

PCM COMMUNITY SCHOOL DISTRICT
MONROE, IOWA

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

JUNE 30, 2015

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PCM COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
Greg Ingle	President	2015
Alvin Keuning	Vice President	2017
Steve Nearnmeyer	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	2015
Jeana Van Voorst	District Secretary	2015
Tami Thomas	District Treasurer/ Business Manager	2015
Ahlers & Cooney, P.C.	Attorney	2015

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

HUNT & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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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, 2015 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, 2015, 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.

Emphasis of Matter

As discussed in Note 13 to the financial statements, PCM Community School District adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

Other*Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 8 through 17 and 60 through 68 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise PCM Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the year ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. The financial statements for the eight 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 December 30, 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.

Hunt & Associates, P.C.

Oskaloosa, Iowa
December 30, 2015

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, 2015. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2015 FINANCIAL HIGHLIGHTS

- General Fund revenues and other financing sources increased from \$10,803,103 in fiscal 2014 to \$10,926,534 in fiscal 2015, while General Fund expenditures increased from \$10,607,568 in fiscal 2014 to \$11,032,877 in fiscal 2015. The District's General Fund balance decreased from \$2,496,349 in fiscal 2014 to \$2,390,006 in fiscal 2015.
- The fiscal year 2015 General Fund revenue increase was attributable primarily to increases in State Aid and State Categorical Funding.
- The increase in General Fund expenditures was due primarily to an increase in negotiated salary and benefits for all employee groups. The General Fund balance decrease was due primarily to increases in salary and benefits outpacing the increase in supplemental state aid. This resulted in the need to use carryover fund balance to support the increase.

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, the District's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the non-major 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, the District's proportionate share of the net pension liability and related contributions, 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.

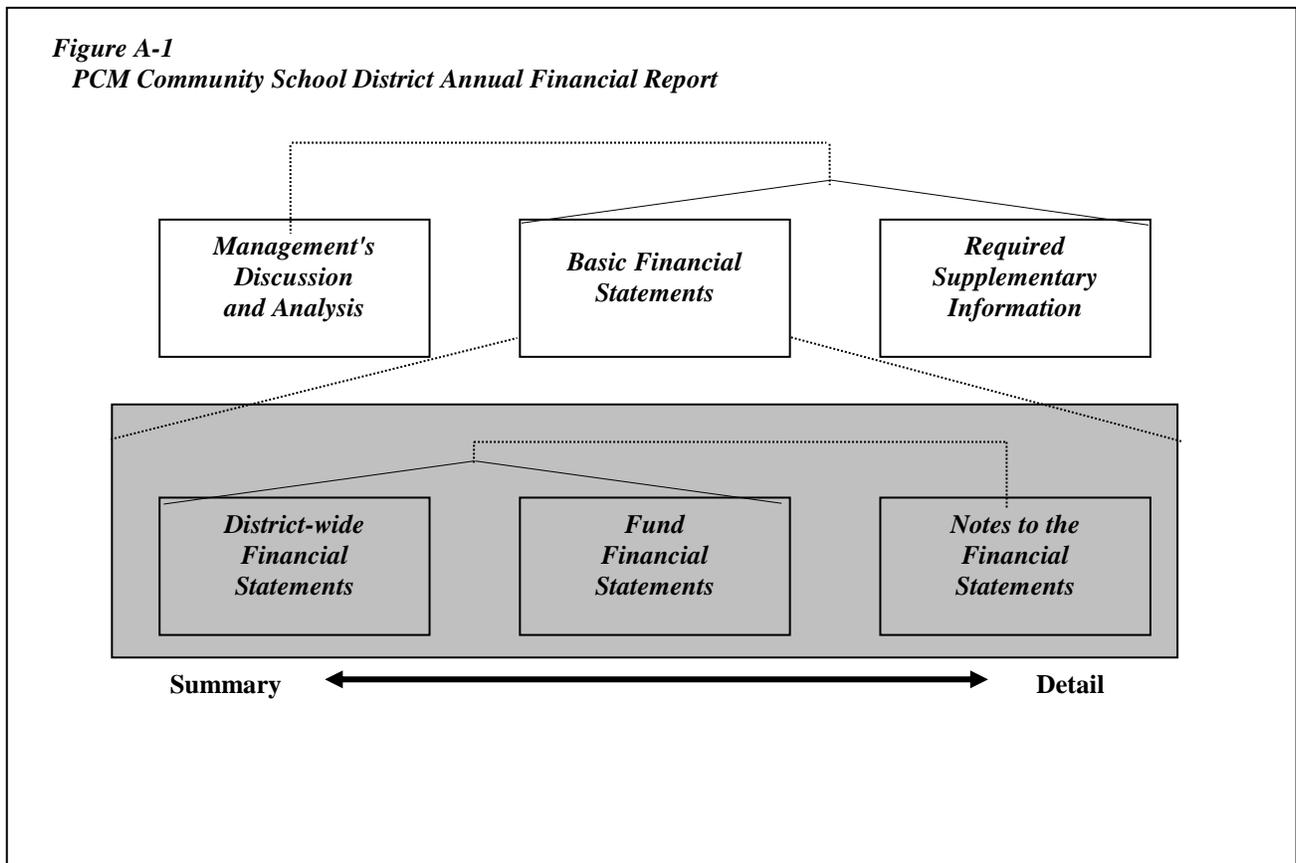


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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 deferred outflow/inflow information	Consumption/ acquisition of net position that is applicable to a future reporting period	Consumption/ acquisition of fund balance that is applicable to a future reporting period	Consumption/ acquisition of net position that is applicable to a future reporting period	Consumption/ acquisition of net position that is applicable to a future reporting period
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, deferred outflows of resources, liabilities, and deferred inflows of resources. 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 deferred outflows of resources and the liabilities and deferred inflows of resources – 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 provide more detail and additional information, such as cash flows. The District currently has one Enterprise Funds, the School Nutrition Fund. The required financial statements for proprietary funds include a Statement of Fund 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 Districts 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, 2015 as compared to June 30, 2014.

	Figure A-3 Condensed Statement of Net Position						<u>Total Change 2014-15</u>
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total School District</u>		
	<u>2015</u>	<u>2014 (Not Restated)</u>	<u>2015</u>	<u>2014 (Not Restated)</u>	<u>2015</u>	<u>2014 (Not Restated)</u>	
Current and other assets	\$10,832,244	\$10,162,902	\$202,646	\$ 166,837	\$ 11,034,890	\$10,329,739	6.83%
Capital assets	5,302,194	5,303,031	13,132	15,282	5,315,326	5,318,313	-0.1%
Total assets	<u>16,134,438</u>	<u>15,465,933</u>	<u>215,778</u>	<u>182,119</u>	<u>16,350,216</u>	<u>15,648,052</u>	4.49%
Deferred outflows of Resources	945,598	-	27,187	-	972,785	-	N/A
Long-term liabilities	4,794,420	971,133	115,959	7,375	4,910,379	978,508	401.82%
Other liabilities	136,987	204,581	10,814	10,251	147,801	214,832	-31.20%
Total liabilities	<u>4,931,407</u>	<u>1,175,714</u>	<u>126,773</u>	<u>17,626</u>	<u>5,058,180</u>	<u>1,193,340</u>	423.87%
Deferred Inflows of Resources	5,064,470	3,479,686	41,538	-	5,106,008	3,479,686	46.74 %
Net Position							
Net Investment in capital assets	5,302,194	5,303,031	13,132	15,282	5,315,326	5,318,313	-0.1%
Restricted	3,995,182	3,279,768	-	-	3,995,182	3,279,768	21.81%
Unrestricted	<u>(2,213,217)</u>	<u>2,227,734</u>	<u>61,522</u>	<u>149,211</u>	<u>(2,151,695)</u>	<u>2,376,945</u>	-190.52%
Total net position, as restated	<u>\$7,084,159</u>	<u>\$10,810,533</u>	<u>\$ 74,654</u>	<u>\$ 164,493</u>	<u>\$ 7,158,813</u>	<u>10,975,026</u>	-34.77%

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. The District's net position decreased \$3,816,213, or 34.77%. This reduction in unrestricted net position was primarily a result of the District's net pension liability recorded in the current year.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities was restated by \$4,546,941 and \$134,925, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restate because this information was not available. In the past, pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense, which is more reflective of the amounts employees earned during the year.

Changes in net position – Figure A-4 shows the change in net position for the year ended June 30, 2015 compared to the year ended June 30, 2014.

Figure A-4
Change in Net Position

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2015	2014 (Not Restated)	
Revenues							
Program revenues							
Charges for service and sales	\$1,037,944	\$1,170,049	\$416,029	\$418,258	\$1,453,973	\$1,588,307	-8.46%
Operating grants, contrib. and restricted int.	1,457,391	1,381,253	227,223	201,585	1,684,614	1,582,838	6.43%
General revenues							
Property tax	3,546,145	3,857,131	-	-	3,546,145	3,857,131	-8.06%
Income Surtax	88,553	315,896	-	-	88,553	315,896	-71.97%
Local Options Sales and Services Tax	1,004,332	898,081	-	-	1,004,332	898,081	11.83%
Unrestricted state grants	5,424,536	5,051,269	-	-	5,424,536	5,051,269	7.39%
Unrestricted investment earnings	14,192	12,894	278	231	14,470	13,125	10.25%
Other	62,516	69,083	-	-	62,516	69,083	-9.51%
Total revenues	12,635,609	12,755,656	643,530	620,074	13,279,139	13,375,730	- .72%
Program expenses							
Governmental activities							
Instruction	7,737,745	8,026,504	-	-	7,737,745	8,026,504	-3.59%
Support services	3,363,005	3,439,577	305	375	3,363,310	3,439,952	-2.23%
Non-instructional programs	2,446	6,607	598,139	569,272	600,585	575,879	4.29%
Other expenses	711,846	759,756	-	-	711,846	759,756	-6.31%
Total expenses	11,815,042	12,232,444	598,444	569,647	12,413,486	12,802,091	-3.04%
Change in net position	820,567	523,212	45,086	50,427	865,653	573,639	50.90%
Net position beginning of year, as restated	6,263,592	\$10,287,321	29,568	\$114,066	6,293,160	10,401,387	
Net position end of year	\$7,084,159	\$10,810,533	\$74,654	\$164,493	\$7,158,813	\$10,975,026	

In fiscal 2015, property tax, income surtax, statewide sales services tax and unrestricted grants account for 79.64% 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 \$13.28 million of which approximately \$12.635 million was for governmental activities and approximately \$0.64 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a .72% decrease in revenues and a 3.04% decrease in expenses. Charges for service and sales, operating grants, contributions decreased \$32,558 along with expenses decreasing by \$388,605. The decrease in expenses is related to a prior year purchase of an instructional tool.

GOVERNMENTAL ACTIVITIES

Revenues for governmental activities were \$12,635,609 and expenses were \$11,815,042.

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, 2015 compared to the year ended June 30, 2014.

Figure A-5	Net Cost of Governmental Activities						Total and
	Total Cost of Services			Net Cost of Services			
	2015	2014	Change 2014-15	2015	2014	Change 2014-15	
Instruction	\$ 7,737,745	\$ 8,026,504	-3.59%	\$5,921,680	\$6,207,305	-4.60%	
Support services	3,363,005	3,439,577	-2.23%	3,110,228	3,100,436	.32%	
Non-instructional program	2,446	6,607	-62.98%	2,446	6,607	-62.98%	
Other expenses	711,846	759,756	-6.31%	285,353	366,794	-22.20%	
Totals	\$11,815,042	\$12,232,444	-3.41%	\$9,319,707	\$9,681,142	-3.73%	

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was \$1,037,944.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,457,391.
- The net cost of governmental activities was financed with \$3,546,145 in property taxes, \$5,424,536 in unrestricted state grants, \$88,553 in income surtax, \$14,192 in unrestricted investment earnings, \$1,004,332 in local option sales and services taxes, and \$62,516 in other general revenues.

BUSINESS TYPE ACTIVITIES

Revenues for business type activities for the year ended June 30, 2015 were \$643,530, while expenses were \$598,444. 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 \$6,843,352, compared to last year's ending fund balances of \$6,117,026.

GOVERNMENTAL FUND HIGHLIGHTS

- The District's General Fund balance decreased in FY15. The General Fund balance decreased from \$2,496,349 to \$2,390,006 in FY 15. This decrease was expected as the General Fund balance is in excess of the 20% limitation calculated to levy cash reserve funds. Although the General Fund experienced a decrease, the financial solvency ratio was still 22.76%. The General Fund balance decrease was mainly due to an increase in negotiated salary and benefits outpacing the increase in revenues.
- The Management Fund balance increased from \$284,416 in FY14 to \$428,316 in FY15. This planned increase was due to funding expected future increases in expenditures.
- The Capital Projects Fund balance increased from \$3,168,258 in fiscal 2014 to \$3,870,711 in fiscal 2015 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 \$2,940,166 at June 30, 2014 to a balance of \$3,546,954 at June 30, 2015. The Physical Plant and Equipment Levy Account increased from a balance of \$228,092 at June 30, 2014 to a balance of \$323,757 at June 30, 2015.

PROPRIETARY FUND HIGHLIGHTS

School Nutrition Fund net position increased from a restated value of \$29,568 at June 30, 2014 to \$74,654 at June 30, 2015, representing an increase of \$45,086. The increase is attributable to the GASB 68 requirement of recording the net pension liability. For PCM that amount was \$108,584 for fiscal 2015 compared to a restated amount of \$151,433 for fiscal 2014. Without the inclusion of this liability the nutrition fund would still have had an increase in net position due to careful management. The District also increased meal prices slightly resulting in an increase in revenues.

BUDGETARY HIGHLIGHTS

Over the course of the year, PCM Community School District monitored its published budget. A budget amendment was needed in the non-instructional area. The amendment by the Board was enacted prior to the deadline. It is the District's practice to budget expenditures with a contingency for unexpected or emergency items, yet manage or control General Fund spending through its line-item budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

At June 30, 2015, the District had invested \$5,315,326, 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 4 to the financial statements. Depreciation expense for the year was \$296,259.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental		Business-type		Total	
	Activities		Activities		School District	
	2015	2014	2015	2014	2015	2014
Land	\$ 152,512	\$ 152,512	-	-	\$ 152,512	\$ 152,512
Construction in Progress	0				0	
Buildings and improvements	4,104,930	4,165,933	-	-	4,104,930	4,165,933
Furniture and equipment	1,044,752	984,586	13,132	15,282	1,057,884	999,868
Totals	\$5,302,194	\$5,303,031	\$ 13,132	\$ 15,282	\$5,315,326	\$5,318,313

LONG-TERM LIABILITIES

At June 30, 2015, the District had \$4,910,379 in total long-term liabilities outstanding. This represents a decrease of approximately 21.22% from last year (on a restated basis). (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 \$409,347 at June 30, 2015 payable from the Management Fund.

	Long-Term Debt Obligations						Outstanding
	Governmental Activities		Business Type Activities		Total	District	Total Change
	June 30th		June 30th		June 30th		June 30th
	2015	2014 (Not Restated)	2015	2014 (Not restated)	2015	2014 (Not restated)	2014-15
Termination Benefits	409,347	284,833	-	-	409,347	284,833	43.71%
Computer Lease	310,144	459,675	-	-	310,144	459,675	-32.53%
Net Pension Liability	3,781,304	-	108,584	-	3,889,888	-	N/A
Net OPEB Liability	293,625	226,625	7,375	7,375	301,000	234,000	28.63%
Total	\$ 4,794,420	\$ 971,133	115,959	7,375	4,910,379	978,508	401.82%

The large increase in long-term liabilities was due to the implementation by the District of GASB 68 in fiscal 2015, as discussed earlier in this analysis.

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 increased by 16.89 students in the 2015-2016 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 2016-2017 school year.
- The local economy is heavily based on agriculture. Current agricultural climate is experiencing a decline
- The District is planning for a \$10 million dollar bond referendum for facilities improvements.
- The Iowa State Legislature has not set supplemental state aid for the 2016-2017 school year. This uncertainty and recent low SSA growth percentages has caused a more conservative budget approach.

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, 2015

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 6,755,117	\$ 189,508	\$ 6,944,625
Receivables:			
Property tax:			
Current year	56,574	-	56,574
Succeeding year	3,621,534	-	3,621,534
Income surtax	59,039	-	59,039
Accounts	30,869	1,099	31,968
Due from other governments	308,726	-	308,726
Inventories	-	12,039	12,039
Prepaid expenses	385	-	385
Capital assets, net of accumulated depreciation (note 4)	5,302,194	13,132	5,315,326
Total assets	16,134,438	215,778	16,350,216
Deferred Outflows of Resources			
Pension related deferred outflows	945,598	27,187	972,785
Liabilities			
Accounts payable	34,925	-	34,925
Due to other governments	80,137	-	80,137
Salaries and benefits payable	21,115	530	21,645
Unearned revenue	-	10,284	10,284
Accrued interest payable	810	-	810
Long-term liabilities (note 5):			
Portion due within one year:			
Early retirement	89,765	-	89,765
Capital lease purchase payable	153,195	-	153,195
Portion due after one year:			
Early retirement	319,582	-	319,582
Capital lease purchase payable	156,949	-	156,949
Net pension liability	3,781,304	108,584	3,889,888
Net OPEB liability	293,625	7,375	301,000
Total liabilities	4,931,407	126,773	5,058,180

PCM COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2015

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Deferred Inflows of Resources			
Unavailable property tax revenue	\$ 3,621,534	\$ -	\$ 3,621,534
Pension related deferred inflows	1,441,953	41,538	1,483,491
Other	983	-	983
	<hr/>		
Total deferred inflows of resources	5,064,470	41,538	5,106,008
Net Position			
Net investment in capital assets	5,302,194	13,132	5,315,326
Restricted for:			
Categorical funding	262,137	-	262,137
Capital projects	3,546,954	-	3,546,954
Physical plant and equipment levy purposes	12,803	-	12,803
Management levy purposes	18,969	-	18,969
Student activities	154,319	-	154,319
Unrestricted	(2,213,217)	61,522	(2,151,695)
	<hr/>		
Total net position	\$ <u>7,084,159</u>	\$ <u>74,654</u>	\$ <u>7,158,813</u>

See notes to financial statements.

PCM COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Governmental Activities:			
Instruction:			
Regular	\$ 4,889,678	\$ 489,113	\$ 279,269
Special	1,460,453	92,093	624,876
Other	1,387,614	213,989	116,725
	<u>7,737,745</u>	<u>795,195</u>	<u>1,020,870</u>
Support services:			
Student	377,448	233,770	-
Instructional staff	378,406	7,378	-
Administration	1,167,456	-	-
Operation and maintenance of plant	882,739	50	-
Transportation	556,956	1,551	10,028
	<u>3,363,005</u>	<u>242,749</u>	<u>10,028</u>
Non-instructional programs	<u>2,446</u>	-	-
Other expenditures:			
Facilities acquisition	116,698	-	-
Long-term debt interest and fiscal charges	10,900	-	-
AEA flowthrough	426,493	-	426,493
Depreciation (unallocated) *	157,755	-	-
	<u>711,846</u>	<u>-</u>	<u>426,493</u>
Total governmental activities	<u>11,815,042</u>	<u>1,037,944</u>	<u>1,457,391</u>

Net (Expense) Revenue
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (4,121,296)	-	\$ (4,121,296)
(743,484)	-	(743,484)
(1,056,900)	-	(1,056,900)
(5,921,680)	-	(5,921,680)
(143,678)	-	(143,678)
(371,028)	-	(371,028)
(1,167,456)	-	(1,167,456)
(882,689)	-	(882,689)
(545,377)	-	(545,377)
(3,110,228)	-	(3,110,228)
(2,446)	-	(2,446)
(116,698)	-	(116,698)
(10,900)	-	(10,900)
-	-	-
(157,755)	-	(157,755)
(285,353)	-	(285,353)
(9,319,707)	-	(9,319,707)

PCM COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Business-Type Activities:			
Support services:			
Food service operations	\$ 305	\$ -	\$ -
Non-instructional programs:			
Food service operations	598,139	416,029	227,223
Total business-type activities	598,444	416,029	227,223
Total	\$ 12,413,486	\$ 1,453,973	\$ 1,684,614

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

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
\$ -	\$ (305)	\$ (305)
-	45,113	45,113
-	44,808	44,808
(9,319,707)	44,808	(9,274,899)
\$ 3,282,247	\$ -	\$ 3,282,247
263,898	-	263,898
88,553	-	88,553
1,004,332	-	1,004,332
5,424,536	-	5,424,536
14,192	278	14,470
62,516	-	62,516
10,140,274	278	10,140,552
820,567	45,086	865,653
6,263,592	29,568	6,293,160
\$ 7,084,159	\$ 74,654	\$ 7,158,813

PCM COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015

	General	Capital Projects	Special Revenue Management Levy	Nonmajor	Total
Assets					
Cash and pooled investments	\$ 2,287,724	\$ 3,714,035	\$ 423,471	\$ 157,317	\$ 6,582,547
Receivables:					
Property tax:					
Current year	46,857	4,012	5,705	-	56,574
Succeeding year	2,894,536	264,497	462,501	-	3,621,534
Income surtax	59,039	-	-	-	59,039
Accounts	30,702	-	-	167	30,869
Due from other governments	151,257	157,269	-	200	308,726
Prepaid expenses	-	-	-	385	385
 Total assets	 <u>\$ 5,470,115</u>	 <u>\$ 4,139,813</u>	 <u>\$ 891,677</u>	 <u>\$ 158,069</u>	 <u>\$ 10,659,674</u>

PCM COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015

	General	Capital Projects	Special Revenue Management Levy	Nonmajor	Total
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	\$ 25,159	\$ 4,605	\$ -	\$ 3,750	\$ 33,514
Due to other governments	80,137	-	-	-	80,137
Salaries and benefits payable	21,115	-	-	-	21,115
Total liabilities	<u>126,411</u>	<u>4,605</u>	<u>-</u>	<u>3,750</u>	<u>134,766</u>
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	2,894,536	264,497	462,501	-	3,621,534
Other	59,162	-	860	-	60,022
Total deferred inflows of resources	<u>2,953,698</u>	<u>264,497</u>	<u>463,361</u>	<u>-</u>	<u>3,681,556</u>
Fund balances:					
Nonspendable:					
Prepaid expenses	-	-	-	385	385
Restricted for:					
Categorical funding (note 10)	262,137	-	-	-	262,137
School infrastructure	-	3,546,954	-	-	3,546,954
Physical plant and equipment	-	323,757	-	-	323,757
Management levy purposes	-	-	428,316	-	428,316
Student activities	-	-	-	153,934	153,934
Assigned:					
Instructional services	139,053	-	-	-	139,053
Unassigned	1,988,816	-	-	-	1,988,816
Total fund balances	<u>2,390,006</u>	<u>3,870,711</u>	<u>428,316</u>	<u>154,319</u>	<u>6,843,352</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 5,470,115</u>	<u>\$ 4,139,813</u>	<u>\$ 891,677</u>	<u>\$ 158,069</u>	<u>\$ 10,659,674</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, 2015

Total fund balances of governmental funds		\$	6,843,352
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.			5,302,194
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.			171,159
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.			59,039
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.			(810)
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:			
	Deferred outflows of resources	\$	945,598
	Deferred inflows of resources	<u>(1,441,953)</u>	(496,355)
Long-term liabilities, including early retirement, capital lease purchase agreements, net pension liability and net OPEB liability, are not due and payable in the current year and, therefore, are not reported in the governmental funds.			<u>(4,794,420)</u>
Net position of governmental activities		\$	<u><u>7,084,159</u></u>

See notes to financial statements.

PCM COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2015

	General	Capital Projects	Special Revenue Management Levy	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 3,168,302	\$ 262,365	\$ 368,449	\$ -	\$ 3,799,116
Tuition	506,703	-	-	-	506,703
Other	203,622	6,625	12,880	236,334	459,461
State sources	6,621,557	1,005,865	2,233	-	7,629,655
Federal sources	407,986	-	-	-	407,986
Total revenues	<u>10,908,170</u>	<u>1,274,855</u>	<u>383,562</u>	<u>236,334</u>	<u>12,802,921</u>
Expenditures:					
Current:					
Instruction	<u>7,371,864</u>	<u>36,372</u>	<u>130,912</u>	<u>250,018</u>	<u>7,789,166</u>
Support services:					
Student	382,595	-	1,086	-	383,681
Instructional staff	383,456	4,438	-	-	387,894
Administration	1,174,990	5,938	4,560	-	1,185,488
Operation and maintenance of plant	862,408	-	75,372	-	937,780
Transportation	431,071	55,946	25,286	-	512,303
	<u>3,234,520</u>	<u>66,322</u>	<u>106,304</u>	<u>-</u>	<u>3,407,146</u>
Non-instructional programs	-	-	2,446	-	2,446
Other expenditures:					
Facilities acquisition	-	308,915	-	-	308,915
Long term debt:					
Principal	-	-	-	149,531	149,531
Interest and fiscal charges	-	-	-	11,262	11,262
AEA flowthrough	426,493	-	-	-	426,493
	<u>426,493</u>	<u>308,915</u>	<u>-</u>	<u>160,793</u>	<u>896,201</u>
Total expenditures	<u>11,032,877</u>	<u>411,609</u>	<u>239,662</u>	<u>410,811</u>	<u>12,094,959</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(124,707)</u>	<u>863,246</u>	<u>143,900</u>	<u>(174,477)</u>	<u>707,962</u>

PCM COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2015

	General	Capital Projects	Special Revenue Management Levy	Nonmajor	Total
Other financing sources (uses):					
Sale of equipment	\$ 8,574	\$ -	\$ -	\$ -	\$ 8,574
Compensation for loss of capital assets	9,790	-	-	-	9,790
Interfund transfers in (note 3)	-	-	-	160,793	160,793
Interfund transfers out (note 3)	-	(160,793)	-	-	(160,793)
Total other financing sources (uses)	<u>18,364</u>	<u>(160,793)</u>	<u>-</u>	<u>160,793</u>	<u>18,364</u>
Net change in fund balances	(106,343)	702,453	143,900	(13,684)	726,326
Fund balances beginning of year	<u>2,496,349</u>	<u>3,168,258</u>	<u>284,416</u>	<u>168,003</u>	<u>6,117,026</u>
Fund balances end of year	<u>\$ 2,390,006</u>	<u>\$ 3,870,711</u>	<u>\$ 428,316</u>	<u>\$ 154,319</u>	<u>\$ 6,843,352</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, 2015

Net change in fund balances - total governmental funds \$ 726,326

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	\$ 293,272	
Depreciation expense	<u>(294,109)</u>	(837)

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. (185,676)

The net change in the Internal Service Fund is charged back to the governmental activities expenditures on a District-wide basis. 53,093

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position. 149,531

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. 362

The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position. 34,188

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	(124,514)	
Pension expense	235,094	
Net OPEB liability	<u>(67,000)</u>	<u>43,580</u>

Change in net position of governmental activities \$ 820,567

See notes to financial statements.

PCM COMMUNITY SCHOOL DISTRICT
STATEMENT OF FUND NET POSITION
PROPRIETARY FUND
June 30, 2015

	Business Type Activities: <u>Enterprise Fund</u>	Governmental Activities: Internal Service <u>Fund</u>
	<u>School</u>	<u>Nutrition</u>
Assets		
Cash and cash equivalents	\$ 189,508	\$ 172,570
Accounts receivable	1,099	-
Inventories	12,039	-
Capital assets, net of accumulated depreciation (note 4)	13,132	-
Total assets	<u>215,778</u>	<u>172,570</u>
Deferred Outflows of Resources		
Pension related deferred outflows	<u>27,187</u>	-
Liabilities		
Accounts payable	-	1,411
Salaries and benefits payable	530	-
Unearned revenue	10,284	-
Net pension liability	108,584	-
Net OPEB liability	7,375	-
Total liabilities	<u>126,773</u>	<u>1,411</u>
Deferred Inflows of Resources		
Pension related deferred inflows	<u>41,538</u>	-
Fund Net Position		
Net investment in capital assets	13,132	-
Unrestricted	<u>61,522</u>	<u>171,159</u>
Total fund net position	<u>\$ 74,654</u>	<u>171,159</u>

See notes to financial statements.

PCM COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
Year Ended June 30, 2015

	Business Type Activities: <u>Enterprise Fund</u> School Nutrition	Governmental Activities: Internal Service Fund
Operating revenues:		
Local sources:		
Charges for services	\$ 416,029	\$ 88,221
Operating expenses:		
Instruction:		
Purchased services	-	23,521
Support services:		
Purchased services	305	11,824
Non-instructional programs:		
Food service operations:		
Salaries	194,753	-
Benefits	86,887	-
Purchased services	67,267	-
Supplies	242,018	-
Depreciation	2,150	-
Other	5,064	-
Total operating expenses	598,139	-
	598,444	35,345
Operating income (loss)	(182,415)	52,876
Non-operating revenues:		
Interest on investments	278	217
State sources	4,758	-
Federal sources	222,465	-
Total non-operating revenues	227,501	217
Change in fund net position	45,086	53,093
Fund net position beginning of year, as restated (note 13)	29,568	118,066
Fund net position end of year	\$ 74,654	\$ 171,159

See notes to financial statements.

PCM COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2015

	Business Type Activities: <u>Enterprise Fund</u>	Governmental Activities: Internal Service <u>Fund</u>
	School Nutrition	Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 417,535	-
Cash received from miscellaneous operating activities	2,469	88,221
Cash paid to employees for services	(295,302)	-
Cash paid to suppliers for goods or services	(273,475)	(47,312)
Net cash provided by (used by) operating activities	<u>(148,773)</u>	<u>40,909</u>
Cash flows from non-capital financing activities:		
State grants received	4,758	-
Federal grants received	179,979	-
Net cash provided by non-capital financing activities	<u>184,737</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	278	217
Net increase in cash and cash equivalents	36,242	41,126
Cash and cash equivalents beginning of year	<u>153,266</u>	<u>131,444</u>
Cash and cash equivalents end of year	<u>\$ 189,508</u>	<u>\$ 172,570</u>

PCM COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2015

	Business Type Activities: <u>Enterprise Fund</u>	Governmental Activities: Internal Service <u>Fund</u>
	School Nutrition	Fund
Reconciliation of operating income (loss) to net cash provided by (used by) operating activities:		
Operating income (loss)	\$ (182,415)	\$ 52,876
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:		
Depreciation	2,150	-
Commodities used	42,486	-
Decrease in accounts receivable	863	-
(Increase) in inventories	(430)	-
(Decrease) in accounts payable	(877)	(11,967)
(Decrease) in salaries and benefits payable	(1,672)	-
Increase in unearned revenue	3,112	-
(Decrease) in net pension liability	(42,849)	-
(Increase) in deferred outflows of resources	(10,679)	-
Increase in deferred inflows of resources	41,538	-
Net cash provided by (used by) operating activities	\$ <u>(148,773)</u>	<u>40,909</u>

Non-cash financing activities:

During the year ended June 30, 2015, the District received \$42,486 of federal commodities.

See notes to financial statements.

PCM COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 June 30, 2015

	Private Purpose Trust
	<u>Scholarship</u>
Assets:	
Cash and pooled investments	\$ <u>56,334</u>
Fiduciary Net Position:	
Restricted for scholarships	\$ <u><u>56,334</u></u>

See notes to financial statements.

PCM COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 Year Ended June 30, 2015

	<u>Private Purpose Trust</u>	<u>Scholarship</u>
Additions:		
Local sources:		
Gifts and contributions	\$ 2,000	
Interest	<u>237</u>	
Total additions	<u>2,237</u>	
Deductions:		
Instruction:		
Scholarships awarded		<u>3,050</u>
Change in fiduciary net position	(813)	
Fiduciary net position beginning of year		<u>57,147</u>
Fiduciary net position end of year	\$	<u><u>56,334</u></u>
See notes to financial statements.		

PCM COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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

Government-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 the following 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, 2015

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 Special Revenue, Management Levy Fund is used to account for the payments of casualty and workers' compensation insurance and certain other employee related liabilities, including unemployment benefits and early retirement.

The District reports the following 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.

PCM COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

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

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

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.

PCM COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

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.

D. Assets, Deferred Outflows of Resources, 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, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2014.

Income Surtax Receivable – Income surtax budgeted for the fiscal year ended June 30, 2015 will not be received by the District until several months after the fiscal year end. Accordingly, income surtax is recorded as a receivable and included in deferred inflows of resources on the modified accrual basis for the governmental funds. For the government-wide statements, on the Statement of Activities the income surtax revenue is recognized.

PCM COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

Capital Assets – Capital assets, which include property, furniture, and equipment, 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

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer’s reporting period.

PCM COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 1. Summary of Significant Accounting Policies (continued)

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

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.

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.

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows Of Resources – Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred 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 consist of 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 succeeding year property tax receivables that will not be recognized until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

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

Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

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.

PCM COMMUNITY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

Note 1. Summary of Significant Accounting Policies (continued)

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

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, 2015, expenditures/expenses did not exceed the amounts budgeted.

Note 2. Cash and Pooled Investments

The District’s deposits in banks at June 30, 2015 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.

At June 30, 2015, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Diversified Portfolio	\$ <u><u>10,279</u></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, 2015

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ <u>160,793</u>

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

PCM COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2015 is as follows:

	Balance Beginning of Year	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	90,780	-	8,121,534
Improvements other than buildings	29,096	-	-	29,096
Furniture and equipment	2,280,559	202,492	71,803	2,411,248
Total capital assets being depreciated	<u>10,340,409</u>	<u>293,272</u>	<u>71,803</u>	<u>10,561,878</u>
Less accumulated depreciation for:				
Buildings	3,886,692	150,329	-	4,037,021
Improvements other than buildings	7,225	1,454	-	8,679
Furniture and equipment	1,295,973	142,326	71,803	1,366,496
Total accumulated depreciation	<u>5,189,890</u>	<u>294,109</u>	<u>71,803</u>	<u>5,412,196</u>
Total capital assets being depreciated, net	<u>5,150,519</u>	<u>(837)</u>	<u>-</u>	<u>5,149,682</u>
Governmental activities capital assets, net	<u>\$ 5,303,031</u>	<u>\$ (837)</u>	<u>\$ -</u>	<u>\$ 5,302,194</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Furniture and equipment	\$ 267,931	\$ -	\$ -	\$ 267,931
Less accumulated depreciation	<u>252,649</u>	<u>2,150</u>	<u>-</u>	<u>254,799</u>
Business-type activities capital assets, net	<u>\$ 15,282</u>	<u>\$ (2,150)</u>	<u>\$ -</u>	<u>\$ 13,132</u>

PCM COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 4. Capital Assets (continued)

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular \$ 52,723

Support services:

Student support 3,374

Instructional staff 4,648

Administration 12,231

Operation and maintenance of plant 9,668

Transportation 53,710

136,354

Unallocated depreciation 157,755

Total depreciation expense - governmental activities \$ 294,109

Business-type activities:

Food service operations \$ 2,150

PCM COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 5. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2015 is as follows:

	Balance Beginning of Year, as Restated	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Early retirement	\$ 284,833	\$ 214,931	\$ 90,417	\$ 409,347	\$ 89,765
Capital lease	459,675	-	149,531	310,144	153,195
Net pension liability	5,103,257	-	1,321,953	3,781,304	-
Net OPEB liability	226,625	67,000	-	293,625	-
Total	<u>\$ 6,074,390</u>	<u>\$ 281,931</u>	<u>\$ 1,561,901</u>	<u>\$ 4,794,420</u>	<u>\$ 242,960</u>
Business-type activities:					
Net pension liability	\$ 151,433	\$ -	\$ 42,849	\$ 108,584	\$ -
Net OPEB liability	7,375	-	-	7,375	-
Total	<u>\$ 158,808</u>	<u>\$ -</u>	<u>\$ 42,849</u>	<u>\$ 115,959</u>	<u>\$ -</u>

Early Retirement

In the year ended June 30, 2015 and 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.

Prior year termination benefit incentives were equal to no more than \$24,000 per employee. The current year termination benefit incentive is equal to a payment not to exceed \$24,000 per certified employee or 45% of current year's base salary for administrators.

The incentive is applied in the following manner:

PCM COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 5. Long-Term Liabilities (continued)

Early Retirement (continued)

Employees can continue with District sponsored health insurance benefits, with the District contributing no more than one-sixth of the incentive 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.

One employee received an incentive payment under a separation agreement in the amount of \$24,000 to be applied by the District toward the continuation of individual health insurance with the District contributing no more than one sixth of the incentive per year for the next six years.

At June 30, 2015, the District had obligations to 21 participants with a total liability of \$409,347. Actual early retirement expenditures for the year ended June 30, 2015 totaled \$90,417. 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 ending June 30, 2017.

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

Year Ending June 30,	Computers	
	Principal	Interest
2016	\$ 153,195	\$ 7,599
2017	156,949	3,845
	<u>\$ 310,144</u>	<u>\$ 11,444</u>

Note 6. Pension Plan

Plan Description – IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

PCM COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 6. Pension Plan (continued)

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the District contributed 8.93 percent for a total rate of 14.88 percent.

The District's contributions to IPERS for the year ended June 30, 2015 were \$607,461.

PCM COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 6. Pension Plan (continued)

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2015, the District reported a liability of \$3,889,888 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District’s proportion of the net pension liability was based on the District’s share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District’s proportion was 0.098083 percent, which was an increase of 0.006565 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$326,517. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 42,276	\$ -
Changes of assumptions	171,670	-
Net difference between projected and actual earnings on pension plan investments	-	1,483,491
Changes in proportion and differences between District contributions and proportionate share of contributions	151,378	-
District contributions subsequent to the measurement date	<u>607,461</u>	<u>-</u>
Total	<u>\$ 972,785</u>	<u>\$ 1,483,491</u>

PCM COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 6. Pension Plan (continued)

\$607,461 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,		
<u> </u>		
2016	\$	(285,517)
2017		(285,517)
2018		(285,517)
2019		(285,517)
2020		<u>23,901</u>
Total	\$	<u><u>(1,118,167)</u></u>

Actuarial Assumptions – The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation (effective June 30, 2014)	3.00 percent
Salary increases (effective June 30, 2014)	4.00 percent, average, including inflation
Investment rate of return (effective June 30, 1996)	7.50 percent per annum, compounded annually, net of pension plan investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

PCM COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 6. Pension Plan (continued)

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
US Equity	23%	6.31
Non US Equity	15%	6.76
Private Equity	13%	11.34
Real Estate	8%	3.52
Core Plus Fixed Income	28%	2.06
Credit Opportunities	5%	3.67
TIPS	5%	1.92
Other Real Assets	2%	6.27
Cash	1%	(0.69)
 Total	 <u>100%</u>	

Discount Rate – The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	\$ 7,349,834	\$ 3,889,888	\$ 969,335

Pension Plan Fiduciary Net Position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS’ website at www.ipers.org.

PCM COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 7. 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 a fully-insured plan 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.

The following table shows the components of the District’s annual OPEB cost for the year ended June 30, 2015, the amount actually contributed to the plan and changes in the District’s net OPEB obligation:

Annual required contribution	\$ 109,000
Interest on net OPEB obligation	6,000
Adjustment to annual required contribution	<u>16,000</u>
Annual OPEB cost	99,000
Contributions made	<u>32,000</u>
Increase in net OPEB obligation	67,000
Net OPEB obligation beginning of year	<u>234,000</u>
Net OPEB obligation end of year	<u><u>\$ 301,000</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, 2015.

For the year ended June 30, 2015, the District contributed \$32,000 to the medical plan.

PCM COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 7. Other Postemployment Benefits (OPEB) (continued)

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
2013	\$ 91,223	29.85%	\$ 171,615
2014	92,816	32.79%	234,000
2015	99,000	32.32%	301,000

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, 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 \$4,158,000, and the ratio of the UAAL to covered payroll was 12.0%. As of June 30, 2015, there were no trust fund assets.

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

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

As of the July 1, 2012 actuarial valuation date, the 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.

PCM COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 8. 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 \$35,345 which is recorded in the nonmajor Internal Service Fund. The reserve for future casualty losses was \$171,159 at June 30, 2015.

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 9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$426,493 for the year ended June 30, 2015 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 10. Categorical Funding

The District's fund balance restricted for categorical funding at June 30, 2015 is comprised of the following programs:

Program	Amount
Four year old preschool state aid	\$ 94,188
Professional development	58,565
Gifted and talented programs	47,641
Professional development for model core curriculum	30,493
Dropout prevention	11,088
Successful progression for early readers	6,315
Teacher leadership grants	8,804
Limited English proficient	1,401
Home School assistance program	1,203
Beginning administrator mentoring and induction	1,226
Beginning teacher mentoring	558
Teacher salary supplement	355
At-risk programs	300
Total	\$ 262,137

PCM COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 11. Construction Commitments

The District has entered into various contracts totaling \$433,000 for roofing on the bus barn and the Prairie City Elementary building. As of June 30, 2015, costs of \$83,600 had been incurred against the contracts. The balance of \$349,400 remaining at June 30, 2015 will be paid as work on the project progresses.

Note 12. Contingent Liability

At June 30, 2015, the District is involved in a worker's compensation suit as well an ongoing complaint filed under Title IX of the U.S. Department of Education alleging discrimination and retaliation against the plaintiff. The outcome of these complaints cannot be determined at this time.

Note 13. Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27 was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local government which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental and business-type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	Governmental Activities	Business-type Activities
Net position June 30, 2014, as previously reported	\$ 10,810,533	\$ 164,493
Net pension liability at June 30, 2014	(5,103,257)	(151,433)
Deferred outflows of resources related to contributions made after the June 30, 2013 measurement date	<u>556,316</u>	<u>16,508</u>
Net position July 1, 2014, as restated	<u>\$ 6,263,592</u>	<u>\$ 29,568</u>

Note 14. Subsequent Event

On November 2, 2015, the District approved a bond referendum to be held on February 2, 2016 for the purpose of issuing general obligation bonds, in an amount not to exceed \$10,000,000, to be used for several major District improvements.

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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, 2015					
	Governmental	Proprietary	Total	Budgeted Amounts		Final to
	Funds - Actual	Fund - Actual	Actual	Original	Final	Actual Variance
REVENUES:						
Local sources	\$ 4,765,280	\$ 416,307	\$ 5,181,587	\$ 4,890,282	\$ 4,890,282	\$ 291,305
State sources	7,629,655	4,758	7,634,413	8,050,352	8,050,352	(415,939)
Federal sources	407,986	222,465	630,451	560,000	560,000	70,451
Total revenues	12,802,921	643,530	13,446,451	13,500,634	13,500,634	(54,183)
EXPENDITURES/EXPENSES:						
Instruction	7,789,166	-	7,789,166	8,165,000	8,165,000	375,834
Support services	3,407,146	305	3,407,451	3,687,250	3,687,250	279,799
Non-instructional programs	2,446	598,139	600,585	582,500	632,500	31,915
Other expenditures	896,201	-	896,201	2,322,643	2,322,643	1,426,442
Total expenditures/expenses	12,094,959	598,444	12,693,403	14,757,393	14,807,393	2,113,990
Excess (deficiency) of revenues over (under) expenditures/ expenses	707,962	45,086	753,048	(1,256,759)	(1,306,759)	2,059,807
Other financing sources, net	18,364	-	18,364	2,500	2,500	15,864
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses	726,326	45,086	771,412	(1,254,259)	(1,304,259)	2,075,671
Balance beginning of year, as restated	6,117,026	29,568	6,146,594	5,931,235	5,931,235	215,359
Balance end of year	\$ <u>6,843,352</u>	\$ <u>74,654</u>	\$ <u>6,918,006</u>	\$ <u>4,676,976</u>	\$ <u>4,626,976</u>	\$ <u>2,291,030</u>

See accompanying independent auditor's report.

PCM COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
Year Ended June 30, 2015

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 \$50,000.

During the year ended June 30, 2015, expenditures/expenses did not exceed the amounts budgeted.

PCM COMMUNITY SCHOOL DISTRICT

Schedule of the District's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
Last Fiscal Year*
(In Thousands)

Required Supplementary Information

	<u>2015</u>
District's proportion of the net pension liability	0.098083
District's proportionate share of the net pension liability	\$ 3,890
District's covered-employee payroll	\$ 6,762
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	57.53%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

* The amounts presented for each fiscal year were determined as of June 30.

See accompanying independent auditor's report.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

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PCM COMMUNITY SCHOOL DISTRICT

Schedule of the District's Contributions

Iowa Public Employees' Retirement System
Last Ten Fiscal Years
(In Thousands)

Required Supplementary Information

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Statutorily required contributions	\$ 607	\$ 573	\$ 520	\$ 486
Contributions in relation to the statutorily required contribution	<u>(607)</u>	<u>(573)</u>	<u>(520)</u>	<u>(486)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 6,762	\$ 6,417	\$ 6,003	\$ 5,994
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%

See accompanying independent auditor's report.

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 397	\$ 382	\$ 357	\$ 323	\$ 310	\$ 304
<u>(397)</u>	<u>(382)</u>	<u>(357)</u>	<u>(323)</u>	<u>(310)</u>	<u>(304)</u>
<u>\$ -</u>					
\$ 5,722	\$ 5,738	\$ 5,616	\$ 5,346	\$ 5,394	\$ 5,278
6.95%	6.65%	6.35%	6.05%	5.75%	5.75%

PCM COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY
Year Ended June 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent.
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

PCM COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY
Year Ended June 30, 2015

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

PCM COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information
Year Ended June 30, 2015

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%
2015	July 1, 2012	-	499	499	0.0%	4,158	12.0%

See note 7 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
BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2015

	<u>Special Revenue Student Activity</u>
Assets	
Cash and pooled investments	\$ 157,317
Receivables:	
Accounts	167
Due from other governments	200
Prepaid expenses	<u>385</u>
Total assets	<u>\$ 158,069</u>
Liabilities and Fund Balances	
Liabilities:	
Accounts payable	\$ <u>3,750</u>
Fund balances:	
Nonspendable:	
Prepaid expenses	385
Restricted for:	
Student activities	<u>153,934</u>
Total fund balances	<u>154,319</u>
Total liabilities and fund balances	<u>\$ 158,069</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, 2015

	Special Revenue		
	Student	Debt	
	Activity	Service	Total
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
Local sources:			
Other	\$ 236,334	\$ -	\$ 236,334
	<u> </u>	<u> </u>	<u> </u>
Expenditures:			
Current:			
Instruction	250,018	-	250,018
Other expenditures:			
Long term debt:			
Principal	-	149,531	149,531
Interest and fiscal charges	-	11,262	11,262
Total expenditures	<u>250,018</u>	<u>160,793</u>	<u>410,811</u>
Deficiency of revenues under expenditures	(13,684)	(160,793)	(174,477)
Other financing sources:			
Interfund transfers in	<u>-</u>	<u>160,793</u>	<u>160,793</u>
Net change in fund balances	(13,684)	-	(13,684)
Fund balances beginning of year	<u>168,003</u>	<u>-</u>	<u>168,003</u>
Fund balances end of year	<u>\$ 154,319</u>	<u>\$ -</u>	<u>\$ 154,319</u>

See accompanying independent auditor's report.

PCM COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
CAPITAL PROJECTS ACCOUNTS
June 30, 2015

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 3,394,290	\$ 319,745	\$ 3,714,035
Receivables:			
Property tax:			
Current year	-	4,012	4,012
Succeeding year	-	264,497	264,497
Due from other governments	157,269	-	157,269
 Total assets	 \$ 3,551,559	 \$ 588,254	 \$ 4,139,813
 Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 4,605	\$ -	\$ 4,605
 Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	264,497	264,497
 Fund balances:			
Restricted for:			
School infrastructure	3,546,954	-	3,546,954
Physical plant and equipment	-	323,757	323,757
Total fund balances	3,546,954	323,757	3,870,711
 Total liabilities, deferred inflows of resources and fund balances	 \$ 3,551,559	 \$ 588,254	 \$ 4,139,813

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, 2015

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	\$ 262,365	\$ 262,365
Other	6,128	497	6,625
State sources	1,004,331	1,534	1,005,865
Total revenues	<u>1,010,459</u>	<u>264,396</u>	<u>1,274,855</u>
Expenditures:			
Current:			
Instruction	36,372	-	36,372
Support services:			
Instructional staff	-	4,438	4,438
Administration	2,438	3,500	5,938
Transportation	55,946	-	55,946
Other expenditures:			
Facilities acquisition	308,915	-	308,915
Total expenditures	<u>403,671</u>	<u>7,938</u>	<u>411,609</u>
Excess of revenues over expenditures	606,788	256,458	863,246
Other financing uses:			
Interfund transfers out	-	(160,793)	(160,793)
Net change in fund balances	606,788	95,665	702,453
Fund balances beginning of year	<u>2,940,166</u>	<u>228,092</u>	<u>3,168,258</u>
Fund balances end of year	<u>\$ 3,546,954</u>	<u>\$ 323,757</u>	<u>\$ 3,870,711</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, 2015

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
8th Graders	\$ 71	\$ -	\$ -	\$ 71
Art Club	1,290	1	-	1,291
Athletics	79,879	99,511	108,113	71,277
Band	1,508	7,646	6,425	2,729
Cheerleaders	5,057	21,996	21,542	5,511
Class of 2014	142	-	142	-
Class of 2015	2,254	6,857	9,073	38
Class of 2016	4,186	1,677	4,371	1,492
Class of 2017	1,064	9,370	5,751	4,683
Class of 2018	-	2,408	676	1,732
Drama	5,352	2,610	3,118	4,844
FFA	13,941	24,575	36,214	2,302
Foods/Clothing Club	1,177	1	-	1,178
Football Meals	85	-	-	85
Jazz Creation	3,732	12,952	10,165	6,519
JEL	33	-	-	33
Journalism	273	1,346	1,280	339
Just Say No Club	585	-	372	213
Musical	4,221	3,176	730	6,667
Mustang Club	13,263	19,023	16,866	15,420
Mustang Club Fund	3,111	4	-	3,115
National Honor Society	23	1,481	1,169	335
Reading Club	4,296	707	1,098	3,905
Science Club	49	-	-	49
Spanish Club	901	1	-	902
Speech Club	134	-	50	84
Student Council	11,284	1,510	2,290	10,504
Student Government	1,392	2,152	1,891	1,653
Vocal	1,120	8,559	5,359	4,320
Yearbook	7,580	8,771	13,323	3,028
Total	\$ 168,003	\$ 236,334	\$ 250,018	\$ 154,319

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,			
	2015	2014	2013	2012
Revenues:				
Local sources:				
Local tax	\$ 3,799,116	\$ 4,150,561	\$ 4,971,352	\$ 4,700,871
Tuition	506,703	528,916	563,024	467,182
Other	459,461	514,862	439,985	576,019
Intermediate sources	-	-	-	800
State sources	7,629,655	7,053,658	5,845,050	5,951,886
Federal sources	407,986	451,054	408,342	492,280
Total revenues	\$ 12,802,921	\$ 12,699,051	\$ 12,227,753	\$ 12,189,038
Expenditures:				
Instruction				
Regular instruction	\$ 4,869,968	\$ 5,133,631	\$ 4,234,944	\$ 4,130,366
Special instruction	1,505,571	1,554,648	1,449,866	1,607,393
Other instruction	1,413,627	1,405,256	1,383,261	1,417,907
Support services:				
Student	383,681	328,506	325,872	263,992
Instructional staff	387,894	452,628	414,099	428,224
Administration	1,185,488	1,190,940	1,037,634	952,924
Operation and maintenance of plant	937,780	941,309	729,800	686,569
Transportation	512,303	480,467	473,844	466,406
Non-instructional programs	2,446	6,607	6,243	4,778
Other expenditures:				
Facilities acquisition	308,915	508,538	439,740	831,823
Long-term debt:				
Principal	149,531	-	240,593	247,133
Interest and fiscal charges	11,262	-	11,763	24,309
AEA flowthrough	426,493	392,962	373,165	372,785
Total expenditures	\$ 12,094,959	\$ 12,395,492	\$ 11,120,824	\$ 11,434,609

See accompanying independent auditor's report.

	2011	2010	2009	2008	2007	2006
\$	4,548,469	\$ 3,928,749	\$ 3,994,689	\$ 3,739,843	\$ 3,676,037	\$ 3,478,621
	488,837	392,249	376,733	365,079	336,600	317,811
	447,308	520,709	430,644	425,103	389,840	470,271
	-	-	-	-	10,634	-
	5,585,236	4,804,690	4,956,678	4,982,082	4,760,157	4,455,610
	472,481	843,633	357,629	258,906	239,503	195,604
\$	<u>11,542,331</u>	<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>
	3,999,659	5,167,980	\$ 4,026,096	\$ 3,815,202	\$ 3,782,796	\$ 3,711,392
	1,490,293	1,903,286	1,803,245	1,234,540	1,213,005	1,377,275
	1,423,195	693,311	644,384	882,458	961,120	752,158
	150,049	94,008	84,903	165,106	238,467	214,986
	330,514	190,918	281,959	267,269	308,831	331,870
	855,980	860,761	898,768	863,033	803,531	768,393
	678,803	648,708	663,389	703,544	683,172	692,804
	484,984	475,166	540,208	479,575	496,878	423,146
	3,675	4,248	3,523	3,511	3,246	3,320
	277,674	199,435	271,197	158,730	929,113	422,765
	248,044	635,000	210,000	205,000	259,600	282,400
	37,561	20,607	39,985	49,019	57,099	73,623
	401,539	389,352	345,265	320,728	305,537	281,251
\$	<u>10,381,970</u>	<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>

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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, 2015, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 30, 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.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses, or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2015 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 the 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 results 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.

Hunt + Associates, P.C.

Oskaloosa, Iowa
December 30, 2015

PCM COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2015

Part I: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiencies:

No matters were reported.

PCM COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2015

Part II: Other Findings Related to Statutory Reporting:

- II-A-15 Certified Budget – Expenditures/expenses for the year ended June 30, 2015, did not exceed the amounts budgeted.
- II-B-15 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-15 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-15 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Lana Keuning, Spouse of Board Vice President Keuning	Food service operator	\$15,351
Matthew 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 Mr. Teeter 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-15 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-15 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- II-G-15 Certified Enrollment – The number of basic resident students reported to the Iowa Department of Education for October 1, 2014 was overstated by one student.

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

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

 Conclusion – Response accepted.
- II-H-15 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

PCM COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2015

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

- II-I-15 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-15 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-15 Categorical Funding – No instances of categorical funding being used to supplant rather than supplement other funds were noted.
- II-L-15 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, 2015, the District reported the following information regarding the statewide sales, services and use tax revenue in the District’s CAR:

Beginning balance		\$	2,940,166
Revenues:			
Interest	\$	6,128	
Statewide sales, services and use tax		<u>1,004,331</u>	1,010,459
Expenditures:			
School infrastructure construction		117,481	
Supplies		13,960	
Equipment		265,459	
Other		<u>6,771</u>	<u>403,671</u>
Ending balance		\$	<u><u>3,546,954</u></u>

For the year ended June 30, 2015, 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, 2015

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

II-M-15 Financial Condition – At June 30, 2015, the governmental activities had a deficit unrestricted net position of \$2,213,217. This deficit balance was caused by the implementation of GASB Statement No. 68, Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27, which requires the inclusion of the District’s proportionate share of the IPERS pension liability and the related deferred outflows of resources and deferred inflows of resources in the District’s financial statements.

Recommendation – Even though the deficit arose due to the net pension liability and deferred outflows and inflows of resources, the District should investigate ways to return the governmental activities to sound financial condition.

Response – We are unsure of what steps can be taken at this time to alleviate the strain of the District’s proportionate share of the IPERS liability and the related deferred outflows and inflows of resources since actions related to this area are controlled by the Iowa Legislature. However, we will look into this situation and investigate ways to return the governmental activities to sound financial condition.

Conclusion – Response accepted.