

PCM COMMUNITY SCHOOL DISTRICT
MONROE, IOWA

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

JUNE 30, 2014

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PCM COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
(Before September 2013 election)		
Jean Jennings	President	2013
Michele Wilkie	Vice President	2013
John Woestman	Board Member	2013
Steve Narmeyer	Board Member	2013
Greg Hjortshoj	Board Member	2013
Mitchell Chipps	Board Member	2015
Greg Ingle	Board Member	2015
(After September 2013 election)		
Greg Ingle	President	2015
Alvin Keuning	Vice President	2017
Steve Narmeyer	Board Member	2015
Mitchell Chipps	Board Member	2015
Jill Witt	Board Member	2015
Brenda Downing	Board Member	2017
Nicole Stafford	Board Member	2017
<u>School Officials</u>		
Jane Babcock	Superintendent	2014
Jeana Van Voorst	District Secretary	2014
Tami Thomas	District Treasurer/ Business Manager	2014
Ahlers & Cooney, P.C.	Attorney	2014

DOUGLAS T. HUNT, CPA
DONALD D. KAIN
CHUCK C. CONVERSE, CPA
RUSSELL S. TERPSTRA, CPA
MICHAEL G. STANLEY, CPA
DEE A.A. HOKE, CPA

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
PCM Community School District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of PCM Community School District, Monroe Iowa, as of and for the year ended June 30, 2014 and the related notes to 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, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and Chapter 11 of the Code of Iowa. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of PCM Community School District as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other*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 6 through 15 and 52 through 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise PCM Community School District's basic financial statements. The financial statements for the nine years ended June 30, 2013 (which are not presented herein) were audited by other auditors who expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 6 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financials 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 as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 19, 2015 on our consideration of PCM Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering PCM Community School District's internal control over financial reporting and compliance.

Oskaloosa, Iowa
January 19, 2015

Hunt & Associates, P.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2014 FINANCIAL HIGHLIGHTS

- General Fund revenues and other financing sources increased from \$10,590,784 in fiscal 2013 to \$10,803,103 in fiscal 2014, while General Fund expenditures increased from \$9,862,718 in fiscal 2013 to \$10,607,568 in fiscal 2014. The District's General Fund balance increased from \$2,300,814 in fiscal 2013 to \$2,496,349 in fiscal 2014.
- The fiscal year 2014 General Fund revenue increase was attributable primarily to increases in State Aid and Federal Medicaid revenue.
- The increase in General Fund expenditures was due primarily to an increase in negotiated salary and benefits for all employee groups and the reinstatement of previously absorbed positions. Although the General Fund balance did increase, the percentage of increase was down compared to the previous three years.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

Supplementary Information provides detailed information about the nonmajor governmental funds.

OVERVIEW OF THE FINANCIAL STATEMENTS

This report consists of three parts: management’s discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District.

- The first two statements are *District-wide financial statements* that provide both short-term and long-term information about the District’s overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District’s operations in more detail than the district-wide statements.
- The statements for *governmental funds* explain how basic services, such as regular and special education, were financed in the short term as well as what remains for future spending.
- The statements for *proprietary funds* offer short-term and long-term financial information about the activities the district operates like businesses, such as food services.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that 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.

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

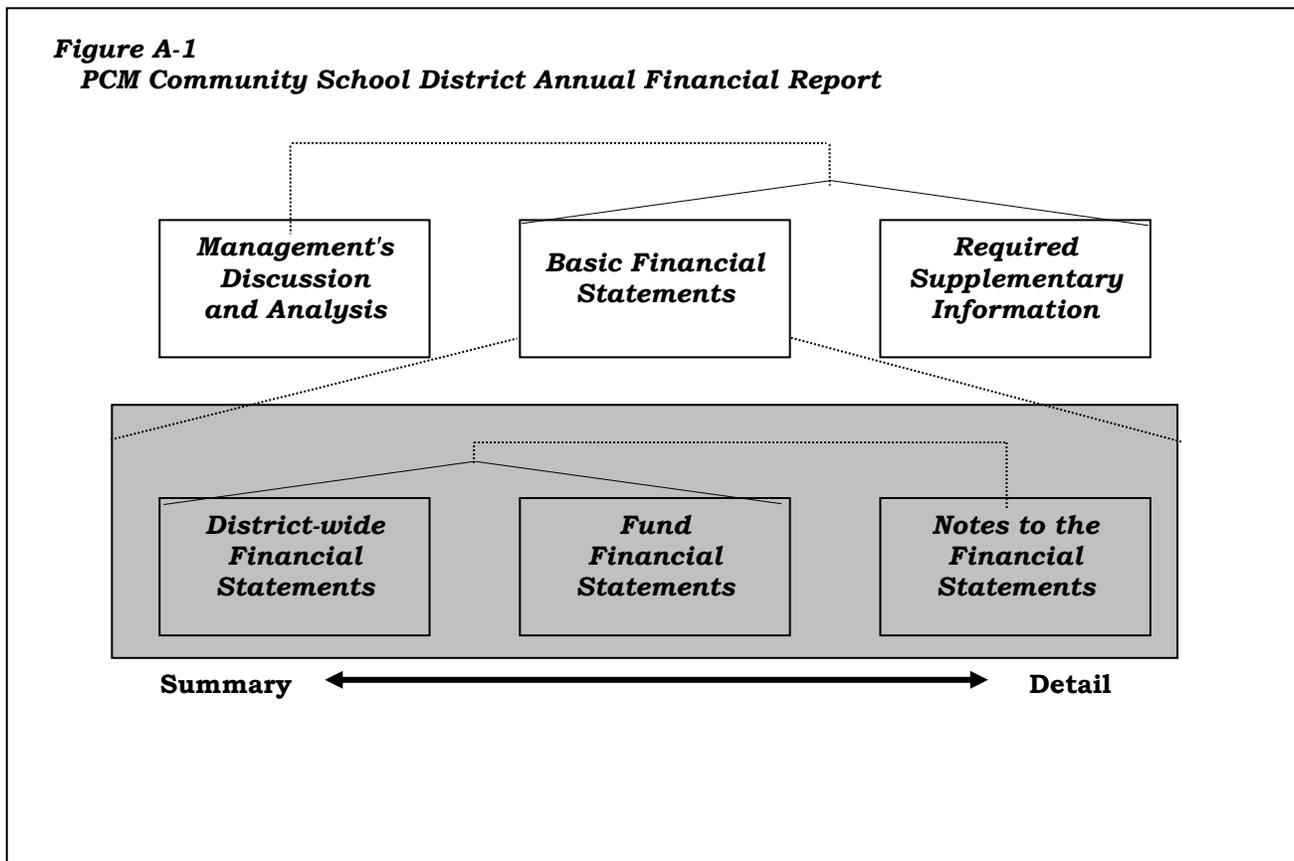


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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	Instances in which the District administers resources on behalf of someone else, such as scholarship programs.
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in fund net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resource 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 deduction 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. 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.

Over time, increases or decreases in the District's net position are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

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

FUND FINANCIAL STATEMENTS

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

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

The District has three kinds of funds:

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

The District's governmental funds include the General Fund, the Special Revenue Funds, the Debt Service Fund and the 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 Fund, one type of proprietary fund, is the same as its business type activities, but provides more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund. The required financial statements for

proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in 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 the District's Private-Purpose Trust. Private-Purpose Trust Fund is when the District accounts for outside donations for scholarships for individual students according to the terms of the donor's request. The District currently has one Private-Purpose Trust Fund, the Scholarship Fund.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3
Condensed Statement of Net Position

	Governmental Activities		Business-type Activities		Total School District		Total Change 2013-14
	2014	2013 (Adjusted)	2014	2013	2014	2013 (Adjusted)	
Current and other assets	\$10,162,902	\$9,775,459	\$166,837	\$ 115,958	\$ 10,329,739	\$9,891,417	4.43%
Capital assets	5,303,031	5,263,358	15,282	17,568	5,318,313	5,280,926	.71%
Total assets	15,465,933	15,038,817	182,119	133,526	15,648,052	15,172,343	3.14%
Long-term obligations	971,133	580,937	7,375	7,375	978,508	588,312	66.32%
Other liabilities	204,581	308,413	10,251	12,085	214,832	320,498	-32.97%
Total liabilities	1,175,714	889,350	17,626	19,460	1,193,340	908,810	31.31%
Deferred Inflows of Resources	3,479,686	3,862,146	-	-	3,479,686	3,862,146	-9.90%
Net Position							
Invested in capital assets,							
Net of related debt	5,303,031	5,263,358	15,282	17,568	5,318,313	5,280,926	.71%
Restricted	3,279,768	2,804,211	-	-	3,279,768	2,804,211	16.96%
Unrestricted	2,227,734	2,219,752	149,211	96,498	2,376,945	2,316,250	2.62%
Total net position, as restated	\$10,810,533	\$10,287,321	\$ 164,493	\$ 114,066	\$ 10,975,026	10,401,387	5.52%

The largest portion of the District's net position is the invested in capital assets portion (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 position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how the resources can be used.

Unrestricted net position represents 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.

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

Figure A-4
Change in Net Position

	Governmental		Business-type		Total School		Total Change
	Activities		Activities		District		
	2014	2013 (Adjusted)	2014	2013	2014	2013 (Adjusted)	
Revenues							
Program revenues							
Charges for service and sales	\$1,170,049	\$ 863,154	\$418,258	\$339,837	\$1,588,307	\$1,202,991	32.03%
Operating grants, contrib. and restricted int.	1,381,253	1,115,092	201,585	198,640	1,582,838	1,313,732	20.48%
Capital grants, contrib. and restricted int.	-	-	-	2,316	-	2,316	-100.0%
General revenues							
Property tax	3,857,131	3,867,974	-	-	3,857,131	3,867,974	-0.28%
Income Surtax	315,896	245,805	-	-	315,896	245,805	28.51%
Local Options Sales and Services Tax	898,081	858,610	-	-	898,081	858,610	4.60%
Unrestricted state grants	5,051,269	5,247,111	-	-	5,051,269	5,247,111	-3.73%
Unrestricted investment earnings	12,894	10,064	231	232	13,125	10,296	27.48%
Nonspecific program federal grants	-	-	-	-	-	-	-
Other	69,083	20,980	-	3,074	69,083	24,054	187.20%
Total revenues	12,755,656	12,228,790	620,074	544,099	13,375,730	12,772,889	4.72%
Program expenses							
Governmental activities							
Instruction	8,026,504	7,023,998	-	-	8,026,504	7,023,998	14.27%
Support services	3,439,577	2,932,445	375	-	3,439,952	2,932,445	17.31%
Non-instructional programs	6,607	4,558	569,272	556,374	575,879	560,932	2.66%
Other expenses	759,756	538,194	-	-	759,756	538,194	41.17%
Total expenses	12,232,444	10,499,195	569,647	556,374	12,802,091	11,055,569	15.79%
Change in net position	\$ 523,212	1,729,595	\$ 50,427	\$ (12,275)	\$ 573,639	\$1,717,320	-66.59%

In fiscal 2014, property tax, income surtax, statewide sales services tax and unrestricted grants account for 79.36% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.96% of the revenue from business type activities.

The District's total revenues were approximately \$13.375 million of which approximately \$12.755 million was for governmental activities and approximately \$0.62 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 4.72% increase in revenues and a 15.79% increase in expenses. Charges for service and sales, operating grants, contributions increased \$654,422 to fund the increase in expenses. The increase in expenses is related to the increase in negotiated salaries and benefits received by District employees.

GOVERNMENTAL ACTIVITIES

Revenues for governmental activities were \$12,755,656 and expenses were \$12,232,444.

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 for the year ended June 30, 2014 compared to the year ended June 30, 2013.

Figure A-5 Total and Net Cost of Governmental Activities						
	Total Cost of Services			Net Cost of Services		
	2014	2013 (Adjusted)	Change 2013-14	2014	2013 (Adjusted)	Change 2013-14
Instruction	\$ 8,026,504	\$ 7,023,998	14.27%	\$6,207,305	\$5,426,467	14.39%
Support services	3,439,577	2,932,445	17.29%	3,100,436	2,924,895	6.00%
Non-instructional program	6,607	4,558	44.95%	6,607	4,558	44.95%
Other expenses	759,756	538,194	41.17%	366,794	165,029	122.26%
Totals	<u>\$12,232,444</u>	<u>\$10,499,195</u>	<u>16.51%</u>	<u>\$9,681,142</u>	<u>\$8,262,705</u>	<u>13.62%</u>

For the year ended June 30, 2014:

- The cost financed by users of the District’s programs was \$1,170,049.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,381,253.
- The net cost of governmental activities was financed with \$3,857,131 in property taxes, \$5,051,269 in unrestricted state grants, \$315,896 in income surtax, \$12,894 in unrestricted investment earnings, \$898,081 in local option sales and services taxes, and \$69,083 in other general revenues.

BUSINESS TYPE ACTIVITIES

Revenues for business type activities for the year ended June 30, 2014 were \$620,074, while expenses were \$569,647. The District’s business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the PCM Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$6,117,026, compared to last year’s ending fund balances of \$5,317,805.

GOVERNMENTAL FUND HIGHLIGHTS

- The District's improvement in the General Fund financial position is the result of many factors. Increased expenditures were outpaced by an increase in revenues. The increase in General Fund revenues was largely attributable to increased state and federal monies received.
- The General Fund balance increased from \$2,300,814 to \$2,496,349. The District's improvement in the General Fund financial position is due to many factors. Increased expenditures were outpaced by an increase in revenue. The increase in revenues was largely attributable to increases in federal monies received.
- With an increase in revenue outpacing an increase in expenditures, the Management fund balance increased from a balance of \$122,656 at June 30, 2013 to a balance of \$284,416 at June 30, 2014.
- The Capital Projects Fund balance increased from \$2,742,625 in fiscal 2013 to \$3,168,258 in fiscal 2014 due primarily to increases in the per pupil amount of sales tax revenue. The Capital Projects accounts are comprised of the Statewide Sales, Services and Use Tax Account and the Physical Plant and Equipment Levy Account. The Statewide Sales, Services and Use Tax Account increased from \$2,398,454 at June 30, 2013 to a balance of \$2,940,166 at June 30, 2014. The Physical Plant and Equipment Levy Account decreased from a balance of \$344,171 at June 30, 2013 to a balance of \$228,092 at June 30, 2014.

PROPRIETARY FUND HIGHLIGHTS

School Nutrition Fund net position increased from \$114,066 at June 30, 2013 to \$164,493 at June 30, 2014, representing an increase of \$50,427. For fiscal 2014, the District increased meal prices slightly and started a sharing agreement with Colfax-Mingo for the Food Service Director position, resulting in an increase in revenues.

BUDGETARY HIGHLIGHTS

Over the course of the year, PCM Community School District amended its budget one time to reflect additional expenditures associated with non-instructional expenses, mainly in the Support Services and Non-Instructional Programs. It is the District's practice to budget expenditures with a contingency for unexpected or emergency items. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

At June 30, 2014, the District had invested \$5,318,313, 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) More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expense for the year was \$292,080.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total School District	
	2014	2013 (Adjusted)	2014	2013	2014	2013 (Adjusted)
	Land	\$ 152,512	\$ 152,512			\$ 152,512
Construction in Progress	0				0	
Buildings and improvements	4,165,933	4,319,817		-	4,165,933	4,319,817
Furniture and equipment	984,586	791,029	15,282	17,569	999,868	808,598
Totals	\$5,303,031	\$5,263,358	\$ 15,282	\$ 17,569	\$5,318,313	\$5,280,927

LONG-TERM LIABILITIES

At June 30, 2014, the District had \$978,508 in total long-term liabilities outstanding. This represents an increase of approximately 66.32% 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.

This District had outstanding termination benefits of \$284,833 at June 30, 2014 payable from the Management Fund.

Figure A-7
Outstanding Long-Term Debt Obligations

	Governmental Activities		Business Type Activities		Total	District	Total Change
	June 30th		June 30th		June 30th		June 30th
	2014	2013 (Adjusted)	2014	2013	2014	2013 (Adjusted)	2013-14
Termination Benefits	284,833	408,969			284,833	408,969	-30.35%
Separation agreement		7,728			-	7,728	-100.00%
Computer Lease	459,675	-			459,675	-	100.00%
Net OPEB Liability	226,625	164,240	7,375	7,375	234,000	171,615	36.35%
Total	\$ 971,133	\$580,937	7,375	7,375	978,508	588,312	66.32%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The District enrollment decreased by 17.24 students in the 2014-2015 school year.
- Increases in health insurance premiums, along with negotiated salary and benefit increases are a concern for the District.
- The Iowa State Legislature has not yet set allowable growth (supplemental state aid) for the 2015-2016 school year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Tami Thomas, Board Treasurer and Business Manager, PCM Community School District, 400 East Hwy 163, PO Box 610, Monroe, IA 50170.

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Basic Financial Statements

PCM COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION
June 30, 2014

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 5,812,625	\$ 153,266	\$ 5,965,891
Receivables:			
Property tax:			
Current year	45,465	-	45,465
Succeeding year	3,479,686	-	3,479,686
Income surtax	244,715	-	244,715
Accounts	26,219	1,962	28,181
Due from other governments	554,192	-	554,192
Inventories	-	11,609	11,609
Capital assets, net of accumulated depreciation (note 3)	5,303,031	15,282	5,318,313
Total assets	15,465,933	182,119	15,648,052
Liabilities			
Accounts payable	146,551	877	147,428
Salaries and benefits payable	51,074	2,202	53,276
Advances from others	766	-	766
Advances from grantors	5,018	-	5,018
Unearned revenue	-	7,172	7,172
Accrued interest payable	1,172	-	1,172
Long-term liabilities (note 4):			
Portion due within one year:			
Early retirement	89,416	-	89,416
Capital lease purchase payable	149,531	-	149,531
Portion due after one year:			
Early retirement	195,417	-	195,417
Capital lease purchase payable	310,144	-	310,144
Net OPEB liability	226,625	7,375	234,000
Total liabilities	1,175,714	17,626	1,193,340
Deferred Inflows of Resources			
Unavailable property tax revenue	3,479,686	-	3,479,686

PCM COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2014

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Net Position			
Net investment in capital assets	\$ 5,303,031	\$ 15,282	\$ 5,318,313
Restricted for:			
Categorical funding	171,599	-	171,599
Capital projects	2,940,166	-	2,940,166
Student activities	168,003	-	168,003
Unrestricted	<u>2,227,734</u>	<u>149,211</u>	<u>2,376,945</u>
Total net position	<u>\$ 10,810,533</u>	<u>\$ 164,493</u>	<u>\$ 10,975,026</u>

See notes to financial statements.

PCM COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2014

Note: Circled numbers represent applicable adjusting journal entries

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Governmental Activities:			
Instruction:			
Regular	\$ 5,065,472	\$ 499,373	\$ 260,562
Special	1,555,777	117,030	576,361
Other	1,405,255	225,443	140,430
	<u>8,026,504</u>	<u>841,846</u>	<u>977,353</u>
Support services:			
Student	332,069	290,671	-
Instructional staff	457,537	37,512	170
Administration	1,166,912	-	-
Operation and maintenance of plant	949,321	-	-
Transportation	533,738	20	10,768
	<u>3,439,577</u>	<u>328,203</u>	<u>10,938</u>
Non-instructional programs	<u>6,607</u>		
Other expenditures:			
Facilities acquisition	210,182	-	-
Long-term debt interest and fiscal charges	1,172	-	-
AEA flowthrough	392,962	-	392,962
Depreciation (unallocated) *	155,440	-	-
	<u>759,756</u>	<u>-</u>	<u>392,962</u>
Total governmental activities	<u>12,232,444</u>	<u>1,170,049</u>	<u>1,381,253</u>

Net (Expense) Revenue
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (4,305,537)	\$ -	\$ (4,305,537)
(862,386)	-	(862,386)
(1,039,382)	-	(1,039,382)
(6,207,305)	-	(6,207,305)
(41,398)	-	(41,398)
(419,855)	-	(419,855)
(1,166,912)	-	(1,166,912)
(949,321)	-	(949,321)
(522,950)	-	(522,950)
(3,100,436)	-	(3,100,436)
(6,607)	-	(6,607)
(210,182)	-	(210,182)
(1,172)	-	(1,172)
-	-	-
(155,440)	-	(155,440)
(366,794)	-	(366,794)
(9,681,142)	-	(9,681,142)

PCM COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Business-Type Activities:			
Support services:			
Food service operations	\$ 375	\$ -	\$ -
Non-instructional programs:			
Food service operations	569,272	418,258	201,585
Total business-type activities	569,647	418,258	201,585
Total	\$ 12,802,091	\$ 1,588,307	\$ 1,582,838

General revenues:

Property tax levied for:
 General purposes
 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, as restated (note 11)

Net position end of year

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

See notes to financial statements.

Net (Expense) Revenue
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ -	\$ (375)	\$ (375)
-	50,571	50,571
-	50,196	50,196
(9,681,142)	50,196	(9,630,946)
\$ 3,593,538	\$ -	\$ 3,593,538
263,593	-	263,593
315,896	-	315,896
898,081	-	898,081
5,051,269	-	5,051,269
12,894	231	13,125
69,083	-	69,083
10,204,354	231	10,204,585
523,212	50,427	573,639
10,287,321	114,066	10,401,387
\$ 10,810,533	\$ 164,493	\$ 10,975,026

PCM COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Assets				
Cash and pooled investments	\$ 2,435,583	\$ 2,790,674	\$ 454,924	\$ 5,681,181
Receivables:				
Property tax:				
Current year	36,517	3,125	5,823	45,465
Succeeding year	2,857,534	259,396	362,756	3,479,686
Income surtax	244,715	-	-	244,715
Accounts	25,156	-	1,063	26,219
Due from other governments	177,744	376,448	-	554,192
 Total assets	 <u>\$ 5,777,249</u>	 <u>\$ 3,429,643</u>	 <u>\$ 824,566</u>	 <u>\$ 10,031,458</u>

PCM COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 125,101	\$ 1,989	\$ 6,083	\$ 133,173
Salaries and benefits payable	48,532	-	2,542	51,074
Advances from others	-	-	766	766
Advances from grantors	5,018	-	-	5,018
Total liabilities	<u>178,651</u>	<u>1,989</u>	<u>9,391</u>	<u>190,031</u>
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	2,857,534	259,396	362,756	3,479,686
Other	244,715	-	-	244,715
Total deferred inflows of resources	<u>3,102,249</u>	<u>259,396</u>	<u>362,756</u>	<u>3,724,401</u>
Fund balances:				
Restricted for:				
Categorical funding (note 9)	171,599	-	-	171,599
School infrastructure	-	2,940,166	-	2,940,166
Physical plant and equipment	-	228,092	-	228,092
Management levy purposes	-	-	284,416	284,416
Student activities	-	-	168,003	168,003
Assigned:				
Instructional services	118,313	-	-	118,313
Unassigned	2,206,437	-	-	2,206,437
Total fund balances	<u>2,496,349</u>	<u>3,168,258</u>	<u>452,419</u>	<u>6,117,026</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 5,777,249</u>	<u>\$ 3,429,643</u>	<u>\$ 824,566</u>	<u>\$ 10,031,458</u>

See notes to financial statements.

PCM COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 June 30, 2014

Total fund balances of governmental funds	\$ 6,117,026
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	5,303,031
The Internal Service Fund, used to account for the District's partial self-funded health insurance program, is incorporated into the Governmental Activities due to the integral nature of the fund to those activities.	118,066
Other long-term assets, including income surtax receivable, are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.	244,715
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.	(1,172)
Long-term liabilities, including early retirement, capital lease purchase agreements and net OPEB liability, are not due and payable in the current year and, therefore, are not reported in the governmental funds.	<u>(971,133)</u>
Net position of governmental activities	<u>\$ 10,810,533</u>

See notes to financial statements.

PCM COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2014

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 3,392,981	\$ 263,472	\$ 494,108	\$ 4,150,561
Tuition	528,916	-	-	528,916
Other	238,947	5,329	270,586	514,862
State sources	6,155,218	898,202	238	7,053,658
Federal sources	451,054	-	-	451,054
Total revenues	<u>10,767,116</u>	<u>1,167,003</u>	<u>764,932</u>	<u>12,699,051</u>
Expenditures:				
Current:				
Instruction	<u>7,054,589</u>	<u>620,468</u>	<u>418,478</u>	<u>8,093,535</u>
Support services:				
Student	326,720	-	1,786	328,506
Instructional staff	452,628	-	-	452,628
Administration	1,110,505	72,039	8,396	1,190,940
Operation and maintenance of plant	831,607	-	109,702	941,309
Transportation	438,557	-	41,910	480,467
	<u>3,160,017</u>	<u>72,039</u>	<u>161,794</u>	<u>3,393,850</u>
Non-instructional programs	<u>-</u>	<u>-</u>	<u>6,607</u>	<u>6,607</u>
Other expenditures:				
Facilities acquisition	-	508,538	-	508,538
AEA flowthrough	392,962	-	-	392,962
	<u>392,962</u>	<u>508,538</u>	<u>-</u>	<u>901,500</u>
Total expenditures	<u>10,607,568</u>	<u>1,201,045</u>	<u>586,879</u>	<u>12,395,492</u>
Excess (deficiency) of revenues over (under) expenditures	<u>159,548</u>	<u>(34,042)</u>	<u>178,053</u>	<u>303,559</u>

PCM COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2014

	General	Capital Projects	Nonmajor	Total
Other financing sources (uses):				
Sale of equipment	\$ 27,803	\$ -	\$ -	\$ 27,803
Compensation for loss of capital assets	8,184	-	-	8,184
Capital lease proceeds	-	459,675	-	459,675
Total other financing sources (uses)	<u>35,987</u>	<u>459,675</u>	<u>-</u>	<u>495,662</u>
Net change in fund balances	195,535	425,633	178,053	799,221
Fund balances beginning of year	<u>2,300,814</u>	<u>2,742,625</u>	<u>274,366</u>	<u>5,317,805</u>
Fund balances end of year	<u>\$ 2,496,349</u>	<u>\$ 3,168,258</u>	<u>\$ 452,419</u>	<u>\$ 6,117,026</u>

See notes to financial statements.

PCM COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2014

Net change in fund balances - total governmental funds \$ 799,221

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the current year are as follows:

	Capital outlays	\$ 329,466	
	Depreciation expense	<u>(289,793)</u>	39,673

Income surtax revenue not received until several months after the District's fiscal year end is not considered available revenue and is recognized as deferred inflows of resources in the governmental funds. 20,618

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds but issuing debt increases long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities. (459,675)

The net change in the Internal Service Fund is charged back to the governmental activities expenditures on an District-wide basis. 55,068

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 governmental funds when due. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. (1,172)

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

	Early retirement	124,136	
	Separation agreement	7,728	
	Net OPEB liability	<u>(62,385)</u>	<u>69,479</u>

Change in net position of governmental activities \$ 523,212

See notes to financial statements.

PCM COMMUNITY SCHOOL DISTRICT

STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS

June 30, 2014

	Business Type Activities: <u>Enterprise Fund</u>	Governmental Activities: Internal Service <u>Fund</u>
	School Nutrition	
Assets		
Cash and cash equivalents	\$ 153,266	\$ 131,444
Accounts receivable	1,962	-
Inventories	11,609	-
Capital assets, net of accumulated depreciation (note 3)	15,282	-
Total assets	<u>182,119</u>	<u>131,444</u>
Liabilities		
Accounts payable	877	13,378
Salaries and benefits payable	2,202	-
Unearned revenue	7,172	-
Net OPEB liability (note 4)	7,375	-
Total liabilities	<u>17,626</u>	<u>13,378</u>
Fund Net Position		
Net investment in capital assets	15,282	-
Unrestricted	149,211	118,066
Total fund net position	<u>\$ 164,493</u>	<u>\$ 118,066</u>

See notes to financial statements.

PCM COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2014

	Business Type Activities: <u>Enterprise Fund</u> School Nutrition	Governmental Activities: Internal Service <u>Fund</u>
Operating revenues:		
Local sources:		
Charges for services	\$ 416,038	\$ 92,642
Operating expenses:		
Instruction:		
Purchased services	-	28,106
Support services:		
Purchased services	375	9,601
Non-instructional programs:		
Food service operations:		
Salaries	191,194	-
Benefits	85,970	-
Purchased services	66,048	-
Supplies	222,953	-
Other	820	-
Depreciation	2,287	-
	<u>569,272</u>	-
Total operating expenses	<u>569,647</u>	<u>37,707</u>
Operating income (loss)	(151,389)	54,935
Non-operating revenues:		
Interest on investments	231	133
State sources	4,756	-
Federal sources	196,829	-
Total non-operating revenues	<u>201,816</u>	<u>133</u>
Change in fund net position	50,427	55,068
Fund net position beginning of year	<u>114,066</u>	<u>62,998</u>
Fund net position end of year	<u>\$ 164,493</u>	<u>\$ 118,066</u>

See notes to financial statements.

PCM COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2014

	Business Type Activities: <u>Enterprise Fund</u> School Nutrition	Governmental Activities: Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 415,804	\$ 92,738
Cash received from miscellaneous operating activities	2,220	-
Cash payments to employees for services	(277,783)	-
Cash payments to suppliers for goods or services	(266,872)	(26,740)
Net cash provided by (used by) operating activities	<u>(126,631)</u>	<u>65,998</u>
Cash flows from non-capital financing activities:		
State grants received	4,756	-
Federal grants received	175,588	-
Net cash provided by non-capital financing activities	<u>180,344</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	231	133
Net increase in cash and cash equivalents	53,944	66,131
Cash and cash equivalents beginning of year	<u>99,322</u>	<u>65,313</u>
Cash and cash equivalents end of year	<u>\$ 153,266</u>	<u>\$ 131,444</u>

PCM COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2014

	Business Type Activities: <u>Enterprise Fund</u>	Governmental Activities: Internal Service <u>Fund</u>
	School Nutrition	
Reconciliation of operating income (loss) to net cash provided by (used by) operating activities:		
Operating income (loss)	\$ (151,389)	\$ 54,935
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:		
Commodities used	21,241	-
Depreciation	2,287	-
Decrease in inventories	1,345	-
Decrease in accounts receivable	1,719	96
Increase in accounts payable	738	10,967
(Decrease) in salaries and benefits payable	(619)	-
(Decrease) in unearned revenue	(1,953)	-
Net cash provided by (used by) operating activities	<u>\$ (126,631)</u>	<u>\$ 65,998</u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2014, the District received \$21,241 of federal commodities.

See notes to financial statements.

PCM COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 June 30, 2014

	<u>Private Purpose Trust</u>
	<u>Scholarship</u>
Assets:	
Cash and pooled investments	\$ <u>57,147</u>
Fiduciary Net Position:	
Restricted for scholarships	\$ <u><u>57,147</u></u>

See notes to financial statements.

PCM COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 Year Ended June 30, 2014

	<u>Private Purpose Trust</u>	<u>Scholarship</u>
Additions:		
Local sources:		
Gifts and contributions	\$ 2,000	
Interest	<u>439</u>	
Total additions	<u>2,439</u>	
Deductions:		
Instruction:		
Scholarships awarded		<u>6,000</u>
Change in fiduciary net position	(3,561)	
Fiduciary net position beginning of year		<u>60,708</u>
Fiduciary net position end of year	\$	<u><u>57,147</u></u>
See notes to financial statements.		

PCM COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 1. Summary of Significant Accounting Policies

PCM Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the Cities of Prairie City and Monroe, Iowa, and agricultural territory in Jasper, Marion and Polk Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

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

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but 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 Jasper, Marion and Polk Counties Assessor's Conference Boards.

B. Basis of Presentation

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

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

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

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

PCM COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

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

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

The District reports the following major governmental funds:

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

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

The District reports the following nonmajor proprietary funds:

The District's proprietary funds include the Enterprise, School Nutrition Fund and the Internal Service Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Internal Service Fund is used to account for the District's partial self-funded insurance plan.

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

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

PCM COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

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

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

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

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

Under 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, in that order.

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

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

PCM COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Equity

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

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

For purposes of the statement of cash flows, all short-term 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 receivable is recognized in the governmental funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Current year property tax receivable represents unpaid taxes from the current year. 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.

The property tax revenue recognized in these funds becomes 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, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2013.

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

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

PCM COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Equity (continued)

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

Asset Class	Amount
Land	\$ 1,500
Buildings	1,500
Improvements other than buildings	1,500
Intangibles	25,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	1,500

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

Asset Class	Estimated Useful Lives
Buildings	50 years
Intangibles	> 2 years
Improvements other than buildings	20 years
Furniture and equipment	5-15 years

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

Advances from grantors – Grant proceeds which have been received by the District but will be spent in a succeeding fiscal year have been accrued as liabilities.

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.

PCM COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Equity (continued)

Deferred Inflows of Resources – Although certain revenues are measurable, they are not available.

Available means collectible within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consists of the succeeding year property tax receivable and other receivables not collected within sixty days after year end.

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

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 are imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the Board of Education intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

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

During the year ended June 30, 2014, expenditures/expenses exceeded the amount budgeted in the instruction function.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2014 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure 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.

PCM COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 2. Cash and Pooled Investments (continued)

At June 30, 2014, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	\$ <u>10,278</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit Risk – The investment in the Iowa Schools Joint Investment Trust was rated AAAm by Standard & Poor’s Financial Services.

PCM COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 3. Capital Assets

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

	Balance Beginning of Year, as Restated	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 152,512	\$ -	\$ -	\$ 152,512
Capital assets being depreciated:				
Buildings	8,030,754	-	-	8,030,754
Improvements other than buildings	27,540	1,556	-	29,096
Furniture and equipment	2,128,398	327,910	175,749	2,280,559
Total capital assets being depreciated	<u>10,186,692</u>	<u>329,466</u>	<u>175,749</u>	<u>10,340,409</u>
Less accumulated depreciation for:				
Buildings	3,732,707	153,985	-	3,886,692
Improvements other than buildings	5,770	1,455	-	7,225
Furniture and equipment	1,337,369	134,353	175,749	1,295,973
Total accumulated depreciation	<u>5,075,846</u>	<u>289,793</u>	<u>175,749</u>	<u>5,189,890</u>
Total capital assets being depreciated, net	<u>5,110,846</u>	<u>39,673</u>	<u>-</u>	<u>5,150,519</u>
Governmental activities capital assets, net	<u>\$ 5,263,358</u>	<u>\$ 39,673</u>	<u>\$ -</u>	<u>\$ 5,303,031</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Furniture and equipment	\$ 267,931	\$ -	\$ -	\$ 267,931
Less accumulated depreciation	250,362	2,287	-	252,649
Business-type activities capital assets, net	<u>\$ 17,569</u>	<u>\$ (2,287)</u>	<u>\$ -</u>	<u>\$ 15,282</u>

PCM COMMUNITY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2014

Note 3. Capital Assets (continued)

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction	\$ 51,949
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Support services:

Student	3,324
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Instructional staff	4,580
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Administration	12,052
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Operation and maintenance of plant	9,526
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Transportation	52,922
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	134,353
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Unallocated depreciation	155,440
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Total depreciation expense - governmental activities	\$ <u>289,793</u>
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Business-type activities:

Food service operations	\$ <u>2,287</u>
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PCM COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 4. Long-Term Liabilities

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

	Balance Beginning of Year, as Restated	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Early retirement	\$ 408,969	\$ -	\$ 124,136	\$ 284,833	\$ 89,416
Separation agreement	7,728	-	7,728	-	-
Capital lease	-	459,675	-	459,675	149,531
Net OPEB liability	164,240	62,385	-	226,625	-
Total	<u>\$ 580,937</u>	<u>\$ 522,060</u>	<u>\$ 131,864</u>	<u>\$ 971,133</u>	<u>\$ 238,947</u>
Business-type activities:					
Net OPEB liability	<u>\$ 7,375</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,375</u>	<u>\$ -</u>

Early Retirement

In prior years, the District offered a voluntary termination benefit plan to its full-time certified employees.

Employees must be at least age fifty-five on or before June 30 of the year in which the employee wishes to retire. Certified employees must have completed fifteen years of service to the District while administrators need to have completed ten years of service. Employees must have completed an application which was subject to approval by the Board of Education.

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

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

PCM COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 4. Long-Term Liabilities (continued)

Early Retirement (continued)

At June 30, 2014, the District had obligations to 22 participants with a total liability of \$284,833. Actual early retirement and early separation expenditures for the year ended June 30, 2014 totaled \$131,863. The long-term portion of early retirement is recorded as a long-term liability of the Governmental Activities in the government-wide financial statements.

Capital Lease Purchase Agreement

During the year ended June 30, 2014, the District entered into a capital lease purchase agreement for the acquisition of computers and support equipment. The lease calls for annual payments of \$160,793, has an annual percentage interest rate of 2.45%, and is payable through the year ended June 30, 2017.

Details of the District's capital lease purchase indebtedness are as follows:

Year Ending June 30,	Computers	
	Principle	Interest
2015	\$ 149,531	\$ 11,262
2016	153,195	7,599
2017	156,949	3,845
	<u>\$ 459,675</u>	<u>\$ 22,706</u>

Note 5. Other Postemployment Benefits (OPEB)

Plan Description – The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 94 active and 11 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through fully-insured plans with Wellmark and Delta. 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.

PCM COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 5. Other Postemployment Benefits (OPEB) (continued)

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2014, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 105,024
Interest on net OPEB obligation	4,290
Adjustment to annual required contribution	16,498
Annual OPEB cost	<u>92,816</u>
Contributions made	<u>30,431</u>
Increase in net OPEB obligation	62,385
Net OPEB obligation beginning of year	<u>171,615</u>
Net OPEB obligation end of year	<u><u>\$ 234,000</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2014.

For the year ended June 30, 2014, the District contributed \$30,431 to the medical plan.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 52,405	30.90%	\$ 107,626
2013	91,223	29.85%	171,615
2014	92,816	32.79%	234,000

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$499,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$499,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,949,000, and the ratio of the UAAL to covered payroll was 12.6%. As of June 30, 2014, there were no trust fund assets.

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

PCM COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 5. Other Postemployment Benefits (OPEB) (continued)

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 entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6.0%.

Mortality rates are from the 94 Group Annuity Mortality Table projected to 2000, applied on a 2/3 female, 1/3 male basis. Annual retirement and termination probabilities were developed based upon sample rates varying by age and employee type.

Projected claim costs of the medical plan are \$534 per month. The UAAL is being amortized as a level dollar cost over service of the group on a closed basis over 30 years.

Note 6. Pension and Retirement Benefits

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

Plan members are required to contribute 5.95% of their annual covered salary and the District is required to contribute 8.93% of annual covered salary. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2014, 2013, and 2012 were \$573,015, \$346,938, and \$483,684, respectively, equal to the required contributions for each year.

Note 7. Risk Management

Partial Self-funded Health

The District has a partially self-funded health insurance program. The District funds the difference between the deductible on the plan chosen by the employee and the plan actually purchased by the District. This difference ranges between \$1,000 and \$2,500 per plan. Expenditures for the year totaled \$37,707 which is recorded in the nonmajor Internal Service Fund. The reserve for future casualty losses was \$118,066 at June 30, 2013.

PCM COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 7. Risk Management (continued)

Casualty/Worker's Compensation

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

Note 8. 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 \$392,962 for the year ended June 30, 2014 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 9. Categorical Funding

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

Program	Amount
Four year old preschool state aid	\$ 61,716
Professional development	35,967
Gifted and talented programs	31,030
Professional development for model core curriculum	16,282
Successful progression for early readers	11,384
Teacher leadership grants	8,805
Home school assistance program	4,202
Beginning administrator mentoring and induction	1,726
Beginning teacher mentoring	487
Total	\$ 171,599

Note 10. Contingent Liability

At June 30, 2014, the District is involved in an ongoing complaint filed under Title IX of the U.S. Department of Education alleging discrimination and retaliation against the plaintiff. The outcome of this complaint cannot be determined at this time.

PCM COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 11. Prospective Accounting Change

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

Note 12. Restatement of Beginning Balances

Due to errors made in the prior year, the beginning net position of the District’s governmental activities has been restated. The reasons for that restatement and the associated changes in various balances are as follows:

	<u>Governmental Activities Net Position</u>	<u>Capital Assets</u>	<u>Long-term Liabilities</u>
Balance reported June 30, 2013	\$ 10,545,565	\$ 5,377,602	\$ 436,937
Overstatement of capital assets due to error in construction-in-progress	(114,244)	(114,244)	-
Understatement of long-term liabilities due to the omission of six early retirement commitments	(144,000)	-	144,000
Balance as restated on July 1, 2013	<u>\$ 10,287,321</u>	<u>\$ 5,263,358</u>	<u>\$ 580,937</u>

Required Supplementary Information

PCM 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, 2014

	Governmental Funds - Actual	Proprietary Fund - Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
REVENUES:						
Local sources	\$ 5,194,339	\$ 418,489	\$ 5,612,828	\$ 6,202,477	\$ 6,202,477	\$ (589,649)
State sources	7,053,658	4,756	7,058,414	6,114,484	6,114,484	943,930
Federal sources	451,054	196,829	647,883	495,000	495,000	152,883
Total revenues	12,699,051	620,074	13,319,125	12,811,961	12,811,961	507,164
EXPENDITURES/EXPENSES:						
Instruction	8,093,535	-	8,093,535	7,949,428	7,949,428	(144,107)
Support services	3,393,850	375	3,394,225	3,480,125	3,600,000	205,775
Non-instructional programs	6,607	569,272	575,879	556,200	656,200	80,321
Other expenditures	901,500	-	901,500	2,322,492	2,322,492	1,420,992
Total expenditures/expenses	12,395,492	569,647	12,965,139	14,308,245	14,528,120	1,562,981
Excess (deficiency) of revenues over (under) expenditures/ expenses	303,559	50,427	353,986	(1,496,284)	(1,716,159)	2,070,145
Other financing sources, net	495,662	-	495,662	-	-	495,662
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses	799,221	50,427	849,648	(1,496,284)	(1,716,159)	2,565,807
Balance beginning of year	5,317,805	114,066	5,431,871	4,809,173	4,809,173	622,698
Balance end of year	<u>\$ 6,117,026</u>	<u>\$ 164,493</u>	<u>\$ 6,281,519</u>	<u>\$ 3,312,889</u>	<u>\$ 3,093,014</u>	<u>\$ 3,188,505</u>

See accompanying independent auditor's report.

PCM COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
Year Ended June 30, 2014

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards 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 a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures/expenses 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 function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year the District adopted one budget amendment increasing budgeted expenditures/expenses by \$219,875.

During the year ended June 30, 2014, expenditures/expenses in the instruction function exceeded the amount budgeted.

PCM COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
(In Thousands)

Required Supplementary Information
Year Ended June 30, 2014

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	\$ 419	\$ 419	0.0%	\$ 4,125	10.2%
2011	July 1, 2009	-	409	409	0.0%	4,262	9.6%
2012	July 1, 2009	-	389	389	0.0%	4,032	9.6%
2013	July 1, 2012	-	537	537	0.0%	4,062	13.2%
2014	July 1, 2012	-	499	499	0.0%	3,949	12.6%

See note 5 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost and net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

Supplementary Information

PCM COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

June 30, 2014

	Special Revenue		Total
	Management Levy	Student Activity	
Assets			
Cash and pooled investments	\$ 282,296	\$ 172,628	\$ 454,924
Receivables:			
Property tax:			
Current year	5,823	-	5,823
Succeeding year	362,756	-	362,756
Accounts	988	75	1,063
Total assets	<u>\$ 651,863</u>	<u>\$ 172,703</u>	<u>\$ 824,566</u>
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 1,383	\$ 4,700	\$ 6,083
Salaries and benefits payable	2,542	-	2,542
Advances from others	766	-	766
Total liabilities	<u>4,691</u>	<u>4,700</u>	<u>9,391</u>
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	362,756	-	362,756
Fund balances:			
Restricted for:			
Management levy purposes	284,416	-	284,416
Student activities	-	168,003	168,003
Total fund balances	<u>284,416</u>	<u>168,003</u>	<u>452,419</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 651,863</u>	<u>\$ 172,703</u>	<u>\$ 824,566</u>

See accompanying independent auditor's report.

PCM COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended June 30, 2014

	Special Revenue		Total
	Management Levy	Student Activity	
Revenues:			
Local sources:			
Local tax	\$ 494,108	\$ -	\$ 494,108
Other	9,589	260,997	270,586
State sources	238	-	238
Total revenues	<u>503,935</u>	<u>260,997</u>	<u>764,932</u>
Expenditures:			
Current:			
Instruction	173,774	244,704	418,478
Support services:			
Student	1,786	-	1,786
Administration	8,396	-	8,396
Operation and maintenance of plant	109,702	-	109,702
Transportation	41,910	-	41,910
Non-instructional programs	6,607	-	6,607
Total expenditures	<u>342,175</u>	<u>244,704</u>	<u>586,879</u>
Excess of revenues over expenditures	161,760	16,293	178,053
Fund balances beginning of year	<u>122,656</u>	<u>151,710</u>	<u>274,366</u>
Fund balances end of year	<u>\$ 284,416</u>	<u>\$ 168,003</u>	<u>\$ 452,419</u>

See accompanying independent auditor's report.

PCM COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
CAPITAL PROJECTS ACCOUNTS

June 30, 2014

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 2,564,462	\$ 226,212	\$ 2,790,674
Receivables:			
Property tax:			
Current year	-	3,125	3,125
Succeeding year	-	259,396	259,396
Due from other governments	376,448	-	376,448
 Total assets	 <u>\$ 2,940,910</u>	 <u>\$ 488,733</u>	 <u>\$ 3,429,643</u>
 Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 744	\$ 1,245	\$ 1,989
 Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	259,396	259,396
 Fund balances:			
Restricted for:			
School infrastructure	2,940,166	-	2,940,166
Physical plant and equipment	-	228,092	228,092
Total fund balances	<u>2,940,166</u>	<u>228,092</u>	<u>3,168,258</u>
 Total liabilities, deferred inflows of resources and fund balances	 <u>\$ 2,940,910</u>	 <u>\$ 488,733</u>	 <u>\$ 3,429,643</u>

See accompanying independent auditor's report.

PCM COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 CAPITAL PROJECTS ACCOUNTS
 Year Ended June 30, 2014

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	\$ 263,472	\$ 263,472
Other	3,997	1,332	5,329
State sources	898,081	121	898,202
Total revenues	<u>902,078</u>	<u>264,925</u>	<u>1,167,003</u>
Expenditures:			
Current:			
Instruction	-	620,468	620,468
Support services:			
Administration	23,769	48,270	72,039
Other expenditures:			
Facilities acquisition	336,597	171,941	508,538
Total expenditures	<u>360,366</u>	<u>840,679</u>	<u>1,201,045</u>
Excess (deficiency) of revenues over (under) expenditures	541,712	(575,754)	(34,042)
Other financing sources (uses):			
Proceeds from capital lease	-	459,675	459,675
Net change in fund balances	541,712	(116,079)	425,633
Fund balances beginning of year	<u>2,398,454</u>	<u>344,171</u>	<u>2,742,625</u>
Fund balances end of year	<u>\$ 2,940,166</u>	<u>\$ 228,092</u>	<u>\$ 3,168,258</u>

See accompanying independent auditor's report.

PCM COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2014

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
8th Graders	\$ 134	\$ -	\$ 63	\$ 71
Art Club	1,288	2	-	1,290
Athletics	68,733	120,480	109,334	79,879
Band	1,691	4,993	5,176	1,508
Cheerleaders	4,573	22,154	21,670	5,057
Class of 2013	283	-	283	-
Class of 2014	1,482	6,691	8,031	142
Class of 2015	2,829	6,269	6,844	2,254
Class of 2016	1,820	8,101	5,735	4,186
Conference Activities	-	1,421	357	1,064
Drama	3,634	2,659	941	5,352
FFA	12,402	37,126	35,587	13,941
Foods/Clothing Club	1,176	1	-	1,177
Football Meals	85	-	-	85
Horticulture	50	-	50	-
Jazz Creation	3,055	17,376	16,699	3,732
JEL	33	-	-	33
Journalism	524	796	1,047	273
Just Say No Club	1,121	1	537	585
Musical	2,449	2,468	696	4,221
Mustang Club	12,212	16,611	15,560	13,263
Mustang Club Fund	3,251	3	143	3,111
National Honor Society	121	-	98	23
Reading Club	5,105	704	1,513	4,296
Science Club	49	-	-	49
Spanish Club	900	1	-	901
Speech Club	121	180	167	134
Student Council	11,133	3,532	3,381	11,284
Student Government	1,432	552	592	1,392
Vocal	1,697	1,375	1,952	1,120
Yearbook	8,327	7,501	8,248	7,580
Total	\$ 151,710	\$ 260,997	\$ 244,704	\$ 168,003

See accompanying independent auditor's report.

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PCM COMMUNITY SCHOOL DISTRICT

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST TEN YEARS

	Modified Accrual Basis Years Ended June 30,			
	2014	2013	2012	2011
Revenues:				
Local sources:				
Local tax	\$ 4,150,561	\$ 4,971,352	\$ 4,700,871	\$ 4,548,469
Tuition	528,916	563,024	467,182	488,837
Other	514,862	439,985	576,019	447,308
Intermediate sources	-	-	800	-
State sources	7,053,658	5,845,050	5,951,886	5,585,236
Federal sources	451,054	408,342	492,280	472,481
Total revenues	<u>\$ 12,699,051</u>	<u>\$ 12,227,753</u>	<u>\$ 12,189,038</u>	<u>\$ 11,542,331</u>
Expenditures:				
Instruction:				
Regular instruction	\$ 5,133,631	\$ 4,234,944	\$ 4,130,366	\$ 3,999,659
Special instruction	1,554,648	1,449,866	1,607,393	1,490,293
Other instruction	1,405,256	1,383,261	1,417,907	1,423,195
Support services:				
Student	328,506	325,872	263,992	150,049
Instructional staff	452,628	414,099	428,224	330,514
Administration	1,190,940	1,037,634	952,924	855,980
Operation and maintenance of plant	941,309	729,800	686,569	678,803
Transportation	480,467	473,844	466,406	484,984
Non-instructional programs	6,607	6,243	4,778	3,675
Other expenditures:				
Facilities acquisition	508,538	439,740	831,823	277,674
Long-term debt:				
Principal	-	240,593	247,133	248,044
Interest and fiscal charges	-	11,763	24,309	37,561
AEA flowthrough	392,962	373,165	372,785	401,539
Total expenditures	<u>\$ 12,395,492</u>	<u>\$ 11,120,824</u>	<u>\$ 11,434,609</u>	<u>\$ 10,381,970</u>

See accompanying independent auditor's report.

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
\$	3,928,749	\$ 3,994,689	\$ 3,739,843	\$ 3,676,037	\$ 3,478,621	\$ 3,393,896
	392,249	376,733	365,079	336,600	317,811	293,058
	520,709	430,644	425,103	389,840	470,271	401,957
	-	-	-	10,634	-	-
	4,804,690	4,956,678	4,982,082	4,760,157	4,455,610	4,331,308
	843,633	357,629	258,906	239,503	195,604	296,385
\$	<u>10,490,030</u>	<u>10,116,373</u>	<u>9,771,013</u>	<u>9,412,771</u>	<u>8,917,917</u>	<u>8,716,604</u>
\$	5,167,980	\$ 4,026,096	\$ 3,815,202	\$ 3,782,796	\$ 3,711,392	\$ 3,588,938
	1,903,286	1,803,245	1,234,540	1,213,005	1,377,275	1,309,659
	693,311	644,384	882,458	961,120	752,158	782,833
	94,008	84,903	165,106	238,467	214,986	215,362
	190,918	281,959	267,269	308,831	331,870	245,061
	860,761	898,768	863,033	803,531	768,393	647,847
	648,708	663,389	703,544	683,172	692,804	646,719
	475,166	540,208	479,575	496,878	423,146	445,373
	4,248	3,523	3,511	3,246	3,320	2,209
	199,435	271,197	158,730	929,113	422,765	168,576
	635,000	210,000	205,000	259,600	282,400	243,000
	20,607	39,985	49,019	57,099	73,623	78,128
	389,352	345,265	320,728	305,537	281,251	275,226
\$	<u>11,282,780</u>	<u>9,812,922</u>	<u>9,147,715</u>	<u>10,042,395</u>	<u>9,335,383</u>	<u>8,648,931</u>

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

To the Board of Education of
PCM Community School District:

We have audited in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and Chapter 11 of the Code of Iowa, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of PCM Community School District as of and for the year ended June 30, 2014, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 19, 2015.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings as item I-A-14 to be a material weakness.

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

Compliance

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

PCM Community School District's Responses to Findings

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

Purpose of this Report

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

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

Oskaloosa, Iowa
January 19, 2015

Hunt & Associates, P.C.

PCM COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2014

Part I: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiencies:

I-A-14 Restatement of Beginning Balances – We noted in our testing of capital assets that the prior year financial statements included \$114,244 in construction in progress that was erroneously recorded. The contract had been recorded at double the value and the related items had already been included in depreciable assets. We noted in our testing of early retirement long-term liabilities that the District had approved six additional early retirees prior to June 30, 2013, but the total liability of \$144,000 was omitted from the financial statements in error. The errors resulted in a net overstatement of the net position of the District’s governmental activities at June 30, 2013 totaling \$258,244 and the District properly included the necessary adjustments to restate those financial statements at July 1, 2013.

Recommendation – The District should develop controls over financial reporting to prevent such misstatements in the future, including careful review of the financial statements by a person qualified to recognize and question any possible financial statement errors and a careful review of those financial statements by an independent member of the controlling body.

Response – We will develop the necessary controls to insure the accuracy of our financial statements in the future.

Conclusion – Response accepted.

I-B-14 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that one individual handles most of the duties involved in the receipts, disbursements and payroll functions.

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

Response – We will investigate alternatives and implement where possible. We have now made changes in the bank reconciliation and payroll review processes.

Conclusion – Response accepted.

I-C-14 Disbursement Support – We noted that one of forty disbursements tested did not have proper supporting documentation. That disbursement was for a travel reimbursement that did not have any related receipts for the expenses covered or travel details such as location and purpose.

Recommendation – The Board should develop controls that insure the appropriate support documentation exists and is properly obtained prior to making any disbursement. Proper documentation allows accurate review by the Board and helps to determine the propriety of the disbursement.

PCM COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2014

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

Internal Control Deficiencies (continued):

I-C-14 Response – This was an oversight on our part. We require all travel receipts and travel details prior to making any reimbursement, and we will insure that all documentation is included in the future.

Conclusion – Response accepted.

PCM COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2014

Part II: Other Findings Related to Statutory Reporting:

II-A-14 Certified Budget – Expenditures/expenses for the year ended June 30, 2014, exceeded the amount budgeted in the instruction function.

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

Response – We will amend our budget in sufficient amounts before expenditures exceed the budget in the future.

Conclusion – Response accepted.

II-B-14 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.

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

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

Name, Title and Business Connection	Transaction Description	Amount
Lana Keuning, Spouse of Board Vice President Keuning	Food service operator	\$14,609
Matt Teeter, Teacher Owner of M&K Mowing	Grounds upkeep	\$16,500

In accordance with the Attorney General’s opinion dated July 2, 1990, the above transaction with the employee does not appear to represent a conflict of interest. In accordance with an Attorney General’s opinion dated November 9, 1976, the transaction with the spouse of the Board Vice President does not appear to represent a conflict of interest.

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

II-F-14 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.

II-G-14 Certified Enrollment – The number of basic resident students reported to the Iowa Department of Education for October 1, 2012 and October 1, 2013, were overstated by one student and 2.37 students, respectively.

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

PCM COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2014

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

II-G-14 Certified Enrollment (continued)

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

Conclusion – Response accepted.

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

II-I-14 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.

II-J-14 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely and we noted no significant deficiencies in the amounts reported.

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

II-L-14 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, 2014, the District reported the following information regarding the statewide sales, services and use tax revenue in the District’s CAR:

Beginning balance		\$	2,398,454
Revenues:			
Interest	\$	3,997	
Statewide sales, services and use tax		617,210	
School infrastructure supplemental amount		<u>280,871</u>	902,078
Expenditures/transfers out:			
School infrastructure construction		62,700	
Supplies		35,132	
Equipment		<u>262,534</u>	<u>360,366</u>
Ending balance		\$	<u><u>2,940,166</u></u>

For the year ended June 30, 2014, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

PCM COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2014

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

II-M-14 Checks Outstanding – We noted during our audit that the District had checks included in the bank reconciliations of the General, Activity and Nutrition Funds which have been outstanding for over a year.

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

Response – The District has since researched and taken care of all the checks that have been outstanding for over a year.

Conclusion – Response accepted.