

POMEROY-PALMER COMMUNITY SCHOOL DISTRICT

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

June 30, 2007

## Table of Contents

			<u>Page</u>
Officials			1
Independent Auditor's Report			2-3
Management's Discussion and Analysis (MD&A)			4-12
Basic Financial Statements:	<u>Exhibit</u>		
Government-wide Financial Statements:			
Statement of Net Assets	A	14	
Statement of Activities	B	15-16	
Governmental Fund Financial Statements:			
Balance Sheet	C	17	
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	18	
Statement of Revenues, Expenditures and Changes in Fund Balances	E	19	
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	20	
Proprietary Fund Financial Statements:			
Statement of Net Assets	G	21	
Statement of Revenues, Expenses, and Changes in Fund Net Assets	H	22	
Statement of Cash Flows	I	23	
Fiduciary Fund Financial Statements:			
Statement of Fiduciary Net Assets	J	24	
Statement of Changes in Fiduciary Net Assets	K	25	
Notes to Financial Statements			26-33
Required Supplementary Information:			
Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund			35
Notes to Required Supplementary Information - Budgetary Reporting			36
Other Supplementary Information:	<u>Schedule</u>		
Nonmajor Special Revenue Funds:			
Combining Balance Sheet	1	38	
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	39	
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3	40	
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	4	41	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>			42-43
Schedule of Findings and Responses			44-48



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Independent Auditor's Report

To the Board of Education of  
Pomeroy-Palmer Community School District:

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 Pomeroy-Palmer Community School District, Pomeroy, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our 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 Pomeroy-Palmer Community School District at June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our reports dated January 7, 2008, on our consideration of Pomeroy-Palmer Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contract and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 35 through 36 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Pomeroy-Palmer Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2006, (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

January 7, 2008

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Pomeroy-Palmer 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, 2007. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2007 Financial Highlights**

- General Fund revenues decreased from \$2,344,495 in fiscal 2006 to \$2,201,934 in fiscal 2007, while General Fund expenditures increased from \$2,442,215 in fiscal 2006 to \$2,550,934 in fiscal 2007. The District's General Fund balance decreased from \$855,314 in fiscal 2006 to \$485,680 in fiscal 2007, a 43% decrease.
- The decrease in General Fund revenues was attributable to a decrease in property tax and state and federal grant revenue in fiscal 2007. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits. One reason the General Fund balance decreased is because of the increase in the negotiated salary and benefits settlement for fiscal 2007. As a result, the District funded a portion of the current year General Fund salaries and benefits from the carryover fund balance.

### **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 Assets and a Statement of Activities. These provide information about the activities of Pomeroy-Palmer 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 Pomeroy-Palmer Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Pomeroy-Palmer Community School District acts solely as an agent or custodian for the benefit of those outside of District government.

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

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

**Figure A-1**  
**GASB 34 Pomeroy-Palmer Community School District Annual Financial Report**

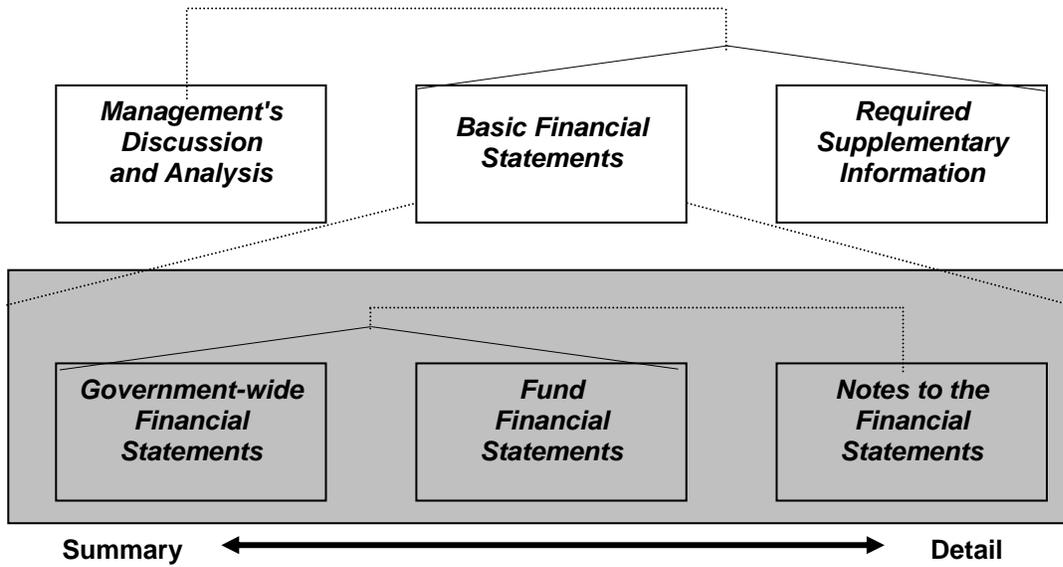


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

## REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

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

The two government-wide financial statements report the District’s net assets and how they have changed. Net assets – the difference between the District’s assets and liabilities – are one way to measure the District’s financial health or financial position. Over time, increases or decreases in the District’s net assets 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, Physical Plant and Equipment Fund, Management Fund, Capital Projects Fund, and Student Activity Fund.

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

- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund. The District uses *internal service funds*, the other kind of proprietary fund, to report activities that provide supplies and services for its other programs and activities. The District current has one internal service fund used to account for the District's employee flexible benefit plan.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets 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 a Private-Purpose Trust Fund.

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

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2007 compared to June 30, 2006.

Figure A-3

	Condensed Statement of Net Assets						Percentage Change 2006-2007
	Governmental Activities		Business-type Activities		Total School District		
	2007	2006	2007	2006	2007	2006	
	\$	\$	\$	\$	\$	\$	
Current and other assets	\$2,386,123	\$2,649,433	\$8,582	\$5,708	\$2,394,705	\$2,655,141	-9.8%
Capital assets	\$499,736	\$467,536	\$3,500	\$4,200	\$503,236	\$471,736	6.7%
<b>Total assets</b>	<b>\$2,885,859</b>	<b>\$3,116,969</b>	<b>\$12,082</b>	<b>\$9,908</b>	<b>\$2,897,941</b>	<b>\$3,126,877</b>	<b>-7.3%</b>
Long-term liabilities	\$0	\$0	\$0	\$0	\$0	\$0	-
Other liabilities	\$1,213,494	\$1,184,211	\$34	\$616	\$1,213,528	\$1,184,827	2.4%
<b>Total liabilities</b>	<b>\$1,213,494</b>	<b>\$1,184,211</b>	<b>\$34</b>	<b>\$616</b>	<b>\$1,213,528</b>	<b>\$1,184,827</b>	<b>2.4%</b>
Net Assets:							
Invested in capital assets, net of related debt	\$499,736	\$467,536	\$3,500	\$4,200	\$503,236	\$471,736	6.7%
Restricted	\$619,674	\$527,081	\$0	\$0	\$619,674	\$527,081	17.6%
Unrestricted	\$552,955	\$938,141	\$8,548	\$5,092	\$561,503	\$943,233	-40.5%
<b>TOTAL NET ASSETS</b>	<b>\$1,672,365</b>	<b>\$1,932,758</b>	<b>\$12,048</b>	<b>\$9,292</b>	<b>\$1,684,413</b>	<b>\$1,942,050</b>	<b>-13.3%</b>

The District's combined net assets decreased by nearly 13%, or approximately \$258,000, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The restricted net assets increased because the District is accumulating local option sales tax proceeds for future capital projects.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$48,500 or 18% over the prior year. The restricted net assets increased because the District is accumulating local option sales tax proceeds for future capital projects.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately \$382,000, or 41%. This reduction in unrestricted net assets was a result of the District using carryover fund balance to meet its financial obligations during the year.

Figure A-4 shows the change in net assets for the years ended June 30, 2007 and 2006.

Figure A-4

Change in Net Assets							
	Governmental		Business-type		Total		Percentage
	Activities		Activities		School District		Change
	2007	2006	2007	2006	2007	2006	2006-2007
	\$	\$	\$	\$	\$	\$	
Revenues							
Program Revenues:							
Charges for services	\$223,365	\$265,092	\$38,906	\$38,498	\$262,271	\$303,590	-13.6%
Operating grants & contrib.	\$319,026	\$316,283	\$46,844	\$44,565	\$365,870	\$360,848	1.4%
Capital grants & contributions	\$1,762	\$0	\$0	\$0	\$1,762	\$0	-
General Revenues:							
Property taxes	\$1,120,231	\$1,159,065	\$0	\$0	\$1,120,231	\$1,159,065	-3.4%
Income Surtax	\$77,690	\$81,939	\$0	\$0	\$77,690	\$81,939	-5.2%
Local option sales tax	\$138,968	\$126,326	\$0	\$0	\$138,968	\$126,326	10.0%
Unrestricted state grants	\$616,383	\$718,920	\$0	\$0	\$616,383	\$718,920	-14.3%
Unrestricted investment earnings	\$38,306	\$35,700	\$102	\$101	\$38,408	\$35,801	7.3%
Other revenue	\$1,752	\$16,158	\$0	\$0	\$1,752	\$16,158	-89.2%
<b>Total Revenues</b>	<b>\$2,537,483</b>	<b>\$2,719,483</b>	<b>\$85,852</b>	<b>\$83,164</b>	<b>\$2,623,335</b>	<b>\$2,802,647</b>	<b>-6.4%</b>
Expenses:							
Instruction	\$1,834,038	\$1,765,305	\$0	\$0	\$1,834,038	\$1,765,305	3.9%
Support services	\$829,899	\$803,766	\$0	\$0	\$829,899	\$803,766	3.3%
Non-instructional programs	\$1,862	\$739	\$103,730	\$96,216	\$105,592	\$96,955	8.9%
Other expenditures	\$111,443	\$136,806	\$0	\$0	\$111,443	\$136,806	-18.5%
<b>Total expenses</b>	<b>\$2,777,242</b>	<b>\$2,706,616</b>	<b>\$103,730</b>	<b>\$96,216</b>	<b>\$2,880,972</b>	<b>\$2,802,832</b>	<b>2.8%</b>
<b>Change in net assets before transfers</b>	<b>(\$239,759)</b>	<b>\$12,867</b>	<b>(\$17,878)</b>	<b>(\$13,052)</b>	<b>(\$257,637)</b>	<b>(\$185)</b>	<b>139163.2%</b>
Transfers	(\$20,634)	(\$6,750)	\$20,634	\$6,750	\$0	\$0	-
<b>CHANGE IN NET ASSETS</b>	<b>(\$260,393)</b>	<b>\$6,117</b>	<b>\$2,756</b>	<b>(\$6,302)</b>	<b>(\$257,637)</b>	<b>(\$185)</b>	<b>139163.2%</b>
Net assets beginning of year	\$1,932,758	\$1,926,641	\$9,292	\$15,594	\$1,942,050	\$1,942,235	0%
Net assets end of year	\$1,672,365	\$1,932,758	\$12,048	\$9,292	\$1,684,413	\$1,942,050	-13.3%

Property tax and unrestricted state grants account for 66% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 92% of the total expenses.

### Governmental Activities

Revenues for governmental activities were \$2,537,483 and expenses were \$2,777,242. Expenditures increased a modest 2.6% while revenues decreased 6.7%. The decrease in revenues was caused by declining student enrollment.

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

Figure A-5

	Total Cost of Services			Net Cost of Services		
	2007	2006	Change 2006-2007	2007	2006	Change 2006-2007
Instruction	\$1,834,038	\$1,765,305	3.9%	\$1,380,862	\$1,269,856	8.7%
Support Services	\$829,899	\$803,766	3.3%	\$828,276	\$803,499	3.1%
Non-instructional Programs	\$1,862	\$739	152.0%	\$1,862	\$739	152.0%
Other Expenses	\$111,443	\$136,806	-18.5%	\$22,089	\$51,147	-56.8%
<b>TOTAL</b>	<b>\$2,777,242</b>	<b>\$2,706,616</b>	<b>2.6%</b>	<b>\$2,233,089</b>	<b>\$2,125,241</b>	<b>5.1%</b>

- The cost financed by users of the District's programs was \$223,365. Most of these revenues are derived from tuition charged to other school districts and from student activities.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$320,788.
- The net cost of governmental activities was financed with \$1,120,231 in property and local other taxes, \$77,690 in income surtaxes, and \$616,383 in unrestricted state grants.

### Business Type Activities

Revenues for business type activities were \$85,852 and expenses were \$103,730. 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.

Revenues increased due to additional federal funding for the school lunch program. Expenses increased due to increases in food costs and increases in salaries and benefits. The District paid the difference in expenses and revenues from the general fund. This increase resulted in maintaining the revenue level in the School Nutrition fund, as the number of students available to participate declined.

### INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$1,105,354.

### Governmental Fund Highlights

- The District's deteriorating General Fund financial position is the result of many factors. From 2006 to 2007 General Fund revenues decreased by \$142,000. Decreases occurred in tuition revenues, state sources and federal sources. From 2006 to 2007 General Fund expenditures increased by \$109,000 or 4.5%. The District to use carryover fund balance to meet its financial obligations during the year.
- The Physical Plant and Equipment Levy (PPEL) Fund balance increased from \$261,611 in fiscal 2006 to \$298,052 in fiscal 2007. While revenues remained approximately the same, the District reduced spending from the PPEL Fund in order to improve the financial condition of the fund.
- The balance in the Capital Projects Fund balance increased from \$207,999 at June 30, 2006 to \$272,556 at June 30, 2007. The fund balance in the Capital Projects must be used to future equipment purchases and building improvements and construction.

- The Management Fund balance decreased by \$20,445 during fiscal year 2007. The District lowered the 2007 property tax levy for this fund to intentionally lower the year-end fund balance.

### **Proprietary Fund Highlights**

School Nutrition Fund net assets increased from \$9,292 at June 30, 2006 to \$12,048 at June 30, 2007, representing an increase of approximately 30%. However all of the increase is attributed to a \$20,634 transfer from the General Fund. Without the transfer the School Nutrition would have had a deficit net assets of \$8,586 at June 30, 2007.

### **BUDGETARY HIGHLIGHTS**

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 blended component units, internal service funds, permanent funds and agency funds. This is referred to as the certified budget. The certified budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's certified budget is prepared in accordance with generally accepted accounting principles. The District has not amended its certified budget for several years.

School districts have two levels of budgetary control. One form of budgetary control exists through the "certified budget", which includes all funds of the District as noted above. This budget is certified with the County Auditor and Department of Management each year. Iowa school districts may not certify a general fund budget in excess of its spending authority.

The other level of budgetary control is the "unspent (maximum) authorized budget" and pertains only to the General Fund of the District. The maximum authorized budget is the total "spending authority" in the General Fund of the District. The unspent balance is a budgetary concept and does not mean the "actual General Fund cash". It is imperative for users of District financial information to make this important distinction. The unspent balance is the amount of spending authority that is carried over into the next fiscal year. The unspent balance is a budgetary carryover and does not represent actual dollars (General Fund cash) or actual financial position (unreserved, undesignated General Fund balance) of the District.

A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this audit report.

The District has not amended its budget for several years because we prepare the initial budget using the maximum expenditures that the District could have based on projected revenues and carryover balances. Actual expenditures are controlled during the year using a line item budget that bases expenditures on projected revenues for the year.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2007 the District has invested \$503,236, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, computers, and transportation equipment. This amount represents a net increase of seven percent from last year. More detailed information about capital assets is available in Note 4 to the Financial Statements. Depreciation expense for the year was \$65,679.

Significant capital assets activities included new classroom and lab computers, a server, new doors on the entrances, a car, and windows in the elementary wing.

Figure A-6

Capital Assets (net of depreciation)

	Governmental Activities		Business type Activities		Total School District		Percentage Change 2006-2007
	2007	2006	2007	2006	2007	2006	
Land	\$10,601	\$10,601	\$0	\$0	\$10,601	\$10,601	0.00%
Buildings	\$314,014	\$268,828	\$0	\$0	\$314,014	\$268,828	16.8%
Improvements	\$34,031	\$35,765	\$0	\$0	\$34,031	\$35,765	-4.8%
Equipment & Furniture	\$141,090	\$152,342	\$3,500	\$4,200	\$144,590	\$156,542	-7.6%
<b>TOTAL</b>	<b>\$499,736</b>	<b>\$467,536</b>	<b>\$3,500</b>	<b>\$4,200</b>	<b>\$503,236</b>	<b>\$471,736</b>	<b>6.7%</b>

**Long-Term Debt**

The District does not have any long-term debt.

**ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

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

1. The Pomeroy-Palmer Board has agreed to share all athletics with Pocahontas Area Community School for the 2008-2009 school year. During 2008-2009 both districts will explore whole-grade sharing.
2. The district's valuation will increase over the next few years due to the building of at least 80 windmills in the district.
3. Open enrollment out of district will increase because of sharing programs.
4. The District needs to replace a boiler, remodel locker rooms, and replace the current bus barn.
5. The District has been experiencing declining enrollment for the past several years. The certified enrollment for 2007-2008 decreased by 15.5 students from the previous year. This decline in enrollment along with the phasing out of the budget guarantee will continue to lower funding of the General Fund.
6. The District's faculty is reaching retirement age at a steadily increasing rate. The levy rate for the Management fund will be set to cover anticipated early retirement obligations and the District insurance premium for the next year. The district has one early retirement for 2007-2008.

**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 Megan Hauswirth, Business Manager, Pomeroy-Palmer Community School District, 202 East Harrison Street, Pomeroy, IA 50575.

## BASIC FINANCIAL STATEMENTS

## POMEROY-PALMER COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2007

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
<b>Assets</b>			
Cash and cash equivalents	951,493	7,868	959,361
Receivables:			
Property tax:			
Delinquent	15,963	-	15,963
Succeeding year	1,181,377	-	1,181,377
Accounts	168	21	189
Accrued interest	1,263	-	1,263
Due from other governments	176,514	-	176,514
Inventories	-	693	693
Prepaid expenses	59,345	-	59,345
Capital assets, net of accumulated depreciation	499,736	3,500	503,236
<b>Total assets</b>	<b>2,885,859</b>	<b>12,082</b>	<b>2,897,941</b>
<b>Liabilities</b>			
Accounts payable	12,700	32	12,732
Salaries and benefits payable	19,417	-	19,417
Deferred revenue:			
Succeeding year property tax	1,181,377	-	1,181,377
Other	-	2	2
<b>Total liabilities</b>	<b>1,213,494</b>	<b>34</b>	<b>1,213,528</b>
<b>Net assets</b>			
Invested in capital assets, net of related debt	499,736	3,500	503,236
Restricted for:			
Management levy	18,360	-	18,360
Physical plant and equipment levy	298,052	-	298,052
Other special revenue purposes	30,706	-	30,706
Local option sales tax capital projects	272,556	-	272,556
Unrestricted	552,955	8,548	561,503
<b>Total net assets</b>	<b>1,672,365</b>	<b>12,048</b>	<b>1,684,413</b>

POMEROY-PALMER COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2007

<b>Functions/Programs</b>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	1,110,323	145,207	170,396	-
Special	260,584	-	14,215	-
Other	463,131	78,035	45,323	-
	<u>1,834,038</u>	<u>223,242</u>	<u>229,934</u>	<u>-</u>
Support services:				
Student	36,718	-	-	-
Instructional staff	77,577	-	-	-
Administration	301,306	-	1,500	-
Operation and maintenance of plant	274,306	123	-	-
Transportation	139,992	-	-	-
	<u>829,899</u>	<u>123</u>	<u>1,500</u>	<u>-</u>
Non-instructional programs	<u>1,862</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	6,823	-	-	1,762
AEA flowthrough	87,592	-	87,592	-
Depreciation (unallocated)*	17,028	-	-	-
	<u>111,443</u>	<u>-</u>	<u>87,592</u>	<u>1,762</u>
Total governmental activities	<u>2,777,242</u>	<u>223,365</u>	<u>319,026</u>	<u>1,762</u>
Business type activities:				
Non-instructional programs:				
Food service operations	103,730	38,906	46,844	-
Total	<u>2,880,972</u>	<u>262,271</u>	<u>365,870</u>	<u>1,762</u>
<b>General Revenues:</b>				
Property taxes levied for:				
General purposes				
Capital outlay				
Income surtax				
Local option sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				
Transfers				
Total general revenues and transfers				
<b>Change in net assets</b>				
Net assets beginning of year				
Net assets end of year				

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

Net (Expense) Revenue and Changes in Net Assets

<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
\$	\$	\$
(794,720)	-	(794,720)
(246,369)	-	(246,369)
(339,773)	-	(339,773)
<u>(1,380,862)</u>	<u>-</u>	<u>(1,380,862)</u>
(36,718)	-	(36,718)
(77,577)	-	(77,577)
(299,806)	-	(299,806)
(274,183)	-	(274,183)
(139,992)	-	(139,992)
<u>(828,276)</u>	<u>-</u>	<u>(828,276)</u>
<u>(1,862)</u>	<u>-</u>	<u>(1,862)</u>
(5,061)	-	(5,061)
-	-	-
(17,028)	-	(17,028)
<u>(22,089)</u>	<u>-</u>	<u>(22,089)</u>
(2,233,089)	-	(2,233,089)
-	(17,980)	(17,980)
<u>(2,233,089)</u>	<u>(17,980)</u>	<u>(2,251,069)</u>
1,051,223	-	1,051,223
69,008	-	69,008
77,690	-	77,690
138,968	-	138,968
616,383	-	616,383
38,306	102	38,408
1,752	-	1,752
<u>1,993,330</u>	<u>102</u>	<u>1,993,432</u>
<u>(20,634)</u>	<u>20,634</u>	<u>-</u>
<u>1,972,696</u>	<u>20,736</u>	<u>1,993,432</u>
(260,393)	2,756	(257,637)
<u>1,932,758</u>	<u>9,292</u>	<u>1,942,050</u>
<u>1,672,365</u>	<u>12,048</u>	<u>1,684,413</u>

## POMEROY-PALMER COMMUNITY SCHOOL DISTRICT

Balance Sheet  
Governmental Funds

June 30, 2007

	General Fund	Physical Plant and Equipment Levy	Capital Projects Sales Tax	Management	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$	\$
<b>Assets</b>						
Cash and pooled investments	398,023	297,069	221,832	-	31,939	948,863
Receivables:						
Property tax:						
Delinquent	14,410	983	-	570	-	15,963
Succeeding year	978,125	103,252	-	100,000	-	1,181,377
Accounts	168	-	-	-	-	168
Accrued interest	1,263	-	-	-	-	1,263
Interfund receivable	41,555	-	-	-	-	41,555
Due from other governments	125,790	-	50,724	-	-	176,514
Prepaid expenses	-	-	-	59,345	-	59,345
<b>Total assets</b>	<b>1,559,334</b>	<b>401,304</b>	<b>272,556</b>	<b>159,915</b>	<b>31,939</b>	<b>2,425,048</b>
<b>Liabilities and Fund Balances</b>						
Liabilities:						
Accounts payable	10,947	-	-	-	1,233	12,180
Salaries and benefits payable	19,417	-	-	-	-	19,417
Interfund payable	-	-	-	41,555	-	41,555
Deferred revenue:						
Succeeding year property tax	978,125	103,252	-	100,000	-	1,181,377
Other	65,165	-	-	-	-	65,165
Total liabilities	1,073,654	103,252	-	141,555	1,233	1,319,694
Fund balances:						
Unreserved reported in:						
General fund	485,680	-	-	-	-	485,680
Special revenue funds	-	298,052	-	18,360	30,706	347,118
Capital projects funds	-	-	272,556	-	-	272,556
Total fund balances	485,680	298,052	272,556	18,360	30,706	1,105,354
<b>Total liabilities and fund balances</b>	<b>1,559,334</b>	<b>401,304</b>	<b>272,556</b>	<b>159,915</b>	<b>31,939</b>	<b>2,425,048</b>

## POMEROY-PALMER COMMUNITY SCHOOL DISTRICT

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

June 30, 2007

	\$
<b>Total fund balances of governmental funds (Exhibit C)</b>	1,105,354
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	499,736
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	65,165
An internal service fund is used by the District's management to charge the costs of the employee flexible benefit program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.	<u>2,110</u>
<b>Net assets of governmental activities (Exhibit A)</b>	<u><u>1,672,365</u></u>

## POMEROY-PALMER COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2007

	General Fund	Physical Plant and Equipment Levy	Capital Projects Sales Tax	Management	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$	\$
<b>Revenues:</b>						
Local sources:						
Local tax	1,088,914	69,008	103,715	39,999	-	1,301,636
Tuition	139,824	-	-	-	-	139,824
Other	37,787	7,214	-	-	78,598	123,599
Intermediate sources	3,502	-	-	-	-	3,502
State sources	826,361	-	35,253	-	-	861,614
Federal sources	105,546	-	-	-	-	105,546
Total revenues	<u>2,201,934</u>	<u>76,222</u>	<u>138,968</u>	<u>39,999</u>	<u>78,598</u>	<u>2,535,721</u>
<b>Expenditures:</b>						
Current:						
Instruction:						
Regular	1,080,161	32,734	-	12,705	-	1,125,600
Special	260,584	-	-	-	-	260,584
Other	377,136	-	-	-	82,410	459,546
	<u>1,717,881</u>	<u>32,734</u>	<u>-</u>	<u>12,705</u>	<u>82,410</u>	<u>1,845,730</u>
Support services:						
Student	36,718	-	-	-	-	36,718
Instructional staff	75,870	-	-	-	-	75,870
Administration	300,400	-	-	906	-	301,306
Operation and maintenance of plant	230,982	4,155	-	36,647	-	271,784
Transportation	101,491	-	10,000	8,324	-	119,815
	<u>745,461</u>	<u>4,155</u>	<u>10,000</u>	<u>45,877</u>	<u>-</u>	<u>805,493</u>
Non-instructional programs	-	-	-	1,862	-	1,862
Other expenditures:						
Facilities acquisition	-	2,892	64,411	-	-	67,303
AEA flowthrough	87,592	-	-	-	-	87,592
	<u>87,592</u>	<u>2,892</u>	<u>64,411</u>	<u>-</u>	<u>-</u>	<u>154,895</u>
Total expenditures	<u>2,550,934</u>	<u>39,781</u>	<u>74,411</u>	<u>60,444</u>	<u>82,410</u>	<u>2,807,980</u>
Excess (deficiency) of revenues over (under) expenditures	(349,000)	36,441	64,557	(20,445)	(3,812)	(272,259)
Other financing sources (uses):						
Operating transfers out	(20,634)	-	-	-	-	(20,634)
Net change in fund balances	(369,634)	36,441	64,557	(20,445)	(3,812)	(292,893)
Fund balances beginning of year	<u>855,314</u>	<u>261,611</u>	<u>207,999</u>	<u>38,805</u>	<u>34,518</u>	<u>1,398,247</u>
Fund balances end of year	<u>485,680</u>	<u>298,052</u>	<u>272,556</u>	<u>18,360</u>	<u>30,706</u>	<u>1,105,354</u>

See notes to financial statements.

## POMEROY-PALMER 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, 2007

	\$	\$
<b>Net change in fund balances - total governmental funds (Exhibit E)</b>		(292,893)

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

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

Donated capital assets	1,762	
Expenditures for capital assets	95,417	
Depreciation expense	<u>(64,979)</u>	32,200

An internal service fund is used by the District's management to charge the costs of the employee flexible benefit program to the individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities.

<u>300</u>
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**Changes in net assets of governmental activities (Exhibit B)**

<u><u>(260,393)</u></u>
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## POMEROY-PALMER COMMUNITY SCHOOL DISTRICT

Statement of Net Assets  
Proprietary Funds

June 30, 2007

	Enterprise Fund	Governmental Activities - Internal Service Fund
	Nonmajor School Nutrition	Service Fund
	\$	\$
<b>Assets</b>		
Cash and cash equivalents	7,868	2,630
Accounts receivable	21	-
Inventories	693	-
Capital assets, net of accumulated depreciation	3,500	-
	<u>12,082</u>	<u>2,630</u>
<b>Total assets</b>	<u>12,082</u>	<u>2,630</u>
<b>Liabilities</b>		
Accounts payable	32	520
Deferred revenue	2	-
	<u>34</u>	<u>520</u>
<b>Total liabilities</b>	<u>34</u>	<u>520</u>
<b>Net assets</b>		
Invested in capital assets, net of related debt	3,500	-
Unrestricted	8,548	2,110
	<u>12,048</u>	<u>2,110</u>
<b>Total net assets</b>	<u><u>12,048</u></u>	<u><u>2,110</u></u>

## POMEROY-PALMER COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2007

	Enterprise Fund	Governmental Activities - Internal Service Fund
	<u>Nonmajor School Nutrition</u>	<u>Service Fund</u>
	\$	\$
Operating revenues:		
Local sources:		
Charges for service	38,906	8,860
Operating expenses:		
Non-instructional programs:		
Salaries	41,080	-
Benefits	14,620	8,560
Supplies	47,330	-
Depreciation	700	-
	<u>103,730</u>	<u>8,560</u>
Operating gain (loss)	<u>(64,824)</u>	<u>300</u>
Non-operating revenues:		
State sources	1,223	-
Federal sources	45,621	-
Interest income	102	-
Total non-operating revenues	<u>46,946</u>	<u>-</u>
Gain (loss) before transfers	(17,878)	300
Transfers in	<u>20,634</u>	<u>-</u>
Change in net assets	2,756	300
Net assets beginning of year	<u>9,292</u>	<u>1,810</u>
Net assets end of year	<u><u>12,048</u></u>	<u><u>2,110</u></u>

## POMEROY-PALMER COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows  
Proprietary Funds

Year ended June 30, 2007

	Enterprise Fund Nonmajor School Nutrition \$	Governmental Activities - Internal Service Fund \$
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	39,056	-
Cash received from other services		8,860
Cash payments to employees for services	(56,254)	(9,264)
Cash payments to suppliers for goods or services	(41,803)	-
Net cash used by operating activities	<u>(59,001)</u>	<u>(404)</u>
Cash flows from non-capital financing activities		
Transfer from General Fund	20,634	-
State grants received	1,223	-
Federal grants received	40,622	-
Net cash provided by non-capital financing activities	<u>62,479</u>	<u>-</u>
Cash flows from capital and related financing activities	<u>-</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	<u>102</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	3,580	(404)
Cash and cash equivalents at beginning of year	<u>4,288</u>	<u>3,034</u>
Cash and cash equivalents at end of year	<u><u>7,868</u></u>	<u><u>2,630</u></u>
<b>Reconciliation of operating gain (loss) to net cash used by operating activities:</b>		
Operating gain (loss)	(64,824)	300
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:		
Commodities used	4,999	-
Depreciation	700	-
Decrease (increase) in inventories	496	-
Decrease (increase) in accounts receivable	210	-
(Decrease) increase in accounts payable	32	(704)
(Decrease) increase in salaries and benefits payable	(554)	-
(Decrease) increase in deferred revenue	(60)	-
Net cash used in operating activities	<u><u>(59,001)</u></u>	<u><u>(404)</u></u>

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

During the year ended June 30, 2007, the District received \$4,999 of federal commodities.

POMEROY-PALMER COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets  
Fiduciary Funds

June 30, 2007

	Private Purpose Trust Scholarship
	<u>\$</u>
<b>Assets</b>	
Cash and pooled investments	600
<b>Liabilities</b>	<u>-</u>
<b>Net Assets</b>	
Reserved for scholarships	<u><u>600</u></u>

## POMEROY-PALMER COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds

Year ended June 30, 2007

	Private Purpose Trust Scholarship
	<u>\$</u>
Additions:	
Local sources:	
Gifts and contributions	300
Deductions:	
Support services:	
Scholarships awarded	<u>-</u>
Change in net assets	300
Net assets beginning of year	<u>300</u>
Net assets end of year	<u><u>600</u></u>

# POMEROY-PALMER COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2007

### 1. Summary of Significant Accounting Policies

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

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

#### A. Reporting Entity

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

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

#### B. Basis of Presentation

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

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

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

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

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

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

The District reports the following major governmental funds:

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

The Physical Plant and Equipment Levy Fund is a special revenue fund that is used to account for the revenues from and expenditures of the physical plant and equipment property tax levy.

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

The Management Fund is a special revenue fund that is used to account for the revenues from and the expenditures of the management property tax levy.

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

The District's internal service fund is also reported as a proprietary fund. The internal service fund is used to account for the District's employee flexible benefit plan.

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

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

#### C. Measurement Focus and Basis of Accounting

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

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

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

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

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

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

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

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

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

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

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

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

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

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

Property tax revenue recognized in these funds became due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006, through June 30, 2007, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2006.

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 Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

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

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50 years
Improvements other than buildings	20-40 years
Furniture and equipment	4-20 years

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

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

Deferred revenue in the Statement of Net Assets consists of unspent grant proceeds, amounts received in advance for meal sales and succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use. Employees are not paid for unused vacation and sick leave benefits when employment with the District ends.

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 Assets.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts not available for appropriation or legally restricted by outside parties for use for a specific purpose.

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

#### E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, expenditures exceeded the amount budgeted in the other expenditures function.

## 2. **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2007 were entirely covered by federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The District had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3 as amended by Statement No. 40.

### 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2007 is as follows:

Transfer to	Transfer from	Amount \$
Enterprise:		
School Nutrition Fund	General Fund	20,634

The transfer from the General Fund to the School Nutrition Fund covered a deficit in the School Nutrition Fund.

### 4. Capital Assets

Capital assets activity for the year ended June 30, 2007 is as follows:

	Balance Beginning of Year \$	Increases \$	Decreases \$	Balance End of Year \$
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	10,601	-	-	10,601
Capital assets being depreciated:				
Buildings	1,086,668	60,480	-	1,147,148
Improvements other than buildings	52,813	-	-	52,813
Furniture and equipment	566,545	36,699	-	603,244
Total capital assets being deprec.	<u>1,706,026</u>	<u>97,179</u>	-	<u>1,803,205</u>
Less accumulated depreciation for:				
Buildings	817,840	15,294	-	833,134
Improvements other than buildings	17,048	1,734	-	18,782
Furniture and equipment	414,203	47,951	-	462,154
Total accumulated depreciation	<u>1,249,091</u>	<u>64,979</u>	-	<u>1,314,070</u>
Total capital assets being depreciated, net	<u>456,935</u>	<u>32,200</u>	-	<u>489,135</u>
Governmental activities capital assets, net	<u>467,536</u>	<u>32,200</u>	-	<u>499,736</u>
	Balance Beginning of Year \$	Increases \$	Decreases \$	Balance End of Year \$
<b>Business type activities:</b>				
Furniture and equipment	71,858	-	-	71,858
Less accumulated depreciation	<u>67,658</u>	<u>700</u>	-	<u>68,358</u>
Business type activities capital assets, net	<u>4,200</u>	<u>700</u>	-	<u>3,500</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	9,960
Other	3,585
Support services:	
Instructional staff services	1,707
Operation and maintenance of plant services	2,522
Transportation	30,177
	<hr/>
	47,951
Unallocated depreciation	17,028
	<hr/>
Total depreciation expense – governmental activities	64,979
	<hr/>
Business type activities:	
Food services	700
	<hr/> <hr/>

## 5. Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2007, 2006 and 2005. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2007, 2006, and 2005 were \$82,853, \$76,676 and \$74,911 respectively, equal to the required contributions for each year.

## 6. Risk Management

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

## 7. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$87,592 for the year ended June 30, 2007 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**8. Commitment – Operating Lease**

The District has entered into a lease for two copy machines, which qualifies as an operating lease. The following minimum payments will be made over the lease term:

<u>Year ended June 30,</u>	<u>Minimum Lease Payment</u>
	\$
2008	15,504
2009	15,504
2010	15,504

REQUIRED SUPPLEMENTARY INFORMATION

POMEROY-PALMER COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year ended June 30, 2007

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	1,565,059	39,008	1,604,067	1,582,680	1,582,680	21,387
Intermediate sources	3,502	-	3,502	-	-	3,502
State sources	861,614	1,223	862,837	846,660	846,660	16,177
Federal sources	105,546	45,621	151,167	180,000	180,000	(28,833)
Total revenues	<u>2,535,721</u>	<u>85,852</u>	<u>2,621,573</u>	<u>2,609,340</u>	<u>2,609,340</u>	<u>12,233</u>
Expenditures:						
Instruction	1,845,730	-	1,845,730	2,621,878	2,621,878	776,148
Support services	805,493	-	805,493	1,278,824	1,278,824	473,331
Non-instructional programs	1,862	103,730	105,592	121,194	121,194	15,602
Other expenditures	154,895	-	154,895	92,818	92,818	(62,077)
Total expenditures	<u>2,807,980</u>	<u>103,730</u>	<u>2,911,710</u>	<u>4,114,714</u>	<u>4,114,714</u>	<u>1,203,004</u>
Excess (deficiency) of revenues over (under) expenditures	(272,259)	(17,878)	(290,137)	(1,505,374)	(1,505,374)	1,215,237
Other financing sources (uses) net	<u>(20,634)</u>	<u>20,634</u>	<u>-</u>	<u>2,000</u>	<u>2,000</u>	<u>(2,000)</u>
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures	(292,893)	2,756	(290,137)	(1,503,374)	(1,503,374)	1,213,237
Balance beginning of year	<u>1,398,247</u>	<u>9,292</u>	<u>1,407,539</u>	<u>1,503,374</u>	<u>1,503,374</u>	<u>(95,835)</u>
Balance end of year	<u><u>1,105,354</u></u>	<u><u>12,048</u></u>	<u><u>1,117,402</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>1,117,402</u></u>

POMEROY-PALMER COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2007

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

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

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

During the year ended June 30, 2007, expenditures in the other expenditures function exceeded the amount budgeted.

OTHER SUPPLEMENTARY INFORMATION

## POMEROY-PALMER COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2007

<b>Assets</b>	Special Revenue Fund
	<u>Student Activity Fund</u>
	\$
Cash and pooled investments	<u>31,939</u>
<b>Liabilities &amp; Fund Balances</b>	
Liabilities:	
Accounts payable	1,233
Fund balances:	
Unreserved reported in:	
Special revenue funds	<u>30,706</u>
<b>Total liabilities and fund balances</b>	<u><u>31,939</u></u>

## POMEROY-PALMER COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2007

	Special Revenue Fund
	<u>Student Activity Fund</u>
	<u>\$</u>
Revenues:	
Local sources:	
Other	78,598
Expenditures:	
Current:	
Instruction:	
Other	<u>82,410</u>
Excess (deficiency) of revenues over (under) expenditures	(3,812)
Fund balances beginning of year	<u>34,518</u>
Fund balances end of year	<u><u>30,706</u></u>

## POMEROY-PALMER COMMUNITY SCHOOL DISTRICT

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2007

Account	Balance	Revenues	Expenditures	Intra-Fund Transfers	Balance
	Beginning of Year				End of Year
	\$	\$	\$	\$	\$
Annual	5,256	2,569	1,883	-	5,942
Cheerleader	505	1,623	1,433	-	695
Class of 2004	2	-	2	-	-
Class of 2005	1,032	-	1,032	-	-
Class of 2006	333	-	333	-	-
Class of 2007	3,300	345	3,298	-	347
Class of 2008	906	10,136	9,737	-	1,305
Class of 2009	388	530	24	-	894
Class of 2010	-	690	30	-	660
Electathon	(335)	2,035	950	-	750
FFA	2,487	13,779	13,536	426	3,156
FCCLA	3,110	480	711	-	2,879
General athletics	53	20,584	17,100	(426)	3,111
Interest	-	542	-	-	542
Student council	9,358	8,628	10,635	2,566	9,917
Student activity	2,447	127	8	(2,566)	-
French club	5,507	16,530	21,698	-	339
Auto club	169	-	-	-	169
Total	34,518	78,598	82,410	-	30,706

## POMEROY-PALMER COMMUNITY SCHOOL DISTRICT

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

For the Last Four Years

	Modified Accrual Basis			
	2007	2006	2005	2004
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	1,301,636	1,333,763	1,213,063	1,276,624
Tuition	139,824	169,631	68,997	60,876
Other	123,599	147,319	118,209	140,128
Intermediate sources	3,502	-	-	-
State sources	861,614	950,086	1,010,057	887,071
Federal sources	105,546	118,684	111,530	114,753
<b>Total revenues</b>	<b>2,535,721</b>	<b>2,719,483</b>	<b>2,521,856</b>	<b>2,479,452</b>
Expenditures:				
Instruction:				
Regular	1,125,600	1,098,207	1,265,579	1,134,862
Special	260,584	192,645	193,204	222,482
Other	459,546	485,038	330,069	313,740
Support services:				
Student	36,718	38,221	53,332	48,263
Instructional staff	75,870	75,414	70,033	70,333
Administration	301,306	301,837	225,825	244,025
Operation and maintenance of plant	271,784	245,881	251,280	268,099
Transportation	119,815	105,727	173,901	83,183
Non-instructional programs	1,862	739	10,307	18,894
Other expenditures:				
Facilities acquisition	67,303	50,478	39,685	-
AEA flowthrough	87,592	85,659	87,570	89,601
<b>Total expenditures</b>	<b>2,807,980</b>	<b>2,679,846</b>	<b>2,700,785</b>	<b>2,493,482</b>

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

To the Board of Education of  
Pomeroy-Palmer Community School District:

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 Pomeroy-Palmer Community School District as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 7, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Pomeroy-Palmer Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Pomeroy-Palmer Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Pomeroy-Palmer Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Pomeroy-Palmer Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Pomeroy-Palmer Community School District's financial statements that is more than inconsequential will not be prevented or detected by Pomeroy-Palmer Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings and Responses to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Pomeroy-Palmer Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items 07-I-A, 07-I B, 07-I-C and 07-I-D are material weaknesses.

#### Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2007 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.

Pomeroy-Palmer Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Responses. While we have expressed our conclusions on the District's responses, we did not audit Pomeroy-Palmer Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Pomeroy-Palmer Community School District and other parties to whom Pomeroy-Palmer Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

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

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

January 7, 2008

POMEROY-PALMER COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2007

Part I: Findings Related to the Financial Statements:

Significant deficiencies:

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

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

District Response: The District is aware of the lack of complete segregation of duties and will make changes as the opportunity arises.

Conclusion: Response accepted.

07-I-B Signatures on Checks: We noted that District is using a computer program to print checks with the signatures included. The person that enters the invoices, posts the invoices and prints the checks has access to the computer disk that contains the signatures.

Recommendation: This practice negates the control established by requiring two signatures on a check. The person that enters the invoices into the system and posts the invoices should not have access to the signature disk.

District Response: We will review our current procedures.

Conclusion: Response accepted.

07-I-C Financial Reporting: During the audit, we identified material amounts of receivables, payables and capital assets additions not recorded in the District's financial records. Adjustments were subsequently made by the District to properly include these amounts in the financial statements.

Recommendation: The District should implement procedures to ensure all receivables, payables and capital assets additions are identified and included in the District's financial statements.

District Response: We will double check these in the future to avoid missing any receivables, payables or capital asset transactions.

Conclusion: Response accepted.

POMEROY-PALMER COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2007

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

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

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

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported.

POMEROY-PALMER COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2007

Part II: Other Findings Related Statutory Reporting:

07-II-A Certified Budget: Expenditures for the year ended June 30, 2007, exceeded the amount budgeted in the other expenditures function.

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

District Response: Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion: Response accepted.

07-II-B Questionable Expenditures: We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

07-II-C Travel Expenses: No expenditures of District money for travel expenses of spouses of District officials or employees were noted. We did note that a cash travel advance of \$1,518 was made to the sponsor of a student trip to France. The documentation for this advance included an explanation that it would be used for tips to tour guides, bus drivers, etc.

Recommendation: The District may not make travel advances to employees. A detailed schedule of travel expenses, including receipts should be turned in by employees for reimbursement for travel.

District Response: We will review our current procedures for cash advances to sponsors of student trips.

Conclusion: Response accepted.

07-II-D 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>
		\$
Roger Eichelberger, Board Member, owner of R & J Lumber, co-owner of Manson Lumber and co-owner of Pocahontas Lumber	supplies	217

The transactions with the Board member do not appear to be a conflict of interest because the amount is lower than the \$2,500 limit set by the Code of Iowa.

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

07-II-F Board Minutes: No transactions requiring board approval that had not been approved by the board were noted. When a school board goes into closed session the minutes must cite the specific Iowa code session under which the closed meeting is held. We noted that the minutes did not cite the code section.

POMEROY-PALMER COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2007

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

Recommendation: Future minutes should cite the Iowa code section that allows the closed meeting.

District Response: We will include the code section in the minutes.

Conclusion: Response accepted.

07-II-G Certified Enrollment: The number of basic resident students reported to the Iowa Department of Education on Line 1 of the Certified Enrollment Certification Form for October 2006, was understated by six students.

Recommendation: The District's enrollment records should include a spread sheet that summarizes the number of students on the class lists to the number of students reported on the Certified Enrollment Forms.

District Response: Our District normally has this spread sheet included with the enrollment records. We will have it in the future.

Conclusion: Response accepted.

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

07-II-I Certified Annual Report (CAR): The Certified Annual Report was filed with the Iowa Department of Education timely.

07-II-J Old Outstanding Checks: We noted that the District's bank reconciliations included approximately \$300 of old outstanding checks. Iowa Code Section 566 specifies that holders unclaimed property, which includes outstanding checks, must file a report with and send the unclaimed property to the Treasurer of Iowa.

Recommendation: The District should investigate the status of all old outstanding checks. Checks that were issued in error or in duplicate should be voided and removed from the list of outstanding checks. The District should search for the owners of all other outstanding checks, and then reissue new checks if the owners are found. If the owners can not be found, the District must file an unclaimed property report with and send the money to the Treasurer State of Iowa.

Response: We will begin investigating the status of old outstanding checks and we will file an unclaimed property report with the Treasurer of Iowa if necessary.

Conclusion: Response accepted.

07-II-K Allocation of Interest: We noted that interest from a pooled bank account is not being allocated to the Management, Physical Plant and Equipment Levy and Capital Projects Funds.

POMEROY-PALMER COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2007

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

Recommendation: The District should allocate interest revenue to each fund within a pooled bank account.

District Response: We will review our procedures and make any necessary adjustments.

Conclusion: Response accepted.

06-II-L Physical Plant and Equipment Levy Fund: The Physical Plant and Equipment Levy Fund may be used to purchase equipment with a unit cost exceeding \$500. We noted that expenditures from this fund included approximately \$1,520 for chairs with a per chair cost of less than \$500.

Recommendation: The District should be aware of the limitation on types of expenditures allowed from this fund and consider reimbursing the Physical Plant and Equipment Fund for the purchases.

District Response: We will monitor the expenditures from this fund and have General Fund make the reimbursement.

Conclusion: Response accepted.