amounts reported for governmental activities in the
Statement of Net Assets are different because:*

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	12,025,825
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Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	227,364
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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.	(68,173)
--	----------

An internal service fund is used by the District's management to charge the costs of the self-funded health insurance program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.	149,830
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Long-term liabilities, including bonds payable, termination benefits, and other post employment benefits payable, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(9,933,358)</u>
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Net assets of governmental activities (Exhibit A)	<u><u>7,089,942</u></u>
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POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2012

	General	Capital Projects	Debt Service	Nonmajor	Total
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	2,876,100	623,820	594,670	160,104	4,254,694
Tuition	618,306	-	-	-	618,306
Other	213,562	18,032	-	238,874	470,468
State sources	2,662,959	131	326	89	2,663,505
Federal sources	180,319	-	-	-	180,319
Total revenues	<u>6,551,246</u>	<u>641,983</u>	<u>594,996</u>	<u>399,067</u>	<u>8,187,292</u>
Expenditures:					
Current:					
Instruction:					
Regular	2,564,567	-	-	18,612	2,583,179
Special	711,787	-	-	-	711,787
Other	784,252	-	-	235,498	1,019,750
	<u>4,060,606</u>	<u>-</u>	<u>-</u>	<u>254,110</u>	<u>4,314,716</u>
Support services:					
Student	184,515	-	-	-	184,515
Instructional staff	185,794	-	-	-	185,794
Administration	821,188	7,500	-	-	828,688
Operation and maintenance of plant	472,881	-	-	101,917	574,798
Transportation	366,584	-	-	-	366,584
	<u>2,030,962</u>	<u>7,500</u>	<u>-</u>	<u>101,917</u>	<u>2,140,379</u>
Other expenditures:					
Facilities acquisition	-	1,033,243	-	-	1,033,243
Long-term debt:					
Principal	-	-	550,000	-	550,000
Interest and fiscal charges	-	-	424,339	-	424,339
AEA flowthrough	219,196	-	-	-	219,196
	<u>219,196</u>	<u>1,033,243</u>	<u>974,339</u>	<u>-</u>	<u>2,226,778</u>
Total expenditures	<u>6,310,764</u>	<u>1,040,743</u>	<u>974,339</u>	<u>356,027</u>	<u>8,681,873</u>
Excess (deficiency) of revenues over (under) expenditures	<u>240,482</u>	<u>(398,760)</u>	<u>(379,343)</u>	<u>43,040</u>	<u>(494,581)</u>

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2012

	<u>General</u>	<u>Capital</u>	<u>Debt</u>	<u>Nonmajor</u>	<u>Total</u>
	\$	\$	\$	\$	\$
Other financing sources (uses):					
Operating transfers in	-	1,720,019	380,000	-	2,100,019
Operating transfers out	-	(2,100,019)	-	-	(2,100,019)
Total other financing sources (uses)	-	(380,000)	380,000	-	-
Net change in fund balances	240,482	(778,760)	657	43,040	(494,581)
Fund balances beginning of year	<u>1,361,248</u>	<u>3,368,222</u>	<u>38,388</u>	<u>415,177</u>	<u>5,183,035</u>
Fund balances end of year	<u><u>1,601,730</u></u>	<u><u>2,589,462</u></u>	<u><u>39,045</u></u>	<u><u>458,217</u></u>	<u><u>4,688,454</u></u>

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2012

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		(494,581)
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 outlay expenditures and depreciation expense in the year are as follows:		
Expenditures for capital assets	1,033,239	
Depreciation expense	<u>(502,237)</u>	531,002
Income surtaxes and receivables not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the statement of activities.		
		1,141
Repayment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		
		550,000
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.		
		2,467
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 funds, as follows:		
Termination benefits	\$ (26,822)	
Other postemployment benefits	<u>(27,768)</u>	(54,590)
An internal service fund is used by the District's management to charge the costs of the self-funded health insurance program to the individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities.		
		<u>(1,523)</u>
Changes in net assets of governmental activities (Exhibit B)		<u><u>533,916</u></u>

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2012

	Enterprise Funds			Governmental Activities - Internal Service Fund
	Major School Nutrition	Nonmajor Day Care	Total	
	\$	\$	\$	\$
Assets				
Cash and cash equivalents	38,088	34,005	72,093	147,656
Accounts receivable	4,452	-	4,452	2,174
Due from other governments	13,322	-	13,322	-
Inventories	8,584	-	8,584	-
Capital assets, net of accumulated depreciation	13,120	-	13,120	-
Total assets	77,566	34,005	111,571	149,830
Liabilities				
Accounts payable	15,405	-	15,405	-
Salaries and benefits payable	5,403	14,156	19,559	-
Deferred revenue	3,175	-	3,175	-
Net OPEB liability	2,563	-	2,563	-
Total liabilities	26,546	14,156	40,702	-
Net assets				
Invested in capital assets	13,120	-	13,120	-
Reserved for employee benefits	-	-	-	149,830
Unrestricted	37,900	19,849	57,749	-
Total net assets	51,020	19,849	70,869	149,830

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2012

	Enterprise Funds			Governmental Activities - Internal Service Fund
	Major School Nutrition \$	Nonmajor Day Care \$	Total \$	
Operating revenue:				
Local sources:				
Charges for service	207,273	217,055	424,328	707,851
Operating expenses:				
Non-instructional programs:				
Salaries	114,621	168,508	283,129	-
Benefits	58,560	25,490	84,050	709,374
Purchased services	-	13,964	13,964	-
Supplies	291,332	47,809	339,141	-
Depreciation	1,281	-	1,281	-
Other	1,795	-	1,795	-
Total operating expenses	467,589	255,771	723,360	709,374
Operating income (loss)	(260,316)	(38,716)	(299,032)	(1,523)
Non-operating revenue:				
State sources	3,809	-	3,809	-
Federal sources	240,320	-	240,320	-
Contributions	-	-	-	-
Interest income	102	73	175	-
Total non-operating revenue	244,231	73	244,304	-
Income (loss) before contributions	(16,085)	(38,643)	(54,728)	(1,523)
Capital contributions	4,820	-	4,820	-
Change in net assets	(11,265)	(38,643)	(49,908)	(1,523)
Net assets beginning of year	62,285	58,492	120,777	151,353
Net assets end of year	51,020	19,849	70,869	149,830

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2012

	Enterprise Funds			Governmental Activities - Internal Service Fund
	Major School Nutrition	Nonmajor Day Care	Total	
	\$	\$	\$	\$
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	206,611	-	206,611	705,677
Cash received from daycare services	-	217,055	217,055	-
Cash payments to employees for services	(165,215)	(179,842)	(345,057)	(709,374)
Cash payments to suppliers for goods or services	(277,467)	(61,773)	(339,240)	-
Net cash used by operating activities	<u>(236,071)</u>	<u>(24,560)</u>	<u>(260,631)</u>	<u>(3,697)</u>
Cash flows from non-capital financing activities:				
Loans from (repaid) to other funds				
State grants received	3,809	-	3,809	-
Federal grants received	220,020	-	220,020	-
Net cash provided by non-capital financing activities	<u>223,829</u>	<u>-</u>	<u>223,829</u>	<u>-</u>
Cash flows from capital and related financing activities				
	-	-	-	-
Cash flows from investing activities:				
Interest on investments	102	73	175	-
Net increase (decrease) in cash and cash equivalents	(12,140)	(24,487)	(36,627)	(3,697)
Cash and cash equivalents at beginning of year	50,228	58,492	108,720	149,256
Cash and cash equivalents at end of year	<u>38,088</u>	<u>34,005</u>	<u>72,093</u>	<u>145,559</u>
Reconciliation of operating income (loss) to net cash used by operating activities:				
Operating income (loss)	(260,316)	(38,716)	(299,032)	(1,523)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:				
Commodities used	14,170	-	14,170	-
Depreciation	1,281	-	1,281	-
Decrease (increase) in inventories	(4,324)	-	(4,324)	-
Decrease (increase) in accounts receivable	(3,837)	-	(3,837)	(2,174)
(Decrease) increase in accounts payable	5,814	-	5,814	-
(Decrease) increase in salaries and benefits payable	5,403	14,156	19,559	-
(Decrease) increase in deferred revenue	3,175	-	3,175	-
(Decrease) increase in other postemployment benefits	2,563	-	2,563	-
Net cash used by operating activities	<u>(236,071)</u>	<u>(24,560)</u>	<u>(260,631)</u>	<u>(3,697)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2012, the District received \$14,170 of federal commodities.

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2012

	Private Purpose Trust <u>Scholarship</u> \$	<u>Agency</u> \$
Assets		
Cash and pooled investments	9,044	26,555
Liabilities		
Other payables	<u>-</u>	<u>26,555</u>
Net Assets		
Reserved for scholarships	<u><u>9,044</u></u>	<u><u>-</u></u>

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2012

	Private Purpose Trust Scholarship
	<u>\$</u>
Additions:	
Local sources:	
Interest	<u>110</u>
Deductions:	
Instruction:	
Scholarships awarded	<u>500</u>
Change in net assets	(390)
Net assets beginning of year	<u>9,434</u>
Net assets end of year	<u><u>9,044</u></u>

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2012

1. Summary of Significant Accounting Policies

Pocahontas Area Community School District is a political subdivision of the State of Iowa and provides public education for children in grades kindergarten through twelve. The geographic area served includes the Cities of Pocahontas, Rolfe, Havelock & Plover, Iowa and the predominately agricultural territory in a portion of Pocahontas and Palo Alto Counties. 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, Pocahontas Area 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 Pocahontas Area Community School District has no component units that meet the Governmental Accounting Standards Board criteria.

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

B. Basis of Presentation

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

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

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

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

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have 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 clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions, and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

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

The District reports the following major governmental funds:

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

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

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

The District's internal service fund is also reported as a proprietary fund. The internal service fund is used to account for the District's self-insured health insurance plan.

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

The Private-Purpose Trust Fund is used to account for assets held by the District under trust agreements, which require income earned to be used to benefit individuals through scholarship awards.

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds became due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2010 assessed property valuations; is for the tax accrual period July 1, 2011, through June 30, 2012, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2011.

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

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

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

<u>Asset Class</u>	<u>Amount</u>
	\$
Land	1,000
Buildings	10,000
Improvements other than buildings	1,000
Intangibles	50,000
Furniture and equipment:	
School Nutrition Fund equipment	1,000
Other furniture and equipment	1,000

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Intangibles	5-10 years
Furniture and equipment	5-15 years

The District's collection of library books and other similar materials are not capitalized. These collections are unencumbered, held for public exhibition and education, protected, cared for and preserved and subject to District policy that requires proceeds from the sale of these items, if any, to be used to acquire other collection items.

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

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of unspent grant proceeds, amounts received in advance for meal sales and succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

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

Fund Equity – In the governmental fund financial statements fund balances are classified as follows

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

Unassigned – All amounts not included in other classifications.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012, expenditures in the non-instruction and other expenditures functions exceeded the amounts budgeted.

2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2012, the District had investments in the Iowa Schools Joint Investment Trust. Which are valued at an amortized cost of \$1,075,296 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk: The investment in the Iowa Schools Joint Investment Trust was rated AAAM by Standard & Poor's Financial Services.

3. Interfund Receivables and Payables

The detail of interfund receivables and payables at June 30, 2012 is as follows:

Receivable Fund	Payable Fund	Amount
		\$
General Fund	Physical Plant and Equipment Levy	180,000

Funds were loaned for purpose of debt service payments.

4. Interfund Transfers

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

Transfer To	Transfer From	Amount
		\$
Debt Service	PPEL	180,000
Debt Service	Capital Projects-Lost	200,000

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

5. Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Land	153,862	-	-	153,862
Capital assets being depreciated:				
Buildings	13,038,348	625,324	-	13,663,672
Improvements other than buildings	627,322	131,934	-	759,256
Furniture and equipment	3,296,939	275,981	-	3,572,920
Total capital assets being deprec.	<u>16,962,609</u>	<u>1,033,239</u>	-	<u>17,995,848</u>

Less accumulated depreciation for:				
Buildings	2,496,536	273,274	-	2,769,810
Improvements other than buildings	344,053	21,996	-	366,049
Furniture and equipment	<u>2,781,059</u>	<u>206,967</u>	-	<u>2,988,026</u>
Total accumulated depreciation	<u>5,621,648</u>	<u>502,237</u>	-	<u>6,123,885</u>
Total capital assets being depreciated, net	<u>11,340,961</u>	<u>531,002</u>	-	<u>11,871,963</u>
Governmental activities capital assets, net	<u>11,494,823</u>	<u>531,002</u>	-	<u>12,025,825</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	47,409	4,820	-	52,229
Less accumulated depreciation	<u>37,828</u>	<u>1,281</u>	-	<u>39,109</u>
Business type activities capital assets, net	<u>9,581</u>	<u>3,539</u>	-	<u>13,120</u>

Depreciation expense was charged to the following functions:

	<u>Amount</u>
	\$
Governmental activities:	
Instruction:	
Regular	138,515
Support services:	
Student services	992
Administration services	7,791
Operation and maintenance of plant services	5,524
Transportation	<u>54,145</u>
	206,967
Unallocated depreciation	<u>295,270</u>
Total depreciation expense – governmental activities	<u>502,237</u>
Business type activities:	
Food services	<u>1,281</u>

6. Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Governmental activities:					
General obligation bonds	10,195,000	-	370,000	9,825,000	390,000
USDA rural development loan	180,000	-	180,000	-	-
Termination benefits	34,776	10,000	17,954	26,822	21,706
Net OPEB liability	53,768	27,768	-	81,536	-
Total	10,463,544	37,768	567,954	9,933,358	411,706

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Business type activities:					
Net OPEB liability	-	2,563	-	2,563	-

Termination Benefits

The District approved a voluntary early retirement plan for employees. The plan was only offered to employees for one year. Eligible employees must have completed at least fifteen years of full-time service to the District and must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commences. The application for early retirement is subject to approval by the Board of Education and no more than five employees per year will be granted benefits under the policy.

At June 30, 2012, the District has obligations to three participants with a total liability of \$26,822. Actual early retirement expenditures for the year ended June 30, 2012 totaled \$17,954.

General Obligation Bonds

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

Year Ending June 30,	Bond Issue of May, 2009			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2013	4.00	390,000	409,039	799,039
2014	4.00	405,000	393,439	798,439
2015	4.00	425,000	377,239	802,239
2016	4.00	445,000	360,239	805,239
2017	4.00	470,000	342,439	812,439
2018-2022	4.00	2,695,000	1,412,594	4,107,594
2023-2027	4.15-4.375	3,400,000	806,673	4,206,673
2028-2029	4.40-4.50	1,595,000	107,670	1,702,670
		<u>9,825,000</u>	<u>4,209,332</u>	<u>14,034,332</u>

7. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits that are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 5.38% of their annual salary and the District is required to contribute 8.07% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2012, 2011, and 2010 were \$298,737, \$257,559, and \$247,598 respectively, equal to the required contributions for each year.

8. Risk Management

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

9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$219,196 for the year ended June 30, 2012 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

10. Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 200 active and 12 retired members in the plan. Participants must be age 55 or older at retirement.

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

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

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

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

	\$
Annual required contribution	47,665
Interest on net OPEB obligation	1,344
Adjustment to annual required contribution	<u>(4,093)</u>
Annual OPEB cost	44,916
Contributions made	<u>14,585</u>
Increase in net OPEB obligation	30,331
Net OPEB obligation beginning of year	<u>53,768</u>
Net OPEB obligation end of year	<u>84,099</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2012.

For the year ended June 30, 2012, the District contributed \$14,585 to the medical plan. Plan members eligible for benefits contributed \$59,508, or 100% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2012 are summarized as follows:

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
	\$	%	\$
2010	42,756	37.4	26,774
2011	42,535	36.5	53,768
2012	44,916	32.5	84,099

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$376,589, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$376,589. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,770,000, and the ratio of the UAAL to covered payroll was 10%. As of June 30, 2012, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 2009 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions includes a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from information provided by the district.

The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

11. Categorical Funding

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

<u>Program</u>	<u>Amount</u>
	\$
Teacher salary supplement	32,899
Market factor	7,933
Educator quality, professional development	5,819
	<u>46,651</u>

REQUIRED SUPPLEMENTARY INFORMATION

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year ended June 30, 2012

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$		\$	\$
Revenues:						
Local sources	5,343,468	424,503	5,767,971	5,836,206	5,836,206	(68,235)
State sources	2,663,505	3,809	2,667,314	3,301,714	3,301,714	(634,400)
Federal sources	180,319	240,320	420,639	310,000	310,000	110,639
Total revenues	<u>8,187,292</u>	<u>668,632</u>	<u>8,855,924</u>	<u>9,447,920</u>	<u>9,447,920</u>	<u>(591,996)</u>
Expenditures/Expenses:						
Instruction	4,314,716	-	4,314,716	5,978,689	5,978,689	1,663,973
Support services	2,140,379	-	2,140,379	2,860,000	2,860,000	719,621
Non-instructional programs	-	723,360	723,360	623,034	623,034	(100,326)
Other expenditures	2,226,778	-	2,226,778	1,587,618	1,587,618	(639,160)
Total expenditures/expenses	<u>8,681,873</u>	<u>723,360</u>	<u>9,405,233</u>	<u>11,049,341</u>	<u>11,049,341</u>	<u>1,644,108</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	(494,581)	(54,728)	(549,309)	(1,601,421)	(1,601,421)	1,052,112
Other financing sources (uses) net	-	4,820	4,820	325,000	325,000	(320,180)
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures/expenses	(494,581)	(49,908)	(544,489)	(1,276,421)	(1,276,421)	731,932
Balance beginning of year	<u>5,183,035</u>	<u>120,777</u>	<u>5,303,812</u>	<u>1,045,189</u>	<u>1,045,189</u>	<u>4,258,623</u>
Balance end of year	<u>4,688,454</u>	<u>70,869</u>	<u>4,759,323</u>	<u>(231,232)</u>	<u>(231,232)</u>	<u>4,990,555</u>

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2012

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by the fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District did not amend their budget.

During the year ended June 30, 2012, expenditures in the non-instructional and other expenditures functions exceeded the amounts budgeted.

POCAHONTAS AREA 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	-	433,200	433,200	0.0%	3,980,000	10.9%
2011	July 1, 2009	-	414,109	414,109	0.0%	3,827,000	10.8%
2012	July 1, 2009		376,589	376,589	0.0%	3,770,000	10.0%

See Note 10 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

SUPPLEMENTARY INFORMATION

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2012

Assets	<u>Special Revenue Funds</u>		<u>Total</u>
	<u>Management Levy</u>	<u>Student Activity</u>	
	\$	\$	\$
Cash and pooled investments	363,416	107,888	471,304
Receivables:			
Property tax:			
Delinquent	1,583	-	1,583
Succeeding year	-	-	-
Other receivable	412	2,471	2,883
	<u>365,411</u>	<u>110,359</u>	<u>475,770</u>
	<u><u>365,411</u></u>	<u><u>110,359</u></u>	<u><u>475,770</u></u>
Liabilities & Fund Balances			
Liabilities:			
Accounts payable	11,705	5,848	17,553
	<u>11,705</u>	<u>5,848</u>	<u>17,553</u>
Fund balances:			
Restricted for:			
Management levy	353,706	-	353,706
Student activities	-	104,511	104,511
Total fund balances	353,706	104,511	458,217
	<u>353,706</u>	<u>104,511</u>	<u>458,217</u>
	<u><u>365,411</u></u>	<u><u>110,359</u></u>	<u><u>475,770</u></u>
	<u><u>365,411</u></u>	<u><u>110,359</u></u>	<u><u>475,770</u></u>

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2012

	Special Revenue Funds		Total
	Management	Student	
	Levy	Activity Fund	
	\$	\$	\$
Revenues:			
Local sources:			
Local tax	160,104	-	160,104
Other	11,140	227,734	238,874
State sources	89	-	89
Total revenues	<u>171,333</u>	<u>227,734</u>	<u>399,067</u>
Expenditures:			
Current:			
Instruction:			
Regular instruction	18,612	-	18,612
Other instruction	-	235,498	235,498
Support services:			
Operation and maintenance of plant services	<u>101,917</u>	<u>-</u>	<u>101,917</u>
Total expenditures	<u>120,529</u>	<u>235,498</u>	<u>356,027</u>
Net change in fund balances	50,804	(7,764)	43,040
Fund balances beginning of year	<u>302,902</u>	<u>112,275</u>	<u>415,177</u>
Fund balances end of year	<u><u>353,706</u></u>	<u><u>104,511</u></u>	<u><u>458,217</u></u>

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Capital Projects Accounts

June 30, 2012

Assets	Capital Projects			
	Construction	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
	\$	\$	\$	\$
Cash and pooled investments	1,692,616	1,325,978	335,346	3,353,940
Receivables:				
Property tax:				
Delinquent	-	-	2,314	2,314
Due from other governments	-	72,004	-	72,004
Other receivables	-	3,588	-	3,588
Total assets	1,692,616	1,401,570	337,660	3,431,846
Liabilities & Fund Balances				
Liabilities:				
Accounts payable	662,384	-	-	662,384
Interfund payables	-	-	180,000	180,000
Total liabilities	<u>662,384</u>	<u>-</u>	<u>180,000</u>	<u>842,384</u>
Fund balances:				
Restricted for:				
School infrastructure	1,030,232	1,401,570	-	2,431,802
Physical plant and equipment	-	-	157,660	157,660
Total fund balances	<u>1,030,232</u>	<u>1,401,570</u>	<u>157,660</u>	<u>2,589,462</u>
Total liabilities and fund balances	1,692,616	1,401,570	337,660	3,431,846

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Capital Project Accounts

Year ended June 30, 2012

	Capital Projects			Total
	Construction	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	-	385,310	238,510	623,820
Other	4,477	12,284	1,271	18,032
State sources	-	-	131	131
Total revenues	<u>4,477</u>	<u>397,594</u>	<u>239,912</u>	<u>641,983</u>
Expenditures:				
Current:				
Support services:				
Administration services	-	-	7,500	7,500
Other expenditures:				
Facilities acquisition	694,264	148,688	190,291	1,033,243
Total expenditures	<u>694,264</u>	<u>148,688</u>	<u>197,791</u>	<u>1,040,743</u>
Excess (deficiency) of revenues over (under) expenditures	(689,787)	248,906	42,121	(398,760)
Other financing sources (uses):				
Operating transfers in	1,720,019	-	-	1,720,019
Operating transfers out	-	(1,920,019)	(180,000)	(2,100,019)
Total other financing sources (uses)	<u>1,720,019</u>	<u>(1,920,019)</u>	<u>(180,000)</u>	<u>(380,000)</u>
Net change in fund balances	1,030,232	(1,671,113)	(137,879)	(778,760)
Fund balances beginning of year	-	3,072,683	295,539	3,368,222
Fund balance end of year	<u>1,030,232</u>	<u>1,401,570</u>	<u>157,660</u>	<u>2,589,462</u>

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2012

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$
Graduated classes	8,427	-	-	8,427
Class of 2010	1,990	-	-	1,990
Class of 2011	1,037	-	213	824
Class of 2012	3,851	40	1,812	2,079
Class of 2013	393	16,906	12,928	4,371
Class of 2014	207	255	170	292
Class of 2015	-	245	170	75
Locker rent	1,680	61	225	1,516
Board of education	1,035	756	865	926
Mock trial	906	605	1,511	-
Juice/water/hs commons	(384)	1,922	1,121	417
Pop/juice-vending	3,116	5,016	7,844	288
Vocal music	1,325	1,534	1,107	1,752
Instrumental music	5,620	4,075	5,189	4,506
Music memorial	530	-	-	530
Band uniforms	1,189	700	88	1,801
Band insurance	686	-	-	686
Drill team	2,295	14,983	16,700	578
Football	847	10,521	9,596	1,772
Cheerleaders	1,156	948	878	1,226
Weight training	437	-	-	437
Golf	-	1,400	1,400	-
Basketball	8,080	11,174	18,300	954
Boys basketball camp	552	456	444	564
Volleyball	443	3,085	3,528	-
Softball/baseball	-	18,137	18,237	(100)
Softball trips	39	-	-	39
Track	-	7,134	7,134	-
Track trip-boys	214	-	150	64
Track trip-girls	2,561	755	350	2,966
Cross country	-	1,532	1,532	-
Wrestling	-	6,680	6,680	-
Activity tickets	1,130	9,740	10,870	-
Activity tickets/senior citizens	1,482	210	170	1,522
Wrestling mothers	9,888	19,356	22,485	6,759
Football camp	51	5,436	4,660	827
Athletic resale	1,067	2,530	2,267	1,330
Volleyball camp	650	1,880	1,042	1,488
Girls basketball camp	3,115	9,349	8,254	4,210

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2012

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$
Cross country special fund	-	766	765	1
Trading post store	1,675	14,830	13,888	2,617
Art club	94	-	59	35
Mystery photo contest	50	-	-	50
Student council	164	-	-	164
Character education	1,690	2,676	2,140	2,226
FFA	9,532	18,831	18,808	9,555
Home ec club	14	-	-	14
Hom ec resale	53	-	-	53
Spanish club	192	-	-	192
Annual	3,191	7,211	9,058	1,344
Softball/baseball combined concessions	5,527	8,995	6,544	7,978
Softball concessions	1,077	846	1,492	431
Baseball concessions	2,488	-	1,364	1,124
Wellness	306	-	61	245
Dramatics	279	1,571	1,107	743
National honor society	536	-	85	451
Baseball mothers	-	282	185	97
Softball parents	190	1,236	1,210	216
Elementary sunshine fund	543	-	429	114
Elementary fundraising	-	437	-	437
Swing choir	450	-	-	450
Mentoring program	45	-	-	45
Task force fund	156	476	476	156
MS concessions	785	-	-	785
Jump rope for heart	3,156	1,635	2,103	2,688
HS take charge for education	2,970	577	251	3,296
Schwig marketing	325	-	-	325
MS take charge for education	320	-	-	320
Carnival	1,826	2,487	934	3,379
After prom party	767	6,496	5,526	1,737
Interest	8,259	961	1,093	8,127
	<u>112,275</u>	<u>227,734</u>	<u>235,498</u>	<u>104,511</u>
Total	<u>112,275</u>	<u>227,734</u>	<u>235,498</u>	<u>104,511</u>

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Fiduciary Assets and Liabilities
Agency Fund

Year ended June 30, 2012

		Balance Beginning of Year	Additions	Deductions	Balance End of Year
		<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
	Assets				
Cash		<u>21,690</u>	<u>30,304</u>	<u>25,439</u>	<u>26,555</u>
	Liabilities				
Accounts payable		<u>21,690</u>	<u>30,304</u>	<u>25,439</u>	<u>26,555</u>

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

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

For the Last Nine Years

	Modified Accrual Basis								
	2012	2011	2010	2009	2008	2007	2006	2005	2004
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues:									
Local sources:									
Local tax	4,254,694	3,979,879	3,447,734	2,775,254	2,698,079	2,741,371	2,860,784	2,427,585	2,517,174
Tuition	618,306	705,017	788,471	322,126	256,959	306,267	299,640	272,844	372,820
Other	470,468	413,720	631,147	387,949	438,379	452,789	474,365	647,988	469,473
State sources	2,663,505	2,463,733	2,399,108	3,057,598	3,131,561	2,892,756	2,977,811	3,044,235	2,770,916
Federal sources	180,319	484,123	471,758	211,396	156,493	195,572	194,882	246,869	208,871
Total revenues	<u>8,187,292</u>	<u>8,046,472</u>	<u>7,738,218</u>	<u>6,754,323</u>	<u>6,681,471</u>	<u>6,588,755</u>	<u>6,807,482</u>	<u>6,639,521</u>	<u>6,339,254</u>
Expenditures:									
Instruction:									
Regular instruction	2,583,179	4,311,814	4,434,402	4,359,888	4,241,245	3,924,140	4,082,812	4,178,727	4,429,520
Special instruction	711,787	-	-	-	-	-	-	-	-
Other instruction	1,019,750	-	-	-	-	-	-	-	-
Support services:									
Student services	184,515	191,528	187,015	200,865	195,476	185,746	210,223	216,071	221,500
Instructional staff services	185,794	121,600	157,527	158,918	182,084	177,872	171,911	263,801	105,627
Administration services	828,688	644,884	627,934	664,608	616,079	702,218	660,310	587,190	599,322
Operation and maintenance	574,798	529,691	563,871	545,936	557,945	529,866	572,294	917,113	502,100
Transportation services	366,584	265,860	285,690	265,195	285,589	320,268	280,330	252,082	297,064
Non-instructional programs	-	-	2,475	1,607	6,037	2,824	4,037	2,790	5,165
Other expenditures:									
Facilities acquisition	1,033,243	6,172,346	3,886,677	592,724	154,854	112,518	359,164	-	182,124
Long-term debt:									
Principal	550,000	535,000	-	-	-	-	-	24,457	54,459
Interest and other charges	424,339	438,038	-	-	-	-	-	612	3,274
AEA flowthrough	219,196	247,984	249,853	234,021	230,198	225,342	219,447	222,156	226,294
Total expenditures	<u>8,681,873</u>	<u>13,458,745</u>	<u>10,395,444</u>	<u>7,023,762</u>	<u>6,469,507</u>	<u>6,180,794</u>	<u>6,560,528</u>	<u>6,664,999</u>	<u>6,626,449</u>

See accompanying independent auditor's report.

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

To the Board of Education of
Pocahontas Area Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Pocahontas Area Community School District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated July 1, 2013. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The management of Pocahontas Area Community School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Pocahontas Area Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Pocahontas Area Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Pocahontas Area Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings and Responses as items 12-I-A, 12-I-B and 12-I-C to be material weaknesses.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Pocahontas Area Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Responses. While we have expressed our conclusions on the District's responses, we did not audit Pocahontas Area Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Pocahontas Area Community School District and other parties to whom Pocahontas Area Community School District may report, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

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

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

July 1, 2013

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

June 30, 2012

Part I: Findings Related to the Financial Statements:

Instances of Noncompliance:

No matters were reported.

Significant Deficiencies:

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

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

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

Conclusion: Response accepted.

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

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

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

Conclusion: Response accepted.

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

June 30, 2012

12-I-C Signature Stamp: We noted that a stamp bearing the signature of the Board President is used to cosign checks. The board secretary, the other co-signer of the checks has access to the stamp. This practice negates the internal control procedure established by requiring two signatures on a check

Recommendation: We recommend that this practice cease. The board may designate a person other than the board president to cosign checks. If a signature stamp is used, it should remain under the control of the person whose name the stamp bears at all times.

District Response: We will discuss methods to limit access to the signature stamp.

Conclusion: Response accepted.

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

June 30, 2012

Part II: Other Findings Related to Statutory Reporting:

12-II-A Certified Budget: Expenditures for the year ended June 30, 2012, exceeded the certified budget amounts budgeted in the non-instructional and other expenditures functions.

Recommendation: The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

District Response: Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion: Response accepted.

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

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

12-II-D Business Transactions: No business transactions between the District and District officials or employees were noted.

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

12-II-F Board Minutes: We noted not all transactions requiring board approval were approved by the board. We also noted that the minutes were not published in a timely manner as required by the Code of Iowa.

Recommendation: Minutes should be published within two weeks of the meeting as required by the Code of Iowa and the board should approve all transactions for all funds

District Response: We will get the minutes to the publisher sooner and present all funds bills to the board monthly.

Conclusion: Response accepted.

12-II-G Certified Enrollment: The number of resident students reported to the Iowa Department of Education at October 2011, was understated by 1.88 students due to open enrolled students out to Laurens Marathon school district.

Recommendation: The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

District Response: We will contact these departments.

Conclusion: Response accepted.

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

June 30, 2012

Part II: Other Findings Related to Statutory Reporting (Continued):

- 12-II-H Supplementary Weighting: No variances regarding supplementary weighting certified to the Department of Education were noted.
- 12-II-I Deposits and Investments: No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- 12-II-J Certified Annual Report: The Certified Annual Report was certified to the Iowa Department of Education timely.
- 12-II-K Categorical Funding: No instances were noted of categorical funding being used to supplant rather than supplement other funds.

According to Iowa Department of Education administrative rules, "Categorical funding shall not be commingled with other funding. School districts shall use a project code and program code as defined by Uniform Financial Accounting." We noted that during the year some categorical funding expenditures were commingled with other General Fund expenditures, then were reclassified as categorical spending at the end of the year.

Recommendation: All categorical funding expenditures should be posted to the correct expenditure accounts as the expenditures are incurred.

Response: We have revised our procedures for identifying categorical expenditures so that they will be coded to the correct expenditure accounts as incurred.

Conclusion: Response accepted.

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

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education for the year ended June 30, 2012, the following information includes the amounts reported for the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2012 audit:

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

June 30, 2012

Part II: Other Findings Related to Statutory Reporting (Continued):

	\$	\$
Beginning balance -adjusted		3,072,683
Revenues/transfers in:		
Statewide sales, services and use tax revenue	385,310	
Other local revenues	<u>12,284</u>	397,594
Expenditures/transfers out:		
School infrastructure construction	1,868,707	
Transfers to debt service fund	<u>200,000</u>	<u>2,068,707</u>
Ending balance		<u><u>1,401,570</u></u>

For the year ended June 30, 2012, the District reduced the following levies as a result of the moneys received under Chapter 423E of 423F of the Code of Iowa:

	Rate of Levy Reduction Per \$1,000 of Taxable Valuation	Property Tax Dollars Reduced
	\$	\$
Debt service levy	.8551	200,000

12-II-M Reclassification of Student Activity Fund Accounts: In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Rule 281-12.6(1), monies in the Student Activity Fund should be used of support only the extracurricular and co-curricular activities offered as part of the District's educational program. A few accounts reported in the Special Revenue, Student Activity Fund do not appear to be extracurricular or co-curricular in nature.

Recommendation: The District should review and reclassify these accounts to the appropriate fund in accordance with the guidelines.

District Response: We will review the activity accounts and make any necessary fund reclassifications.

Conclusion: Response accepted.