

POMEROY-PALMER COMMUNITY SCHOOL DISTRICT

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

June 30, 2010

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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, 2010, which collectively comprise the District's basic financial statements 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, 2010, 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 March 11, 2011, 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, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 13 and 39 through 41 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 six years ended June 30, 2009, (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 7 is presented for purposes of additional analysis and is not a required part of the basic financial statements. 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

March 11, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2010. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2010 Financial Highlights

- General Fund revenues increased from \$2,261,948 in fiscal 2009 to \$2,702,363 in fiscal 2010, while General Fund expenditures increased from \$2,585,645 in fiscal 2009 to \$2,892,143 in fiscal 2010. The District's General Fund balance decreased from (\$103,110) in fiscal 2009 to (\$282,339) in fiscal 2010, a 173% decrease.
- General Fund revenues increased in total despite a 10% across the board cut in state foundation aid. The fiscal year 2010 increase in General Fund revenues was attributable to increases in property tax and tuition. The increase in expenditures was due primarily to an increase in salary and benefits and tuition. One reason the General Fund balance decreased is because the negotiated salary and benefits settlement was greater than the District's increase in General Fund revenue for fiscal 2010. 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
Pomeroy-Palmer GASB 34 Community School District Annual Financial Report

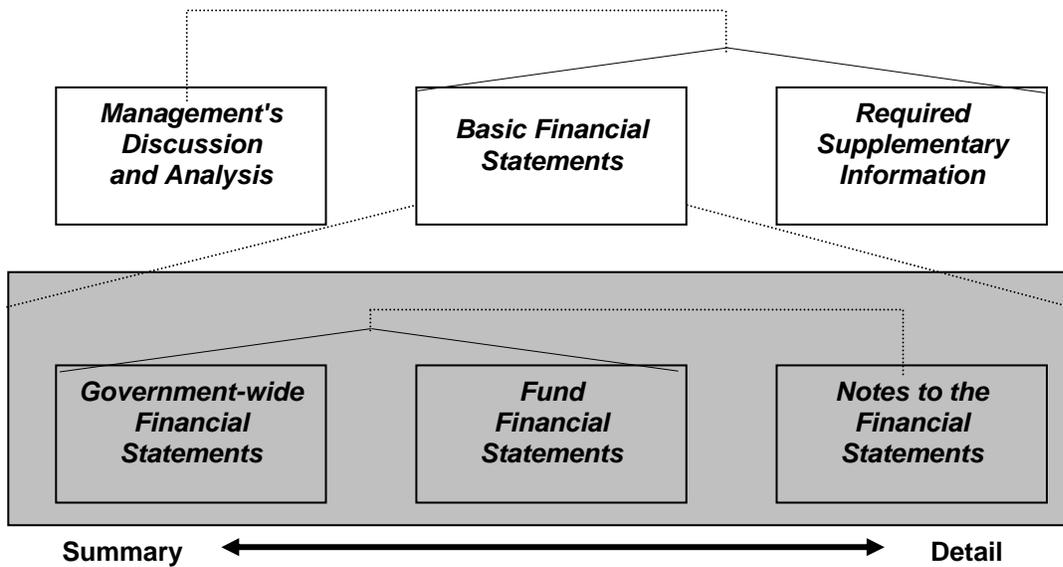


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and 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"> • Statement of net assets • 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 assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
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 Activities Fund.

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

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and Childcare 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 currently 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 Private-Purpose Trust.
 - 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, 2010 compared to June 30, 2009.

Figure A-3

	Condensed Statement of Net Assets						Percentage Change 2009-2010 %
	Governmental Activities		Business-type Activities		Total School District		
	2009	2010	2009	2010	2009	2010	
	\$	\$	\$	\$	\$	\$	
Current and other assets	\$2,511,972	\$2,433,191	\$4,364	\$12,050	\$2,516,336	\$2,445,241	-2.83%
Capital assets	\$910,883	\$996,441	\$5,424	\$6,820	\$916,307	\$1,003,261	9.49%
Total assets	\$3,422,855	\$3,429,632	\$9,788	\$18,870	\$3,432,643	\$3,448,502	0.46%
Long-term liabilities	\$0	\$3,241	\$0	\$341	\$0	\$3,582	100%
Other liabilities	\$2,210,943	\$2,223,246	\$670	\$6,149	\$2,211,613	\$2,229,395	0.8%
Total liabilities	\$2,210,943	\$2,226,487	\$670	\$6,490	\$2,211,613	\$2,232,977	0.97%
Net Assets:							
Invested in capital assets, net of related debt	\$910,883	\$996,441	\$5,424	\$6,820	\$916,307	\$1,003,261	9.49%
Restricted	\$312,964	\$431,087	\$0	\$0	\$312,964	\$431,087	37.74%
Unrestricted	-\$11,935	-\$224,383	\$3,694	\$5,560	-\$8,241	-\$218,823	-2555.3%
TOTAL NET ASSETS	\$1,211,912	\$1,203,145	\$9,118	\$12,380	\$1,221,030	\$1,215,525	-0.45%

The District's combined total net assets decreased by 0.45%, or approximately \$5,505, under 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.

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 \$118,000 or 38% over the prior year. The increase was primarily a result of decreased expenditures in the Local Option Sales Tax Fund and an increase in the Management Fund levy.

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 \$210,000. 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, 2010 and 2009.

Figure A-4

	Change in Net Assets						Percentage Change 2009-2010 %
	Governmental Activities		Business-type Activities		Total School District		
	2009	2010	2009	2010	2009	2010	
	\$	\$	\$	\$	\$	\$	
Revenues							
Program Revenues:							
Charges for services	\$168,037	\$492,630	\$113,452	\$143,523	\$281,489	\$636,153	126.00%
Operating grants & contributions	\$383,134	\$404,563	\$49,928	\$63,948	\$433,062	\$468,511	8.19%
Capital grants & contributions	\$0	\$0	\$0	\$0	\$0	\$0	0.00%
General Revenues:							
Property taxes	\$1,316,089	\$1,540,791	\$0	\$0	\$1,316,089	\$1,540,791	17.07%
Income Surtax	\$115,734	\$117,696	\$0	\$0	\$115,734	\$117,696	1.70%
Local option sales tax	\$123,698	\$120,159	\$0	\$0	\$123,698	\$120,159	-2.86%
Unrestricted state grants	\$587,065	\$393,656	\$0	\$0	\$587,065	\$393,656	-32.95%
Unrestricted investment earnings	\$16,309	\$6,509	\$30	\$27	\$16,339	\$6,536	-60.00%
Other revenue	\$11,346	\$22,897	\$0	\$0	\$11,346	\$22,897	101.81%
Total Revenues	\$2,721,412	\$3,098,901	\$163,410	\$207,498	\$2,884,822	\$3,306,399	14.61%
Expenses:							
Instruction	\$1,889,869	\$2,234,015	\$0	\$0	\$1,889,869	\$2,234,015	18.21%
Support services	\$852,625	\$737,047	\$0	\$0	\$852,625	\$737,047	-13.56%
Non-instructional programs	\$0	\$0	\$180,382	\$206,886	\$180,382	\$206,886	14.69%
Other expenditures	\$189,277	\$133,956	\$0	\$0	\$189,277	\$133,956	-29.23%
Total expenses	\$2,931,771	\$3,105,018	\$180,382	\$206,886	\$3,112,153	\$3,311,904	6.42%
Change in net assets before transfers	(\$210,359)	(\$6,117)	(\$16,972)	\$612	(\$227,331)	(\$5,505)	97.58%
Transfers	(\$15,300)	(\$2,650)	\$15,300	\$2,650	\$0	\$0	0.00%
CHANGE IN NET ASSETS	(\$225,659)	(\$8,767)	(\$1,672)	\$3,262	(\$227,331)	(\$5,505)	97.58%
Net assets beginning of year	\$1,437,571	\$1,211,912	\$10,790	\$9,118	\$1,448,361	\$1,221,030	-15.70%
Net assets end of year	\$1,211,912	\$1,203,145	\$9,118	\$12,380	\$1,221,030	\$1,215,525	-0.45%

In fiscal year 2010 property tax and unrestricted state grants account for 59% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 90% of the total expenses.

As shown in figure A-4, the District as a whole experienced a 14.61% increase in revenues and a 6.42% increase in expenses. Property tax increased \$224,702 to fund increases in expenses. The increases in expenses related to increases in the negotiated salaries and benefits.

Governmental Activities

Revenues for governmental activities were \$3,098,901 and expenses were \$3,105,018. The District will work to continue to increase revenues and cut expenditures next year in order to balance the budget.

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		
	2009	2010	Percent Change 2009-2010	2009	2010	Percent Change 2009-2010
	\$	\$	%	\$	\$	%
Instruction	\$1,889,869	\$2,234,015	18.21%	\$1,429,593	\$1,435,143	0.39%
Support Services	\$852,625	\$737,047	-13.56%	\$852,437	\$737,047	-13.54%
Other Expenses	\$189,277	\$133,956	-29.23%	\$98,570	\$35,635	-63.85%
TOTAL	\$2,931,771	\$3,105,018	5.91%	\$2,380,600	\$2,207,825	-7.26%

For the year ended June 30, 2010

- The cost financed by users of the District's programs was \$492,630. 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 \$404,563.
- The net cost of governmental activities was financed with \$1,540,791 in property and local other taxes and \$393,656 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$207,498 and expenses were \$206,886 in fiscal 2010. The District's business type activities include the School Nutrition Fund and Childcare Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

The Nutrition Fund saw an increase in revenue caused by increased enrollment due to whole-grade sharing. Revenue in the Childcare Fund increased from increased enrollment as well. Expenses increased mainly due to increases in salaries and benefits for the Childcare Program for extra staff to accommodate the increase in enrollment.

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 a combined fund balance of \$116,031, a decline from last year's ending fund balances of \$198,544. However, the primary reason for the increase in combined fund balances in fiscal 2010 is due to increased salary and benefits.

Governmental Fund Highlights

- The District's deteriorating General Fund financial position is the result of many factors. Revenues increased by \$440,415 due to an increase in taxes and tuition. However, General Fund expenditures also increased \$306,498. The District ended the year with a negative General Fund balance.
- The General Fund balance decreased from (\$103,110) to (\$282,339), due in part to the negotiated salary and benefits settlement, the prior year reduction in state aid and existing expenditure commitments of the District.

- The Physical Plant and Equipment Levy (PPEL) Fund balance decreased from \$145,723 in fiscal 2009 to \$87,962 in fiscal 2010. While revenues remained approximately the same, the District substantially reduced spending from the PPEL Fund. Expenditures however, were still greater than revenues causing the decline in the PPEL Fund balance.
- The Capital Projects Fund balance increased from \$60,017 to \$138,479. The increase is due a decrease in expenditures from \$268,591 in fiscal 2009 to \$78,462 in fiscal 2010. Expenditures were drastically higher in fiscal 2009 due to installing a new boiler system.

Proprietary Fund Highlights

School Nutrition Fund net assets increased from \$7,362 at June 30, 2009 to \$11,561 at June 30, 2010, representing an increase of approximately 57%. For fiscal 2010, the District saw an increase in enrollment due to whole grade sharing. This increased revenue in the School Nutrition Fund and resulted in the increase in net assets

The Childcare Fund ended fiscal year 2010 with net assets of \$819. This is the first year the Childcare Fund has been self-sufficient.

BUDGETARY HIGHLIGHTS

Over the course of the year, Pomeroy-Palmer Community School District amended its annual budget one time to reflect additional expenditures associated with instructional salaries and benefits and Childcare expenses.

The District's receipts were \$78,066 less than budgeted receipts, a variance of 2%. The most significant variance resulted from the District receiving less in state aid than originally anticipated.

Total expenditures were less than budgeted, however, the District did exceed its General Fund unspent authorized budget. The District is working to cut expenditures over the next few years and increase revenues in order to overcome the negative unspent authorized budget.

The certified budget was exceeded in the instruction area due to the timing of disbursements paid at year-end without sufficient time to amend the certified budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2010, the District had invested \$1,003,261, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 9.49% from last year. More detailed information about the District's capital assets is presented in Note 6 to the financial statements. Depreciation expense for the year was \$86,030.

The largest change in capital asset activity during the year occurred in the buildings category. The District's buildings totaled \$797,548 at June 30, 2010 compared to \$506,936 reported at June 30, 2009. This significant increase resulted from construction of the new bus barn.

Figure A-6

Capital Assets (net of depreciation)

	Governmental		Business type		Total		Percentage Change 2009-2010
	Activities		Activities		School District		
	2009	2010	2009	2010	2009	2010	
	\$	\$	\$	\$	\$	\$	%
Land	\$18,295	\$18,295	\$0	\$0	\$18,295	\$18,295	0.00%
Construction in progress	\$199,712	\$0	\$0	\$0	\$199,712	\$0	-100.00%
Buildings	\$506,936	\$797,548	\$0	\$0	\$506,936	\$797,548	57.33%
Improvements	\$30,563	\$28,829	\$0	\$0	\$30,563	\$28,829	-5.67%
Equipment & furniture	\$155,377	\$151,769	\$5,424	\$6,820	\$160,801	\$158,589	-1.38%
TOTAL	\$910,883	\$996,441	\$5,424	\$6,820	\$916,307	\$1,003,261	9.49%

Long-Term Debt

At June 30, 2010 the District had \$3,582 in OPEB liability. The implementation of GASB Statement number 45 during fiscal year 2010 created this liability. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 7 to the financial statements.

Figure A-7

Outstanding Long-Term Obligations

	Total School District		Percentage
	2009	2010	Change 2009-2010
	\$	\$	%
Net OPEB liability	\$0	\$3,582	0%
Total	\$0	\$3,582	0%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The District began whole-grade sharing with Pocahontas Area Community School in 2009-2010. In February 2011 the voters approved the reorganization of the two districts that will be effective July 1, 2012.
- The District's taxable valuation will continue to increase over the next several years due to the building of over 100 windmills in the district.
- School financing is highly dependent upon student enrollment. The District's October 2010 enrollment decreased by nine students. This drop in enrollment will decrease the District's funding for fiscal year 2012.

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, District Secretary/Treasurer and Business Manager, Pomeroy-Palmer Community School District, 202 E. Harrison St., Pomeroy, Iowa, 50575.

BASIC FINANCIAL STATEMENTS

POMEROY-PALMER COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2010

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and cash equivalents	223,096	4,557	227,653
Receivables:			
Property tax:			
Delinquent	43,348	-	43,348
Succeeding year	1,892,780	-	1,892,780
Accounts	100	4,193	4,293
Due from other governments	273,867	1,526	275,393
Inventories	-	1,774	1,774
Capital assets, net of accumulated depreciation	996,441	6,820	1,003,261
Total assets	3,429,632	18,870	3,448,502
Liabilities			
Excess of warrants over bank balance	-	4,231	4,231
Accounts payable	32,346	506	32,852
Due to other governments	154,672	-	154,672
Deferred revenue:			
Succeeding year property tax	1,892,780	-	1,892,780
Other	143,448	1,412	144,860
Long-term liabilities:			
Portion due after one year:			
Net OPEB liability	3,241	341	3,582
Total liabilities	2,226,487	6,490	2,232,977
Net assets			
Invested in capital assets, net of related debt	996,441	6,820	1,003,261
Restricted for:			
Categorical funding	32,717	-	32,717
Management levy	162,635	-	162,635
Physical plant and equipment levy	87,962	-	87,962
Other special revenue purposes	9,294	-	9,294
Sales tax capital projects	138,479	-	138,479
Unrestricted	(224,383)	5,560	(218,823)
Total net assets	1,203,145	12,380	1,215,525

POMEROY-PALMER COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2010

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	1,560,313	432,515	221,430	-
Special	322,054	53,378	26,173	-
Other	351,648	6,737	58,639	-
	<u>2,234,015</u>	<u>492,630</u>	<u>306,242</u>	<u>-</u>
Support services:				
Student	6,804	-	-	-
Instructional staff	92,748	-	-	-
Administration	264,287	-	-	-
Operation and maintenance of plant	225,202	-	-	-
Transportation	148,006	-	-	-
	<u>737,047</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
AEA flowthrough	98,321	-	98,321	-
Depreciation (unallocated)*	35,635	-	-	-
	<u>133,956</u>	<u>-</u>	<u>98,321</u>	<u>-</u>
Total governmental activities	3,105,018	492,630	404,563	-
Business type activities:				
Non-instructional programs:				
Food service operations	127,013	67,390	61,145	-
Childcare	79,873	76,133	2,803	-
Total business-type activities	206,886	143,523	63,948	-
Total	3,311,904	636,153	468,511	-
General Revenues:				
Property taxes levied for:				
General purposes				
Capital outlay				
Income surtax				
Statewide sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				
Transfers				
Total general revenues and transfers				

Change in net assets

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

Governmental Activities	Business Type Activities	Total
\$	\$	\$
(906,368)	-	(906,368)
(242,503)	-	(242,503)
<u>(286,272)</u>	-	<u>(286,272)</u>
<u>(1,435,143)</u>	-	<u>(1,435,143)</u>
(6,804)	-	(6,804)
(92,748)	-	(92,748)
(264,287)	-	(264,287)
(225,202)	-	(225,202)
<u>(148,006)</u>	-	<u>(148,006)</u>
<u>(737,047)</u>	-	<u>(737,047)</u>
-	-	-
<u>(35,635)</u>	-	<u>(35,635)</u>
<u>(35,635)</u>	-	<u>(35,635)</u>
(2,207,825)	-	(2,207,825)
-	1,522	1,522
-	<u>(937)</u>	<u>(937)</u>
-	585	585
<u>(2,207,825)</u>	585	<u>(2,207,240)</u>
1,424,352	-	1,424,352
116,439	-	116,439
117,696	-	117,696
120,159	-	120,159
393,656	-	393,656
6,509	27	6,536
22,897	-	22,897
2,201,708	27	2,201,735
<u>(2,650)</u>	2,650	<u>-</u>
<u>2,199,058</u>	<u>2,677</u>	<u>2,201,735</u>
(8,767)	3,262	(5,505)
<u>1,211,912</u>	<u>9,118</u>	<u>1,221,030</u>
<u>1,203,145</u>	<u>12,380</u>	<u>1,215,525</u>

POMEROY-PALMER COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2010

	General Fund	Management Fund	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Assets				
Cash and pooled investments	-	17,171	204,131	221,302
Receivables:				
Property tax:				
Delinquent	37,207	3,000	3,141	43,348
Succeeding year	1,648,983	110,000	133,797	1,892,780
Accounts	100	-	-	100
Interfund receivable	-	143,751	-	143,751
Due from other governments	232,083	-	41,784	273,867
Total assets	1,918,373	273,922	382,853	2,575,148
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	15,944	1,287	13,321	30,552
Due to other governments	154,672	-	-	154,672
Interfund payable	143,751	-	-	143,751
Deferred revenue:				
Succeeding year property tax	1,648,983	110,000	133,797	1,892,780
Income surtax	93,914	-	-	93,914
Other	143,448	-	-	143,448
Total liabilities	2,200,712	111,287	147,118	2,459,117
Fund balances:				
Reserved for:				
Categorical funding	32,717	-	-	32,717
Unreserved reported in:				
General fund	(315,056)	-	-	(315,056)
Special revenue funds	-	162,635	97,256	259,891
Capital projects funds	-	-	138,479	138,479
Total fund balances	(282,339)	162,635	235,735	116,031
Total liabilities and fund balances	1,918,373	273,922	382,853	2,575,148

POMEROY-PALMER COMMUNITY SCHOOL DISTRICT

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

June 30, 2010

\$

Total fund balances of governmental funds (Exhibit C) 116,031

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 996,441

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds. 93,914

Long-term liabilities, including other postemployment benefits payable, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds. (3,241)

Net assets of governmental activities (Exhibit A) 1,203,145

POMEROY-PALMER COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2010

	General Fund	Management Fund	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	1,398,907	136,593	236,598	1,772,098
Tuition	472,056	-	-	472,056
Other	18,062	8,729	8,599	35,390
State sources	652,539	-	-	652,539
Federal sources	160,799	-	-	160,799
Total revenues	<u>2,702,363</u>	<u>145,322</u>	<u>245,197</u>	<u>3,092,882</u>
Expenditures:				
Current:				
Instruction:				
Regular	1,472,349	15,233	62,090	1,549,672
Special	320,806	-	-	320,806
Other	327,226	-	30,370	357,596
	<u>2,120,381</u>	<u>15,233</u>	<u>92,460</u>	<u>2,228,074</u>
Support services:				
Student	6,804	-	-	6,804
Instructional staff	75,554	-	15,817	91,371
Administration	258,973	4,802	-	263,775
Operation and maintenance of plant	213,760	25,519	13,888	253,167
Transportation	118,350	10,594	14,962	143,906
	<u>673,441</u>	<u>40,915</u>	<u>44,667</u>	<u>759,023</u>
Other expenditures:				
Facilities acquisition	-	-	104,567	104,567
AEA flowthrough	98,321	-	-	98,321
	<u>98,321</u>	<u>-</u>	<u>104,567</u>	<u>202,888</u>
Total expenditures	<u>2,892,143</u>	<u>56,148</u>	<u>241,694</u>	<u>3,189,985</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(189,780)</u>	<u>89,174</u>	<u>3,503</u>	<u>(97,103)</u>
Other financing sources (uses):				
Compensation for loss of fixed assets	-	-	3,239	3,239
Sales of equipment and real property	10,551	-	800	11,351
Total other financing sources (uses)	<u>10,551</u>	<u>-</u>	<u>4,039</u>	<u>14,590</u>
Net change in fund balances	(179,229)	89,174	7,542	(82,513)
Fund balances beginning of year	(103,110)	73,461	228,193	198,544
Fund balances end of year	<u>(282,339)</u>	<u>162,635</u>	<u>235,735</u>	<u>116,031</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, 2010

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		(82,513)

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

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

Expenditures for capital assets	170,334	
Depreciation expense	<u>(84,776)</u>	85,558

Income surtaxes and other revenues not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities.

(8,571)

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:

Other postemployment benefits		<u>(3,241)</u>
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Changes in net assets of governmental activities (Exhibit B) (8,767)

POMEROY-PALMER COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2010

	Nonmajor Enterprise Funds	Governmental Activities - Internal Service Fund
	\$	\$
Assets		
Cash and cash equivalents	4,557	1,794
Accounts receivable	4,193	-
Due from other governments	1,526	-
Inventories	1,774	-
Capital assets, net of accumulated depreciation	6,820	-
	<u>18,870</u>	<u>1,794</u>
Total assets	<u>18,870</u>	<u>1,794</u>
Liabilities		
Excess of warrants over bank balance	4,231	-
Accounts payable	506	1,794
Deferred revenue	1,412	-
Net OPEB liability	341	-
	<u>6,490</u>	<u>1,794</u>
Total liabilities	<u>6,490</u>	<u>1,794</u>
Net assets		
Invested in capital assets	6,820	-
Unrestricted	5,560	-
	<u>12,380</u>	<u>-</u>
Total net assets	<u>12,380</u>	<u>-</u>

POMEROY-PALMER COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2010

	Nonmajor Enterprise Funds \$	Governmental Activities - Internal Service Fund \$
Operating revenues:		
Local sources:		
Charges for service	143,523	6,017
Operating expenses:		
Non-instructional programs:		
Salaries	103,530	-
Benefits	22,718	6,017
Supplies	79,384	-
Depreciation	1,254	-
Total operating expenses	206,886	6,017
Operating gain (loss)	(63,363)	-
Non-operating revenues:		
State sources	1,253	-
Federal sources	62,695	-
Interest income	27	-
Total non-operating revenues	63,975	-
Gain (loss) before capital contributions	612	-
Capital contributions	2,650	-
Change in net assets	3,262	-
Net assets beginning of year	9,118	-
Net assets end of year	12,380	-

POMEROY-PALMER COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2010

	Nonmajor Enterprise Funds \$	Governmental Activities - Internal Service Fund \$
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	68,777	-
Cash received from other services	72,909	6,017
Cash payments to employees for services	(125,907)	(5,575)
Cash payments to suppliers for goods or services	(71,363)	-
Net cash (used) provided by operating activities	<u>(55,584)</u>	<u>442</u>
Cash flows from non-capital financing activities		
State grants received	1,253	-
Federal grants received	54,630	-
Net cash provided by non-capital financing activities	<u>55,883</u>	<u>-</u>
Cash flows from capital and related financing activities	<u>-</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	27	-
Net increase (decrease) in cash and cash equivalents	326	442
Cash and cash equivalents at beginning of year	<u>-</u>	<u>1,352</u>
Cash and cash equivalents at end of year	<u><u>326</u></u>	<u><u>1,794</u></u>
Reconciliation of operating gain (loss) to net cash used by operating activities:		
Operating gain (loss)	(63,363)	-
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:		
Commodities used	7,674	-
Depreciation	1,254	-
Decrease (increase) in inventories	126	-
Decrease (increase) in accounts receivable	(2,864)	-
(Decrease) increase in accounts payable	221	442
(Decrease) increase in deferred revenue	1,027	-
(Decrease) increase in other postemployment benefits	341	-
Net cash (used) provided by operating activities	<u><u>(55,584)</u></u>	<u><u>442</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2010, the District received \$7,674 of federal commodities.

During the year ended June 30, 2010 the School Nutrition Fund received \$2,650 of equipment that was purchased by other funds.

POMEROY-PALMER COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2010

	Private Purpose Trust Scholarship
	<u>\$</u>
Assets	
Cash and pooled investments	298
Liabilities	
	<u>-</u>
Net Assets	
Reserved for scholarships	<u><u>298</u></u>

POMEROY-PALMER COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2010

	Private Purpose Trust Scholarship
	<u>\$</u>
Additions	-
Deductions	<u>-</u>
Change in net assets	-
Net assets beginning of year	<u>298</u>
Net assets end of year	<u><u>298</u></u>

POMEROY-PALMER COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2010

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 attributable 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 not meeting 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 instructional, support and other costs.

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

The District's proprietary funds include the Enterprise, School Nutrition Fund which is used to account for the food service operations of the District and the Childcare Fund which is used to account for the District's daycare operations.

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

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

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and 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, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2009.

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

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

Capital Assets – Capital assets, which include property, furniture and equipment and intangibles, are reported in 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
Intangibles	25,000
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
Intangibles	3-10 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, 2010 expenditures in the instruction functional area exceeded the amount budgeted and the District exceeded its General Fund unspent authorized budget.

2. **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2010 were entirely covered by federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2010, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost \$
Diversified Portfolio	199,096

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 Aaa by Moody's Investors Service.

3. Interfund Receivables and Payables

The detail of interfund receivables and payables at June 30, 2010 is as follows:

Receivable Fund	Payable Fund	Amount \$
Management Fund	General Fund	143,751

The transactions represent a temporary loan to cover a cash deficit.

4. Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. Bankers Trust Co. NA is the trustee for the program.

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. The District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The interest rate on the Series 2009-10A warrants was 2.50%. The interest rate on the Series 2009-10B warrants is a variable rate, calculated daily based upon the Bankers Trust Co., NA prime rate plus 50 basis points with a minimum interest rate of 4.50% A summary of the District's ISCAP activity for the year ended June 30, 2010, is as follows:

Series	Warrant Date	Final Warrant Maturity Date	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
			\$	\$	\$	\$
2009-10A	6/25/09	6/23/10	-	200,000	200,000	-
2009-10B	2/1/10	1/21/11	-	200,000	200,000	-
			-	400,000	400,000	-

During the year ended June 30, 2010, the District paid \$3,629 of interest on the ISCAP warrants.

5. Anticipatory Warrants

During the year the District borrowed and repaid \$100,000 from a local bank at 3.75%. The District paid \$72 of interest on this loan.

6. Capital Assets

Capital assets activity for the year ended June 30, 2010 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Construction in progress	199,712	-	199,712	-
Land	18,295	-	-	18,295
Total capital assets not being depr.	<u>218,007</u>	<u>-</u>	<u>199,712</u>	<u>18,295</u>
Capital assets being depreciated:				
Buildings	1,383,121	324,513	160,650	1,546,984
Improvements other than buildings	52,813	-	-	52,813
Furniture and equipment	724,603	45,533	8,237	761,899
Total capital assets being deprec.	<u>2,160,537</u>	<u>370,046</u>	<u>168,887</u>	<u>2,361,696</u>
Less accumulated depreciation for:				
Buildings	876,185	33,901	160,650	749,436
Improvements other than buildings	22,250	1,734	-	23,984
Furniture and equipment	569,226	49,141	8,237	610,130
Total accumulated depreciation	<u>1,467,661</u>	<u>84,776</u>	<u>168,887</u>	<u>1,383,550</u>
Total capital assets being depreciated, net	<u>692,876</u>	<u>285,270</u>	<u>-</u>	<u>978,146</u>
Governmental activities capital assets, net	<u>910,883</u>	<u>285,270</u>	<u>199,712</u>	<u>996,441</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	75,848	2,650	-	78,498
Less accumulated depreciation	70,424	1,254	-	71,678
Business type activities capital assets, net	<u>5,424</u>	<u>1,396</u>	<u>-</u>	<u>6,820</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	19,793
Special	1,077
Other	3,295
Support services:	
Instructional staff services	1,206
Operation and maintenance of plant services	5,089
Transportation	18,681
	<u>49,141</u>
Unallocated depreciation	<u>35,635</u>
Total depreciation expense – governmental activities	<u>84,776</u>
Business type activities:	
Food services	<u>1,254</u>

7. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2010, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Governmental activities:					
Net OPEB liability	<u>-</u>	<u>3,241</u>	<u>-</u>	<u>3,241</u>	<u>-</u>
Business type activities:					
Net OPEB liability	<u>-</u>	<u>341</u>	<u>-</u>	<u>341</u>	<u>-</u>

8. Pension and Retirement Benefits

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

Plan members are required to contribute 4.30% of their annual covered salary and the District is required to contribute 6.65% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2010, 2009, and 2008 were \$95,724, \$100,381 and \$94,180 respectively, equal to the required contributions for each year.

9. Other Postemployment Benefits (OPEB)

The District implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pensions during the year ended June 30, 2010.

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 21 active and 5 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Principal. 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, 2010, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

	\$
Annual required contribution	10,748
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	<u>10,748</u>
Contributions made	<u>7,166</u>
Increase in net OPEB obligation	3,582
Net OPEB obligation beginning of year	<u>-</u>
Net OPEB obligation end of year	<u>3,582</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, 2010.

For the year ended June 30, 2010, the District contributed \$7,166 to the medical plan. Plan members eligible for benefits contributed \$30,222, or 81% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2010 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u> \$	<u>Percentage of Annual OPEB Cost Contributed</u> %	<u>Net OPEB Obligation</u> \$
June 30, 2010	10,748	67%	3,582

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$86,620, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$86,620. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$715,000, and the ratio of the UAAL to covered payroll was 12.1%. As of June 30, 2010, 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, 2009 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions includes a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the 94 group annuity mortality table, projected to 2000. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

The UAAL is being amortized over 30 years.

10. Risk Management

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

11. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$98,321 for the year ended June 30, 2010 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

12. Commitment – Operating Lease

The District has entered into a lease for 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>
2011	\$ 15,480
2012	15,480
2013	10,320

13. Deficit Fund Balances

At June 30, 2010 the District had a \$315,056 deficit unreserved fund balance in the General Fund.

14. Categorical Funding

The District's reserved fund balance for categorical funding at June 30, 2010 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
	\$
Gifted and Talented	
Returning dropout and dropout prevention program	6,447
Teacher salary supplement	13,224
Core curriculum	4,247
Educator quality, professional development	2,148
Limited English proficiency	4,680
Mentoring	1,969
	<u>32,715</u>

15. Subsequent Event

In February, 2011 the citizens of the Pomeroy-Palmer Community School District and the Pocahontas Community School District approved a merger effective July 1, 2012.

REQUIRED SUPPLEMENTARY INFORMATION

POMEROY-PALMER 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, 2010

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	2,279,544	143,550	2,423,094	1,980,026	1,980,026	443,068
State sources	652,539	1,253	653,792	1,086,420	1,086,420	(432,628)
Federal sources	160,799	62,695	223,494	312,000	312,000	(88,506)
Total revenues	<u>3,092,882</u>	<u>207,498</u>	<u>3,300,380</u>	<u>3,378,446</u>	<u>3,378,446</u>	<u>(78,066)</u>
Expenditures/Expenses:						
Instruction	2,228,074	-	2,228,074	1,780,000	1,850,000	(378,074)
Support services	759,023	-	759,023	1,077,640	1,077,640	318,617
Non-instructional programs	-	206,886	206,886	154,453	214,453	7,567
Other expenditures	202,888	-	202,888	250,561	340,561	137,673
Total expenditures/expenses	<u>3,189,985</u>	<u>206,886</u>	<u>3,396,871</u>	<u>3,262,654</u>	<u>3,482,654</u>	<u>85,783</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	(97,103)	612	(96,491)	115,792	(104,208)	7,717
Other financing sources (uses) net	<u>14,590</u>	<u>2,650</u>	<u>17,240</u>	<u>-</u>	<u>-</u>	<u>17,240</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expense	(82,513)	3,262	(79,251)	115,792	(104,208)	24,957
Balance beginning of year	<u>198,544</u>	<u>9,118</u>	<u>207,662</u>	<u>393,319</u>	<u>393,319</u>	<u>(185,657)</u>
Balance end of year	<u><u>116,031</u></u>	<u><u>12,380</u></u>	<u><u>128,411</u></u>	<u><u>509,111</u></u>	<u><u>289,111</u></u>	<u><u>(160,700)</u></u>

POMEROY-PALMER COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2010

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 amended its budget one time during the year, increasing expenditures by \$220,000.

During the year ended June 30, 2010, expenditures in the instruction function exceeded the amount budgeted. The District also exceeded its General Fund unspent authorized budget.

POMEROY-PALMER COMMUNITY SCHOOL DISTRICT

Schedule of Funding Progress for the Retiree Health Plan

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a) \$	Actuarial Accrued Liability (AAL) (b) \$	Unfunded AAL (UAAL) (b-a) \$	Funded Ratio (a/b) %	Covered Payroll (c) \$	UAAL as a Percentage of Covered Payroll ((b-a)/c) %
2009	July 1, 2008	-	86,620	86,620	0.0%	715,000	12.1%

See Note 9 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.

OTHER SUPPLEMENTARY INFORMATION

POMEROY-PALMER COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2010

Assets	Special Revenue Fund			Total
	Student Activity Fund	Physical Plant and Equipment Levy	Capital Projects Fund	
	\$	\$	\$	\$
Cash and pooled investments	9,624	97,812	96,695	204,131
Receivables:				
Property tax:				
Delinquent	-	3,141	-	3,141
Succeeding year	-	133,797	-	133,797
Due from other governments	-	-	41,784	41,784
Total assets	9,624	234,750	138,479	382,853
Liabilities & Fund Balances				
Liabilities:				
Accounts payable	330	12,991	-	13,321
Deferred revenue:				
Other	-	133,797	-	133,797
Total liabilities	330	146,788	-	147,118
Fund balances:				
Unreserved reported in:				
Special revenue funds	9,294	87,962	-	97,256
Capital projects funds	-	-	138,479	138,479
Total fund balances	9,294	87,962	138,479	235,735
Total liabilities and fund balances	9,624	234,750	138,479	382,853

POMEROY-PALMER COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2010

	Special Revenue Fund			Total
	Student Activity Fund	Physical Plant and Equipment Levy	Capital Projects Fund	
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	-	116,439	120,159	236,598
Other	7,456	1,138	5	8,599
Total revenues	<u>7,456</u>	<u>117,577</u>	<u>120,164</u>	<u>245,197</u>
Expenditures:				
Current:				
Instruction:				
Regular	-	62,090	-	62,090
Other	20,615	9,755	-	30,370
Support services:				
Instructional staff	-	-	15,817	15,817
Operation and maintenance of plant	-	13,888	-	13,888
Transportation	-	-	14,962	14,962
Other expenditures:				
Facilities acquisition	-	93,644	10,923	104,567
Total expenditures	<u>20,615</u>	<u>179,377</u>	<u>41,702</u>	<u>241,694</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(13,159)</u>	<u>(61,800)</u>	<u>78,462</u>	<u>3,503</u>
Other financing sources (uses):				
Compensation for loss of fixed assets	-	3,239	-	3,239
Sales of real property	-	800	-	800
Total other financing sources (uses)	<u>-</u>	<u>4,039</u>	<u>-</u>	<u>4,039</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>(13,159)</u>	<u>(57,761)</u>	<u>78,462</u>	<u>7,542</u>
Fund balances beginning of year	<u>22,453</u>	<u>145,723</u>	<u>60,017</u>	<u>228,193</u>
Fund balances end of year	<u><u>9,294</u></u>	<u><u>87,962</u></u>	<u><u>138,479</u></u>	<u><u>235,735</u></u>

POMEROY-PALMER COMMUNITY SCHOOL DISTRICT

Combining Schedule of Net Assets
Nonmajor Enterprise Funds

June 30, 2010

	Nonmajor Enterprise Funds		
	School Nutrition	Childcare	Total
	\$	\$	\$
Assets			
Cash and cash equivalents	4,557	-	4,557
Accounts receivable	163	4,030	4,193
Due from other governments	-	1,526	1,526
Inventories	1,774	-	1,774
Capital assets, net of accumulated depreciation	6,820	-	6,820
Total assets	13,314	5,556	18,870
Liabilities			
Excess of warrants over bank balance	-	4,231	4,231
Accounts payable	-	506	506
Deferred revenue	1,412	-	1,412
Net OPEB liability	341	-	341
Total liabilities	1,753	4,737	6,490
Net assets			
Invested in capital assets	6,820	-	6,820
Unrestricted	4,741	819	5,560
Total net assets	11,561	819	12,380

POMEROY-PALMER COMMUNITY SCHOOL DISTRICT

Combining Schedule Revenues, Expenses and Changes in Fund Net Assets
Nonmajor Enterprise Funds

Year ended June 30, 2010

	Nonmajor Enterprise Funds		
	Nutrition	Childcare	Total
	\$	\$	\$
Operating revenues:			
Local sources:			
Charges for service	67,390	76,133	143,523
Operating expenses:			
Non-instructional programs:			
Salaries	41,678	61,852	103,530
Benefits	14,038	8,680	22,718
Supplies	70,043	9,341	79,384
Depreciation	1,254	-	1,254
Total operating expenses	127,013	79,873	206,886
Operating gain (loss)	(59,623)	(3,740)	(63,363)
Non-operating revenues:			
State sources	1,253	-	1,253
Federal sources	59,892	2,803	62,695
Interest income	27	-	27
Total non-operating revenues	61,172	2,803	63,975
Gain (loss) before capital contributions	1,549	(937)	612
Capital contributions	2,650	-	2,650
Change in net assets	4,199	(937)	3,262
Net assets beginning of year	7,362	1,756	9,118
Net assets end of year	11,561	819	12,380

POMEROY-PALMER COMMUNITY SCHOOL DISTRICT

Combining Schedule of Cash Flows
Nonmajor Enterprise Funds

Year ended June 30, 2010

	Nonmajor Enterprise Funds		
	School		
	Nutrition	Childcard	Total
	\$	\$	\$
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	68,777	-	68,777
Cash received from other services	-	72,909	72,909
Cash payments to employees for services	(55,375)	(70,532)	(125,907)
Cash payments to suppliers for goods or services	(62,343)	(9,020)	(71,363)
Net cash used by operating activities	<u>(48,941)</u>	<u>(6,643)</u>	<u>(55,584)</u>
Cash flows from non-capital financing activities			
State grants received	1,253	-	1,253
Federal grants received	52,218	2,412	54,630
Net cash provided by non-capital financing activities	<u>53,471</u>	<u>2,412</u>	<u>55,883</u>
Cash flows from capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from investing activities:			
Interest on investments	<u>27</u>	<u>-</u>	<u>27</u>
Net increase (decrease) in cash and cash equivalents	4,557	(4,231)	326
Cash and cash equivalents at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Cash and cash equivalents at end of year	<u>4,557</u>	<u>(4,231)</u>	<u>326</u>
Reconciliation of operating gain (loss) to net cash used by operating activities:			
Operating gain (loss)	(59,623)	(3,740)	(63,363)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:			
Commodities used	7,674	-	7,674
Depreciation	1,254	-	1,254
Decrease (increase) in inventories	126	-	126
Decrease (increase) in accounts receivable	360	(3,224)	(2,864)
(Decrease) increase in accounts payable	(100)	321	221
(Decrease) increase in deferred revenue	1,027	-	1,027
(Decrease) increase in other postemployment benefits	341	-	341
Net cash used by operating activities	<u>(48,941)</u>	<u>(6,643)</u>	<u>(55,584)</u>

See accompanying independent auditor's report

POMEROY-PALMER COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2010

<u>Account</u>	Balance Beginning of Year	Revenues	Expenditures	Intra-Fund Transfers	Balance End of Year
	\$	\$	\$	\$	\$
Annual	5,127	1,588	6,613	-	102
Cheerleader	285	20	305	-	-
Class of 2007	365	-	365	-	-
Class of 2008	768	-	768	-	-
Class of 2009	522	-	522	-	-
Class of 2010	1,619	134	1,753	-	-
Class of 2011	96	4	-	(100)	-
Class of 2012	225	8	-	(233)	-
FFA	1,535	53	1,588	-	-
General athletics	6,949	3,805	4,932	-	5,822
Interest	690	29	690	-	29
Peer Helpers	-	-	802	3,632	2,830
Student council	4,094	1,815	2,099	(3,299)	511
Auto club	178	-	178	-	-
Total	<u>22,453</u>	<u>7,456</u>	<u>20,615</u>	<u>-</u>	<u>9,294</u>

POMEROY-PALMER COMMUNITY SCHOOL DISTRICT

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

For the Last Seven Years

	Modified Accrual Basis						
	2010	2009	2008	2007	2006	2005	2004
	\$	\$	\$	\$	\$	\$	\$
Revenues:							
Local sources:							
Local tax	1,772,098	1,544,618	1,368,088	1,301,636	1,333,763	1,213,063	1,276,624
Tuition	472,056	112,187	83,320	139,824	169,631	68,997	60,876
Other	35,390	80,729	93,119	123,599	147,319	118,209	140,128
Intermediate sources	-	-	-	3,502	-	-	-
State sources	652,539	865,122	911,061	861,614	950,086	1,010,057	887,071
Federal sources	160,799	89,958	127,582	105,546	118,684	111,530	114,753
Total revenues	<u>3,092,882</u>	<u>2,692,614</u>	<u>2,583,170</u>	<u>2,535,721</u>	<u>2,719,483</u>	<u>2,521,856</u>	<u>2,479,452</u>
Expenditures:							
Instruction:							
Regular	1,549,672	1,234,288	1,296,649	1,125,600	1,098,207	1,265,579	1,134,862
Special	320,806	292,764	268,087	260,584	192,645	193,204	222,482
Other	357,596	362,960	320,304	459,546	485,038	330,069	313,740
Support services:							
Student	6,804	24,275	25,340	36,718	38,221	53,332	48,263
Instructional staff	91,371	112,031	115,482	75,870	75,414	70,033	70,333
Administration	263,775	289,259	262,474	301,306	301,837	225,825	244,025
Operation and maintenance	253,167	274,407	266,175	271,784	245,881	251,280	268,099
Transportation	143,906	122,514	197,878	119,815	105,727	173,901	83,183
Non-instructional programs	-	-	-	1,862	739	10,307	18,894
Other expenditures:							
Facilities acquisition	104,567	487,558	61,149	67,303	50,478	39,685	-
AEA flowthrough	98,321	90,707	89,500	87,592	85,659	87,570	89,601
Total expenditures	<u>3,189,985</u>	<u>3,290,763</u>	<u>2,903,038</u>	<u>2,807,980</u>	<u>2,679,846</u>	<u>2,700,785</u>	<u>2,493,482</u>

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, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 11, 2011. 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 an 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings and Responses as items 10-I-A, 10-I-B, and 10-I-C to be 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, 2010 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, and 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

March 11, 2011

POMEROY-PALMER COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2010

Part I: Findings Related to the Financial Statements:

Internal Control Deficiencies:

10-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: We will continue to review our procedures and implement additional controls where possible.

Conclusion: Response accepted.

10-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.

10-I-C 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.

POMEROY-PALMER COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2010

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

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, 2010

Part II: Other Findings Related to Required Statutory Reporting:

10-II-A Certified Budget: Expenditures for the year ended June 30, 2010, exceeded the amount budgeted in the instruction function. The District also exceeded its unspent authorized budget for the year ended June 30, 2010 by approximately \$180,000.

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. The District should contact the Iowa Department of Education and the School Budget Review committee to resolve the unspent authorized budget issue.

District Response: We did amend our budget, but year-end expenditures were more than anticipated. We have contacted the Iowa Department of Education and the School Budget Review Committee to resolve the issue regarding the unspent authorized budget.

Conclusion: Response accepted.

10-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.

10-II-C Travel Expenses: No expenditures of District money for travel expenses of spouses of District officials or employees were noted.

10-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	396

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.

10-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.

10-II-F Board Minutes: No transactions requiring board approval that had not been approved by the board were noted.

10-II-G Certified Enrollment: No variances in the basic enrollment data certified to the Department of Education were noted.

10-II-H Supplementary Weighting: No variances regarding supplementary weighting certified to the Department of Education were noted.

POMEROY-PALMER COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2010

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

10-II-I 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.

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

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

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

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

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

Conclusion: Response accepted.

10-II-L Statewide Sales, Services and Use Tax: The District's revenue purpose statement allows the District to use its sales tax revenues for any purposes that are allowable for the Public Education and Recreation Property Tax Levy. The District spent \$15,817 of sales tax proceeds on its child care program based on its determination that this would be allowable under the Public Education and Recreation property tax levy. The Iowa Department of Education issued Chapter 98 of the Administrative Code during the summer of 2009. Chapter 98 states that programs for which the District could charge a fee, such as before and after school programs, are not allowable expenditures from the Public Education and Recreational Property Tax Levy.

Recommendation: The District should consult with its attorney to determine if expenditures for child care programs are allowable from sales tax proceeds.

District Response: We will consult with our attorney.

Conclusion: Response accepted.

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. For the year ended June 30, 2010, the District's financial activity and other required information for the statewide sales, services and use tax revenue are as follows:

POMEROY-PALMER COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2010

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

Beginning balance	\$	\$
		60,017
Statewide sales and services tax	120,156	
Interest revenue	<u>5</u>	120,164
Expenditures/transfers out:		
Child care	15,817	
School infrastructure:		
Equipment	14,962	
Buildings and building improvements	<u>10,923</u>	<u>41,702</u>
Ending balance		<u>138,479</u>

The statewide sales, services and use tax revenue received during the year ended June 30, 2010 is equivalent to a reduction in the following levies:

	Per \$1,000 of Taxable Valuation	Property Tax Dollars
	\$	\$
Physical plant and equipment levy	1.0494	120,156

10-II-M Old outstanding checks: We noted that the District's bank reconciliations included approximately \$4,850 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, 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.

District 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.

10-II-N Deficit Balances: The District has an unreserved deficit fund balance in the General Fund of \$315,056 at June 30, 2010.

Recommendation: The District should continue to monitor this fund and investigate alternatives to eliminate the deficit.

POMEROY-PALMER COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2010

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

District Response: We are working on ways to eliminate the deficit.

Conclusion: Response accepted.

10-II-O Interfund Loans: On October 22, 2009 the Iowa Department of Education issued a revised Declaratory Order covering interfund loans. The Order states that all loans between funds must be approved by the board of directors, interest must be paid on the interfund loan and the loan must be repaid before the October 1, after each year-end.

We noted that the General Fund shares a checking account with the Management, PPEL and Capital Projects Funds. The General Fund runs a cash deficit in the pooled bank account. The General Fund cash deficit is an interfund loan.

Recommendation: The District should follow the October 22, 2009 Declaratory Order with respect to the interfund loans to the General Fund.

District Response: We are working on methods to improve General Fund cash flow so that it will not have to borrow monies from other funds.

Conclusion: Response accepted.