

PLEASANTVILLE COMMUNITY SCHOOL DISTRICT  
PLEASANTVILLE, IOWA

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

June 30, 2013

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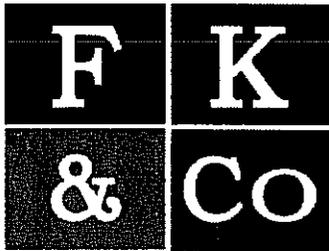
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Pleasantville Community School District

Officials

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
<b>Board of Education</b>		
Troy Padellford	President	2015
Jenny Hilsabeck	Vice-President	2013
Kenny Sutter	Board Member	2013
Phil Ray	Board Member	2015
Chad DeJoode	Board Member	2015
<b>School Officials</b>		
Bob Miller	Superintendent	2013
Robert Friday	District Secretary/ Treasurer/Business Manager	Indefinite
Dickinson, Mackaman, Tyler & Hagen, P.C.	Attorney	Indefinite

Pleasantville Community School District



FALLER, KINCHELOE & CO, PLC

Certified Public Accountants

Independent Auditor's Report

To the Board of Education of  
Pleasantville 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 Pleasantville Community School District (District), Pleasantville, 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 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 the 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.

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Other Matters

*Required Supplementary Information*

U.S. generally accepted accounting principles require the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 33 through 35 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.

The District has not presented Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

*Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. Another auditor previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the 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 15, 2014 on our consideration of the District's internal control over financial reporting and 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 the District's internal control over financial reporting and compliance.

*Faller, Kincheloe & Co., PLC*

Faller, Kincheloe & Co., PLC  
Certified Public Accountants

January 15, 2014

## Basic Financial Statements

## Statement of Net Position

June 30, 2013

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash, cash equivalents and pooled investments	\$ 3,216,180	54,688	3,270,868
Receivables:			
Property tax:			
Delinquent	19,105	-	19,105
Succeeding year	2,046,379	-	2,046,379
Accounts	325	-	325
Due from other funds	18,017	-	18,017
Due from other governments	710,396	-	710,396
Inventories	-	3,767	3,767
Prepaid insurance	12,662	-	12,662
Prepaid expenses	53,825	-	53,825
Capital assets, net of accumulated depreciation	7,972,985	49,068	8,022,053
<b>Total assets</b>	<b>14,049,874</b>	<b>107,523</b>	<b>14,157,397</b>
<b>Liabilities</b>			
Accounts payable	102,192	5,184	107,376
Construction contracts payable - retainage	85,012	-	85,012
Construction contracts payable	1,650	-	1,650
Salaries and benefits payable	624,387	2,112	626,499
Due to other funds	-	15,017	15,017
Due to other governments	79,091	-	79,091
Accrued interest payable	64,950	-	64,950
Deferred revenue:			
Succeeding year property tax	2,046,379	-	2,046,379
Unearned revenue	-	2,681	2,681
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	105,000	-	105,000
Revenue bonds	175,000	-	175,000
Capital leases	163,445	-	163,445
Special assessment	6,301	-	6,301
Early retirement	58,272	-	58,272
Portion due after one year:			
General obligation bonds	765,000	-	765,000
Revenue bonds	3,775,000	-	3,775,000
Capital leases	141,861	-	141,861
Special assessment	12,602	-	12,602
Early retirement	215,299	-	215,299
Net OPEB liability	37,291	2,851	40,142
<b>Total liabilities</b>	<b>8,458,732</b>	<b>27,845</b>	<b>8,486,577</b>
<b>Net Position</b>			
Net investment in capital assets	2,847,679	49,068	2,896,747
Restricted for:			
Categorical funding	777	-	777
Debt service	597,585	-	597,585
Management levy purposes	415,778	-	415,778
Student activities	68,730	-	68,730
School infrastructure	210,986	-	210,986
Physical plant and equipment	492,523	-	492,523
Unrestricted	957,084	30,610	987,694
<b>Total net position</b>	<b>\$ 5,591,142</b>	<b>79,678</b>	<b>5,670,820</b>

See notes to financial statements.

## Statement of Activities

Year ended June 30, 2013

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
<b>Functions / Programs:</b>							
<b>Governmental activities:</b>							
Instruction:							
Regular instruction	\$ 3,237,143	270,468	545,685	-	(2,420,990)	-	(2,420,990)
Special instruction	1,151,390	133,338	213,458	-	(804,594)	-	(804,594)
Other instruction	1,072,551	287,672	6,513	-	(778,366)	-	(778,366)
	<u>5,461,084</u>	<u>691,478</u>	<u>765,656</u>	<u>-</u>	<u>(4,003,950)</u>	<u>-</u>	<u>(4,003,950)</u>
Support services:							
Student	122,958	-	-	-	(122,958)	-	(122,958)
Instructional staff	111,729	-	-	-	(111,729)	-	(111,729)
Administration	762,358	-	-	-	(762,358)	-	(762,358)
Operation and maintenance of plant	620,103	2,720	-	-	(617,383)	-	(617,383)
Transportation	306,983	-	-	-	(306,983)	-	(306,983)
	<u>1,924,131</u>	<u>2,720</u>	<u>-</u>	<u>-</u>	<u>(1,921,411)</u>	<u>-</u>	<u>(1,921,411)</u>
Non-instructional programs	9,640	-	-	-	(9,640)	-	(9,640)
Other expenditures:							
Facilities acquisition	196,351	-	-	-	(196,351)	-	(196,351)
Long-term debt interest	147,305	-	166	-	(147,139)	-	(147,139)
AEA flowthrough	227,752	-	227,752	-	-	-	-
Depreciation (unallocated)*	310,693	-	-	-	(310,693)	-	(310,693)
	<u>882,101</u>	<u>-</u>	<u>227,918</u>	<u>-</u>	<u>(654,183)</u>	<u>-</u>	<u>(654,183)</u>
Total governmental activities	8,276,956	694,198	993,574	-	(6,589,184)	-	(6,589,184)
<b>Business type activities:</b>							
Non-instructional programs:							
Food service operations	354,972	190,610	159,812	-	-	(4,550)	(4,550)
Total	<u>\$ 8,631,928</u>	<u>884,808</u>	<u>1,153,386</u>	<u>-</u>	<u>(6,589,184)</u>	<u>(4,550)</u>	<u>(6,593,734)</u>
<b>General Revenues:</b>							
Property tax levied for:							
General purposes					\$ 1,787,161	-	1,787,161
Capital outlay					273,797	-	273,797
Statewide sales, services and use tax					523,644	-	523,644
Income surtax					259,654	-	259,654
Unrestricted state grants					2,854,334	-	2,854,334
Discount on issuance of general obligation bonds					(6,708)	-	(6,708)
Unrestricted investment earnings					4,523	-	4,523
Other					179,875	-	179,875
Total general revenues					<u>5,876,280</u>	<u>-</u>	<u>5,876,280</u>
Change in net position					(712,904)	(4,550)	(717,454)
Net position beginning of year					6,304,046	84,228	6,388,274
Net position end of year					<u>\$ 5,591,142</u>	<u>79,678</u>	<u>5,670,820</u>

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

See notes to financial statements.

## Pleasantville Community School District

Exhibit C

Balance Sheet  
Governmental Funds

June 30, 2013

	General	Special Revenue Management Levy	Capital Projects	Nonmajor	Total
<b>Assets</b>					
Cash, cash equivalents and pooled investments	\$ 1,478,546	415,938	965,900	347,838	3,208,222
Receivables:					
Property tax:					
Delinquent	14,499	2,337	2,269	-	19,105
Succeeding year	1,541,606	249,999	254,774	-	2,046,379
Accounts	325	-	-	-	325
Due from other funds	27,703	-	-	-	27,703
Due from other governments	551,181	-	159,215	-	710,396
Prepaid insurance	-	12,662	-	-	12,662
Prepaid expenses	-	53,825	-	-	53,825
<b>Total assets</b>	<b>\$ 3,613,860</b>	<b>734,761</b>	<b>1,382,158</b>	<b>347,838</b>	<b>6,078,617</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 82,523	-	14,038	4,698	101,259
Construction contracts payable - retainage	-	-	85,012	-	85,012
Construction contracts payable	-	-	1,650	-	1,650
Salaries and benefits payable	624,387	-	-	-	624,387
Due to other governments	79,091	-	-	-	79,091
Due to other funds	-	2,497	-	-	2,497
Deferred revenue:					
Succeeding year property tax	1,541,606	249,999	254,774	-	2,046,379
Other	263,151	-	-	-	263,151
<b>Total liabilities</b>	<b>2,590,758</b>	<b>252,496</b>	<b>355,474</b>	<b>4,698</b>	<b>3,203,426</b>
<b>Fund balances:</b>					
<b>Nonspendable:</b>					
Prepaid insurance and expenses	-	66,487	-	-	66,487
<b>Restricted for:</b>					
Categorical funding	777	-	-	-	777
Debt service	-	-	323,175	274,410	597,585
Management levy purposes	-	415,778	-	-	415,778
Student activities	-	-	-	68,730	68,730
School infrastructure	-	-	210,986	-	210,986
Physical plant and equipment	-	-	492,523	-	492,523
Unassigned	1,022,325	-	-	-	1,022,325
<b>Total fund balances</b>	<b>1,023,102</b>	<b>482,265</b>	<b>1,026,684</b>	<b>343,140</b>	<b>2,875,191</b>
<b>Total liabilities and fund balances</b>	<b>\$ 3,613,860</b>	<b>734,761</b>	<b>1,382,158</b>	<b>347,838</b>	<b>6,078,617</b>

See notes to financial statements.

Pleasantville Community School District

Exhibit D

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

June 30, 2013

<b>Total fund balances of governmental funds (page 10)</b>	<b>\$ 2,875,191</b>
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	7,972,985
The Internal Service Fund is used by management to charge the costs of the District's employee flexible spending plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Position.	(164)
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	263,151
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(64,950)
Long-term liabilities, including revenue bonds payable, general obligation bonds payable, capital leases payable, special assessment payable, early retirement payable, and other postemployment benefits payable are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(5,455,071)</u>
<b>Net assets of governmental activities (page 8)</b>	<b><u><u>\$ 5,591,142</u></u></b>

See notes to financial statements.

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

Year ended June 30, 2013

	General	Special Revenue Management Levy	Capital Projects	Nonmajor	Total
<b>Revenues:</b>					
Local sources:					
Local tax	\$ 1,814,938	250,167	766,530	-	2,831,635
Tuition	391,893	-	911	-	392,804
Other	215,853	324	-	287,837	504,014
State sources	3,668,189	-	-	-	3,668,189
Federal sources	179,553	-	-	-	179,553
Total revenues	<u>6,270,426</u>	<u>250,491</u>	<u>767,441</u>	<u>287,837</u>	<u>7,576,195</u>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular	2,953,546	20,262	-	-	2,973,808
Special	1,141,305	7,654	-	-	1,148,959
Other	776,222	5,609	-	291,009	1,072,840
	<u>4,871,073</u>	<u>33,525</u>	<u>-</u>	<u>291,009</u>	<u>5,195,607</u>
Support services:					
Student	121,700	1,065	-	-	122,765
Instructional staff	75,949	557	34,353	-	110,859
Administration	680,670	65,552	-	-	746,222
Operation and maintenance of plant	580,529	28,745	-	-	609,274
Transportation	258,891	11,992	-	-	270,883
	<u>1,717,739</u>	<u>107,911</u>	<u>34,353</u>	<u>-</u>	<u>1,860,003</u>
Non-instructional programs	<u>8,457</u>	<u>1,183</u>	<u>-</u>	<u>-</u>	<u>9,640</u>
Other expenditures:					
Facilities acquisition	-	-	1,393,504	-	1,393,504
Long-term debt:					
Principal	-	-	-	421,733	421,733
Interest and fiscal charges	-	-	-	145,585	145,585
AEA flowthrough	227,752	-	-	-	227,752
	<u>227,752</u>	<u>-</u>	<u>1,393,504</u>	<u>567,318</u>	<u>2,188,574</u>
Total expenditures	<u>6,825,021</u>	<u>142,619</u>	<u>1,427,857</u>	<u>858,327</u>	<u>9,253,824</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(554,595)</u>	<u>107,872</u>	<u>(660,416)</u>	<u>(570,490)</u>	<u>(1,677,629)</u>
Other financing sources (uses):					
Proceeds from capital lease	-	-	104,655	-	104,655
General obligation bonds issued	-	-	975,000	-	975,000
Discount on issuance of general obligation bonds	-	-	(6,708)	-	(6,708)
Operating transfers in	-	-	282,873	591,007	873,880
Operating transfers out	-	-	(873,880)	-	(873,880)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>481,940</u>	<u>591,007</u>	<u>1,072,947</u>
Change in fund balances	<u>(554,595)</u>	<u>107,872</u>	<u>(178,476)</u>	<u>20,517</u>	<u>(604,682)</u>
Fund balances beginning of year	<u>1,577,697</u>	<u>374,393</u>	<u>1,205,160</u>	<u>322,623</u>	<u>3,479,873</u>
Fund balances end of year	<u>\$ 1,023,102</u>	<u>482,265</u>	<u>1,026,684</u>	<u>343,140</u>	<u>2,875,191</u>

See notes to financial statements.

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 12)** **\$ (604,682)**

*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 exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 1,222,199	
Depreciation expense	<u>(393,467)</u>	828,732

Certain revenues not collected for several months after year end are not considered available revenue and are deferred in the governmental funds. (5,435)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. 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. Current year issues exceeded repayments, as follows:

Issued	(1,079,655)	
Repaid	<u>421,735</u>	(657,920)

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. (1,720)

The Internal Service Fund is used by management to charge the costs of the District's employee flexible spending plan to individual funds. The change in net assets of the Internal Service Fund is reported in governmental activities. (233)

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:

Early retirement	(255,669)	
Other postemployment benefits	<u>(15,977)</u>	<u>(271,646)</u>

**Change in net position of governmental activities (page 9)** **\$ (712,904)**

Pleasantville Community School District

Exhibit G

Statement of Net Position  
Proprietary Funds

June 30, 2013

	Business Type Activities	Governmental Activities
	Nonmajor Enterprise Fund - School Nutrition	Internal Service - Employee Flexible Spending
<b>Assets</b>		
Current assets:		
Cash, cash equivalents and pooled investments	\$ 54,688	7,958
Due from other funds	-	3,000
Inventories	3,767	-
<b>Total current assets</b>	<b>58,455</b>	<b>10,958</b>
Noncurrent assets:		
Capital assets, net of accumulated depreciation	49,068	-
<b>Total noncurrent assets</b>	<b>49,068</b>	<b>-</b>
<b>Total assets</b>	<b>107,523</b>	<b>10,958</b>
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	5,184	933
Salaries and benefits payable	2,112	-
Due to other funds	15,017	10,189
Unearned revenue	2,681	-
<b>Total current liabilities</b>	<b>24,994</b>	<b>11,122</b>
Noncurrent liabilities:		
Net OPEB liability	2,851	-
<b>Total noncurrent liabilities</b>	<b>2,851</b>	<b>-</b>
<b>Total liabilities</b>	<b>27,845</b>	<b>11,122</b>
<b>Net Position</b>		
Investment in capital assets	49,068	-
Unrestricted	30,610	(164)
<b>Total net position</b>	<b>\$ 79,678</b>	<b>(164)</b>

See notes to financial statements.

Pleasantville Community School District

Exhibit H

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

Year ended June 30, 2013

	<u>Business Type Activities</u>	<u>Governmental Activities</u>
	Nonmajor Enterprise Fund - School Nutrition	Internal Service - Employee Flexible Spending
Operating revenues:		
Local sources:		
Charges for service	\$ 190,610	-
Employee contributions	-	17,812
Total operating revenue	<u>190,610</u>	<u>17,812</u>
Operating expenses:		
Non-instructional programs:		
Salaries	108,692	-
Benefits	21,477	-
Purchased services	2,112	-
Supplies	218,402	-
Other	-	18,045
Depreciation	4,289	-
Total operating expenses	<u>354,972</u>	<u>18,045</u>
Operating loss	<u>(164,362)</u>	<u>(233)</u>
Non-operating revenues:		
State sources	2,873	-
Federal sources	156,939	-
Total non-operating revenues	<u>159,812</u>	<u>-</u>
Decrease in net position	(4,550)	(233)
Net position beginning of year	<u>84,228</u>	<u>69</u>
Net position end of year	<u>\$ 79,678</u>	<u>(164)</u>

See notes to financial statements.

## Pleasantville Community School District

Exhibit I

Statement of Cash Flows  
Proprietary Funds

Year ended June 30, 2013

	Business Type Activities	Governmental Activities
	Nonmajor Enterprise Fund - School Nutrition	Internal Service - Employee Flexible Spending
<b>Cash flows from operating activities:</b>		
Cash received from sale of lunches and breakfasts	\$ 190,982	-
Cash received from miscellaneous operating activities	-	17,812
Cash paid to employees for services	(108,606)	-
Cash paid to suppliers for goods and services	(220,359)	(18,045)
Net cash used by operating activities	<u>(137,983)</u>	<u>(233)</u>
<b>Cash flows from non-capital financing activities:</b>		
State grants received	2,873	-
Federal grants received	135,636	-
Net cash provided by non-capital financing activities	<u>138,509</u>	<u>-</u>
<b>Cash flows from capital and related financing activities:</b>		
Acquisition of capital assets	(16,490)	-
Interfund loan increase (decrease)	3,829	(1,016)
Net cash used by capital and related financing activities	<u>(12,661)</u>	<u>(1,016)</u>
Net decrease in cash and cash equivalents	(12,135)	(1,249)
Cash and cash equivalents beginning of year	<u>66,823</u>	<u>9,207</u>
Cash and cash equivalents end of year	<u>\$ 54,688</u>	<u>7,958</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>		
Operating loss	\$ (164,362)	(233)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Commodities used	21,303	-
Depreciation	4,289	-
Decrease in inventories	1,231	-
Decrease in accounts payable	(1,925)	-
Increase in salaries and benefits payable	86	-
Increase in unearned revenue	372	-
Increase in other postemployment benefits	1,023	-
Net cash used by operating activities	<u>\$ (137,983)</u>	<u>(233)</u>

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

During the year ended June 30, 2013, the District received \$21,303 of federal commodities.

See notes to financial statements.

Pleasantville Community School District

Exhibit J

Statement of Fiduciary Net Position  
Fiduciary Funds

June 30, 2013

	<u>Private Purpose Trust Scholarship</u>
<b>Assets</b>	
Cash, cash equivalents and pooled investments	\$ 356,648
<b>Total assets</b>	<u>356,648</u>
<b>Liabilities</b>	
Due to other funds	<u>3,000</u>
<b>Total liabilities</b>	<u>3,000</u>
<b>Net Position</b>	
Reserved for scholarships	<u>\$ 353,648</u>

See notes to financial statements.

Pleasantville Community School District  
Statement of Changes in Fiduciary Net Position  
Fiduciary Funds

Exhibit K

Year ended June 30, 2013

	Private Purpose Trust
	Scholarship
<b>Additions:</b>	
Local sources:	
Gifts and contributions	\$ 21,000
Interest income	9,970
Total additions	30,970
<b>Deductions:</b>	
Instruction:	
Regular:	
Scholarships awarded	23,500
Change in net position	7,470
Net position beginning of year	346,178
Net position end of year	\$ 353,648

See notes to financial statements.

Pleasantville Community School District

Notes to Financial Statements

June 30, 2013

(1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Pleasantville Community School District (District) is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and 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 Pleasantville, Iowa, and the predominate agricultural territory of Marion and Warren 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, the 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 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 Marion County Assessor's 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 the following categories:

*Net investment in capital assets* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt 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 not meeting the definition of the 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 given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

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

The District reports the following major governmental funds:

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

The Special Revenue, Management Levy Fund is used to account for revenues from property tax and other revenues to be used for the payment of insurance, unemployment and early retiree benefits.

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 non-major proprietary funds:

The District's proprietary funds are the School Nutrition Fund and the Internal Service Fund. The Enterprise, 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 employee flexible spending monies. The Internal Service Fund is charged back to the Governmental Funds and shown combined in the Statement of Net Assets and the Statement of Activities.

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

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

#### 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, proceeds of revenue bonds and acquisitions under capital leases are reported as other financing sources.

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating 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 non-operating revenues and expenses.

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

#### D. Assets, Liabilities, and Fund Equity

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

Cash, Cash Equivalents and Pooled Investments - 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 and the Goldman Sachs Financial Square Funds – Government Fund which are valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date 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 1 1/2% 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, furniture and equipment and intangibles are reported in 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 repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 1,500
Buildings	1,500
Improvements other than buildings	1,500
Intangibles	10,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	1,500

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Improvements other than buildings	20-50 years
Intangibles	5-10 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for employees 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 collectible within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. 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 year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of unspent grant proceeds and income surtax, 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 unspent grant proceeds and succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue – Unearned revenues are monies collected for meals that have not yet been served. The meal account balances will either be reimbursed, or will be used when meals are served. The meal account balances are reflected in the Statement of Net Position in the Proprietary, School Nutrition Fund.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation and sick leave for subsequent use. The District's policy is not to reimburse employees for unused sick leave or vacation. Vacation leave can only be used by the employee in the year it is earned. As a result, the District has no compensated absences liability at June 30, 2013.

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 the preceding classification.

E. Budgets and Budgetary Accounting

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

(2) **CASH, CASH EQUIVALENTS AND POOLED INVESTMENTS**

The District's deposits in banks 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. However, at times during the year, the District's deposits in banks were not 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 Diversified Portfolio which are valued at an amortized cost of \$46,909, pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAAM by Standard & Poor's Financial Services.

At June 30, 2013, the District had investments in the Goldman Sachs Financial Square Funds – Government Fund which are valued at an amortized cost of \$560,280, pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in Goldman Sachs Financial Square Funds – Government Fund was rated AAAM by Standard & Poor's Financial Services.

At June 30, 2013, the District had investments in U.S government bonds, with a fair value of \$204,135. The investments in the U.S. government bonds are valued at fair value. The investment in the U.S. government bonds is not subject to risk categorization.

(3) **DUE FROM AND DUE TO OTHER FUNDS**

The detail of interfund receivables and payables at June 30, 2013 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Special Revenue: Management Levy	\$ 2,497
	Proprietary: School Nutrition	15,017
	Employee Flexible Spending	<u>10,189</u>
		<u>27,703</u>
Proprietary: Employee Flexible Spending	Fiduciary: Scholarship	<u>3,000</u>
	Total	<u>\$ 30,703</u>

The above due from/to amounts represents corrections of incorrect recording of transactions, and money due from one fund to another fund in order to record the related expenditures in the proper fund.

(4) **INTERFUND TRANSFERS**

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Capital Projects: Statewide Sales, Services and Use Tax	Capital Projects: Physical Plant and Equipment Levy	\$ <u>282,873</u>
Debt Service	Capital Projects: Physical Plant and Equipment Levy	282,654
	Capital Projects: Statewide Sales, Services and Use Tax	<u>308,353</u>
		<u>591,007</u>
	Total	<u>\$ 873,880</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(5) CAPITAL ASSETS

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 64,500	-	-	64,500
Construction in progress	2,152,289	10,877	2,152,289	10,877
Total capital assets not being depreciated	<u>2,216,789</u>	<u>10,877</u>	<u>2,152,289</u>	<u>75,377</u>
Capital assets being depreciated:				
Buildings	6,890,155	3,267,791	-	10,157,946
Improvements other than buildings	327,681	10,852	-	338,533
Furniture and equipment	1,836,506	84,969	414,414	1,507,061
Total capital assets being depreciated	<u>9,054,342</u>	<u>3,363,612</u>	<u>414,414</u>	<u>12,003,540</u>
Less accumulated depreciation for:				
Buildings	2,374,041	307,045	-	2,681,086
Improvements other than buildings	272,495	3,648	-	276,143
Furniture and equipment	1,480,343	82,774	414,414	1,148,703
Total accumulated depreciation	<u>4,126,879</u>	<u>393,467</u>	<u>414,414</u>	<u>4,105,932</u>
Total capital assets being depreciated, net	<u>4,927,463</u>	<u>2,970,145</u>	<u>-</u>	<u>7,897,608</u>
Governmental activities capital assets, net	<u>\$ 7,144,252</u>	<u>2,981,022</u>	<u>2,152,289</u>	<u>7,972,985</u>
<b>Business type activities:</b>				
Furniture and equipment	\$ 66,553	16,490	-	83,043
Less accumulated depreciation	<u>29,686</u>	<u>4,289</u>	<u>-</u>	<u>33,975</u>
Business type activities capital assets, net	<u>\$ 36,867</u>	<u>12,201</u>	<u>-</u>	<u>49,068</u>

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular	\$ 5,247
Other	10,699

Support services:

Instructional staff	870
Administration	16,801
Operation and maintenance of plant	14,046
Transportation	35,111
	<u>82,774</u>
Unallocated	<u>310,693</u>

Total depreciation expense - governmental activities \$ 393,467

Business type activities:

Food service operations	<u>\$ 4,289</u>
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(6) LONG-TERM LIABILITIES

Changes in long-term liabilities for the year ended June 30, 2013 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation capital loan notes	\$ -	975,000	105,000	870,000	105,000
Revenue bonds	4,100,000	-	150,000	3,950,000	175,000
Capital leases	361,084	104,655	160,433	305,306	163,445
Special assessment	25,204	-	6,301	18,903	6,301
Early retirement	17,902	269,124	13,455	273,571	58,272
Net OPEB liability	21,314	28,871	12,894	37,291	-
Total	\$4,525,504	1,377,650	448,083	5,455,071	508,018

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Business type activities:					
Net OPEB liability	\$ 1,828	2,129	1,106	2,851	-

General Obligation Capital Loan Notes

Details of the District's June 30, 2013 general obligation capital loan notes indebtedness are as follows:

Year Ending June 30,	Bond Issue of August 28, 2012			
	Interest Rates	Principal	Interest	Total
2014	0.50%	\$ 105,000	9,122	114,122
2015	0.60%	105,000	8,597	113,597
2016	0.75%	105,000	7,967	112,967
2017	0.90%	110,000	7,180	117,180
2018	1.10%	110,000	6,190	116,190
2019-2021	1.25-1.70%	335,000	10,540	345,540
Total		\$ 870,000	49,596	919,596

## Revenue Bonds

Details of the District's June 30, 2013 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of August 1, 2011			
	Interest Rates	Principal	Interest	Total
2014	1.50%	\$ 175,000	122,898	297,898
2015	1.50%	185,000	120,198	305,198
2016	2.00%	190,000	116,910	306,910
2017	2.00%	195,000	113,060	308,060
2018	2.00%	200,000	109,110	309,110
2019-2023	2.35-3.30%	1,095,000	462,628	1,557,628
2024-2028	3.45-4.10%	1,305,000	260,548	1,565,548
2029-2030	4.20-4.25%	605,000	25,957	630,957
Total		<u>\$ 3,950,000</u>	<u>1,331,309</u>	<u>5,281,309</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$4,100,000 bonds issued in August 2011. The bonds were issued for the purpose of financing a portion of the costs of major school improvements. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through fiscal year 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 53% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$5,281,309. For the current year, principal and interest paid on the bonds and total statewide sales, services and use tax revenues were \$275,335 and \$523,644, respectively.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- a) All proceeds from the statewide sales, services and use tax shall be placed in a Revenue Account.
- b) \$323,175 of the proceeds from the issuance of the revenue bonds shall be deposited to the reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited in the project account.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

## Capital Leases

On May 21, 2011, the District entered into a capital lease agreement for the purchase of computer equipment for the District's one-to-one laptop initiative. The lease bears interest at 1.90% per annum and is payable in eight bi-yearly installments of \$71,694, with the first installment due beginning May 21, 2011.

On March 19, 2012, the District entered into a capital lease agreement for the purchase of a John Deere gator. The lease bears interest at 4.30% per annum and is payable in five annual installments of \$3,508, with a final installment of \$1, with the first installment due beginning March 19, 2012.

On July 31, 2012, the District entered into a capital lease agreement for the purchase of portable buildings. The lease bears interest at 3.95% per annum and is payable in five annual installments of \$23,272, with the first installment due beginning May 1, 2013.

These leases will be paid from physical plant and equipment levy revenues and from statewide sales, services and use tax revenues. The following is a schedule of future minimum lease payments under the capital leases, together with the net present value of the minimum lease payments as of June 30, 2013.

Year Ended June 30,	Computer Lease Amount	Building Lease Amount	Gator Lease Amount	Total
2014	\$ 143,388	23,272	3,508	170,168
2015	71,693	23,272	3,508	98,473
2016	-	23,272	3,508	26,780
2014	-	23,272	1	23,273
Minimum Lease Payments	215,081	93,088	10,525	318,694
Less Amount Representing Interest	(4,023)	(8,504)	(861)	(13,388)
Present Value of Minimum Lease Payments	<u>\$ 211,058</u>	<u>84,584</u>	<u>9,664</u>	<u>305,306</u>

#### Special Assessment

During the year ended June 30, 2006, the District was assessed for road improvement costs by the City of Pleasantville. The assessment will be paid for from statewide sales, services and use tax revenues. The assessment is actually paid to the Marion County Treasurer, who in turn remits the proceeds to the City of Pleasantville. The following is a schedule of future minimum special assessment payments, together with the net present value of the minimum special assessment payments as of June 30, 2013.

Year Ended June 30,	Amount
2014	\$ 7,306
2015	6,979
2016	6,656
Minimum Special Assessment Payments	20,941
Less Amount Representing Interest and Fees	(2,038)
Present Value of Minimum Special Assessment Payments	<u>\$ 18,903</u>

#### Early Retirement

The District had two early retirement plans in affect during the fiscal year, as explained below.

- A. The District approved a voluntary early retirement plan for all employees effective for the 2011-2012 school year. Eligible employees must be at least fifty-five and employees must have completed fifteen years of full-time service to the District. Employees must complete an application which is required to be approved by the Board of Education.

The early retirements benefit for each eligible employee is equal to 43% of the employee's current salary, less any other additional pay or supplemental pay. The retired employee may also continue participation in the District's health insurance group at the employee's own expense.

At June 30, 2013, the District had obligations to one participant with a total liability of \$4,447. Actual early retirement expenditures for this plan for the year ended June 30, 2013 totaled \$13,456.

This plan expired at the end of the 2011-2012 school year.

- B. The District approved a voluntary early retirement plan for all employees effective for the 2012-2013 school year. Eligible employees must be at least fifty-five and employees must have completed fifteen years of full-time service to the District. Employees must complete an application which is required to be approved by the Board of Education.

The early retirements benefit for each eligible employee consists of \$50,000, paid in equal installments on or about July 20<sup>th</sup> over a five-year period, with the first payments scheduled to be made on July 20, 2013. The retired employee may also continue participation in the District's health insurance group at the employee's own expense.

At June 30, 2013, the District had obligations to five participants with a total liability of \$269,124. Actual early retirement expenditures for this plan for the year ended June 30, 2013 totaled \$0.

Early retirement is recorded as a long-term liability of the Governmental Activities in the Statement of Net Position.

**(7) OPERATING LEASE**

The District has entered into a lease on October 26, 2010 to lease copier equipment. The lease has been classified as an operating lease and, accordingly, all rents are charged to expense as incurred. The lease expires on November 30, 2014. The District pays \$1,774 a month for this lease.

The following is a schedule of future payments required under the operating lease which has an initial or remaining non-cancelable lease term in excess of one year as of June 30, 2013:

Year Ended June 30,	Amount
2014	\$ 21,291
2015	<u>8,871</u>
Total	<u>\$ 30,162</u>

During the fiscal year, payments made under these lease agreements were \$21,291.

**(8) PENSION AND RETIREMENT BENEFITS**

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

Plan members are required to contribute 5.78% of their annual covered salary and the District is required to contribute 8.67% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$363,948, \$327,368 and \$289,763, respectively, equal to the required contributions for each year.

**(9) OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

Plan Description - The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees and retirees and their spouses. There are 92 active and 3 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results 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	\$ 31,000
Interest on net OPEB obligation	1,000
Adjustment to annual required contribution	(1,000)
Annual OPEB cost	<u>31,000</u>
Contributions made	<u>(14,000)</u>
Increase in net OPEB obligation	17,000
Net OPEB obligation beginning of year	<u>23,142</u>
 Net OPEB obligation end of year	 <u><u>\$ 40,142</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2013.

For the year ended June 30, 2013, the District contributed \$14,000 to the medical plan. Plan members eligible for benefits contributed \$28,000, or 67% of the premium costs.

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

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 55,000	78.2%	\$ 12,000
June 30, 2011	55,063	94.4%	15,063
June 30, 2012	55,079	85.3%	23,142
June 30, 2013	31,000	45.2%	40,142

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 \$292,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$292,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,709,000 and the ratio of the UAAL to covered payroll was 10.8%. 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. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, 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 includes a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Table projected to 2015 using Scale AA, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Valuation Report as of June 30, 2012 and applying the termination factors used in IPERS Actuarial Report as of June 30, 2012.

Projected claim costs of the medical plan are \$407-\$440 per month. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**(10) 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.

**(11) 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 \$227,752 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.

**(12) DEFICIT FUND BALANCE**

The Internal Service, Employee Flexible Spending Fund had a deficit unrestricted net asset fund balance of \$164 as of June 30, 2013. This deficit balance will be eliminated through a transfer from the General Fund.

**(13) SUBSEQUENT EVENTS**

The District has evaluated subsequent events through January 15, 2014, which is the date the financial statements were available to be issued.

Required Supplementary Information

Pleasantville Community School District

Budgetary Comparison Schedule 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 Funds Actual	Proprietary Funds Actual	Total Actual	Less Funds Not Required to be Budgeted	Net	Budgeted Amounts Original	Final to Net Variance
Revenues:							
Local sources	\$ 3,728,453	208,422	3,936,875	(17,812)	3,919,063	3,912,558	6,505
State sources	3,668,189	2,873	3,671,062	-	3,671,062	3,708,112	(37,050)
Federal sources	179,553	156,939	336,492	-	336,492	485,000	(148,508)
Total revenues	7,576,195	368,234	7,944,429	(17,812)	7,926,617	8,105,670	(179,053)
Expenditures/Expenses:							
Instruction	5,195,607	-	5,195,607	-	5,195,607	5,686,622	491,015
Support services	1,860,003	-	1,860,003	-	1,860,003	2,435,000	574,997
Non-instructional programs	9,640	373,017	382,657	(18,045)	364,612	473,284	108,672
Other expenditures	2,188,574	-	2,188,574	-	2,188,574	4,015,398	1,826,824
Total expenditures/expenses	9,253,824	373,017	9,626,841	(18,045)	9,608,796	12,610,304	3,001,508
Excess (deficiency) of revenues over (under) expenditures/expenses	(1,677,629)	(4,783)	(1,682,412)	233	(1,682,179)	(4,504,634)	2,822,455
Other financing sources, net	1,072,947	-	1,072,947	-	1,072,947	1,000,000	72,947
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	(604,682)	(4,783)	(609,465)	233	(609,232)	(3,504,634)	2,895,402
Balances beginning of year	3,479,873	84,297	3,564,170	(69)	3,564,101	4,449,401	(885,300)
Balances end of year	\$ 2,875,191	79,514	2,954,705	164	2,954,869	944,767	2,010,102

See accompanying independent auditor's report.

Pleasantville 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 Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. 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. During the year, the District did not adopt a budget amendment.

During the year ended June 30, 2013, expenditures did not exceed the amounts budgeted.

Pleasantville Community School District

Schedule of Funding Progress for the  
Retiree Health Plan  
(In Thousands)

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 528	528	0.0%	\$ 3,931	13.4%
2011	July 1, 2009	-	528	528	0.0%	4,189	12.6%
2012	July 1, 2009	-	528	528	0.0%	4,141	12.7%
2013	July 1, 2012	-	292	292	0.0%	2,709	10.8%

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

Supplementary Information

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2013

	<u>Special Revenue</u>		
	<u>Student Activity</u>	<u>Debt Service</u>	<u>Total</u>
<b>Assets</b>			
Cash, cash equivalents and pooled investments	\$ 73,428	274,410	347,838
<b>Total assets</b>	<b>\$ 73,428</b>	<b>274,410</b>	<b>347,838</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 4,698	-	4,698
<b>Total liabilities</b>	<b>4,698</b>	<b>-</b>	<b>4,698</b>
Fund balances:			
Restricted for:			
Debt service	-	274,410	274,410
Student activities	68,730	-	68,730
<b>Total fund balances</b>	<b>68,730</b>	<b>274,410</b>	<b>343,140</b>
<b>Total liabilities and fund balances</b>	<b>\$ 73,428</b>	<b>274,410</b>	<b>347,838</b>

See accompanying independent auditor's report.

Pleasantville Community School District

Schedule 2

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

Year ended June 30, 2013

	<u>Special Revenue</u>		
	<u>Student Activity</u>	<u>Debt Service</u>	<u>Total</u>
Revenues:			
Local sources:			
Other	\$ 287,672	165	287,837
Total revenues	<u>287,672</u>	<u>165</u>	<u>287,837</u>
Expenditures:			
Current:			
Instruction:			
Other	291,009	-	291,009
Other expenditures:			
Long-term debt:			
Principal	-	421,733	421,733
Interest and fiscal charges	-	145,585	145,585
Total expenditures	<u>291,009</u>	<u>567,318</u>	<u>858,327</u>
Deficiency of revenues under expenditures	<u>(3,337)</u>	<u>(567,153)</u>	<u>(570,490)</u>
Other financing sources (uses):			
Operating transfers in	-	591,007	591,007
Total other financing sources (uses)	<u>-</u>	<u>591,007</u>	<u>591,007</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(3,337)	23,854	20,517
Fund balances beginning of year	<u>72,067</u>	<u>250,556</u>	<u>322,623</u>
Fund balances end of year	<u>\$ 68,730</u>	<u>274,410</u>	<u>343,140</u>

See accompanying independent auditor's report.

Pleasantville Community School District

Schedule 3

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2013

Account	Balance Beginning of Year	Revenues	Expenditures	Intrafund Transfers	Balance End of Year
Elementary Book Fair	\$ 4,716	7,438	8,183	-	3,971
Elementary Fundraiser	35,329	32,376	19,964	-	47,741
Miscellaneous	6,210	275	275	-	6,210
Library Club	(549)	-	-	-	(549)
Industrial Arts Club	(7,849)	1,040	314	-	(7,123)
Vocal Club	4,336	28,188	29,782	-	2,742
Elementary Band	(2,893)	1,179	1,418	-	(3,132)
Athletic Resale	(3,848)	-	-	-	(3,848)
Vocational Agriculture Club	(11,988)	4,482	4,074	-	(11,580)
High School Band	55	3,850	1,802	-	2,103
Drill Team	(5,826)	100	-	-	(5,726)
Boys Basketball	12,356	13,919	14,927	-	11,348
Football	33,189	21,635	20,616	-	34,208
Baseball	(3,755)	12,552	23,167	-	(14,370)
Boys Track	(9,540)	1,467	1,249	-	(9,322)
General High School Athletic Supplies	8,172	9,069	9,515	-	7,726
Boys Golf	(7,375)	-	-	-	(7,375)
Wrestling	6,127	9,009	11,626	-	3,510
Girls Basketball	7,774	10,107	14,633	-	3,248
Volleyball	(188)	7,925	8,338	-	(601)
Girls Softball	(15,379)	10,120	8,952	-	(14,211)
Girls Track	(5,059)	255	277	-	(5,081)
Girls Golf	(7,322)	478	478	-	(7,322)
High School Pop Concessions	-	18,308	17,414	-	894
Elementary Pop	1,179	952	1,393	-	738
High School Lounge	(1,579)	1,092	-	-	(487)
Yearbook	(12,052)	1,433	190	-	(10,809)
Elementary Student Council	314	-	-	-	314
Junior High Student Council	1,291	-	773	-	518
High School Student Council	5,481	7,141	8,419	-	4,203
Future Farmers of America	2,652	23,748	26,500	-	(100)
National Honor Society	1,521	-	342	-	1,179
Business Club	221	1,322	1,086	-	457
Cheerleaders	(285)	7,428	8,892	-	(1,749)
Spanish	2,556	4,507	4,658	-	2,405
Science	114	1,056	818	-	352
Rifle Club	(1,043)	-	-	-	(1,043)
Postage	91	-	-	-	91

See accompanying independent auditor's report.

Pleasantville Community School District

Schedule 3

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2013

Account	Balance Beginning of Year	Revenues	Expenditures	Intrafund Transfers	Balance End of Year
Class of:					
2010	850	-	-	-	850
2011	298	-	-	-	298
2012	253	-	-	-	253
2013	1,210	2,043	2,683	-	570
2014	100	3,293	3,061	-	332
Prom	2,500	-	-	-	2,500
Washington D.C. Trip	7,192	12,315	10,338	-	9,169
Talented and Gifted	754	-	-	-	754
Band/Vocal/Art Confederation	3	-	-	-	3
Home Economics	1,438	4,095	4,785	-	748
Art/Photo	118	15	-	-	133
Savings	7,087	144	-	-	7,231
Community Service	(343)	-	-	-	(343)
Drama Club	-	4,542	5,113	-	(571)
Social Studies	343	-	-	-	343
Community Resources	3,471	4,131	4,470	-	3,132
Fan Stand - Resale	2,223	10,810	8,459	-	4,574
Trojan Tribute	-	-	85	-	(85)
High School Fundraising	336	1,397	-	-	1,733
Middle School Fundraising	7,080	2,436	1,940	-	7,576
<b>Total</b>	<b>\$ 72,067</b>	<b>287,672</b>	<b>291,009</b>	<b>-</b>	<b>68,730</b>

See accompanying independent auditor's report.

Pleasantville Community School District

Schedule 4

Combining Balance Sheet  
Capital Projects Accounts

June 30, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>Assets</b>			
Cash, cash equivalents and pooled investments	\$ 388,984	576,916	965,900
Receivables:			
Property tax:			
Delinquent	-	2,269	2,269
Succeeding year	-	254,774	254,774
Due from other governments	159,215	-	159,215
<b>Total assets</b>	<b>\$ 548,199</b>	<b>833,959</b>	<b>1,382,158</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 14,038	-	14,038
Construction contracts payable - retainage	-	85,012	85,012
Construction contracts payable	-	1,650	1,650
Deferred revenue:			
Succeeding year property tax	-	254,774	254,774
Total liabilities	14,038	341,436	355,474
Fund balances:			
Restricted for:			
Debt service	323,175	-	323,175
School infrastructure	210,986	-	210,986
Physical plant and equipment	-	492,523	492,523
Total fund balances	534,161	492,523	1,026,684
<b>Total liabilities and fund balances</b>	<b>\$ 548,199</b>	<b>833,959</b>	<b>1,382,158</b>

See accompanying independent auditor's report.

Combining Schedule of Revenues, Expenditures  
and Changes in Fund Balances

Capital Projects 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	\$ 523,644	242,886	766,530
Other	-	911	911
Total revenues	<u>523,644</u>	<u>243,797</u>	<u>767,441</u>
Expenditures:			
Current:			
Support services:			
Instructional staff	34,353	-	34,353
Other expenditures:			
Facilities acquisition	1,022,392	371,112	1,393,504
Total expenditures	<u>1,056,745</u>	<u>371,112</u>	<u>1,427,857</u>
Deficiency of revenues under expenditures	<u>(533,101)</u>	<u>(127,315)</u>	<u>(660,416)</u>
Other financing sources (uses):			
Proceeds from capital lease	-	104,655	104,655
General obligation bonds issued	-	975,000	975,000
Discount on issuance of general obligation bonds	-	(6,708)	(6,708)
Operating transfers in	282,873	-	282,873
Operating transfers out	(308,353)	(565,527)	(873,880)
Total other financing sources (uses)	<u>(25,480)</u>	<u>507,420</u>	<u>481,940</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>(558,581)</u>	<u>380,105</u>	<u>(178,476)</u>
Fund balances beginning of year	<u>1,092,742</u>	<u>112,418</u>	<u>1,205,160</u>
Fund balances end of year	<u>\$ 534,161</u>	<u>492,523</u>	<u>1,026,684</u>

See accompanying independent auditor's report.

Pleasantville Community School District

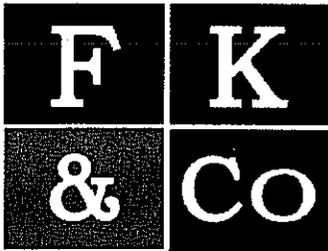
Schedule 6

Schedule of Revenues by Source and Expenditures by Function  
All Governmental Funds

For the Last Ten Years

	Modified Accrual Basis									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>Revenues:</b>										
Local sources:										
Local tax	2,831,635	2,715,443	2,909,619	2,921,456	2,886,060	2,664,447	2,621,839	2,364,972	2,261,154	1,889,789
Tuition	392,804	347,091	311,810	197,656	224,811	217,259	254,641	241,652	202,346	164,052
Other	504,014	496,990	437,361	393,590	420,352	479,156	496,232	477,451	461,408	327,636
State sources	3,668,189	3,824,371	3,667,898	3,347,341	3,865,412	3,631,724	3,409,873	2,952,470	2,878,737	2,918,647
Federal sources	179,553	234,828	328,324	577,481	177,303	118,710	115,904	117,402	141,269	160,112
<b>Total</b>	<b>\$ 7,576,195</b>	<b>7,618,723</b>	<b>7,655,012</b>	<b>7,437,524</b>	<b>7,573,938</b>	<b>7,111,296</b>	<b>6,898,489</b>	<b>6,153,947</b>	<b>5,944,914</b>	<b>5,460,236</b>
<b>Expenditures:</b>										
Instruction:										
Regular	2,973,808	2,778,995	3,432,000	2,543,424	4,426,231	4,079,767	4,143,414	3,945,967	3,834,127	2,304,107
Special	1,148,959	947,399	967,950	1,087,674	-	-	-	-	-	905,470
Other	1,072,840	1,057,589	1,093,627	1,016,887	-	-	-	-	-	459,607
Support services:										
Student	122,765	106,423	104,118	105,686	131,947	73,254	150,696	107,209	102,746	119,321
Instructional staff	110,859	154,714	197,351	106,516	121,478	174,701	160,887	271,802	129,272	154,099
Administration	746,222	733,078	721,409	607,441	582,120	606,430	576,138	563,512	524,227	459,203
Operation and maintenance of plant	609,274	444,602	532,323	466,556	524,352	506,382	520,629	518,104	450,505	405,369
Transportation	270,883	352,911	262,430	317,430	239,425	198,788	187,830	248,667	195,510	135,203
Central support	-	-	-	-	-	-	-	-	-	12,055
Non-instructional programs	9,640	27,255	18,651	22,627	9,233	2,061	13,324	9,728	38,583	227
Other expenditures:										
Facilities acquisition	1,393,504	2,714,615	388,730	179,841	93,148	104,997	292,533	1,404,187	338,881	332,757
Long-term debt:										
Principal	421,733	464,151	347,995	366,718	426,339	405,000	390,000	240,000	225,000	220,000
Interest and other charges	145,585	77,329	36,970	49,841	67,502	79,468	94,003	86,191	57,828	64,930
AEA flowthrough	227,752	227,773	253,163	253,457	232,544	216,305	205,440	183,683	183,306	186,651
<b>Total</b>	<b>\$ 9,253,824</b>	<b>10,086,834</b>	<b>8,356,717</b>	<b>7,124,098</b>	<b>6,854,319</b>	<b>6,447,153</b>	<b>6,734,894</b>	<b>7,579,050</b>	<b>6,079,985</b>	<b>5,758,999</b>

See accompanying independent auditor's report.



FALLER, KINCHELOE & CO, PLC

Certified Public Accountants

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  
Pleasantville 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 Pleasantville Community School District (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, 15, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

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

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## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatements, 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 the accompanying Schedule of Findings.

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.

## The District's Responses to Findings

The District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The 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 the 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.

  
Faller, Kincheloe & Co., PLC  
Certified Public Accountants

January 15, 2014

Pleasantville Community School District

Schedule of Findings

Year ended June 30, 2013

**Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

- (A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal are sometimes all done by the same person. In addition, at times the Board Secretary also stamps the Board President's name on checks issued by the Pleasantville Community School District (District). Also, in many instances, vouchers are processed, disbursements are recorded and checks are prepared by the same person.

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 utilizing currently available staff, including elected officials.

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

Conclusion – Response acknowledged. The District could segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

- (B) Fixed Assets – Fixed assets were not periodically counted and reconciled to the fixed asset listing by an independent person.

Recommendation – To provide additional control over the proper recording of fixed assets, fixed assets should be periodically counted and reconciled to the fixed asset listing by a person who does not have custody of the fixed assets.

Response – We will review this situation.

Conclusion – Response accepted.

- (C) Financial Reporting – During the audit, we identified material amounts of receivables, payables, fixed assets, revenues, expenditures and other financing sources (uses) which were either incorrectly recorded or not recorded at all in the District's financial statements. Adjustments were subsequently made by the District to properly include these amounts in the financial statements.

Recommendation – The District should implement procedures to ensure all transactions are identified and included in the District's financial statements.

Response – We will double check these issues in the future to avoid missing any receivables, payables, fixed asset and all other transactions.

Conclusion – Response accepted.

Pleasantville Community School District

Schedule of Findings

Year ended June 30, 2013

- (D) Preparation of Full Disclosure Financial Statements – Internal controls over financial reporting include the actual preparation and review of financial statements, including footnote disclosure, for external reporting, as required by generally accepted accounting principles. The District does not have the internal resources to prepare the full-disclosure financial statements required by generally accepted accounting principles for external reporting. While this circumstance is not uncommon for most governmental entities, it is the responsibility of management and those charged with governance to prepare reliable financial data, or accept the risk associated with this condition because of cost or other considerations.

Recommendation – We recognize that with a limited number of office employees, gaining sufficient knowledge and expertise to properly select and apply accounting principles in preparing full-disclosure financial statements for external reporting purposes is difficult. However, we recommend that District officials continue to review operating procedures and obtain the internal expertise needed to handle all the aspects of external financial reporting, rather than to rely on external assistance.

Response – We recognize our limitations; however, it is not fiscally responsible to add additional staff for this purpose.

Conclusion – Response accepted.

- (E) Receipts – Instances were noted where receipts were not timely deposited. For example, receipts are not normally deposited more than one time per week. In addition, in some cases, an immediate record of receipt was not always completed.

Recommendation – The District implement procedures to ensure all receipts are timely deposited into the bank accounts. Receipts should be deposited daily when cash and checks on hand exceed \$100. In addition, an immediate record of receipt needs to be completed for all receipts.

Response – We will attempt to implement these recommendations.

Conclusion – Response accepted.

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

Several student activity accounts are negative as of June 30, 2013.

For one major Activity Fund fundraiser selected, the sponsor did not complete a fundraiser reconciliation, even though this was required by the District.

Pleasantville Community School District

Schedule of Findings

Year ended June 30, 2013

Recommendation – The District should review the propriety of all of the accounts in the Special Revenue, Student Activity Fund, and determine which accounts meet the Iowa Department of Education requirements to be included in the Special Revenue, Student Activity Fund. All accounts which do not meet the requirements to be included in the Special Revenue, Student Activity Fund should be recorded in another appropriate fund.

Procedures should be implemented to ensure all student activity accounts have a positive balance.

The District should require that all sponsors complete a fundraiser reconciliation, as required.

Response – We will review this area and make changes as appropriate.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

Pleasantville Community School District

Schedule of Findings

Year ended June 30, 2013

**Other Findings Related to Required Statutory Reporting:**

- (1) Certified Budget – Expenditures for the year ended June 30, 2013 did not exceed the amounts budgeted.
- (2) Questionable Disbursements – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No expenditures of Pleasantville Community School District (District) money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- (4) Business Transactions – No business transactions between the District and District officials or employees were noted.
- (5) 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 ensure the coverage is adequate for current operations.
- (6) Board Minutes – Some Board minutes were not timely published, and the published Board minutes did not consistently include a schedule of all bills allowed, as required by Chapter 279.35 of the Code of Iowa.

The Board does not consistently approve of all transfers between funds.

Recommendation – The District implement procedures to ensure that all Board minutes are timely published, and include a schedule of bills allowed by the Board. In addition, all transfers between funds should be approved by the Board.

Response – We will implement this recommendation.

Conclusion – Response accepted.

- (7) Certified Enrollment – The number of basic resident students reported to the Iowa Department of Education on the Certified Enrollment Certification Form for October 2012 was overstated by 1 student.

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

Response – We will contact the Iowa Department of Education and the Department of Management.

Conclusion – Response accepted.

- (8) Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- (9) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and District's investment policy were noted, except that the District did not include one depository on the depository resolution. Also, bank interest earned on the cash balances in the Debt Service Fund and the Capital Projects Fund is not credited to those funds as required by Chapter 12C.9 of the Code of Iowa. Also, one investment held by the District is not on the District's investment policy.

Pleasantville Community School District

Schedule of Findings

Year ended June 30, 2013

Recommendation – To be in compliance with Chapter 12C of the Code of Iowa, the District should implement procedures to ensure the depository resolutions include all depositories. In addition, the District should credit bank interest earned on balances in the Debt Service Fund and the Capital Projects Fund to those funds, as required by the Code of Iowa. Also, all investments owned by the District should be on the District’s investment policy.

Response – We will implement these recommendations.

Conclusion – Response accepted.

- (10) Certified Annual Report – The Certified Annual Report was certified timely to the Iowa Department of Education. However, we noted variances between the amounts reported on the Certified Annual Report and the financial statements.

Recommendation – The District should implement procedures to ensure the amounts reported on the Certified Annual Report agree to the accounting records. The District should contact the Iowa Department of Education to resolve this situation.

Response – We have contacted the Iowa Department of Education and will make adjustments through the certified annual report for the next fiscal year.

Conclusion – Response accepted.

- (11) Categorical Funding – No instances of categorical funding being used to supplant rather than supplement other funds were noted.

- (12) Statewide Sales, Services and Use Tax – No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2013, the following information includes the amounts the District reported for the statewide sales, services and use tax revenue in the District’s CAR including adjustments identified during the fiscal year 2013 audit:

Beginning balance		\$1,092,742
Revenues/transfers in:		
Sales tax revenues	\$ 523,644	
Transfers from other funds	<u>282,873</u>	<u>806,517</u>
		1,899,259
Expenditures/transfers out:		
School infrastructure construction	1,012,688	
Equipment	26,511	
Technology software	17,546	
Transfers to other funds:		
Debt service fund	<u>308,353</u>	<u>1,365,098</u>
Ending balance		<u>\$ 534,161</u>

Pleasantville Community School District

Schedule of Findings

Year ended June 30, 2013

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.

- (13) Disbursements – In one instance, for a scholarship award payment, there was no documentation from the student that the student was enrolled at the university.

An IRS 1099-Misc. form was not issued to one vendor as required.

Recommendation – The District should require proof of enrollment at a university as a condition of receiving the scholarship award. In addition, IRS 1099-Misc. forms should be issued to all applicable vendors.

Response – We will implement these recommendations.

Conclusion – Response accepted.

- (14) Financial Condition – The Internal Service, Employee Flexible Spending Fund had a deficit unrestricted net asset fund balance of \$164 as June 30, 2013.

Recommendation – The District should continue to monitor the deficit in the Internal Service, Employee Flexible Spending Fund and investigate alternatives to eliminate this deficit.

Response – We will continue to monitor this fund.

Conclusion – Response accepted

- (15) Outstanding Checks – The District has several outstanding checks on the books which are older than one year old. These old checks should be turned over to the State Unclaimed Property Fund, as required by the State of Iowa.

Recommendation – The District turn over these old outstanding checks to the State Unclaimed Property Fund.

Response – We will implement this recommendation.

Conclusion – Response accepted.

- (16) Miscellaneous – The District does not appear to have procedures in place to ensure all open enrollment in monies due to the District from other Districts are appropriately received. The effects of these errors amounted to approximately \$14,700 due to the District from a neighboring District. This situation was not known by the District until we brought this to their attention.

The Special Revenue, Management Levy Fund balance is in excess of one year's expenditures. As a result, the balance in this fund may be excessive.

The District paid for its bond issue costs from the General Fund, instead of the Capital Projects Fund. Furthermore, it is questionable as to whether the Code of Iowa allows these types of costs to be paid from the General Fund. It would appear that the bond issue costs should have been paid for from the Capital Projects Fund.

Pleasantville Community School District

Schedule of Findings

Year ended June 30, 2013

Recommendation – The District should implement procedures to ensure all open enrollment in fees are appropriately billed and collected. The District should also review the balance in the Special Revenue, Management Levy Fund, and consider reducing the balance in this fund.

The District should also review the issue in relation to bond issue costs, and make corrective transfers, if necessary.

Response – We are in the process of resolving all of the open enrollment in billing issues as noted above. We will evaluate the balance in the Special Revenue, Management Levy Fund for reasonableness. We will also review the issue in relation to the bond issue costs.

Conclusion – Response accepted.

- (17) Payroll – Instances were noted where part-time and substitute employee time records were not documented as approved by a supervisor.

Recommendation – All part-time and substitute employee time records should be documented as approved by a supervisor prior to payment.

Response – We will implement this recommendation.

Conclusion – Response accepted.

- (18) Interfund Loans – The Iowa Department of Education issued a Declaratory Order (Order) dated October 22, 2009 outlining requirements for interfund loans. During the current and prior fiscal year, the District made loans between various funds. The District did not comply with the Order's requirements, as follows:

- The interfund loans were not always formally approved by the Board.
- A provision for interest was not included in the resolution authorizing the interfund loan.
- The loans were not repaid by October 1 of the fiscal year following the fiscal year in which the loan occurred. For loans unable to be repaid, the District did not follow the remedies available under Chapter 74, 278.1(5) or 24.22 of the Code of Iowa.

Recommendation – The District should comply with the requirements for existing and future interfund loans.

Response – We will implement this recommendation to the best of our ability.

Conclusion – Response accepted.