

POMEROY-PALMER COMMUNITY SCHOOL DISTRICT

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

June 30, 2011

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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, 2011, 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, 2011, 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 2, 2012, 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 seven years ended June 30, 2010, (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 2, 2012

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, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$2,702,363 in fiscal 2010 to \$3,304,472 in fiscal 2011, while General Fund expenditures decreased from \$2,892,143 in fiscal 2010 to \$2,758,735 in fiscal 2011. The District's General Fund balance increased from (\$282,339) in fiscal 2010 to \$288,358 in fiscal 2011, a 200% increase.
- The fiscal year 2011 increase in General Fund revenues was attributable to increases in property tax and state and federal grant revenue. The decrease in expenditures was due primarily to budget cuts and a reduction in staff. The General Fund balance increased due to the increase in revenues and decrease in expenditures.

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, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

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 Community School District Annual Financial Report

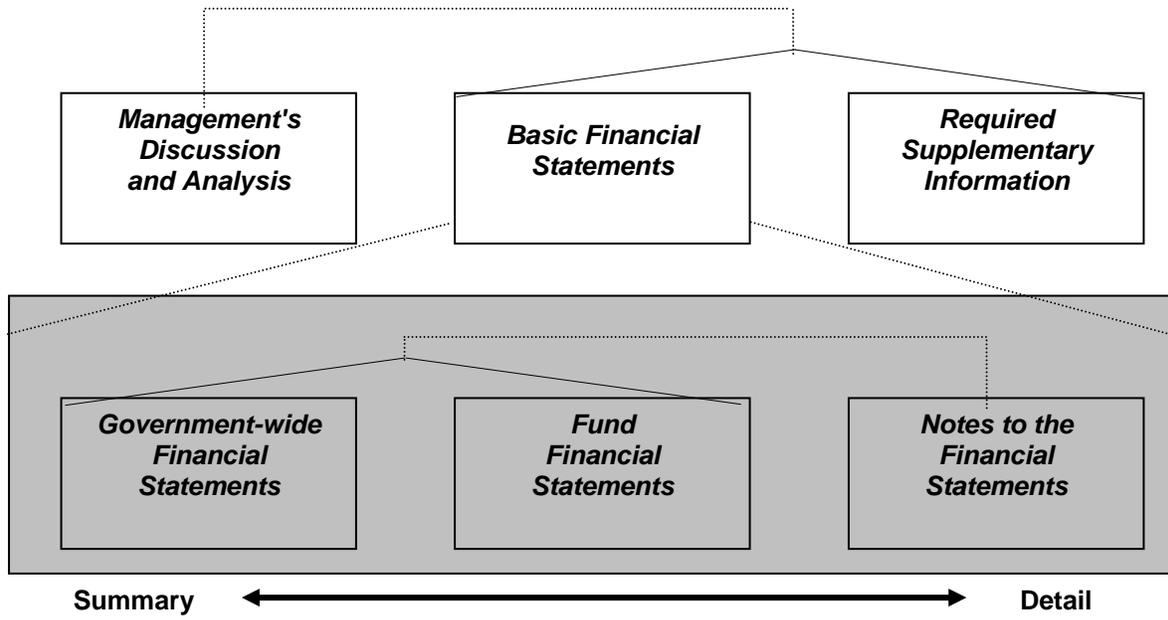


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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 childcare	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, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

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

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

- 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, 2011 compared to June 30, 2010.

Figure A-3

	Condensed Statement of Net Assets						Percentage Change 2010-2011 %
	Governmental Activities		Business-type Activities		Total School District		
	2011	2010	2011	2010	2011	2010	
	\$	\$	\$	\$	\$	\$	
Current and other assets	\$3,631,106	\$2,433,191	\$23,858	\$12,050	\$3,654,964	\$2,445,241	49.47%
Capital assets	\$889,373	\$996,441	\$5,566	\$6,820	\$894,939	\$1,003,261	-10.80%
Total assets	\$4,520,479	\$3,429,632	\$29,424	\$18,870	\$4,549,903	\$3,448,502	31.94%
Long-term liabilities	\$4,813	\$3,241	\$506	\$341	\$5,319	\$3,582	48.49%
Other liabilities	\$2,553,711	\$2,223,246	\$1,332	\$6,149	\$2,555,043	\$2,229,395	14.61%
Total liabilities	\$2,558,524	\$2,226,487	\$1,838	\$6,490	\$2,560,362	\$2,232,977	14.66%
Net Assets:							
Invested in capital assets	\$889,373	\$996,441	\$5,556	\$6,820	\$894,929	\$1,003,261	-10.80%
Restricted	\$691,100	\$431,087	\$0	\$0	\$691,100	\$431,087	60.32%
Unrestricted	\$381,482	-\$224,383	\$22,030	\$5,560	\$403,512	-\$218,823	284.40%
TOTAL NET ASSETS	\$1,961,955	\$1,203,145	\$27,586	\$12,380	\$1,989,541	\$1,215,525	63.68%

The District’s combined total net assets increased by nearly 63.68%, or approximately \$774,016, over the prior year. The largest portion of the District’s net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt.

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 \$260,013 or 60.32% over the prior year. The increase was primarily a result of physical plant and equipment property tax levy revenues and sales tax revenues that were collected in the current year, but will be used for future capital asset improvements and equipment purchases.

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 – increased approximately \$622,335, or 284.4%. This increase in unrestricted net assets was a result of the District increasing revenues with the use of the cash reserve property tax levy and by reducing staff.

Figure A-4 shows the change in net assets for the years ended June 30, 2011 and 2010.

Figure A-4

	Change in Net Assets						Percentage Change 2010-2011 %
	Governmental Activities		Business-type Activities		Total School District		
	2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$	
Revenues							
Program Revenues:							
Charges for services	\$507,984	\$492,630	\$181,092	\$143,523	\$689,076	\$636,153	8.32%
Operating grants & contributions	\$606,470	\$404,563	\$76,989	\$63,948	\$683,459	\$468,511	45.88%
Capital grants & contributions	\$0	\$0	\$0	\$0	\$0	\$0	0.00%
General Revenues:							
Property taxes	\$1,865,784	\$1,540,791	\$0	\$0	\$1,865,784	\$1,540,791	21.09%
Income Surtax	\$110,949	\$117,696	\$0	\$0	\$110,949	\$117,696	-5.73%
Local option sales tax	\$152,165	\$120,159	\$0	\$0	\$152,165	\$120,159	26.64%
Unrestricted state grants	\$489,534	\$393,656	\$0	\$0	\$489,534	\$393,656	24.36%
Unrestricted investment earnings	\$8,862	\$6,509	\$7	\$27	\$8,869	\$6,536	35.69%
Other revenue	\$11,140	\$22,897	\$0	\$0	\$11,140	\$22,897	-51.35%
Total Revenues	\$3,752,888	\$3,098,901	\$258,088	\$207,498	\$4,010,976	\$3,306,399	21.31%
Expenses:							
Instruction	\$2,174,922	\$2,234,015	\$0	\$0	\$2,174,922	\$2,234,015	-2.65%
Support services	\$643,290	\$737,047	\$0	\$0	\$643,290	\$737,047	-12.72%
Non-instructional programs	\$0	\$0	\$242,882	\$206,886	\$242,882	\$206,886	17.40%
Other expenditures	\$175,866	\$133,956	\$0	\$0	\$175,866	\$133,956	31.29%
Total expenses	\$2,994,078	\$3,105,018	\$242,882	\$206,886	\$3,236,960	\$3,311,904	-2.26%
Change in net assets before transfers	\$758,810	(\$6,117)	\$15,206	\$612	\$774,016	(\$5,505)	14,160.24%
Transfers	\$0	(\$2,650)	\$0	\$2,650	\$0	\$0	0.00%
CHANGE IN NET ASSETS	\$758,810	(\$8,767)	\$15,206	\$3,262	\$774,016	(\$5,505)	14,160.24%
Net assets beginning of year	\$1,203,145	\$1,211,912	\$12,380	\$9,118	\$1,215,525	\$1,221,030	-0.45%
Net assets end of year	\$1,961,955	\$1,203,145	\$27,586	\$12,380	\$1,989,541	\$1,215,525	63.68%

In fiscal year 2011 property tax and unrestricted state grants account for 58.7% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 87.1% of the total expenses.

As shown in figure A-4, the District as a whole experienced a 21.31% increase in revenues and a 2.26% decrease in expenses. Property tax increased \$324,993 to fund additional expenses. The decreases in expenses related to decreases in the total negotiated salaries and benefits due to significant staff reductions.

Governmental Activities

Revenues for governmental activities were \$3,752,888 and expenses were \$2,994,078. In a difficult budget year, the District was able to balance the budget by trimming expenses below revenues.

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

Figure A-5

	Total Cost of Services			Net Cost of Services		
	2011	2010	Percent Change 2010-2011	2011	2010	Percent Change 2010-2011
	\$	\$	%	\$	\$	%
Instruction	\$2,174,922	\$2,234,015	-2.65%	\$1,165,966	\$1,435,143	-18.76%
Support Services	\$643,290	\$737,047	-12.72%	\$638,196	\$737,047	-13.41%
Other Expenses	\$175,866	\$133,956	31.29%	\$75,462	\$35,635	111.76%
TOTAL	\$2,994,078	\$3,105,018	-3.57%	\$1,879,624	\$2,207,825	-14.87%

For the year ended June 30, 2011

- The cost financed by users of the District's programs was \$507,984. 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 \$606,470.
- The net cost of governmental activities was financed with \$2,128,898 in property and local other taxes and \$489,534 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$258,088 and expenses were \$242,882. 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.

During the year ended June 30, 2011, the District increased meal prices for the second time in four years. This increase resulted in increased revenue to the School Nutrition Fund. The Childcare Fund also saw an increase in revenue caused by increased enrollment. This also caused expenses to increase as a result of increased salaries and benefits in the Childcare Program.

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 \$951,544, well above last year's ending fund balances of \$116,031. However, the primary reason for the increase in combined fund balances in fiscal 2011 is due to budget cuts.

Governmental Fund Highlights

- The District's improving General Fund financial position is the result of many factors. Growth during the year in tax and grants resulted in an increase in revenues. This was combined with a decline in General Fund expenditures allowing the District to increase carryover fund balance to meet its future financial obligations.
- The General Fund balance increased from (\$282,339) to \$288,358, due in part to the staff reductions, in spite of the prior year reduction in state aid and existing expenditure commitments of the District.
- The Capital Project Fund includes revenues from sales tax and from the physical plant and equipment property tax levy. These two revenue streams and the related expenditures are tracked separately in the District's accounting records, but are combined into one Capital Projects Fund for financial reporting.
 - The Physical Plant and Equipment Levy (PPEL) account balance increased from \$87,962 in fiscal 2010 to \$163,932 in fiscal 2011. While revenues increased slightly, the District substantially reduced spending from the PPEL Fund in order to improve the financial condition of the fund.
 - The sales tax account balance increased due to decreased expenditures. The District ended fiscal 2010 with \$280,857 account balance.
- The Management Fund is used to account for proceeds from the management property tax levy. These moneys may be used for property and liability insurance, early retirement, and legal settlements. Revenues were down for 2011 because the District reduced the property tax levy.

Proprietary Fund Highlights

School Nutrition Fund net assets increased from \$11,561 at June 30, 2010 to \$17,920 at June 30, 2011, representing an increase of approximately 55%. For fiscal 2011, the District increased meal prices, resulting in the increase in net assets.

The Childcare Fund net assets increased from \$819 at June 30, 2010 to \$9,666 at June 30, 2011, representing an increase of approximately 1080%. The district increased its tuition rates, resulting in the increase in net assets.

BUDGETARY HIGHLIGHTS

Over the course of the year, Pomeroy-Palmer Community School District amended its annual budget one time to reflect additional revenue and expenditures associated with the non-instructional programs. The District amended its budget one time during the year, increasing expenditures by \$67,000.

In spite of amending the budget; total revenues and total expenditures exceeded the budgeted amounts. This is because tuition revenues and tuition expenditures for whole grade sharing were not included in the budgeted amounts. The amount of these whole grade sharing revenues and expenditures were determined at the end of the year when there was not time to amend the budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the District had invested \$894,939, 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 decrease of 10.80% from last year.

The largest change in capital asset activity during the year occurred in the buildings category. The District's buildings totaled \$694,233 at June 30, 2011 compared to \$797,548 reported at June 30, 2010. This significant decrease resulted from the sale of the Palmer building.

Figure A-6

Capital Assets (net of depreciation)

	Governmental		Business type		Total		Percentage Change 2010-2011 %
	Activities		Activities		School District		
	2011	2010	2011	2010	2011	2010	
	\$	\$	\$	\$	\$	\$	
Land	\$18,295	\$18,295	\$0	\$0	\$18,295	\$18,295	0.00%
Buildings	\$694,233	\$797,548	\$0	\$0	\$694,233	\$797,548	-12.95%
Improvements	\$27,095	\$28,829	\$0	\$0	\$27,095	\$28,829	-6.01%
Equipment & furniture	\$149,750	\$151,769	\$5,566	\$6,820	\$155,316	\$158,589	-2.06%
TOTAL	\$889,373	\$996,441	\$5,566	\$6,820	\$894,939	\$1,003,261	-10.80%

Long-Term Debt

At June 30, 2010 the District had \$5,319 in OPEB liability. The implementation of GASB Statement number 45 during fiscal year 2010 created this liability. (See Figure A-7) This increased by 48.49% to \$5319 during fiscal year 2011.

Figure A-7

Outstanding Long-Term Obligations

	Total School District		Percentage Change 2010-2011
	2011	2010	
Net OPEB liability	\$5,319	\$3,582	48.49%

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:

- Pocahontas County has advised the District that the District's total taxable valuation will increase over the next several years due to the phasing in of two additional wind farms in the county.

- The District's three-year whole grade sharing agreement with Pocahontas Area Community School District will end on June 30, 2012. On July 1, 2012 the Pomeroy-Palmer Community School District and the Pocahontas Area Community School District will merge.

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 Street, Pomeroy, Iowa, 50575.

BASIC FINANCIAL STATEMENTS

POMEROY-PALMER COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2011

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and cash equivalents	1,063,723	13,726	1,077,449
Receivables:			
Property tax:			
Delinquent	24,610	-	24,610
Succeeding year	2,254,136	-	2,254,136
Accounts	6,388	6,672	13,060
Due from other governments	282,249	1,817	284,066
Inventories	-	1,643	1,643
Capital assets, net of accumulated depreciation	889,373	5,566	894,939
Total assets	4,520,479	29,424	4,549,903
Liabilities			
Accounts payable	19,723	366	20,089
Due to other governments	269,038	-	269,038
Deferred revenue:			
Succeeding year property tax	2,254,136	-	2,254,136
Other	10,814	966	11,780
Long-term liabilities:			
Portion due after one year:			
Net OPEB liability	4,813	506	5,319
Total liabilities	2,558,524	1,838	2,560,362
Net assets			
Invested in capital assets	889,373	5,556	894,929
Restricted for:			
Categorical funding	27,914	-	27,914
Management levy	208,411	-	208,411
Physical plant and equipment levy	163,932	-	163,932
Student activities	9,986	-	9,986
School infrastructure	280,857	-	280,857
Unrestricted	381,482	22,030	403,512
Total net assets	1,961,955	27,586	1,989,541

POMEROY-PALMER COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2011

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	1,537,562	442,002	433,425	-
Special	358,800	54,187	26,216	-
Other	278,560	6,701	46,425	-
	<u>2,174,922</u>	<u>502,890</u>	<u>506,066</u>	<u>-</u>
Support services:				
Student	21,319	-	-	-
Instructional staff	58,678	-	-	-
Administration	213,807	-	-	-
Operation and maintenance of plant	191,867	30	-	-
Transportation	157,619	5,064	-	-
	<u>643,290</u>	<u>5,094</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	25,223	-	-	-
AEA flowthrough	100,404	-	100,404	-
Loss on disposal of capital assets	14,604	-	-	-
Depreciation (unallocated)*	35,635	-	-	-
	<u>175,866</u>	<u>-</u>	<u>100,404</u>	<u>-</u>
Total governmental activities	<u>2,994,078</u>	<u>507,984</u>	<u>606,470</u>	<u>-</u>
Business type activities:				
Non-instructional programs:				
Food service operations	136,735	72,185	70,902	-
Childcare	106,147	108,907	6,087	-
Total business-type activities	<u>242,882</u>	<u>181,092</u>	<u>76,989</u>	<u>-</u>
Total	<u>3,236,960</u>	<u>689,076</u>	<u>683,459</u>	<u>-</u>
General Revenues:				
Property taxes levied for:				
General purposes				
Capital outlay				
Income surtax				
Statewide sales, services and use tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				

Change in net 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
\$	\$	\$
(662,135)	-	(662,135)
(278,397)	-	(278,397)
(225,434)	-	(225,434)
<u>(1,165,966)</u>	<u>-</u>	<u>(1,165,966)</u>
(21,319)	-	(21,319)
(58,678)	-	(58,678)
(213,807)	-	(213,807)
(191,837)	-	(191,837)
(152,555)	-	(152,555)
<u>(638,196)</u>	<u>-</u>	<u>(638,196)</u>
(25,223)	-	(25,223)
-	-	-
(14,604)	-	(14,604)
(35,635)	-	(35,635)
<u>(75,462)</u>	<u>-</u>	<u>(75,462)</u>
<u>(1,879,624)</u>	<u>-</u>	<u>(1,879,624)</u>
-	6,352	6,352
-	8,847	8,847
<u>-</u>	<u>15,199</u>	<u>15,199</u>
<u>(1,879,624)</u>	<u>15,199</u>	<u>(1,864,425)</u>
1,733,895	-	1,733,895
131,889	-	131,889
110,949	-	110,949
152,165	-	152,165
489,534	-	489,534
8,862	7	8,869
11,140	-	11,140
<u>2,638,434</u>	<u>7</u>	<u>2,638,441</u>
758,810	15,206	774,016
<u>1,203,145</u>	<u>12,380</u>	<u>1,215,525</u>
<u><u>1,961,955</u></u>	<u><u>27,586</u></u>	<u><u>1,989,541</u></u>

POMEROY-PALMER COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2011

	General	Capital Projects	Management	Nonmajor Student Activity	Total
	\$	\$	\$	\$	\$
Assets					
Cash and pooled investments	452,275	386,864	211,749	10,005	1,060,893
Receivables:					
Property tax:					
Delinquent	21,440	1,740	1,430	-	24,610
Succeeding year	1,921,075	153,061	180,000	-	2,254,136
Accounts	280	6,108	-	-	6,388
Due from other governments	232,172	50,077	-	-	282,249
Total assets	2,627,242	597,850	393,179	10,005	3,628,276
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	13,835	-	4,329	19	18,183
Due to other governments	269,038	-	-	-	269,038
Deferred revenue:					
Succeeding year property tax	1,921,075	153,061	180,000	-	2,254,136
Income surtax	111,101	-	-	-	111,101
Other	23,835	-	439	-	24,274
Total liabilities	2,338,884	153,061	184,768	19	2,676,732
Fund balances:					
Restricted for:					
Categorical funding	27,914	-	-	-	27,914
Management levy	-	-	208,411	-	208,411
Student activities	-	-	-	9,986	9,986
School infrastructure	-	280,857	-	-	280,857
Physical plant and equipment	-	163,932	-	-	163,932
Unassigned	260,444	-	-	-	260,444
Total fund balances	288,358	444,789	208,411	9,986	951,544
Total liabilities and fund balances	2,627,242	597,850	393,179	10,005	3,628,276

POMEROY-PALMER COMMUNITY SCHOOL DISTRICT

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

June 30, 2011

	\$
Total fund balances of governmental funds (Exhibit C)	951,544
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	889,373
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	124,561
An internal service fund is used by the District's management to charge the costs of the employee flexible benefit program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.	1,290
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.	<u>(4,813)</u>
Net assets of governmental activities (Exhibit A)	<u><u>1,961,955</u></u>

POMEROY-PALMER COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2011

	General	Capital Projects	Management	Nonmajor Student Activity	Total
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	1,719,225	284,054	108,432	-	2,111,711
Tuition	481,308	-	-	-	481,308
Other	21,395	9,803	8,770	6,710	46,678
State sources	791,591	-	-	-	791,591
Federal sources	290,953	-	-	-	290,953
Total revenues	<u>3,304,472</u>	<u>293,857</u>	<u>117,202</u>	<u>6,710</u>	<u>3,722,241</u>
Expenditures:					
Current:					
Instruction:					
Regular	1,454,311	73,280	37,659	-	1,565,250
Special	357,637	-	-	-	357,637
Other	269,999	-	-	6,018	276,017
	<u>2,081,947</u>	<u>73,280</u>	<u>37,659</u>	<u>6,018</u>	<u>2,198,904</u>
Support services:					
Student	21,319	-	-	-	21,319
Instructional staff	58,595	-	-	-	58,595
Administration	212,447	-	1,112	-	213,559
Operation and maintenance of plant	154,258	7,006	25,002	-	186,266
Transportation	129,765	-	7,653	-	137,418
	<u>576,384</u>	<u>7,006</u>	<u>33,767</u>	<u>-</u>	<u>617,157</u>
Other expenditures:					
Facilities acquisition	-	25,223	-	-	25,223
AEA flowthrough	100,404	-	-	-	100,404
	<u>100,404</u>	<u>25,223</u>	<u>-</u>	<u>-</u>	<u>125,627</u>
Total expenditures	<u>2,758,735</u>	<u>105,509</u>	<u>71,426</u>	<u>6,018</u>	<u>2,941,688</u>
Excess (deficiency) of revenues over (under) expenditures	545,737	188,348	45,776	692	780,553
Other financing sources (uses):					
Sales of equipment and real property	24,960	30,000	-	-	54,960
Net change in fund balances	570,697	218,348	45,776	692	835,513
Fund balances beginning of year, as restated	<u>(282,339)</u>	<u>226,441</u>	<u>162,635</u>	<u>9,294</u>	<u>116,031</u>
Fund balances end of year	<u><u>288,358</u></u>	<u><u>444,789</u></u>	<u><u>208,411</u></u>	<u><u>9,986</u></u>	<u><u>951,544</u></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, 2011

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		835,513
 <i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense and basis in capital assets sold exceeded capital outlay expenditures in the current year, as follows:		
Basis in capital assets sold	(69,564)	
Expenditures for capital assets	56,012	
Depreciation expense	<u>(93,516)</u>	(107,068)
 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.		
		30,647
 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		(1,572)
 An internal service fund is used by the District's management to charge the costs of the employee flexible benefit program to the individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities.		
		<u>1,290</u>
Changes in net assets of governmental activities (Exhibit B)		<u><u>758,810</u></u>

POMEROY-PALMER COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2011

	Nonmajor Enterprise Funds	Governmental Activities - Internal Service Fund
	\$	\$
Assets		
Cash and cash equivalents	13,726	2,830
Accounts receivable	6,672	-
Due from other governments	1,817	-
Inventories	1,643	-
Capital assets, net of accumulated depreciation	5,566	-
	<u>29,424</u>	<u>2,830</u>
Total assets		
	29,424	2,830
Liabilities		
Accounts payable	366	1,540
Deferred revenue	966	-
Net OPEB liability	506	-
	<u>1,838</u>	<u>1,540</u>
Total liabilities		
	1,838	1,540
Net assets		
Invested in capital assets	5,556	-
Unrestricted	22,030	1,290
	<u>27,586</u>	<u>1,290</u>
Total net assets		
	27,586	1,290

POMEROY-PALMER COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2011

	Nonmajor Enterprise Funds	Governmental Activities - Internal Service Fund
	\$	\$
Operating revenues:		
Local sources:		
Charges for service	181,092	7,284
Operating expenses:		
Non-instructional programs:		
Salaries	127,284	-
Benefits	24,628	5,601
Purchased services	4,527	-
Supplies	85,189	-
Depreciation	1,254	-
Other	-	393
Total operating expenses	242,882	5,994
Operating income (loss)	(61,790)	1,290
Non-operating revenues:		
State sources	1,162	-
Federal sources	75,827	-
Interest income	7	-
Total non-operating revenues	76,996	-
Change in net assets	15,206	1,290
Net assets beginning of year	12,380	-
Net assets end of year	27,586	1,290

POMEROY-PALMER COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2011

	Nonmajor Enterprise Funds	Governmental Activities - Internal Service Fund
	\$	\$
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	71,773	-
Cash received from childcare services	106,360	-
Cash received from services provided to other funds	-	7,284
Cash payments to employees for services	(151,747)	(6,248)
Cash payments to suppliers for goods or services	(82,487)	-
Net cash (used) provided by operating activities	<u>(56,101)</u>	<u>1,036</u>
Cash flows from non-capital financing activities:		
State grants received	1,162	-
Federal grants received	68,332	-
Net cash provided by non-capital financing activities	<u>69,494</u>	<u>-</u>
Cash flows from capital and related financing activities	-	-
Cash flows from investing activities:		
Interest on investments	7	-
Net increase (decrease) in cash and cash equivalents	13,400	1,036
Cash and cash equivalents at beginning of year	326	1,794
Cash and cash equivalents at end of year	<u>13,726</u>	<u>2,830</u>
Reconciliation of operating income (loss) to net cash (used) provided by operating activities:		
Operating income (loss)	(61,790)	1,290
Adjustments to reconcile operating income (loss) to net cash (used) provided by operating activities:		
Commodities used	7,238	-
Depreciation	1,254	-
Decrease (increase) in inventories	131	-
Decrease (increase) in accounts receivable	(2,513)	-
(Decrease) increase in accounts payable	(140)	(254)
(Decrease) increase in deferred revenue	(446)	-
(Decrease) increase in other postemployment benefits	165	-
Net cash (used) provided by operating activities	<u>(56,101)</u>	<u>1,036</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2011, the District received \$7,238 of federal commodities.

POMEROY-PALMER COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2011

	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, 2011

	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, 2011

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. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

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

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

The 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.

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

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, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2010.

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 fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in other classifications.

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, 2011 expenditures in the instruction and non-instructional programs functional areas exceeded the amounts budgeted.

2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2011 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, 2011, the District had investments in the Iowa Schools Joint Investment Trust. Which are valued at an amortized cost of \$37,167 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. 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 the 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 the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The interest rate on the Series 2010-11A warrants is 1.2% plus the one-month LIBOR rate, adjusted daily. The interest rate on the Series 2010-11B warrants is a variable rate, calculated daily based upon the LIBOR rate plus 120 basis points. A summary of the District's ISCAP activity for the year ended June 30, 2011, is as follows:

Series	Warrant Date	Final Warrant Maturity Date	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
			\$	\$	\$	\$
2010-11A	6/30/10	6/28/11	-	305,000	305,000	-
2010-11B	1/26/11	1/25/12	-	-	-	-
			-	305,000	305,000	-

During the year ended June 30, 2011, the District paid \$1,290 of interest on the ISCAP warrants.

4. Capital Assets

Capital assets activity for the year ended June 30, 2011 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Land	18,295	-	-	18,295
Capital assets being depreciated:				
Buildings	1,546,984	-	118,079	1,428,905
Improvements other than buildings	52,813	-	-	52,813
Furniture and equipment	761,899	56,012	96,850	721,061
Total capital assets being deprec.	<u>2,361,696</u>	<u>56,012</u>	<u>214,929</u>	<u>2,202,779</u>
Less accumulated depreciation for:				
Buildings	749,436	33,901	48,665	734,672
Improvements other than buildings	23,984	1,734	-	25,718
Furniture and equipment	610,130	57,881	96,700	571,311
Total accumulated depreciation	<u>1,383,550</u>	<u>93,516</u>	<u>145,365</u>	<u>1,331,701</u>
Total capital assets being depreciated, net	<u>978,146</u>	<u>(37,504)</u>	<u>69,564</u>	<u>871,078</u>
Governmental activities capital assets, net	<u>996,441</u>	<u>(37,504)</u>	<u>69,564</u>	<u>889,373</u>
Business type activities:				
Furniture and equipment	78,498	-	-	78,498
Less accumulated depreciation	<u>71,678</u>	<u>1,254</u>	-	<u>72,932</u>
Business type activities capital assets, net	<u>6,820</u>	<u>(1,254)</u>	-	<u>5,566</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	28,870
Special	1,080
Other	2,295
Support services:	
Operation and maintenance of plant services	5,518
Transportation	20,118
	<u>57,881</u>
Unallocated depreciation	<u>35,635</u>
Total depreciation expense – governmental activities	<u>93,516</u>
Business type activities:	
Food services	<u>1,254</u>

5. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2011, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Governmental activities:					
Termination benefits	-	18,028	18,028	-	-
Net OPEB liability	3,241	1,572	-	4,813	-
	<u>3,241</u>	<u>19,600</u>	<u>18,028</u>	<u>4,813</u>	<u>-</u>
Business type activities:					
Net OPEB liability	341	165	-	506	-

The District offered a voluntary early retirement plan for employees during fiscal year 2011. Eligible employees must have completed at least fifteen years of full-time service to the District and must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commences. The application for early retirement is subject to approval by the Board of Education.

Early retirement benefits are equal to 60% of the employee's of the base of the highest paid salary during the last 5 years of employment and the employee will be reimbursed for up to 120 days of unpaid sick leave at \$20 per day.

Early retirement benefits will be paid in one lump sum amount by June 30, of the year of retirement.

6. Pension and Retirement Benefits

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

Plan members are required to contribute 4.50% of their annual covered salary and the District is required to contribute 6.95% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2011, 2010, and 2009 were \$95,622, \$95,724 and \$100,381 respectively, equal to the required contributions for each year.

7. Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 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, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

	\$
Annual required contribution	11,200
Interest on net OPEB obligation	60
Adjustment to annual required contribution	<u>(788)</u>
Annual OPEB cost	10,472
Contributions made	<u>8,735</u>
Increase in net OPEB obligation	1,737
Net OPEB obligation beginning of year	<u>3,582</u>
Net OPEB obligation end of year	<u>5,319</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, 2011.

For the year ended June 30, 2011, the District contributed \$8,735 to the medical plan. Plan members eligible for benefits contributed \$23,498, or 73% 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, 2011 are summarized as follows:

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
	\$	%	\$
2010	10,748	67%	3,582
2011	10,472	83%	5,319

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$79,859, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$79,859. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$697,000, and the ratio of the UAAL to covered payroll was 11.5%. As of June 30, 2011, 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.

The UAAL is being amortized over 30 years.

8. 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.

9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$100,404 for the year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

10. 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>
	\$
2012	15,480
2013	10,320

11. Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2011 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
	\$
Gifted and talented	
Returning dropout and dropout prevention program	8,429
Teacher salary supplement	493
Core curriculum	3,881
Preschool	3,746
Educator quality, professional development	2,149
Limited English proficiency	7,291
Mentoring	1,925
	<u>27,914</u>

12. School District Reorganization

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.

13. Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund type Definitions, was implemented during the year ended 2011. The effect of fund type reclassifications is as follows:

	<u>Capital Projects</u>	<u>Special Revenue, Physical Plant and Equipment Levy</u>
	\$	\$
Balances June 30, 2010, as previously reported	138,479	87,962
Change in fund type classification per implementation of GASB Statement No. 54	<u>87,962</u>	<u>(87,962)</u>
Balances July 1, 2010, as restated	<u>226,441</u>	<u>-</u>

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, 2011

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	2,639,697	181,099	2,820,796	2,408,637	2,408,637	412,159
State sources	791,591	1,162	792,753	901,721	901,721	(108,968)
Federal sources	290,953	75,827	366,780	155,000	155,000	211,780
Total revenues	<u>3,722,241</u>	<u>258,088</u>	<u>3,980,329</u>	<u>3,465,358</u>	<u>3,465,358</u>	<u>514,971</u>
Expenditures/Expenses:						
Instruction	2,198,904	-	2,198,904	1,886,411	1,886,411	(312,493)
Support services	617,157	-	617,157	781,419	781,419	164,262
Non-instructional programs	-	242,882	242,882	173,000	240,000	(2,882)
Other expenditures	125,627	-	125,627	192,037	192,037	66,410
Total expenditures/expenses	<u>2,941,688</u>	<u>242,882</u>	<u>3,184,570</u>	<u>3,032,867</u>	<u>3,099,867</u>	<u>(84,703)</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	780,553	15,206	795,759	432,491	365,491	430,268
Other financing sources (uses) net	<u>54,960</u>	<u>-</u>	<u>54,960</u>	<u>-</u>	<u>-</u>	<u>54,960</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expense	835,513	15,206	850,719	432,491	365,491	485,228
Balance beginning of year	<u>116,031</u>	<u>12,380</u>	<u>128,411</u>	<u>327,781</u>	<u>327,781</u>	<u>(199,370)</u>
Balance end of year	<u><u>951,544</u></u>	<u><u>27,586</u></u>	<u><u>979,130</u></u>	<u><u>760,272</u></u>	<u><u>693,272</u></u>	<u><u>285,858</u></u>

POMEROY-PALMER COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2011

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 \$67,000.

During the year ended June 30, 2011, expenditures in the instruction and non-instructional programs functions exceeded the amounts budgeted.

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) %
2010	July 1, 2009	-	86,620	86,620	0.0%	715,000	12.1%
2011	July 1, 2009	-	79,859	79,859	0.0%	697,000	11.5%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

POMEROY-PALMER COMMUNITY SCHOOL DISTRICT

Combining Schedule of Net Assets
Nonmajor Enterprise Funds

June 30, 2011

	Nonmajor Enterprise Funds		
	School Nutrition	Childcare	Total
	\$	\$	\$
Assets			
Cash and cash equivalents	12,054	1,672	13,726
Accounts receivable	129	6,543	6,672
Due from other governments	-	1,817	1,817
Inventories	1,643	-	1,643
Capital assets, net of accumulated depreciation	5,566	-	5,566
Total assets	19,392	10,032	29,424
Liabilities			
Accounts payable	-	366	366
Deferred revenue	966	-	966
Net OPEB liability	506	-	506
Total liabilities	1,472	366	1,838
Net assets			
Invested in capital assets	5,556	-	5,556
Unrestricted	12,364	9,666	22,030
Total net assets	17,920	9,666	27,586

POMEROY-PALMER COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2011

	Nonmajor Enterprise Funds		
	School	Childcare	Total
	Nutrition		
	\$	\$	\$
Operating revenues:			
Local sources:			
Charges for service	72,185	108,907	181,092
Operating expenses:			
Non-instructional programs:			
Salaries	46,608	80,676	127,284
Benefits	13,044	11,584	24,628
Purchased services	4,527	-	4,527
Supplies	71,302	13,887	85,189
Depreciation	1,254	-	1,254
Total operating expenses	136,735	106,147	242,882
Operating income (loss)	(64,550)	2,760	(61,790)
Non-operating revenues:			
State sources	1,162	-	1,162
Federal sources	69,740	6,087	75,827
Interest income	7	-	7
Total non-operating revenues	70,909	6,087	76,996
Change in net assets	6,359	8,847	15,206
Net assets beginning of year	11,561	819	12,380
Net assets end of year	17,920	9,666	27,586

POMEROY-PALMER COMMUNITY SCHOOL DISTRICT

Combining Schedule of Cash Flows
Nonmajor Enterprise Funds

Year ended June 30, 2011

	Nonmajor Enterprise Funds		
	School		
	Nutrition	Childcare	Total
	\$	\$	\$
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	71,773	-	71,773
Cash received from childcare services	-	106,360	106,360
Cash payments to employees for services	(59,487)	(92,260)	(151,747)
Cash payments to suppliers for goods or services	(68,460)	(14,027)	(82,487)
Net cash (used) provided by operating activities	<u>(56,174)</u>	<u>73</u>	<u>(56,101)</u>
Cash flows from non-capital financing activities:			
State grants received	1,162	-	1,162
Federal grants received	62,502	5,830	68,332
Net cash provided by non-capital financing activities	<u>63,664</u>	<u>5,830</u>	<u>69,494</u>
Cash flows from capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from investing activities:			
Interest on investments	<u>7</u>	<u>-</u>	<u>7</u>
Net increase (decrease) in cash and cash equivalents	7,497	5,903	13,400
Cash and cash equivalents at beginning of year	<u>4,557</u>	<u>(4,231)</u>	<u>326</u>
Cash and cash equivalents at end of year	<u><u>12,054</u></u>	<u><u>1,672</u></u>	<u><u>13,726</u></u>
Reconciliation of operating income (loss) to net cash (used) provided by operating activities:			
Operating income (loss)	(64,550)	2,760	(61,790)
Adjustments to reconcile operating income (loss) to net cash (used) provided by operating activities:			
Commodities used	7,238	-	7,238
Depreciation	1,254	-	1,254
Decrease (increase) in inventories	131	-	131
Decrease (increase) in accounts receivable	34	(2,547)	(2,513)
(Decrease) increase in accounts payable	-	(140)	(140)
(Decrease) increase in deferred revenue	(446)	-	(446)
(Decrease) increase in other postemployment benefits	165	-	165
Net cash (used) provided by operating activities	<u><u>(56,174)</u></u>	<u><u>73</u></u>	<u><u>(56,101)</u></u>

See accompanying independent auditor's report

POMEROY-PALMER COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Capital Project Accounts

June 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets	\$	\$	\$
Cash and pooled investments	230,780	156,084	386,864
Receivables:			
Property tax:			
Delinquent	-	1,740	1,740
Succeeding year	-	153,061	153,061
Accounts	-	6,108	6,108
Due from other governments	50,077	-	50,077
Total assets	<u>280,857</u>	<u>316,993</u>	<u>597,850</u>
Liabilities & Fund Balances			
Liabilities:			
Deferred revenue:			
Succeeding year property tax	-	153,061	153,061
Fund balances:			
Restricted for:			
School infrastructure	280,857	-	280,857
Physical plant and equipment	-	163,932	163,932
Total fund balances	<u>280,857</u>	<u>163,932</u>	<u>444,789</u>
Total liabilities and fund balances	<u>280,857</u>	<u>316,993</u>	<u>597,850</u>

POMEROY-PALMER COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
	\$	\$	\$
Revenues:			
Local sources:			
Local tax	152,165	131,889	284,054
Other	2,720	7,083	9,803
Total revenues	<u>154,885</u>	<u>138,972</u>	<u>293,857</u>
Expenditures:			
Current:			
Instruction:			
Regular instruction	2,617	70,663	73,280
Support services:			
Operation and maintenance of plant	-	7,006	7,006
Other expenditures:			
Facilities acquisition	9,890	15,333	25,223
Total expenditures	<u>12,507</u>	<u>93,002</u>	<u>105,509</u>
Excess (deficiency) of revenues over (under) expenditures	142,378	45,970	188,348
Other financing sources (uses):			
Sale of real property	-	30,000	30,000
Net change in fund balance	142,378	75,970	218,348
Fund balances beginning of year, as restated	<u>138,479</u>	<u>87,962</u>	<u>226,441</u>
Fund balance end of year	<u><u>280,857</u></u>	<u><u>163,932</u></u>	<u><u>444,789</u></u>

POMEROY-PALMER COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2011

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Intra-Fund Transfers</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$	\$
Annual	102	-	-	(102)	-
Middle school activities	5,822	6,384	5,220	613	7,599
Interest	29	9	-	-	38
Peer helpers	2,830	317	798	-	2,349
Student council	511	-	-	(511)	-
	<u>9,294</u>	<u>6,710</u>	<u>6,018</u>	<u>-</u>	<u>9,986</u>

POMEROY-PALMER COMMUNITY SCHOOL DISTRICT

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

For the Last Eight Years

	Modified Accrual Basis							
	2011	2010	2009	2008	2007	2006	2005	2004
	\$	\$	\$	\$	\$	\$	\$	\$
Revenues:								
Local sources:								
Local tax	2,111,711	1,772,098	1,544,618	1,368,088	1,301,636	1,333,763	1,213,063	1,276,624
Tuition	481,308	472,056	112,187	83,320	139,824	169,631	68,997	60,876
Other	46,678	35,390	80,729	93,119	123,599	147,319	118,209	140,128
Intermediate sources	-	-	-	-	3,502	-	-	-
State sources	791,591	652,539	865,122	911,061	861,614	950,086	1,010,057	887,071
Federal sources	290,953	160,799	89,958	127,582	105,546	118,684	111,530	114,753
Total revenues	<u>3,722,241</u>	<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	1,565,250	1,549,672	1,234,288	1,296,649	1,125,600	1,098,207	1,265,579	1,134,862
Special	357,637	320,806	292,764	268,087	260,584	192,645	193,204	222,482
Other	276,017	357,596	362,960	320,304	459,546	485,038	330,069	313,740
Support services:								
Student	21,319	6,804	24,275	25,340	36,718	38,221	53,332	48,263
Instructional staff	58,595	91,371	112,031	115,482	75,870	75,414	70,033	70,333
Administration	213,559	263,775	289,259	262,474	301,306	301,837	225,825	244,025
Operation and maintenance	186,266	253,167	274,407	266,175	271,784	245,881	251,280	268,099
Transportation	137,418	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	25,223	104,567	487,558	61,149	67,303	50,478	39,685	-
AEA flowthrough	100,404	98,321	90,707	89,500	87,592	85,659	87,570	89,601
Total expenditures	<u>2,941,688</u>	<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>

See accompanying independent auditor's report.

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

To the Board of Education of
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, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 2, 2012. 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 11-I-A, 11-I-B, and 11-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, 2011 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 2, 2012

POMEROY-PALMER COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2011

Part I: Findings Related to the Financial Statements:

Internal Control Deficiencies:

11-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, payroll processing, 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.

11-I-B Signatures on Checks: We noted that the 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.

11-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, 2011

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, 2011

Part II: Other Findings Related to Required Statutory Reporting:

- 11-II-A Certified Budget: Expenditures for the year ended June 30, 2011, exceeded the amounts budgeted in the instructional and non-instructional programs functions.
- Recommendation: The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.
- District Response: We did amend our budget, but year-end expenditures were more than anticipated.
- Conclusion: Response accepted.
- 11-II-B Questionable Expenditures: No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- 11-II-C Travel Expenses: No expenditures of District money for travel expenses of spouses of District officials or employees were noted.
- 11-II-D Business Transactions: No business transactions between the District and District officials or employees were noted.
- 11-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.
- 11-II-F Board Minutes: No transactions requiring board approval that had not been approved by the board were noted.
- 11-II-G Certified Enrollment: No variances in the basic enrollment data certified to the Department of Education were noted.
- 11-II-H Supplementary Weighting: No variances regarding supplementary weighting certified to the Department of Education were noted.
- 11-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.
- 11-II-J Certified Annual Report (CAR): The Certified Annual Report was filed with the Iowa Department of Education timely.
- 11-II-K Categorical Funding: No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- 11-II-L Statewide Sales, Services and Use Tax: Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

POMEROY-PALMER COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2011

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

Beginning balance	\$	\$
		138,479
Revenues/transfers in:		
Statewide sales, services and use tax revenue	152,165	
Interest	<u>2,720</u>	154,885
Expenditures/transfers out:		
Other		<u>12,507</u>
Ending balance		<u>280,857</u>

For the year ended June 30, 2011, the District did not reduce any levies as a result of the moneys received under Chapter 423e or 423F of the Code of Iowa.