

PCM COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2013

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PCM Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Jean Jennings	President	2013
Michele Wilkie	Vice President	2013
John Woestman	Board Member	2013
Mitchell Chipps	Board Member	2015
Greg Ingle	Board Member	2015
Steve Nearmeyer	Board Member	2013
Grant Hjortshoj	Board Member	2013
School Officials		
Jane Babcock	Superintendent	2013
Jeana Van Voorst	District Secretary	2013
Tami Thomas	District Treasurer/ Business Manager	2013
Ahlers & Cooney, P.C.	Attorney	2013

PCM COMMUNITY SCHOOL DISTRICT

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the PCM Community School District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of PCM Community School District, Monroe, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of PCM Community School District as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 42 through 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise PCM Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 6 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 20, 2014 on our consideration of PCM Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering PCM Community School District's internal control over financial reporting and compliance.


NOLTE, CORNMAN & JOHNSON, P.C.

January 20, 2014
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

PCM 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, 2013. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2013 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$10,431,304 in fiscal 2012 to \$10,590,784 in fiscal 2013, while General Fund expenditures increased from \$9,702,647 in fiscal 2012 to \$9,862,718 in fiscal 2013. This resulted in an increase in the District's General Fund balance from a balance of \$1,572,748 in fiscal 2012 to a balance of \$2,300,814 in fiscal 2013, a 46.29% increase from the prior year.
- The increase in General Fund revenues was attributable to increases in local source revenues in fiscal 2013. The increase in expenditures was due primarily to an increase in support services functional area expenditures during fiscal 2013.

USING THIS ANNUAL REPORT

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

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

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

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.

Supplementary Information provides detailed information about the nonmajor governmental funds and capital project accounts.

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

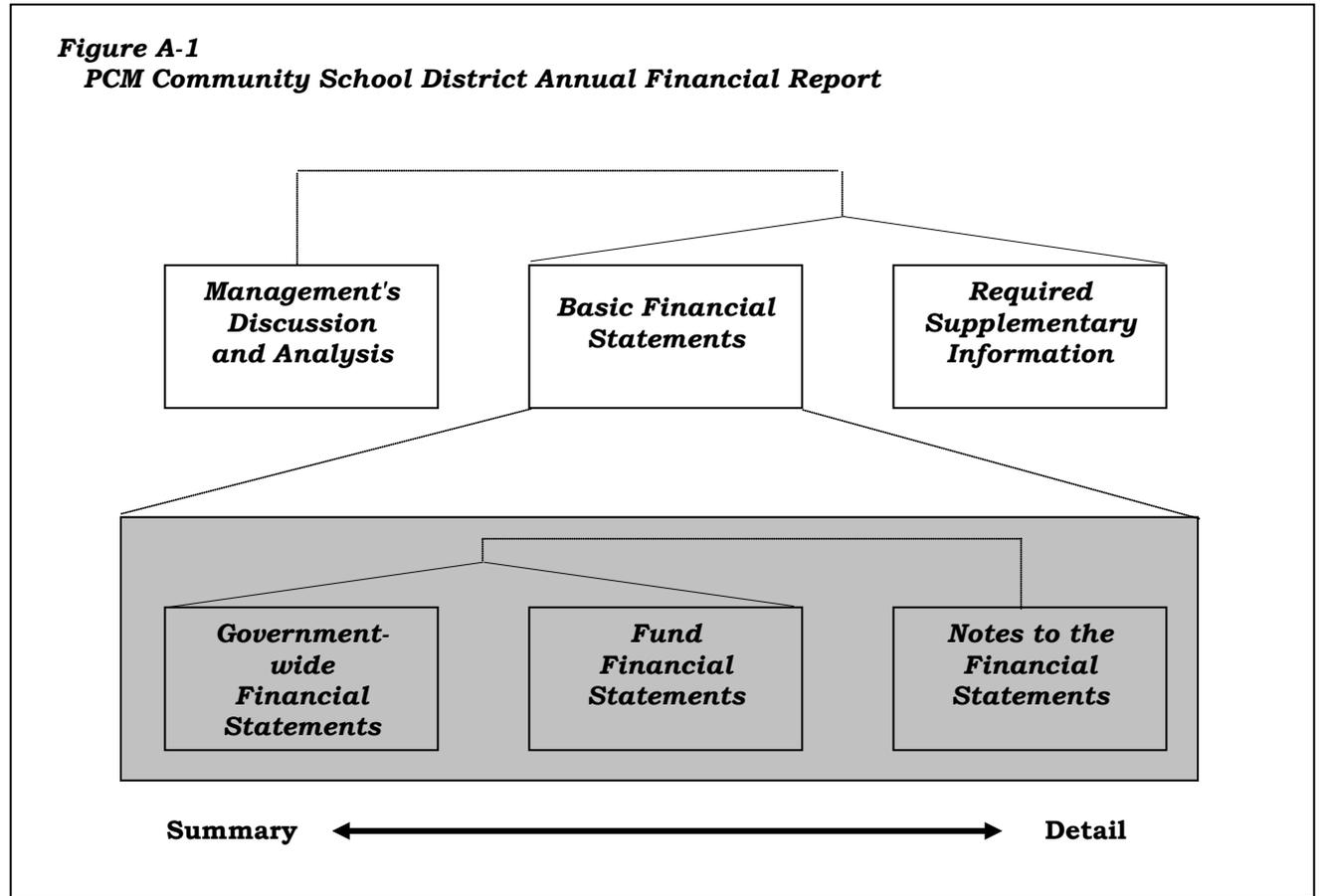


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2
Major Features of the Government-Wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs.
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • 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 position • Statement of revenues, expenses and changes in fund net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
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 Position 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 position and how it has changed. Net position – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net position 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, the Special Revenue Funds, the Capital Projects and the Debt Service Fund.

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

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

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

- 3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. This fund is the Private-Purpose Trust Fund.

- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.

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 position and a statement of changes in fiduciary net position.

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 total net position at June 30, 2013 compared to June 30, 2012.

Figure A-3 Condensed Statement of Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Current and other assets	\$ 9,775,459	8,356,406	115,958	120,511	9,891,417	8,476,917	16.69%
Capital assets	5,377,602	5,006,605	17,568	18,638	5,395,170	5,025,243	7.36%
Total assets	15,153,061	13,363,011	133,526	139,149	15,286,587	13,502,160	13.22%
Long-term liabilities	436,937	780,292	7,375	4,930	444,312	785,222	-43.42%
Other liabilities	4,170,559	4,024,993	12,085	7,878	4,182,644	4,032,871	3.71%
Total liabilities	4,607,496	4,805,285	19,460	12,808	4,626,956	4,818,093	-3.97%
Net position:							
Invested in capital assets	5,377,602	4,766,012	17,568	18,638	5,395,170	4,784,650	12.76%
Restricted	2,948,211	2,482,876	-	-	2,948,211	2,482,876	18.74%
Unrestricted	2,219,752	1,308,838	96,498	107,703	2,316,250	1,416,541	63.51%
Total net position	\$ 10,545,565	8,557,726	114,066	126,341	10,659,631	8,684,067	22.75%

The District's combined net position increased by 22.75%, or \$1,975,564 from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment). The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased 18.74% or \$465,335 from the prior year. The increase in restricted net position is mainly attributable to an increase in carryover categorical fund balances.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - increased 63.51% or \$899,709. This increase is primarily due to an increase in carryover fund balance for the General Fund.

Figure A-4 shows the changes in net position for the year ended June 30, 2013 compared to the year ended June 30, 2012.

	Figure A-4 Changes in Net Position						
	Governmental Activities		Business Type Activities		Total District		Total Change
	2013	2012	2013	2012	2013	2012	2012-13
Revenues:							
Program revenues:							
Charges for services	\$ 863,154	850,388	339,837	348,328	1,202,991	1,198,716	0.36%
Operating grants, contributions and restricted interest	1,115,092	1,014,561	198,640	197,688	1,313,732	1,212,249	8.37%
Capital grants, contributions and restricted interest	-	52,785	2,316	-	2,316	52,785	-95.61%
General revenues:							
Property tax	3,867,974	3,696,104	-	-	3,867,974	3,696,104	4.65%
Income surtax	245,805	219,890	-	-	245,805	219,890	11.79%
Statewide sales, services and use tax	858,610	780,638	-	-	858,610	780,638	9.99%
Unrestricted state grants	5,247,111	5,320,776	-	-	5,247,111	5,320,776	-1.38%
Nonspecific program federal grants	-	137,123	-	-	-	137,123	-100.00%
Unrestricted investment earnings	10,064	6,870	232	225	10,296	7,095	45.12%
Other	20,980	105,664	3,074	-	24,054	105,664	-77.24%
Total revenues	12,228,790	12,184,799	544,099	546,241	12,772,889	12,731,040	0.33%
Program expenses:							
Governmental activities:							
Instructional	6,879,998	7,131,908	-	-	6,879,998	7,131,908	-3.53%
Support services	2,818,201	2,684,468	-	-	2,818,201	2,684,468	4.98%
Non-instructional programs	4,558	3,913	556,374	524,475	560,932	528,388	6.16%
Other expenses	538,194	550,275	-	-	538,194	550,275	-2.20%
Total expenses	10,240,951	10,370,564	556,374	524,475	10,797,325	10,895,039	-0.90%
Change in net position	1,987,839	1,814,235	(12,275)	21,766	1,975,564	1,836,001	7.60%
Net position beginning of year	8,557,726	6,743,491	126,341	104,575	8,684,067	6,848,066	26.81%
Net position end of year	\$ 10,545,565	8,557,726	114,066	126,341	10,659,631	8,684,067	22.75%

In fiscal 2013, property tax, income surtax, statewide sales, services and services tax and unrestricted state grants account for 83.57% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.97% of the revenue from business type activities.

The District's total revenues were approximately \$12.77 million of which approximately \$12.23 million was for governmental activities and approximately \$0.54 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 0.33% increase in revenues and a 0.90% decrease in expenses. Property tax increased \$171,870 to fund the increase in expenses. The increase in expenses is related to the increase in negotiated salaries and benefits received by District employees.

Governmental Activities

Revenues for governmental activities were \$12,228,790 and expenses were \$10,240,951.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs, long-term debt interest and other expenses, for the year ended June 30, 2013 compared to the year ended June 30, 2012.

	Total Cost of Services			Net Cost of Services		
	2013	2012	Change 2012-13	2013	2012	Change 2012-13
Instruction	\$ 6,879,998	7,131,908	-3.53%	5,282,467	5,648,928	-6.49%
Support services	2,818,201	2,684,468	4.98%	2,810,651	2,622,499	7.17%
Non-instructional program	4,558	3,913	16.48%	4,558	3,913	16.48%
Other expenses	538,194	550,275	-2.20%	165,029	177,490	-7.02%
Totals	\$ 10,240,951	10,370,564	-1.25%	8,262,705	8,452,830	-2.25%

For the year ended June 30, 2013:

- The cost financed by users of the District's programs was \$863,154.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,115,092.
- The net cost of governmental activities was financed with \$3,867,974 in property tax, \$245,805 in income surtax, \$858,610 in statewide sales, services and use tax, \$5,247,111 in unrestricted state grants, \$10,064 in unrestricted investment earnings, and \$20,980 in other income.

Business Type Activities

Revenues of the District's business type activities during the year ended June 30, 2013 were \$544,099, while expenses were \$556,374. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$5,317,805, compared to last year's ending fund balances of \$4,091,558.

Governmental Fund Highlights

- The District's improvement in the General Fund financial position is the product of many factors. Increased expenditures were outpaced by an increase in revenues. The increase in revenues was largely attributable to increased state and federal monies received.
- With a decrease in revenues and an increase in expenses, the Management Fund balance decreased from a balance of \$138,335 at June 30, 2012 to a balance of \$122,656. Despite an increase in revenues from local taxes, total revenues decreased from 2012 due to decreases in revenues from other local and state sources. Expenses increased due to increases in regular instruction and transportation support service expenditures during 2013.
- The Capital Projects Accounts fund balance increased from \$2,247,562 in fiscal 2012 to \$2,742,625 in fiscal 2013. The Capital Projects Accounts are comprised of the Statewide Sales, Services and Use Tax Fund and the Physical Plant and Equipment Levy Fund. The Statewide Sales, Services and Use Tax Fund increased from \$1,993,923 at June 30, 2012 to a balance of \$2,398,454 at June 30, 2013. The Physical Plant and Equipment Levy Fund increased from a balance of \$253,639 at June 30, 2012 to a balance of \$344,171 at June 30, 2013.

Proprietary Fund Highlights

The School Nutrition Fund net position decreased from \$126,341 at June 30, 2012 to \$114,066 at June 30, 2013, representing a decrease of approximately 9.72%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$526,216 more than budgeted revenues, a variance of 4.3%. The most significant variance resulted from the District receiving more in federal sources 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 with a contingency for unexpected or emergency items. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, the District had invested \$5,395,170, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 7.36% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$367,035.

The original cost of the District's capital assets was \$10,721,379. Governmental funds account for \$10,453,448 with the remainder \$267,931 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$808,598 at June 30, 2013, compared to \$397,401 reported at June 30, 2012. The increase is mainly the result of purchases made during the year for a bus and a stadium lighting system.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Land	\$ 152,512	156,462	-	-	152,512	156,462	-2.52%
Construction in progress	114,244	-	-	-	114,244	-	100.00%
Improvements other than buildings	21,770	19,348	-	-	21,770	19,348	12.52%
Buildings	4,298,047	4,452,032	-	-	4,298,047	4,452,032	-3.46%
Machinery and equipment	791,029	378,763	17,569	18,638	808,598	397,401	103.47%
Total	\$ 5,377,602	5,006,605	17,569	18,638	5,395,171	5,025,243	7.36%

Long-Term Debt

At June 30, 2013, the District had \$444,312 in total long-term debt outstanding. This represents a decrease of approximately 43.42% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had total outstanding termination benefits of \$264,969 at June 30, 2013 payable from the Management Fund.

The District had a separation agreement with a former employee of \$7,728 at June 30, 2013 payable from the Management Fund.

The District had a net OPEB liability of \$171,615 at June 30, 2013.

Figure A-7
Outstanding Long-Term Debt Obligations

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Termination benefits	264,969	421,759	-	-	264,969	421,759	-37.18%
Separation agreement	7,728	15,244	-	-	7,728	15,244	-49.30%
Computer lease	-	240,593	-	-	-	240,593	-100.00%
Net OPEB liability	164,240	102,696	7,375	4,930	171,615	107,626	59.45%
Total	\$ 436,937	780,292	7,375	4,930	444,312	785,222	-43.42%

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:

- Increases in health insurance premiums, along with salaries and benefits for the employees is always a concern for the District.

-
- Low allowable growth over several years and enrollment fluctuations is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
 - Development along Highway 163 has the potential for new economic opportunities, which could positively affect the District in the future.

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 Tami Thomas, District Treasurer/Business Manager, PCM Community School District, 400 E. Highway 163, P.O. Box 610, Monroe, IA 50170.

BASIC FINANCIAL STATEMENTS

PCM COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2013

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and cash equivalents	\$ 5,073,021	99,322	5,172,343
Receivables:			
Property tax:			
Delinquent	48,656	-	48,656
Succeeding year	3,862,146	-	3,862,146
Income surtax	224,097	-	224,097
Accounts	61,877	3,681	65,558
Due from other governments	505,662	-	505,662
Inventories	-	12,954	12,954
Capital assets, net of accumulated depreciation	5,377,602	17,569	5,395,171
Total assets	15,153,061	133,526	15,286,587
Liabilities			
Accounts payable	279,293	139	279,432
Salaries and benefits payable	29,120	2,821	31,941
Deferred revenue:			
Succeeding year property tax	3,862,146	-	3,862,146
Unearned revenue	-	9,125	9,125
Long-term liabilities:			
Portion due within one year:			
Termination benefit payable	91,363	-	91,363
Seperation agreement payable	7,728	-	7,728
Portion due after one year:			
Termination benefit payable	173,606	-	173,606
Net OPEB liability	164,240	7,375	171,615
Total liabilities	4,607,496	19,460	4,626,956
Net Position			
Invested in capital assets	5,377,602	17,569	5,395,171
Restricted for:			
Categorical funding	53,876	-	53,876
Student activities	151,710	-	151,710
School infrastructure	2,398,454	-	2,398,454
Physical plant and equipment	344,171	-	344,171
Unrestricted	2,219,752	96,497	2,316,249
Total net position	\$ 10,545,565	114,066	10,659,631

SEE NOTES TO FINANCIAL STATEMENTS.

PCM COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Contributions and Restricted Interest	Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	Total
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 4,140,853	445,038	144,114	-	(3,551,701)	-	(3,551,701)
Special	1,452,512	121,039	280,057	-	(1,051,416)	-	(1,051,416)
Other	1,286,633	297,077	310,206	-	(679,350)	-	(679,350)
	<u>6,879,998</u>	<u>863,154</u>	<u>734,377</u>	<u>-</u>	<u>(5,282,467)</u>	<u>-</u>	<u>(5,282,467)</u>
Support services:							
Student	321,361	-	-	-	(321,361)	-	(321,361)
Instructional	437,941	-	-	-	(437,941)	-	(437,941)
Administration	1,029,637	-	-	-	(1,029,637)	-	(1,029,637)
Operation and maintenance of plant	607,562	-	-	-	(607,562)	-	(607,562)
Transportation	421,700	-	7,550	-	(414,150)	-	(414,150)
	<u>2,818,201</u>	<u>-</u>	<u>7,550</u>	<u>-</u>	<u>(2,810,651)</u>	<u>-</u>	<u>(2,810,651)</u>
Non-instructional programs:							
Food service operations	4,558	-	-	-	(4,558)	-	(4,558)
Long-term debt interest							
	9,666	-	-	-	(9,666)	-	(9,666)
Other expenditures:							
AEA flowthrough	373,165	-	373,165	-	-	-	-
Depreciation(unallocated)*	155,363	-	-	-	(155,363)	-	(155,363)
	<u>528,528</u>	<u>-</u>	<u>373,165</u>	<u>-</u>	<u>(155,363)</u>	<u>-</u>	<u>(155,363)</u>
Total governmental activities	10,240,951	863,154	1,115,092	-	(8,262,705)	-	(8,262,705)
Business type activities:							
Non-instructional programs:							
Nutrition services	556,374	339,837	198,640	2,316	-	(15,581)	(15,581)
Total business type activities	<u>556,374</u>	<u>339,837</u>	<u>198,640</u>	<u>2,316</u>	<u>-</u>	<u>(15,581)</u>	<u>(15,581)</u>
Total	\$ 10,797,325	1,202,991	1,313,732	2,316	(8,262,705)	(15,581)	(8,278,286)
General Revenues:							
Local tax for:							
General purposes					\$ 3,628,296	-	3,628,296
Capital outlay					239,678	-	239,678
Income surtax					245,805	-	245,805
Statewide sales, services and use tax					858,610	-	858,610
Unrestricted state grants					5,247,111	-	5,247,111
Unrestricted investment earnings					10,064	232	10,296
Other					20,980	3,074	24,054
Total general revenues					<u>10,250,544</u>	<u>3,306</u>	<u>10,253,850</u>
Changes in net position					1,987,839	(12,275)	1,975,564
Net position beginning of year					<u>8,557,726</u>	<u>126,341</u>	<u>8,684,067</u>
Net position end of year					\$ <u>10,545,565</u>	<u>114,066</u>	<u>10,659,631</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

PCM COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	General	Manage- ment Levy	Capital Projects	Other Nonmajor Governmental Funds	Total
Assets					
Cash and pooled investments	\$ 2,188,480	119,309	2,543,597	156,322	5,007,708
Receivables:					
Property tax:					
Delinquent	41,900	3,528	3,228	-	48,656
Succeeding year	3,084,701	515,000	262,445	-	3,862,146
Income surtax	224,097	-	-	-	224,097
Accounts	61,781	-	-	-	61,781
Due from other governments	175,510	-	330,152	-	505,662
Total assets	\$ 5,776,469	637,837	3,139,422	156,322	9,710,050
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 137,918	-	134,352	4,612	276,882
Salaries and benefits payable	28,939	181	-	-	29,120
Deferred revenue:					
Succeeding year property tax	3,084,701	515,000	262,445	-	3,862,146
Income surtax	224,097	-	-	-	224,097
Total liabilities	3,475,655	515,181	396,797	4,612	4,392,245
Fund balances:					
Restricted for:					
Categorical funding	53,876	-	-	-	53,876
Management levy purposes	-	122,656	-	-	122,656
Student activities	-	-	-	151,710	151,710
School infrastructure	-	-	2,398,454	-	2,398,454
Physical plant and equipment	-	-	344,171	-	344,171
Assigned	44,185	-	-	-	44,185
Unassigned	2,202,753	-	-	-	2,202,753
Total fund balances	2,300,814	122,656	2,742,625	151,710	5,317,805
Total liabilities and fund balances	\$ 5,776,469	637,837	3,139,422	156,322	9,710,050

SEE NOTES TO FINANCIAL STATEMENTS.

PCM COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2013

Total fund balances of governmental funds(page 20)	\$ 5,317,805
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	5,377,602
Blending of the Internal Service Funds to be reflected on an entity-wide basis.	62,998
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	224,097
Long-term liabilities, including termination benefits payable, separation agreement payable, and other postemployment benefits are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(436,937)</u>
Net position of governmental activities(page 18)	<u><u>\$ 10,545,565</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

PCM COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

	General	Manage- ment Levy	Capital Projects	Other Nonmajor Governmental Funds	Total
Revenues:					
Local sources:					
Local tax	\$ 3,591,576	281,488	1,098,288	-	4,971,352
Tuition	563,024	-	-	-	563,024
Other	170,724	10,774	4,220	254,267	439,985
State sources	5,844,800	131	119	-	5,845,050
Federal sources	408,342	-	-	-	408,342
Total revenues	10,578,466	292,393	1,102,627	254,267	12,227,753
Expenditures:					
Current:					
Instruction:					
Regular	4,046,013	188,931	-	-	4,234,944
Special	1,449,866	-	-	-	1,449,866
Other	1,147,791	-	-	235,470	1,383,261
	6,643,670	188,931	-	235,470	7,068,071
Support services:					
Student	324,407	1,465	-	-	325,872
Instructional	413,714	385	-	-	414,099
Administration	1,028,893	4,091	4,650	-	1,037,634
Operation and maintenance of plant	658,917	70,883	-	-	729,800
Transportation	419,952	36,074	17,818	-	473,844
	2,845,883	112,898	22,468	-	2,981,249
Non-instructional programs:					
Food service operations	-	6,243	-	-	6,243
Capital outlay	-	-	439,740	-	439,740
Long-term debt:					
Principal	-	-	-	240,593	240,593
Interest and fiscal charges	-	-	-	11,763	11,763
	-	-	-	252,356	252,356
Other expenditures:					
AEA flowthrough	373,165	-	-	-	373,165
Total expenditures	9,862,718	308,072	462,208	487,826	11,120,824
Excess(Deficiency)of revenues over(under) expenditures	715,748	(15,679)	640,419	(233,559)	1,106,929
Other financing sources(uses):					
Transfer in	-	-	-	252,356	252,356
Transfer out	-	-	(252,356)	-	(252,356)
Sale of capital assets	12,318	-	107,000	-	119,318
Total other financing sources(uses)	12,318	-	(145,356)	252,356	119,318
Net change in fund balances	728,066	(15,679)	495,063	18,797	1,226,247
Fund balances beginning of year	1,572,748	138,335	2,247,562	132,913	4,091,558
Fund balances end of year	\$ 2,300,814	122,656	2,742,625	151,710	5,317,805

SEE NOTES TO FINANCIAL STATEMENTS.

PCM 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, 2013

Net change in fund balances - total governmental funds(page 22) \$ 1,226,247

*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 current year are as follows:

Capital expenditures	\$ 508,794	
Depreciation expense	<u>(137,797)</u>	370,997

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 240,593

Net change in Internal Service Funds charged back against expenditures made for self-funded insurance at an entity-wide basis. 44,106

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. 2,097

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	\$ 156,790	
Seperation agreement	7,516	
Other postemployment benefits	<u>(61,544)</u>	102,762

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 1,037

Changes in net position of governmental activities(page 19) \$ 1,987,839

SEE NOTES TO FINANCIAL STATEMENTS.

PCM COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2013

	Business Type Activities: <u>Enterprise Fund</u> School Nutrition	Governmental Activities: Internal Service Fund
Assets		
Cash and cash equivalents	\$ 99,322	65,313
Accounts receivable	3,681	96
Inventories	12,954	-
Capital assets, net of accumulated depreciation	17,569	-
Total assets	<u>133,526</u>	<u>65,409</u>
Liabilities		
Accounts payable	139	2,411
Unearned revenues	9,125	-
Salaries & benefits payable	2,821	-
Net OPEB liability	7,375	-
Total liabilities	<u>19,460</u>	<u>2,411</u>
Net Position		
Invested in capital assets	17,569	-
Unrestricted	96,497	62,998
Total net position	<u>\$ 114,066</u>	<u>62,998</u>

SEE NOTES TO FINANCIAL STATEMENTS.

PCM COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2013

	Business Type Activities: <u>Enterprise Fund</u> School Nutrition	Governmental Activities: Internal Service Fund
Operating revenue:		
Local sources:		
Charges for services	\$ 339,837	86,860
Miscellaneous	3,074	-
Total operating revenue	<u>342,911</u>	<u>86,860</u>
Operating expenses:		
Non-instructional programs:		
Food service operations:		
Salaries	158,673	-
Benefits	83,045	-
Services	64,463	42,804
Supplies	246,808	-
Other	-	-
Depreciation	3,385	-
Total operating expenses	<u>556,374</u>	<u>42,804</u>
Operating income(loss)	(213,463)	44,056
Non-operating revenues:		
Interest	232	50
Contributed Capital	2,316	-
State sources	4,613	-
Federal sources	194,027	-
Total non-operating revenues	<u>201,188</u>	<u>50</u>
Change in net position	(12,275)	44,106
Net position beginning of year	<u>126,341</u>	<u>18,892</u>
Net position end of year	<u>\$ 114,066</u>	<u>62,998</u>

SEE NOTES TO FINANCIAL STATEMENTS.

PCM COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2013

	Business Type Activities: <u>Enterprise Fund</u> School Nutrition	Governmental Activities: Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 337,403	86,764
Cash received from miscellaneous operating activities	3,074	-
Cash paid to employees for services	(236,452)	-
Cash paid to suppliers for goods or services	(278,640)	(40,393)
Net cash provided by(used in) operating activities	<u>(174,615)</u>	<u>46,371</u>
Cash flows from non-capital financing activities:		
State grants received	4,613	-
Federal grants received	169,449	-
Net cash provided by non-capital financing activities	<u>174,062</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	232	50
Net increase in cash and cash equivalents	(321)	46,421
Cash and cash equivalents beginning of year	99,643	18,892
Cash and cash equivalents end of year	<u>\$ 99,322</u>	<u>65,313</u>
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:		
Operating income(loss)	\$ (213,463)	44,056
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:		
Commodities used	24,578	-
Depreciation	3,385	-
Decrease in inventories	7,914	-
Increase in accounts receivable	(3,681)	(96)
Increase in accounts payable	139	2,411
Increase in salaries and benefits payable	2,821	-
Increase in unearned revenue	1,247	-
Increase in net OPEB liability	2,445	-
Net cash provided by(used in) operating activities	<u>\$ (174,615)</u>	<u>46,371</u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2013, the District received federal commodities valued at \$24,578.

During the year ended June 30, 2013, the Nutrition fund received capital contributions from the Capital Projects: Physical Plant and Equipment Levy fund of \$2,316.

SEE NOTES TO FINANCIAL STATEMENTS.

PCM COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUND
 JUNE 30, 2013

	Private Purpose Trust Scholarship
Assets	
Cash and pooled investments	\$ 60,708
Liabilities	-
Net position	
Restricted for scholarships	\$ 60,708

SEE NOTES TO FINANCIAL STATEMENTS.

PCM COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 YEAR ENDED JUNE 30, 2013

	Private Purpose Trust Scholarship
Additions:	
Local sources:	
Gifts and contributions	\$ 8,465
Interest income	841
Total additions	<u>9,306</u>
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	4,400
Total deductions	<u>4,400</u>
Change in net position	4,906
Net position beginning of year	<u>55,802</u>
Net position end of year	<u><u>\$ 60,708</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

PCM COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

(1) **Summary of Significant Accounting Policies**

The PCM Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Prairie City, and Monroe, Iowa, and the predominate agricultural territory in Jasper, Marion and Polk 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, PCM 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 PCM Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

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

B. Basis of Presentation

Government-wide financial statements - The Statement of Net Position (previously referred to as 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 Position presents the District's nonfiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories:

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

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

Unrestricted net position consists of net position that do not meet the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

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

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

The District reports the following major governmental funds:

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

The Management Fund is utilized to account for the District's termination benefits, workmen's comprehensive claims, and payment's for the district's property insurance.

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

The District reports the following nonmajor proprietary funds.

The District's proprietary funds include the Enterprise, School Nutrition Fund and the Internal Service Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Internal Service Fund is used to account for the District's flex spending benefits received by District employees.

The District also reports a fiduciary fund which focuses on net position and changes in net position. The District's fiduciary fund is as follows:

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.

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 the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

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

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

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

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net

position 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.

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 Balances

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

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value 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, they have a maturity date no longer than three months.

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

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

Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2012.

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

Asset Class	Amount
Land	\$ 1,500
Buildings	1,500
Land improvements	1,500
Intangibles	25,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,500

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Intangibles	≥ 2 years
Machinery and equipment	5-12 years

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

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents 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 receivable and other receivables not collected within sixty days after year end.

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

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

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

Fund 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 spendable classifications.

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

E. Budgets and Budgetary Accounting

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

(2) Cash and Pooled Investments

The District's deposits at June 30, 2013 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, 2013, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$10,278 pursuant to rule 2a-7 under the Investment Company Act of 1940. The investments in the Iowa Schools Joint Investment Trust was rated AAA by Standard and Poor's Financial Services.

(3) Transfers

The detail of transfers for the year ended June 30, 2013 is as follows:

Transfer to	Transfer from	Amount
	Capital Projects:	
	Physical Plant and	
Debt Service	Equipment Levy	\$ 252,356

The Capital Projects: Physical Plant and Equipment Levy Fund transfer to Debt Service was needed for principal and interest payments on the District's computer lease indebtedness.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2013 is as follows:

	Balance			Balance
	Beginning	Increases	Decreases	End
Business type activities:	of Year			of Year
Machinery and equipment	\$ 265,615	2,316	-	267,931
Less accumulated depreciation	246,977	3,385	-	250,362
Business type activities capital assets, net	\$ 18,638	(1,069)	-	17,569

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 156,462	-	3,950	152,512
Construction in progress	-	217,418	103,174	114,244
Total capital assets not being depreciated	<u>156,462</u>	<u>217,418</u>	<u>107,124</u>	<u>266,756</u>
Capital assets being depreciated:				
Improvements other than buildings	23,740	3,800	-	27,540
Buildings	8,184,804	-	154,050	8,030,754
Machinery and equipment	1,579,648	620,553	71,803	2,128,398
Total capital assets being depreciated	<u>9,788,192</u>	<u>624,353</u>	<u>225,853</u>	<u>10,186,692</u>
Less accumulated depreciation for:				
Improvements other than buildings	4,392	1,378	-	5,770
Buildings	3,732,772	153,985	154,050	3,732,707
Machinery and equipment	1,200,885	208,287	71,803	1,337,369
Total accumulated depreciation	<u>4,938,049</u>	<u>363,650</u>	<u>225,853</u>	<u>5,075,846</u>
Total capital assets being depreciated, net	<u>4,850,143</u>	<u>260,703</u>	<u>-</u>	<u>5,110,846</u>
Governmental activities capital assets, net	<u>\$ 5,006,605</u>	<u>478,121</u>	<u>107,124</u>	<u>5,377,602</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	56,591
Other	24,599
Support services:	
Instructional	35,951
Operation and maintenance of plant	49,489
Transportation	41,657
	<u>208,287</u>
Unallocated depreciation	155,363
Total governmental activities depreciation expense	<u>\$ 363,650</u>
Business type activities:	
Food services	<u>\$ 3,385</u>

(5) **Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2013 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Business type activities:					
Net OPEB liability	\$ 4,930	2,445	-	7,375	-
Governmental activities:					
Termination benefits	421,759	-	156,790	264,969	91,363
Separation agreement	15,244	-	7,516	7,728	7,728
Computer lease	240,593	-	240,593	-	-
Net OPEB liability	102,696	61,544	-	164,240	-
Total	\$ 780,292	61,544	404,899	436,937	99,091

Termination Benefit

The District offers a voluntary termination benefit plan to its full-time certified employees. Employees must be between the ages of fifty-five and sixty-four on or before June 30 of the year in which the employee wishes to retire. Certified employees must have completed fifteen years of service to the District while administrators need to complete ten years of service. Employees must complete an application which is subject to approval by the Board of Education.

Termination benefit incentives are equal to no more than \$24,000 per employee and may be applied in the following manner:

Employees can continue with District sponsored health insurance benefits, with the District contributing no more than \$4,000 per year, subject to the requirements set by the District's insurance carrier, until the retiring employee becomes eligible for Medicare insurance coverage. Subsequent annual increases in the case of individual premiums are the responsibility of the employee. If desired, the employee may also purchase additional health, dental, and vision coverage under the current insurance policies of the District. If an employee is not covered by health insurance in their last year of employment, or if the employee fails to pay the balance of the insurance premium, then the benefit shall be distributed into the employee's designated 403(b) provider over a six-year period in equal payments each year. During the year ended June 30, 2013, the District paid termination benefits of \$156,790.07.

Separation Agreement

The District entered into a separation agreement with an employee that resigned during the year ended June 30, 2009. The District originally agreed to pay a fixed amount per month for single medical and dental insurance coverage for the next six years. Due to increases in premiums, health and dental insurance will only be paid until May 2014 at the rate of \$619.08 per month.

(6) Pension and Retirement Benefits

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

Plan members are required to contribute 5.78% of their annual salary and the District is required to contribute 8.67% of annual salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$346,938, \$483,684, and \$397,697 respectively, equal to the required contributions for each year.

(7) Other Postemployment Benefits(OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and vision benefits for retirees and their spouses. There are 94 active and 11 retired members in the plan. Participants must be age 55 or older at age of retirement.

The medical and dental benefits are provided through fully-insured plans with Wellmark and Delta. Retirees under age 65 pay the same premium for the medical/vision benefit as active employees, which result in an implicit rate 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 which, 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, 2013, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 99,509
Interest on net OPEB obligation	2,691
Adjustment to annual required contribution	(10,977)
Annual OPEB cost	<u>91,223</u>
Contributions made	(27,234)
Increase in net OPEB obligation	63,989
Net OPEB obligation beginning of year	<u>107,626</u>
Net OPEB obligation end of year	<u>\$ 171,615</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, 2013.

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:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	48,519	29.07%	71,414
2012	52,405	30.90%	107,626
2013	91,223	17.75%	171,615

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$536,867, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$388,776. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4,061,639 and the ratio of the UAAL to covered payroll was 13.22%. As of June 30, 2013, 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. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 2012 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual health cost trend rate is 6%.

Mortality rates are from the Group Annuity Mortality Table Projected to 2000, applied on a gender-specific basis. Annual retirement probabilities were developed based upon sample rates varying by age and employee type.

Projected claim costs of the medical plan are \$534 per month for retirees less than age 65. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(8) Risk Management

The 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 \$373,165 for the year ended June 30, 2013 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Categorical Funding

The District's ending restricted balance for categorical funding at June 30, 2013 is comprised of the following programs:

Program	Amount
Gifted and talented programs	\$ 19,920
Governor's Council Advisor STEM Scale-Up	96
Beginning teacher mentoring and induction program	33
Teacher salary supplement	261
Professional development for model core curriculum	5,044
Iowa early intervention block grant	5,505
Beginning administrator mentoring and induction program	1,726
Educator quality, professional development	14,810
Home school assistance program	6,422
Returning dropouts and dropout prevention programs	<u>59</u>
Total	<u><u>\$ 53,876</u></u>

(11) Construction Commitment

The District has entered into a contract totaling 228,488 for construction of an elementary school playground. At June 30, 2013, costs of \$114,244 had been incurred against the contract. The balance of \$114,244 remaining at June 30, 2013 will be paid as work on the project progresses. Once the project is completed, it will be added to the district's capital asset listing.

REQUIRED SUPPLEMENTARY INFORMATION

PCM COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES
 AND CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2013

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to
	Fund Types	Fund Type		Original	Final	Actual
	Actual	Actual				Variance
Revenues:						
Local sources	\$ 5,974,361	343,143	6,317,504	5,915,607	5,915,607	401,897
State sources	5,845,050	4,613	5,849,663	5,875,213	5,875,213	(25,550)
Federal sources	408,342	194,027	602,369	452,500	452,500	149,869
Total revenues	<u>12,227,753</u>	<u>541,783</u>	<u>12,769,536</u>	<u>12,243,320</u>	<u>12,243,320</u>	<u>526,216</u>
Expenditures/Expenses:						
Instruction	7,068,071	-	7,068,071	8,017,603	8,017,603	949,532
Support services	2,981,249	-	2,981,249	3,404,607	3,404,607	423,358
Non-instructional programs	6,243	556,374	562,617	603,755	603,755	41,138
Other expenditures	1,065,261	-	1,065,261	3,439,112	3,439,112	2,373,851
Total expenditures/expenses	<u>11,120,824</u>	<u>556,374</u>	<u>11,677,198</u>	<u>15,465,077</u>	<u>15,465,077</u>	<u>3,787,879</u>
Excess(Deficiency)of revenues over(under)expenditures/expenses	1,106,929	(14,591)	1,092,338	(3,221,757)	(3,221,757)	4,314,095
Other financing sources, net	119,318	2,316	121,634	-	-	121,634
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	1,226,247	(12,275)	1,213,972	(3,221,757)	(3,221,757)	4,435,729
Balances beginning of year	4,091,558	126,341	4,217,899	3,221,757	3,221,757	4,207,899
Balances end of year	<u>\$ 5,317,805</u>	<u>114,066</u>	<u>5,431,871</u>	<u>-</u>	<u>-</u>	<u>8,643,628</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

PCM COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2013

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. 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 function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

PCM 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		Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
			Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)			
2010	July 1, 2009	0	418,713	418,713	0.00%	4,124,895	10.15%
2011	July 1, 2009	0	408,885	408,885	0.00%	4,262,003	9.59%
2012	July 1, 2009	0	388,776	388,776	0.00%	4,031,718	9.64%
2013	July 1, 2012	0	536,867	536,867	0.00%	4,061,639	13.22%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SUPPLEMENTARY INFORMATION

PCM COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2013

	Special Revenue
	Student Activity
Assets	
Cash and pooled investments	\$ 156,322
 Liabilities and Fund Balances	
Liabilities:	
Accounts payable	\$ 4,612
Fund balances:	
Restricted for:	
Student activities	151,710
Total liabilities and fund balances	\$ 156,322

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

PCM COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2013

	Special Revenue		
	Student	Debt	
	Activity	Service	Total
Revenues:			
Local sources:			
Other	\$ 254,267	-	254,267
Expenditures:			
Current:			
Instruction:			
Other	235,470	-	235,470
Long-term debt:			
Principal	-	240,593	240,593
Interest and fiscal charges	-	11,763	11,763
Total expenditures	235,470	252,356	487,826
Excess(Deficiency) of revenues over(under) expenditures	18,797	(252,356)	(233,559)
Other financing sources:			
Transfer in	-	252,356	252,356
Excess of revenues and other financing sources over expenditures	18,797	-	18,797
Fund balances beginning of year	132,913	-	132,913
Fund balances end of year	\$ 151,710	-	151,710

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

PCM COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 2,202,654	340,943	2,543,597
Receivables:			
Property tax:			
Delinquent	-	3,228	3,228
Succeeding year	-	262,445	262,445
Due from other governments	330,152	-	330,152
Total assets	\$ 2,532,806	606,616	3,139,422
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 134,352	-	134,352
Deferred revenue:			
Succeeding year property tax	-	262,445	262,445
Total liabilities	134,352	262,445	396,797
Fund balances:			
Restricted for:			
School infrastructure	2,398,454	-	2,398,454
Physical plant and equipment	-	344,171	344,171
Total fund balances	2,398,454	344,171	2,742,625
Total liabilities and fund balances	\$ 2,532,806	606,616	3,139,422

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

PCM COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECT ACCOUNTS
 YEAR ENDED JUNE 30, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 858,610	239,678	1,098,288
Other	3,479	741	4,220
State sources	-	119	119
Total revenues	<u>862,089</u>	<u>240,538</u>	<u>1,102,627</u>
Expenditures:			
Current:			
Support services:			
Instructional staff services	-	-	-
Administration	-	4,650	4,650
Operation and maintenance of plant	-	-	-
Transportation	17,818	-	17,818
Capital outlay	439,740	-	439,740
Total expenditures	<u>457,558</u>	<u>4,650</u>	<u>462,208</u>
Excess(Deficiency) of revenues over(under) expenditures	404,531	235,888	640,419
Other financing sources(uses):			
Transfer out	-	(252,356)	(252,356)
Proceeds from sale of real property	-	107,000	107,000
Total other financing sources(uses)	<u>-</u>	<u>(145,356)</u>	<u>(145,356)</u>
Excess of revenues and other financing uses over expenditures	404,531	90,532	495,063
Fund balances beginning of year	<u>1,993,923</u>	<u>253,639</u>	<u>2,247,562</u>
Fund balances end of year	<u>\$ 2,398,454</u>	<u>344,171</u>	<u>2,742,625</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

PCM COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2013

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intra- fund Transfers	Balance End of Year
8th graders	134	-	-	-	134
Art club	\$ 1,287	1	-	-	1,288
Athletics	55,111	117,828	106,437	2,231	68,733
Band	1,932	6,053	6,294	-	1,691
Cheerleaders	4,879	21,415	21,721	-	4,573
Class of 2013	1,951	5,779	7,447	-	283
Class of 2014	1,834	3,938	4,290	-	1,482
Class of 2015	1,546	5,574	4,291	-	2,829
Class of 2016	20	1,820	20	-	1,820
Conference activities	-	5,152	5,152	-	-
Drama	2,131	1,896	732	339	3,634
FFA	12,286	32,157	32,041	-	12,402
Foods/clothing club	1,065	133	22	-	1,176
Football meals	1	5,614	5,530	-	85
Horticulture	50	-	-	-	50
Jazz creation	414	11,633	8,992	-	3,055
JEL	33	-	-	-	33
Journalism	63	1,093	972	340	524
Just say no club	1,446	1	326	-	1,121
Musical	-	2,449	-	-	2,449
Mustang club	11,003	16,429	12,989	(2,231)	12,212
Mustang club fund	1,693	3	1,805	3,360	3,251
National honor society	650	1	530	-	121
Photography club	41	3	44	-	-
Playground	3,055	-	-	(3,055)	-
Preschool	305	-	-	(305)	-
Reading club	5,100	5	-	-	5,105
Science club	177	-	128	-	49
Shop club	270	-	270	-	-
Spanish club	899	1	-	-	900
Speech club	303	-	182	-	121
Spirit club	340	-	-	(340)	-
Student council	11,350	3,195	3,412	-	11,133
Student government	1,597	898	1,063	-	1,432
Thespians	344	66	71	(339)	-
Vocal	2,882	1,198	2,383	-	1,697
Yearbook	6,721	9,932	8,326	-	8,327
Total	\$ 132,913	254,267	235,470	0	151,710

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:										
Local sources:										
Local tax	\$ 4,971,352	4,700,871	4,548,469	3,928,749	3,994,689	3,739,843	3,676,037	3,478,621	3,393,896	3,195,617
Tuition	563,024	467,182	488,837	392,249	376,733	365,079	336,600	317,811	293,058	264,258
Other	439,985	576,019	447,308	520,709	430,644	425,103	389,840	470,271	401,957	525,001
Intermediate sources	-	800	-	-	-	-	10,634	-	-	-
State sources	5,845,050	5,951,886	5,585,236	4,804,690	4,956,678	4,982,082	4,760,157	4,455,610	4,331,308	4,025,365
Federal sources	408,342	492,280	472,481	843,633	357,629	258,906	239,503	195,604	296,385	179,153
Total	\$ 12,227,753	12,189,038	11,542,331	10,490,030	10,116,373	9,771,013	9,412,771	8,917,917	8,716,604	8,189,394
Expenditures:										
Instruction:										
Regular	\$ 4,234,944	4,130,366	3,999,659	5,167,980	4,026,096	3,815,202	3,782,796	3,711,392	3,588,938	3,336,553
Special	1,449,866	1,607,393	1,490,293	1,903,286	1,803,245	1,234,540	1,213,005	1,377,275	1,309,659	1,198,740
Other	1,383,261	1,417,907	1,423,195	693,311	644,384	882,458	961,120	752,158	782,833	916,466
Support services:										
Student	325,872	263,992	150,049	94,008	84,903	165,106	238,467	214,986	215,362	197,528
Instructional	414,099	428,224	330,514	190,918	281,959	267,269	308,831	331,870	245,061	243,778
Administration	1,037,634	952,924	855,980	860,761	898,768	863,033	803,531	768,393	647,847	625,238
Operation and maintenance of plant	729,800	686,569	678,803	648,708	663,389	703,544	683,172	692,804	646,719	673,256
Transportation	473,844	466,406	484,984	475,166	540,208	479,575	496,878	423,146	445,373	412,863
Central	-	-	-	-	-	-	-	-	-	5,798
Non-instructional programs:										
Food service operations	6,243	4,778	3,675	4,248	3,523	3,511	3,246	3,320	2,209	1,701
Capital outlay	439,740	831,823	277,674	199,435	271,197	158,730	929,113	422,765	168,576	33,113
Long term debt:										
Principal	240,593	247,133	248,044	635,000	210,000	205,000	259,600	282,400	243,000	275,000
Interest and fiscal charges	11,763	24,309	37,561	20,607	39,985	49,019	57,099	73,623	78,128	90,983
Other expenditures:										
AEA flow-through	373,165	372,785	401,539	389,352	345,265	320,728	305,537	281,251	275,226	268,445
Total	\$ 11,120,824	11,434,609	10,381,970	11,282,780	9,812,922	9,147,715	10,042,395	9,335,383	8,648,931	8,279,462

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

To the Board of Education of the PCM Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of PCM Community School District as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 20, 2014.

Internal Control Over Financial Reporting

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

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

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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-A-13 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether PCM Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a

direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part II of the accompanying Schedule of Finding.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2013 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.

PCM Community School District's Responses to Findings

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

Purpose of this Report

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

January 20, 2014
Newton, Iowa

PCM COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2013

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-13 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over each of the following areas for the district:

- 1) Cash - initiating cash receipt and disbursement transactions and handling and recording cash.
- 2) Receipts - collecting, recording, depositing, journalizing, posting and reconciling.

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

Response – PCM continually strives to improve our internal controls. We will analyze duties and try to obtain a better segregation of duties with our limited number of employees.

Conclusion – Response accepted.

PCM COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2013

Part II: Other Findings Related to Required Statutory Reporting:

II-A-13 Certified Budget - District expenditures for the year ended June 30, 2013 did not exceed the certified amounts in the functional areas.

II-B-13 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-C-13 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-13 Business Transactions - Business transactions between the District and District officials were noted as follows:

Name, Title and Business Connection	Transaction Description	Amount
Matt Teeter, Teacher Owner of M&K Mowing	Grounds upkeep	\$16,540

In accordance with the Attorney General's opinion dated July 2, 1990, the above transactions with the employee does not appear to represent a conflict of interest.

II-E-13 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-13 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

II-G-13 Certified Enrollment - We noted variances in the basic enrollment data certified to the Department of Education. The number of students certified to the Iowa Department of Education was understated by 1.40 students.

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

Response - The District will contact the Department of Education and resolve this understatement.

Conclusion - Response accepted.

II-H-13 Supplemental Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

II-I-13 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

- II-J-13 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- II-K-13 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- II-L-13 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales and services 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. 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, 2013, the District reported the following information regarding the statewide sales, services, and use tax revenue in the District's CAR:

Beginning balance		\$	1,993,923
Revenues/transfers in:			
Sales tax revenues	\$	858,610	
Other local revenues		3,479	862,089
		<u> </u>	<u>2,856,012</u>
Expenditures/transfers out:			
School infrastructure construction		439,740	
Equipment		17,818	457,558
		<u> </u>	<u>457,558</u>
Ending balance		\$	<u><u>2,398,454</u></u>

For the year ended June 30, 2013, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

- II-M-13 Checks Outstanding - We noted during our audit that the District had checks included in the bank reconciliations of the General, Activity and Nutrition Funds which have been outstanding for over a year.

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

Response – The District will research and resolve all checks that have been outstanding for over a year. PCM did file a report with the Great Iowa Treasure Hunt for all checks that had been outstanding over three years, which was the timeline thought appropriate when completing the report.

Conclusion – Response accepted.

II-N-13 Additional Student Fees Charged – We noted that fees were charged for the Senior class trip, which was taken during days counted towards the District’s 180 days of instruction. A Declaratory Ruling issued August 4, 2008 by the Department of Education states that trips taken on days counted towards the District’s 180 days of instruction are considered part of class/instruction. Fees charged for these trips are considered tuition, which are not allowable fees to be charged to students, under Iowa Code section 282.6.

Recommendation – The district should make changes to the timing or funding of the Senior trip, in order to comply with Iowa Code section 282.6.

Response – PCM will make changes to the Senior Trip to ensure we are complying with Iowa Code section 282.6.

Conclusion – Response accepted.