

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

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

June 30, 2013

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Independent Auditor's Report

To the Board of Education of
Pocahontas 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 Pocahontas Community School District, Pocahontas, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

As explained in Note 10 to the financial statements, the Pocahontas Area and Pomeroy-Palmer Community School Districts merged on July 1, 2012.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 13 and 40 through 42 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 operation, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U. S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Pocahontas Community School District's basic financial statements. We previously audited, in accordance with the standards referred in the third paragraph of this report, the financial statements of the Pocahontas Area Community school for the one year ended June 30, 2012 (which is not presented herein) and expressed unqualified opinions on those financial statements. The financial statements for the eight years ended June 30, 2011 (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements. We also previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements of the Pomeroy-Palmer Community School District for the nine years ended June 30, 2012 (which are not presented herein) and we expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 7, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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 June 30, 2014 on our consideration of Pocahontas Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide and 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 Pocahontas Community School District's internal control over financial reporting and compliance.

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

June 30, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

Pocahontas Area Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

On July 1, 2012 the Pocahontas Area Community School District and the Pomeroy-Palmer Community School Districts merged into one district which is the Pocahontas Area Community School District. Because of the merger current year financial data is not comparable to prior year data. However, in the future years, comparisons will be more meaningful and will go further in explaining the District's financial position and results of operations.

USING THE ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Pocahontas Area Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Pocahontas Area Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Pocahontas Area Community School District acts solely as an agent or custodian for the benefit of those outside of District government.

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

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

Supplementary Information provides detailed information about the nonmajor governmental funds.

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

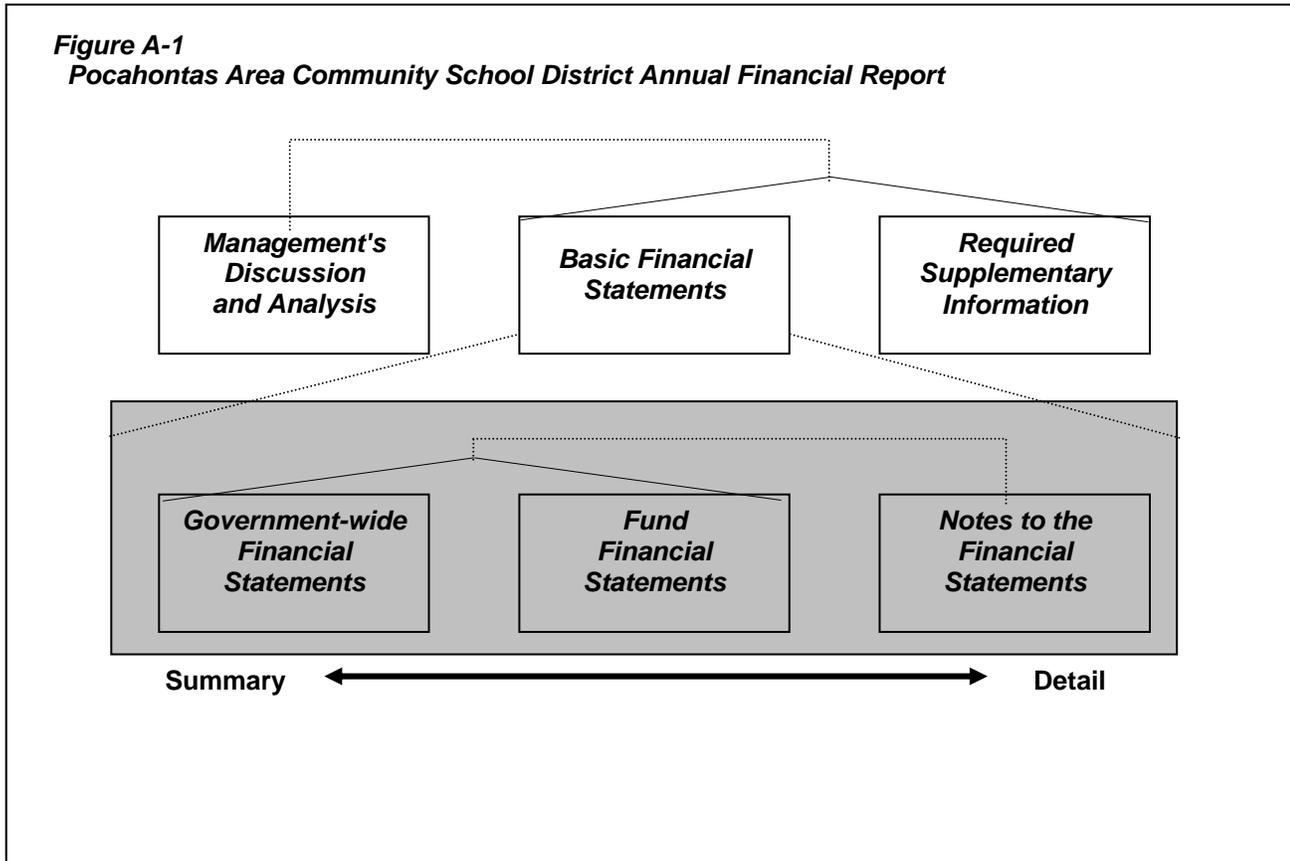


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District’s net position at June 30, 2013.

Figure A-3

	Condensed Statement of Net Position		
	Governmental Activities	Business-Type Activities	Total School District
	2013	2013	2013
	\$	\$	\$
Current and other assets	12,911,659	86,273	12,997,932
Capital assets	13,956,304	3,619	13,959,923
Total assets	26,867,963	89,892	26,957,855
Long-term liabilities	9,668,676	6,238	9,674,914
Other liabilities	5,729,781	29,667	5,759,448
Total liabilities	15,398,457	35,905	15,434,362
Net position:			
Net investment in capital assets	4,565,519	3,619	4,569,138
Restricted	4,037,041	-	4,037,041
Unrestricted	2,866,946	50,368	2,917,314
TOTAL NET POSITION	11,469,506	53,987	11,523,493

The largest portion of the District’s net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements.

Figure A-4 shows the change in net position for the year ended June 30, 2013.

Figure A-4

	Change in Net Position		
	Governmental Activities	Business-type Activities	Total School District
	2013 \$	2013 \$	2013 \$
Revenues			
Program Revenues:			
Charges for services	977,755	506,613	1,484,368
Operating grants & contributions	1,212,800	248,834	1,461,634
Capital grants & contributions	-	-	-
General Revenues:			
Property taxes	5,221,872	-	5,221,872
Income surtax	82,000	-	82,000
Statewide sales, services and use tax	678,603	-	678,603
Unrestricted state grants	2,587,005	-	2,587,005
Unrestricted investment earnings	20,608	32	20,640
Other	11,541	-	11,541
Total Revenues	10,792,184	755,479	11,547,663
Expenses:			
Instruction	5,962,173	-	5,962,173
Support services	2,437,953	-	2,437,953
Non-instructional programs	-	792,851	792,851
Other expenditures	1,110,415	-	1,110,415
Total expenses	9,510,541	792,851	10,303,392
CHANGE IN NET POSITION	1,281,643	(37,372)	1,244,271
Net position beginning of year	10,187,863	91,359	10,279,222
Net position end of year	11,469,506	53,987	11,523,493

In fiscal year 2013 property tax and unrestricted state grants account for 68% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 82% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$10,792,184 and expenses were \$9,510,541. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

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

Figure A-5

Net Cost of Governmental Activities

	Total Cost of Services 2013	Net Cost of Services 2013
	\$	\$
Instruction	5,962,173	4,136,069
Support Services	2,437,953	2,386,757
Other Expenses	1,110,415	797,160
TOTAL	9,510,541	7,319,986

For the year ended June 30, 2013

- The cost financed by users of the District's programs was \$977,755. Most of these revenues are derived from tuition charged to other school districts and from student activities.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,212,800.
- The net cost of governmental activities was financed with \$5,982,475 in property and local other taxes and \$2,587,005 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$755,479 and expenses were \$792,851. The District's business type activities include the School Nutrition Fund and the Day Care Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

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

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$7,067,935,

Governmental Fund Highlights

- The District's increasing General Fund financial position is the result of many factors. Growth during the year in tax and grants resulted in an increase in revenues and Pomeroy Palmer CSD brought in a carry over.
- The General Fund balance increased from \$2,755,291 to \$3,059,299, due in part increased property taxes, cost containment measures and state sharing incentives.
- The Capital Projects Fund balance decreased as a result of the District continuing work on the new building addition project. The District ended fiscal 2012 with a balance of \$3,306,832 as a result of

preliminary project costs. Fiscal 2013 ended with a balance of \$2,897,453, consisting primarily of unexpended bond proceeds which will be expended as the project is completed.

Proprietary Fund Highlights

School Nutrition Fund net position decreased from \$64,699 at June 30, 2012 to \$42,919 at June 30, 2013, representing a decrease of 34%. Healthier food options have been incorporated into the menu selections resulting in increased expenditures.

The Day Care Fund balance decreased from \$26,660 at June 30, 2012 to \$11,068 at June 30, 2013. This decrease resulted primarily from increases in staff wages and benefits without any increases in tuition combined with a decline in the number of children being served.

BUDGETARY HIGHLIGHTS

The District's receipts were \$976,936 less than budgeted receipts, a variance of 8%. The most significant variance resulted from the District receiving less in state aid than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, the District had invested \$14 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 9% from last year. More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expense for the year was \$628,866.

Figure A-6

Capital Assets (net of depreciation)

	Governmental Activities		Business type Activities		Total School District		Percentage Change 2012-2013 %
	2012	2013	2012	2013	2012	2013	
	\$	\$	\$	\$	\$	\$	
Land	172,157	172,157	-	-	172,157	172,157	0%
Buildings	11,557,247	12,611,314	-	-	11,557,247	12,611,314	9%
Improvements	418,568	510,459	-	-	418,568	510,459	22%
Equipment & furniture	697,698	662,374	17,432	12,245	715,130	674,619	-6%
TOTAL	12,845,670	13,956,304	17,432	12,245	12,863,102	13,968,549	9%

Long-Term Debt

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

At June 30, 2013 the District had \$9,674,914 in general obligation, revenue and other long-term debt outstanding. This represents a decrease of 3% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 4 to the financial statements.

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

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

	Total School District		Percentage Change
	2012	2013	2012-2013
Governmental activities:	\$	\$	%
General obligation bonds	9,825,000	9,435,000	-4%
Termination benefits	45,800	94,983	107%
Net OPEB liability	87,921	138,693	58%
	9,958,721	9,668,676	-3%
Business type activities:			
Net OPEB liability	3,234	6,238	93%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The District has evaluated the condition of its transportation vehicles and determined, due to safety precautions, two buses must be replaced during fiscal 2013 at a cost of \$180,000. To pay for these buses, the District will use a combination of resources from the Physical Plant and Equipment Levy Fund.
- Settlements in excess of "new money" or allowable growth in state funding will have an adverse effect on the District's General Fund budget and related fund balance.
- Reductions of operational sharing and shared staff will negatively impact fund balances in FY14.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Diane Pattee, District Secretary/Treasurer and Business Manager Pocahontas Area Community School District, 202 1st Ave. SW, Pocahontas, IA 50574.

BASIC FINANCIAL STATEMENTS

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

Statement of Net Position

June 30, 2013

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash, cash equivalents and pooled investments:			
Other	7,061,430	56,578	7,118,008
Receivables:			
Property tax:			
Delinquent	50,681	-	50,681
Income surtax-succeeding year	5,241,511	-	5,241,511
Other	220,502	11,049	231,551
Due from other governments	-	9,049	9,049
Inventories	337,535	9,597	347,132
Capital assets, net of accumulated depreciation	13,956,304	3,619	13,959,923
Total assets	26,867,963	89,892	26,957,855
Liabilities			
Accounts payable	374,720	3,893	378,613
Salaries and benefits payable	47,977	20,439	68,416
Accrued interest payable	65,573	-	65,573
Deferred revenue:			
Succeeding year property tax	5,241,511	-	5,241,511
Other	-	5,335	5,335
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	405,000	-	405,000
Termination benefits	94,983	-	94,983
Portion due after one year:			
General obligation bonds payable	9,030,000	-	9,030,000
Net OPEB liability	138,693	6,238	144,931
Total liabilities	15,398,457	35,905	15,434,362

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

Statement of Net Position

June 30, 2013

	Governmental Activities	Business Type Activities	Total
	<u>\$</u>	<u>\$</u>	<u>\$</u>
Net position			
Net investment in capital assets	4,565,519	3,619	4,569,138
Restricted for:			
Categorical funding	68,319	-	68,319
Employee benefits	139,338	-	139,338
Management levy	832,984	-	832,984
Student activities	143,162	-	143,162
Physical plant and equipment levy purposes	420,479	-	420,479
School infrastructure	2,432,759	-	2,432,759
Unrestricted	<u>2,866,946</u>	<u>50,368</u>	<u>2,917,314</u>
Total net position	<u><u>11,469,506</u></u>	<u><u>53,987</u></u>	<u><u>11,523,493</u></u>

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	3,809,049	556,449	631,989	-
Special	858,969	87,323	61,177	-
Other	1,294,155	327,821	161,345	-
	<u>5,962,173</u>	<u>971,593</u>	<u>854,511</u>	<u>-</u>
Support services:				
Student	198,844	-	-	-
Instructional staff	295,524	-	-	-
Administration	708,076	-	-	-
Operation and maintenance of plant	784,628	6,162	-	-
Transportation	450,881	-	45,034	-
	<u>2,437,953</u>	<u>6,162</u>	<u>45,034</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	33,324	-	-	-
Long-term debt interest	406,439	-	-	-
AEA flowthrough	313,255	-	313,255	-
Depreciation (unallocated)*	357,397	-	-	-
	<u>1,110,415</u>	<u>-</u>	<u>313,255</u>	<u>-</u>
Total governmental activities	<u>9,510,541</u>	<u>977,755</u>	<u>1,212,800</u>	<u>-</u>
Business type activities:				
Non-instructional programs:				
Food service operations	495,881	225,235	248,834	-
Daycare	296,970	281,378	-	-
Total business-type activities	<u>792,851</u>	<u>506,613</u>	<u>248,834</u>	<u>-</u>
Total	<u>10,303,392</u>	<u>1,484,368</u>	<u>1,461,634</u>	<u>-</u>
General Revenues:				
Property taxes levied for:				
General purposes				
Debt service				
Capital outlay				
Income surtax				
Statewide sales, services and use tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				

Change in net position

Net position beginning of year

Net position end of year

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

Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business Type Activities	Total
\$	\$	\$
(2,620,611)	-	(2,620,611)
(710,469)	-	(710,469)
(804,989)	-	(804,989)
<u>(4,136,069)</u>	<u>-</u>	<u>(4,136,069)</u>
(198,844)	-	(198,844)
(295,524)	-	(295,524)
(708,076)	-	(708,076)
(778,466)	-	(778,466)
(405,847)	-	(405,847)
<u>(2,386,757)</u>	<u>-</u>	<u>(2,386,757)</u>
(33,324)	-	(33,324)
(406,439)	-	(406,439)
-	-	-
(357,397)	-	(357,397)
<u>(797,160)</u>	<u>-</u>	<u>(797,160)</u>
<u>(7,319,986)</u>	<u>-</u>	<u>(7,319,986)</u>
-	(21,812)	(21,812)
-	(15,592)	(15,592)
-	(37,404)	(37,404)
<u>(7,319,986)</u>	<u>(37,404)</u>	<u>(7,357,390)</u>
3,996,960	-	3,996,960
800,133	-	800,133
424,779	-	424,779
82,000	-	82,000
678,603	-	678,603
2,587,005	-	2,587,005
20,608	32	20,640
11,541	-	11,541
<u>8,601,629</u>	<u>32</u>	<u>8,601,661</u>
1,281,643	(37,372)	1,244,271
<u>10,187,863</u>	<u>91,359</u>	<u>10,279,222</u>
<u>11,469,506</u>	<u>53,987</u>	<u>11,523,493</u>

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2013

	General	Capital Projects	Debt Service	Nonmajor	Total
	\$	\$	\$	\$	\$
Assets					
Cash, cash equivalents and pooled investments	2,876,712	2,931,887	31,842	1,081,651	6,922,092
Receivables:					
Property tax:					
Delinquent	34,565	4,062	8,212	3,842	50,681
Succeeding year	3,511,062	456,510	973,939	300,000	5,241,511
Income surtax-succeeding year	40,178	-	-	-	40,178
Accounts	-	-	-	21	21
Due from other governments	138,471	158,886	-	-	297,357
Other	182,336	3,026	-	35,119	220,481
Total assets	6,783,324	3,554,371	1,013,993	1,420,633	12,772,321
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	124,808	200,408	-	49,504	374,720
Salaries and benefits payable	47,977	-	-	-	47,977
Deferred revenue:					
Succeeding year property tax	3,511,062	456,510	973,939	300,000	5,241,511
Income surtax	40,178	-	-	-	40,178
Total liabilities	<u>3,724,025</u>	<u>656,918</u>	<u>973,939</u>	<u>349,504</u>	<u>5,704,386</u>
Fund balances:					
Restricted for:					
Categorical funding	68,319	-	-	-	68,319
Debt service	-	-	40,054	-	40,054
Management levy	-	-	-	927,967	927,967
Student activities	-	-	-	143,162	143,162
School infrastructure	-	2,476,974	-	-	2,476,974
Physical plant and equipment	-	420,479	-	-	420,479
Unassigned	2,990,980	-	-	-	2,990,980
Total fund balances	<u>3,059,299</u>	<u>2,897,453</u>	<u>40,054</u>	<u>1,071,129</u>	<u>7,067,935</u>
Total liabilities and fund balances	6,783,324	3,554,371	1,013,993	1,420,633	12,772,321

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

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

June 30, 2013

\$

Total fund balances of governmental funds (Exhibit C)	7,067,935
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*Amounts reported for governmental activities in the
Statement of Net Position are different because:*

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	13,956,304
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Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	40,178
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Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds.	(65,573)
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An internal service fund is used by the District's management to charge the costs of the self-funded health insurance program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.	139,338
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Long-term liabilities, including bonds payable, termination benefits, and other post employment benefits payable, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(9,668,676)</u>
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Net position of governmental activities (Exhibit A)	<u><u>11,469,506</u></u>
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POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2013

	General	Capital Projects	Debt Service	Nonmajor	Total
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	3,953,084	1,103,382	800,133	396,407	6,253,006
Tuition	446,692	-	-	-	446,692
Other	212,481	36,102	-	314,629	563,212
State sources	3,544,729	194	415	184	3,545,522
Federal sources	254,283	-	-	-	254,283
Total revenues	<u>8,411,269</u>	<u>1,139,678</u>	<u>800,548</u>	<u>711,220</u>	<u>11,062,715</u>
Expenditures:					
Current:					
Instruction:					
Regular	3,593,509	-	-	20,915	3,614,424
Special	852,302	-	-	-	852,302
Other	1,015,992	-	-	278,163	1,294,155
	<u>5,461,803</u>	<u>-</u>	<u>-</u>	<u>299,078</u>	<u>5,760,881</u>
Support services:					
Student	196,591	-	-	-	196,591
Instructional staff	294,022	-	-	-	294,022
Administration	705,135	11,578	500	-	717,213
Operation and maintenance of plant	651,523	-	-	147,103	798,626
Transportation	484,932	-	-	-	484,932
	<u>2,332,203</u>	<u>11,578</u>	<u>500</u>	<u>147,103</u>	<u>2,491,384</u>
Other expenditures:					
Facilities acquisition	-	1,537,479	-	-	1,537,479
Long-term debt:					
Principal	-	-	390,000	-	390,000
Interest and fiscal charges	-	-	409,039	-	409,039
AEA flowthrough	313,255	-	-	-	313,255
	<u>313,255</u>	<u>1,537,479</u>	<u>799,039</u>	<u>-</u>	<u>2,649,773</u>
Total expenditures	<u>8,107,261</u>	<u>1,549,057</u>	<u>799,539</u>	<u>446,181</u>	<u>10,902,038</u>
Change in fund balances	304,008	(409,379)	1,009	265,039	160,677
Fund balances beginning of year	<u>2,755,291</u>	<u>3,306,832</u>	<u>39,045</u>	<u>806,090</u>	<u>6,907,258</u>
Fund balances end of year	<u><u>3,059,299</u></u>	<u><u>2,897,453</u></u>	<u><u>40,054</u></u>	<u><u>1,071,129</u></u>	<u><u>7,067,935</u></u>

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2013

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		160,677
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures and depreciation expense in the current year are as follows:		
Expenditures for capital assets	1,737,932	
Depreciation expense	<u>(627,298)</u>	1,110,634
Income surtaxes and receivables not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities.		(270,531)
Repayment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		390,000
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities interest expense is recognized as the interest accrues, regardless of when it is due.		2,600
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Termination benefits	\$ (49,183)	
Other postemployment benefits	<u>(50,772)</u>	(99,955)
An internal service fund is used by the District's management to charge the costs of the self-funded health insurance program to the individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities.		<u>(11,782)</u>
Changes in net position of governmental activities (Exhibit B)		<u><u>1,281,643</u></u>

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

Statement of Net Position
Proprietary Funds

June 30, 2013

	Enterprise Funds			Governmental Activities - Internal Service Fund
	Major School Nutrition	Nonmajor Day Care	Total	
	\$	\$	\$	\$
Assets				
Current assets:				
Cash and cash equivalents	37,413	19,165	56,578	139,338
Accounts receivable	621	10,428	11,049	-
Due from other governments	9,049	-	9,049	-
Inventories	9,597	-	9,597	-
Total current assets	56,680	29,593	86,273	139,338
Noncurrent assets:				
Capital assets, net of accumulated depreciation	3,619	-	3,619	-
Total assets	60,299	29,593	89,892	139,338
Liabilities				
Current liabilities:				
Accounts payable	2,311	1,582	3,893	-
Salaries and benefits payable	3,496	16,943	20,439	-
Deferred revenue	5,335	-	5,335	-
Total current liabilities	11,142	18,525	29,667	-
Noncurrent liabilities:				
Net OPEB liability	6,238	-	6,238	-
Total liabilities	17,380	18,525	35,905	-
Net position				
Investment in capital assets	3,619	-	3,619	-
Reserved for employee benefits	-	-	-	139,338
Unrestricted	39,300	11,068	50,368	-
Total net position	42,919	11,068	53,987	139,338

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2013

	Enterprise Funds			Governmental Activities - Internal Service Fund
	Major School Nutrition	Nonmajor Day Care	Total	
	\$	\$	\$	\$
Operating revenue:				
Local sources:				
Charges for service	225,235	281,378	506,613	921,021
Operating expenses:				
Non-instructional programs:				
Salaries	108,444	217,834	326,278	-
Benefits	58,502	33,452	91,954	932,803
Purchased services	-	11,105	11,105	-
Supplies	309,523	14,579	324,102	-
Depreciation	1,568	-	1,568	-
Other	5,599	20,000	25,599	-
Total operating expenses	483,636	296,970	780,606	932,803
Operating income (loss)	(258,401)	(15,592)	(273,993)	(11,782)
Non-operating revenue:				
State sources	3,754	-	3,754	-
Federal sources	245,080	-	245,080	-
Interest income	32	-	32	-
Total non-operating revenue	248,866	-	248,866	-
Income (loss) before contributions	(9,535)	(15,592)	(25,127)	(11,782)
Capital Contribution/Loss disposition assets	(12,245)	-	(12,245)	-
Change in net position	(21,780)	(15,592)	(37,372)	(11,782)
Net position beginning of year	64,699	26,660	91,359	151,120
Net position end of year	42,919	11,068	53,987	139,338

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2013

	Enterprise Funds			Governmental Activities - Internal Service Fund
	Major School Nutrition	Nonmajor Day Care	Total	
	\$	\$	\$	\$
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	235,499	-	235,499	921,021
Cash received from daycare services	-	283,129	283,129	-
Cash payments to employees for services	(165,849)	(248,499)	(414,348)	(928,532)
Cash payments to suppliers for goods or services	(311,499)	(44,560)	(356,059)	-
Net cash used by operating activities	(241,849)	(9,930)	(251,779)	(7,511)
Cash flows from non-capital financing activities:				
Loans from (repaid) to other funds				
State grants received	3,754	-	3,754	-
Federal grants received	227,350	-	227,350	-
Net cash provided by non-capital financing activities	231,104	-	231,104	-
Cash flows from capital and related financing activities	-	-	-	-
Cash flows from investing activities:				
Interest on investments	32	-	32	-
Net increase (decrease) in cash and cash equivalents	(10,713)	(9,930)	(20,643)	(7,511)
Cash and cash equivalents at beginning of year	48,126	29,095	77,221	146,849
Cash and cash equivalents at end of year	37,413	19,165	56,578	139,338

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2013

	Enterprise Funds			Governmental Activities - Internal Service Fund
	Major School Nutrition	Nonmajor Day Care	Total	
	\$	\$	\$	\$
Reconciliation of operating income (loss) to net cash used by operating activities:				
Operating income (loss)	(258,401)	(15,592)	(273,993)	(11,782)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:				
Commodities used	17,730	-	17,730	-
Depreciation	1,568	-	1,568	-
Decrease (increase) in inventories	(1,013)	-	(1,013)	-
Decrease (increase) in accounts receivable	8,104	1,751	9,855	4,271
(Decrease) increase in accounts payable	(13,094)	1,124	(11,970)	-
(Decrease) increase in salaries and benefits payable	(1,907)	2,787	880	-
(Decrease) increase in deferred revenue	2,160	-	2,160	-
(Decrease) increase in other postemployment benefits	3,004	-	3,004	-
Net cash used by operating activities	<u>(241,849)</u>	<u>(9,930)</u>	<u>(251,779)</u>	<u>(7,511)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2013, the District received \$17,730 of federal commodities.

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Position
Fiduciary Funds

June 30, 2013

	Private Purpose Trust Scholarship	Agency
	<u>\$</u>	<u>\$</u>
Assets		
Cash, cash equivalents and pooled investments	6,023	26,991
Liabilities		
Other payables	<u>-</u>	<u>26,991</u>
Net Position		
Reserved for scholarships	<u><u>6,023</u></u>	<u><u>-</u></u>

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Position
Fiduciary Funds

Year ended June 30, 2013

	Private Purpose Trust Scholarship
	<u>\$</u>
Additions:	
Local sources:	
Gifts and contributions	
Interest	19
Deductions:	
Instruction:	
To Activity Fund	<u>3,338</u>
Change in net position	(3,319)
Net position beginning of year	<u>9,342</u>
Net position end of year	<u><u>6,023</u></u>

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2013

1. Summary of Significant Accounting Policies

Pocahontas Area Community School District is a political subdivision of the State of Iowa and provides public education for children in grades kindergarten through twelve. The geographic area served includes the Cities of Pocahontas, Rolfe, Havelock, Plover, Pomeroy and Palmer, Iowa and the predominately agricultural territory in a portion of Pocahontas, Palo Alto and Calhoun Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Pocahontas Area Community School District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The Pocahontas Area Community School District has no component units that meet the Governmental Accounting Standards Board criteria.

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

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net 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/amortization and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net position 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 that are imposed by management, but can be removed or modified.

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

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

The District reports the following major governmental funds:

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

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

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

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

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

The District also reports fiduciary funds which focus on net 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.

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

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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 which is valued at amortized cost and non-negotiable certificates of deposit, which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to

known amounts of cash, and at the day of purchase, have a maturity date no longer than three months.

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

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

Property tax revenue recognized in these funds became due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 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, equipment and intangibles, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

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

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

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

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

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

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

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 classifications.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2013, expenditures did not exceed the amounts budgeted.

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. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2013, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$3 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAAm by Standard & Poor's Financial Services.

3. Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Land	172,157	-	-	172,157
Capital assets being depreciated:				
Buildings	15,092,577	1,388,100	-	16,480,677
Improvements other than buildings	812,069	116,055	-	928,124
Furniture and equipment	4,300,415	233,777	-	4,534,192
Total capital assets being deprec.	<u>20,205,061</u>	<u>1,737,932</u>	-	<u>21,942,993</u>
Less accumulated depreciation for:				
Buildings	3,535,330	334,033	-	3,869,363
Improvements other than buildings	393,501	24,164	-	417,665
Furniture and equipment	3,602,717	269,101	-	3,871,818
Total accumulated depreciation	<u>7,531,548</u>	<u>627,298</u>	-	<u>8,158,846</u>
Total capital assets being depreciated, net	<u>12,673,513</u>	<u>1,110,634</u>	-	<u>13,784,147</u>
Governmental activities capital assets, net	<u>12,845,670</u>	<u>1,110,634</u>	-	<u>13,956,304</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	130,727	-	15,137	115,590
Less accumulated depreciation	<u>113,295</u>	<u>1,568</u>	<u>2,892</u>	<u>111,971</u>
Business type activities capital assets, net	<u>17,432</u>	<u>(1,568)</u>	<u>12,245</u>	<u>3,619</u>

Depreciation expense was charged to the following functions:

	<u>Amount</u>
	\$
Governmental activities:	
Instruction:	
Regular	153,683
Special	2,161
Support services:	
Administration services	19,058
Operation and maintenance of plant services	14,150
Transportation	<u>80,049</u>
	269,101
Unallocated depreciation	<u>358,197</u>
Total depreciation expense – governmental activities	<u>627,298</u>
Business type activities:	
Food services	<u>1,568</u>

4. 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 bonds	9,825,000	-	390,000	9,435,000	405,000
Termination benefits	45,800	83,069	33,886	94,983	94,983
Net OPEB liability	<u>87,921</u>	<u>57,828</u>	<u>7,056</u>	<u>138,693</u>	-
Total	<u>9,958,721</u>	<u>140,897</u>	<u>430,942</u>	<u>9,668,676</u>	<u>499,983</u>
Business type activities:					
Net OPEB liability	<u>3,234</u>	<u>3,004</u>	-	<u>6,238</u>	-

Termination Benefits

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

At June 30, 2013, the District has obligations to eight participants with a total liability of \$94,983. Actual early retirement expenditures for the year ended June 30, 2013 totaled \$33,886.

General Obligation Bonds

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

Bond Issue of May, 2009				
Year Ending June 30,	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2014	4.00	405,000	393,439	798,439
2015	4.00	425,000	377,239	802,239
2016	4.00	445,000	360,239	805,239
2017	4.00	470,000	342,439	812,439
2018	4.00	490,000	323,639	813,639
2019-2023	4.00-4.15	2,825,000	1,304,793	4,129,793
2024-2028	4.20-4.40	3,560,000	661,830	4,221,830
2029	4.50	815,000	36,675	851,675
		9,435,000	3,800,293	13,235,293

5. Pension and Retirement Benefits

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

Plan members are required to contribute 5.78% of their annual 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 \$433,427, \$400,184, and \$353,181 respectively, equal to the required contributions for each year.

6. Risk Management

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

7. 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 \$313,255 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.

8. Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 81 active and 15 retired members in the plan. Participants must be age 55 or older at retirement.

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

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

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

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2013, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

	\$
Annual required contribution	81,723
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	<u>81,723</u>
Contributions made	<u>(20,891)</u>
Increase in net OPEB obligation	60,832
Net OPEB obligation beginning of year	<u>84,099</u>
Net OPEB obligation end of year	<u>144,931</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2012. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2013.

For the year ended June 30, 2013, the District contributed \$20,891 to the medical plan. Plan members eligible for benefits contributed \$84,870, or 100% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2013 are summarized as follows:

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
	\$	%	\$
2010	42,756	37.4	26,774
2011	42,535	36.5	53,768
2012	44,916	32.5	84,099
2013	81,723	25.6	144,931

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 \$495,540, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$495,540. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,988,000, and the ratio of the UAAL to covered payroll was 12.4%. 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, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 2012 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions includes a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

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

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

9. Categorical Funding

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

Program	Amount
	\$
Teacher salary supplement	32,889
Market factor	6,793
Educator quality, professional development	7,467
Preschool	13,686
Administrator mentoring	1,500
Iowa core curriculum	5,984
	68,319

10. District Reorganization

The voters of the Pocahontas Area Community School District and the Pomeroy-Palmer Community School District approved a merger effective July 1, 2012. The beginning net position balances and fund balances of the Pocahontas Area Community School District at July 1, 2012 are the combined June 30, 2012 net position balances and fund balances of the two districts.

REQUIRED SUPPLEMENTARY INFORMATION

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year ended June 30, 2013

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$		\$	\$
Revenues:						
Local sources	7,262,910	506,645	7,769,555	7,883,655	7,883,655	(114,100)
State sources	3,545,522	3,754	3,549,276	4,146,475	4,146,475	(597,199)
Federal sources	254,283	245,080	499,363	765,000	765,000	(265,637)
Total revenues	<u>11,062,715</u>	<u>755,479</u>	<u>11,818,194</u>	<u>12,795,130</u>	<u>12,795,130</u>	<u>(976,936)</u>
Expenditures/Expenses:						
Instruction	5,760,881	-	5,760,881	7,489,946	7,489,946	1,729,065
Support services	2,491,384	-	2,491,384	4,455,000	4,455,000	1,963,616
Non-instructional programs	-	780,606	780,606	1,140,000	1,140,000	359,394
Other expenditures	2,649,773	-	2,649,773	2,925,033	2,925,033	275,260
Total expenditures/expenses	<u>10,902,038</u>	<u>780,606</u>	<u>11,682,644</u>	<u>16,009,979</u>	<u>16,009,979</u>	<u>4,327,335</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	160,677	(25,127)	135,550	(3,214,849)	(3,214,849)	3,350,399
Other financing sources (uses) net	-	(12,245)	(12,245)	300,000	300,000	(312,245)
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures/expenses	160,677	(37,372)	123,305	(2,914,849)	(2,914,849)	3,038,154
Balance beginning of year	<u>6,907,258</u>	<u>91,359</u>	<u>6,998,617</u>	<u>5,281,569</u>	<u>5,281,569</u>	<u>1,717,048</u>
Balance end of year	<u><u>7,067,935</u></u>	<u><u>53,987</u></u>	<u><u>7,121,922</u></u>	<u><u>2,366,720</u></u>	<u><u>2,366,720</u></u>	<u><u>4,755,202</u></u>

POCAHONTAS AREA 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 Internal Service, Private Purpose Trust and Agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

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

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

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

Schedule of Funding Progress for the Retiree Health Plan

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a) \$	Actuarial Accrued Liability (AAL) (b) \$	Unfunded AAL (UAAL) (b-a) \$	Funded Ratio (a/b) %	Covered Payroll (c) \$	UAAL as a Percentage of Covered Payroll ((b-a)/c) %
Combined Pocahontas Area and Pomeroy-Palmer Districts							
2010	July 1, 2009	-	519,820	519,820	0.0%	4,695,000	11.1%
2011	July 1, 2009	-	493,968	493,968	0.0%	4,524,000	10.9%
2012	July 1, 2009	-	456,448	456,448	0.0%	4,453,000	10.3%
Pocahontas Area District							
2013	July 1, 2012	-	495,540	495,540	0.0%	3,988,000	12.4%

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

SUPPLEMENTARY INFORMATION

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2013

Assets	<u>Special Revenue Funds</u>		<u>Total</u>
	<u>Management</u>	<u>Student</u>	
	<u>Levy</u>	<u>Activity</u>	
	\$	\$	\$
Cash, cash equivalents and pooled investments	949,796	131,855	1,081,651
Receivables:			
Property tax:			
Delinquent	3,842	-	3,842
Succeeding year	300,000	-	300,000
Accounts	21	-	21
Other receivable	-	35,119	35,119
Total assets	<u>1,253,659</u>	<u>166,974</u>	<u>1,420,633</u>
Liabilities & Fund Balances			
Liabilities:			
Accounts payable	25,692	23,812	49,504
Deferred revenue:			
Succeeding year property tax	300,000	-	300,000
Total liabilities	<u>325,692</u>	<u>23,812</u>	<u>349,504</u>
Fund balances:			
Restricted for:			
Management levy	927,967	-	927,967
Student activities	-	143,162	143,162
Total fund balances	<u>927,967</u>	<u>143,162</u>	<u>1,071,129</u>
Total liabilities and fund balances	<u>1,253,659</u>	<u>166,974</u>	<u>1,420,633</u>

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2013

	Special Revenue Funds		Total
	Management Levy	Student Activity	
	\$	\$	\$
Revenues:			
Local sources:			
Local tax	396,407	-	396,407
Other	5,686	308,943	314,629
State sources	184	-	184
Total revenues	<u>402,277</u>	<u>308,943</u>	<u>711,220</u>
Expenditures:			
Current:			
Instruction:			
Regular instruction	20,915	-	20,915
Other instruction	-	278,163	278,163
Support services:			
Operation and maintenance of plant services	<u>147,103</u>	<u>-</u>	<u>147,103</u>
Total expenditures	<u>168,018</u>	<u>278,163</u>	<u>446,181</u>
Change in fund balances	234,259	30,780	265,039
Fund balances beginning of year	<u>693,708</u>	<u>112,382</u>	<u>806,090</u>
Fund balances end of year	<u><u>927,967</u></u>	<u><u>143,162</u></u>	<u><u>1,071,129</u></u>

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Capital Projects Accounts

June 30, 2013

Assets	Capital Projects			
	Construction	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
	\$	\$	\$	\$
Cash, cash equivalents and pooled investments	168,412	2,285,877	477,598	2,931,887
Receivables:				
Property tax:				
Delinquent	-	-	4,062	4,062
Succeeding year	-	-	456,510	456,510
Due from other governments	-	158,886	-	158,886
Other receivables	-	876	2,150	3,026
Total assets	168,412	2,445,639	940,320	3,554,371
Liabilities & Fund Balances				
Liabilities:				
Accounts payable	124,197	12,880	63,331	200,408
Deferred revenue:				
Succeeding year property tax	-	-	456,510	456,510
Total liabilities	124,197	12,880	519,841	656,918
Fund balances:				
Restricted for:				
School infrastructure	44,215	2,432,759	-	2,476,974
Physical plant and equipment	-	-	420,479	420,479
Total fund balances	44,215	2,432,759	420,479	2,897,453
Total liabilities and fund balances	168,412	2,445,639	940,320	3,554,371

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2013

	Capital Projects			Total
	Construction	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	-	678,603	424,779	1,103,382
Other	3,392	7,639	25,071	36,102
State sources	-	-	194	194
Total revenues	<u>3,392</u>	<u>686,242</u>	<u>450,044</u>	<u>1,139,678</u>
Expenditures:				
Current:				
Support services:				
Administration services	-	-	11,578	11,578
Other expenditures:				
Facilities acquisition	989,409	90,529	457,541	1,537,479
Total expenditures	<u>989,409</u>	<u>90,529</u>	<u>469,119</u>	<u>1,549,057</u>
Change in fund balances	(986,017)	595,713	(19,075)	(409,379)
Fund balances beginning of year	<u>1,030,232</u>	<u>1,837,046</u>	<u>439,554</u>	<u>3,306,832</u>
Fund balance end of year	<u><u>44,215</u></u>	<u><u>2,432,759</u></u>	<u><u>420,479</u></u>	<u><u>2,897,453</u></u>

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2013

<u>Account</u>	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
Graduated classes	8,427	-	58	8,369
Class of 2010	1,990	-	-	1,990
Class of 2011	824	-	-	824
Class of 2012	2,079	-	385	1,694
Class of 2013	4,371	156	2,416	2,111
Class of 2014	292	16,171	12,089	4,374
Class of 2015	75	220	-	295
Class of 2016	-	325	36	289
Locker rent	1,516	-	215	1,301
Board of education	926	2,504	2,703	727
Mock trial	-	854	854	-
Juice/water/hs commons	417	3,038	2,715	740
Pop/juice-vending	288	7,463	7,537	214
Vocal music	1,752	1,996	2,824	924
Instrumental music	4,506	5,525	6,701	3,330
Music memorial	530	-	-	530
Band uniforms	1,801	740	326	2,215
Band insurance	686	-	-	686
Drill team	578	16,141	12,301	4,418
Football	1,772	8,047	9,472	347
Cheerleaders	1,226	1,892	2,087	1,031
Weight training	437	-	-	437
Golf	-	2,322	2,172	150
Basketball	954	15,934	16,889	(1)
Boys basketball camp	564	3,414	1,746	2,232
Volleyball	-	5,176	5,176	-
Softball/baseball	(100)	21,054	21,129	(175)
Softball trips	39	-	-	39
Track	-	8,995	8,995	-
Track trip-boys	64	385	220	229
Track trip-girls	2,966	678	450	3,194
Cross country	-	1,669	1,669	-
Wrestling	-	8,928	8,928	-
Activity tickets	-	11,865	11,865	-
Activity tickets/senior citizens	1,522	130	1,200	452
Wrestling mothers	6,759	18,965	18,734	6,990
Football camp	827	4,896	4,449	1,274
Athletic resale	1,330	608	951	987
Volleyball camp	1,488	1,519	1,512	1,495

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2013

<u>Account</u>	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
Boys golf camp	-	784	693	91
Golf camp	-	737	206	531
Girls basketball camp	4,210	9,680	6,251	7,639
Cross country special fund	1	94	95	-
Trading post store	2,617	14,571	13,160	4,028
Art club	35	123	158	-
Mystery photo contest	2,274	-	216	2,058
Student council	164	-	-	164
Character education	2,226	2,951	2,923	2,254
FFA	9,555	20,513	19,149	10,919
Home ec club	14	-	-	14
Hom ec resale	53	-	-	53
Spanish club	192	3,486	3,678	-
Annual	1,344	7,738	7,713	1,369
Softball/baseball combined concessions	7,978	12,037	11,782	8,233
Softball concessions	431	3,410	2,156	1,685
Baseball concessions	1,124	2,333	2,601	856
Wellness	245	10	89	166
Dramatics	743	1,402	1,707	438
National honor society	451	-	25	426
Baseball mothers	97	-	-	97
Softball parents	216	-	-	216
Elementary sunshine fund	114	714	828	-
Elementary fundraising	437	34,404	19,365	15,476
Swing choir	450	-	108	342
Mentoring program	45	-	-	45
Task force fund	156	524	415	265
Elementary booster	-	6,456	2,881	3,575
MS concessions	785	-	255	530
Jump rope for heart	2,688	1,701	1,701	2,688
HS take charge for education	3,296	480	139	3,637
Schwig marketing	325	-	230	95
MS take charge for education	320	-	-	320
MS activities	5,605	-	533	5,072
Carnival	3,379	2,710	2,879	3,210
After prom party	1,737	6,671	6,141	2,267
Sedlacek Scholar	-	3,338	-	3,338
Interest	8,169	466	1,282	7,353
	<u>112,382</u>	<u>308,943</u>	<u>278,163</u>	<u>143,162</u>
Total	<u>112,382</u>	<u>308,943</u>	<u>278,163</u>	<u>143,162</u>

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Fiduciary Assets and Liabilities
Agency Fund

Year ended June 30, 2013

		Balance Beginning of Year	Additions	Deductions	Balance End of Year
		<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
	Assets				
Cash		<u>26,555</u>	<u>31,910</u>	<u>31,474</u>	<u>26,991</u>
	Liabilities				
Accounts payable		<u>26,555</u>	<u>31,910</u>	<u>31,474</u>	<u>26,991</u>

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

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

For the Last Ten Years

	Modified Accrual Basis									
	Pocahontas Area District	Combined Pocahontas Area and Pomeroy-Palmer Districts								
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues:										
Local sources:										
Local tax	6,253,006	6,783,910	6,091,590	5,219,832	4,319,872	4,066,167	4,043,007	4,194,547	3,640,648	3,793,798
Tuition	446,692	1,165,112	1,186,325	1,260,527	434,313	340,279	446,091	469,271	341,841	433,696
Other	563,212	522,441	460,398	666,537	468,678	531,498	576,388	621,684	766,197	609,601
Intermediate sources	-	-	-	-	-	-	3,502	-	-	-
State sources	3,545,522	3,486,158	3,255,324	3,051,647	3,922,720	4,042,622	3,754,370	3,927,897	4,054,292	3,657,987
Federal sources	254,283	276,710	775,076	632,557	301,354	284,075	301,118	313,566	358,399	323,624
Total revenues	<u>11,062,715</u>	<u>12,234,331</u>	<u>11,768,713</u>	<u>10,831,100</u>	<u>9,446,937</u>	<u>9,264,641</u>	<u>9,124,476</u>	<u>9,526,965</u>	<u>9,161,377</u>	<u>8,818,706</u>
Expenditures:										
Instruction:										
Regular instruction	3,614,424	3,942,104	5,877,064	5,984,074	5,594,176	5,537,894	5,049,740	5,181,019	5,444,306	5,564,382
Special instruction	852,302	1,057,361	357,637	320,806	292,764	268,087	260,584	192,645	193,204	222,482
Other instruction	1,294,155	1,293,348	276,017	357,596	362,960	320,304	459,546	485,038	330,069	313,740
Support services:										
Student services	196,591	196,249	212,847	193,819	225,140	220,816	222,464	248,444	269,403	269,763
Instructional staff services	294,022	260,936	180,195	248,898	270,949	297,566	253,742	247,325	333,834	175,960
Administration services	717,213	1,093,552	858,443	891,709	953,867	878,553	1,003,524	962,147	813,015	843,347
Operation and maintenance	798,626	778,903	715,957	817,038	820,343	824,120	801,650	818,175	1,168,393	770,199
Transportation services	484,932	509,099	403,278	429,596	387,709	483,467	440,083	386,057	425,983	380,247
Non-instructional programs	-	-	-	2,475	1,607	6,037	4,686	4,776	13,097	24,059
Other expenditures:										
Facilities acquisition	1,537,479	1,048,316	6,197,569	3,991,244	1,080,282	216,003	179,821	409,642	39,685	182,124
Long-term debt:										
Principal	390,000	550,000	535,000	-	-	-	-	-	24,457	54,459
Interest and other charges	409,039	424,339	438,038	-	-	-	-	-	612	3,274
AEA flowthrough	313,255	307,445	348,388	348,174	324,728	319,698	312,934	305,106	309,726	315,895
Total expenditures	<u>10,902,038</u>	<u>11,461,652</u>	<u>16,400,433</u>	<u>13,585,429</u>	<u>10,314,525</u>	<u>9,372,545</u>	<u>8,988,774</u>	<u>9,240,374</u>	<u>9,365,784</u>	<u>9,119,931</u>

See accompanying independent auditor's report.

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

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

We have audited 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 Pocahontas Area Community School District and 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 June 30, 2014.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part I of the accompanying Schedule of Findings and Responses as items 13-I-A, 13-I-B and 13-I-C to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pocahontas Area Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an

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

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.

Pocahontas Area Community School District's Responses to Findings

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

Purpose of this Report

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

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

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

June 30, 2014

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

June 30, 2013

Part I: Findings Related to the Financial Statements:

Instances of Noncompliance:

No matters were reported.

Significant Deficiencies:

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

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

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

Conclusion: Response accepted.

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

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

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

Conclusion: Response accepted.

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

June 30, 2013

Part I: Findings Related to the Financial Statements (continued):

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

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

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

Conclusion: Response accepted.

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

June 30, 2013

Part II: Other Findings Related to Required Statutory Reporting:

- 13-II-A Certified Budget: Expenditures for the year ended June 30, 2013 did not exceed the certified budget amounts.
- 13-II-B Questionable Expenditures: No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- 13-II-C Travel Expenses: No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- 13-II-D Business Transactions: No business transactions between the District and District officials or employees were noted.
- 13-II-E Bond Coverage: Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- 13-II-F Board Minutes: We noted not all transactions requiring board approval were approved by the board. We also noted that the minutes were not published in a timely manner as required by the Code of Iowa.
- Recommendation: Minutes should be published within two weeks of the meeting as required by the Code of Iowa and the board should approve all transactions for all funds.
- District Response: We will get the minutes to the publisher sooner and present all funds bills to the board monthly.
- Conclusion: Response accepted.
- 13-II-G Certified Enrollment: The number of resident students reported to the Iowa Department of Education at October 2012, was overstated by one student.
- Recommendation: The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.
- District Response: We will contact these departments.
- Conclusion: Response accepted.
- 13-II-H Supplementary Weighting: No variances regarding supplementary weighting certified to the Department of Education were noted.
- 13-II-I Deposits and Investments: No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

June 30, 2013

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

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

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

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

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

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

Conclusion: Response accepted.

13-II-L 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 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		1,837,046
Revenues/transfers in:		
Statewide sales, services and use tax revenue	678,603	
Other local revenues	7,639	686,242
Expenditures/transfers out:		
School infrastructure construction		90,529
Ending balance		2,432,759

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

June 30, 2013

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

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

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

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

Conclusion: Response accepted.