



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

June 10, 2009

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Auditor of State David A. Vaudt today released an audit report on the City of Pomeroy, Iowa for the years ended June 30, 2008 and 2007.

The City's receipts totaled \$698,512 for the year ended June 30, 2008, a 14 percent increase over the prior year. The City's receipts totaled \$610,556 for the year ended June 30, 2007, a 10 percent increase over fiscal 2006.

For the year ended June 30, 2008, receipts included \$205,074 in property tax, \$272,292 from charges for service, \$123,258 from operating grants, contributions and restricted interest, \$20,468 from capital grants, contributions and restricted interest and \$4,437 from unrestricted interest on investments.

For the year ended June 30, 2007, receipts included \$204,512 in property tax, \$281,548 from charges for service, \$117,537 from operating grants, contributions and restricted interest and \$5,670 from unrestricted interest on investments.

Disbursements for the year ended June 30, 2008 totaled \$777,217, a 37 percent increase over the prior year, and included \$106,613 for public safety, \$104,866 for public works and \$82,275 for debt service. Also, disbursements for business type activities totaled \$359,676.

Disbursements for the year ended June 30, 2007 totaled \$565,947, a 15 percent increase over the prior year, and included \$119,788 for public safety, \$80,120 for debt service and \$70,190 for public works. Also, disbursements for business type activities totaled \$186,638.

The significant increase in receipts and disbursements is due primarily to the sewer lagoon project which was started in fiscal year 2007.

A copy of the audit report is available for review in the City Clerk's Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/reports.htm>.

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CITY OF POMEROY

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

JUNE 30, 2008 AND 2007

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City of Pomeroy

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2008)		
Gene Becker	Mayor	Jan 2008
Carol Meyer	Mayor Pro tem	Jan 2008
Susan Juilfs	Council Member	Jan 2008
William Sankey	Council Member	Jan 2008
Daniel DeVore	Council Member	Jan 2010
Cynthia Loots	Council Member	Jan 2010
Julia Pettit	Clerk/Treasurer	Indefinite
Steven Hendricks	Attorney	Indefinite
(After January 2008)		
Gene Becker	Mayor	Jan 2010
Carol Meyer	Mayor Pro tem	Jan 2012
Daniel DeVore	Council Member	Jan 2010
Cynthia Loots	Council Member	Jan 2010
Susan Juilfs	Council Member	Jan 2012
Ron Bachman	Council Member	Jan 2012
Julia Pettit	Clerk/Treasurer	Terminated 2/11/08
Sarah Burke	Clerk/Treasurer	Indefinite
Steven Hendricks	Attorney	Indefinite

City of Pomeroy



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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

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 the City of Pomeroy, Iowa, as of and for the years ended June 30, 2008 and 2007, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Pomeroy's management. 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.

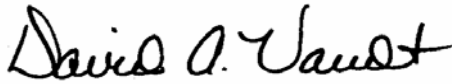
As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Pomeroy as of June 30, 2008 and 2007, and the respective changes in cash basis financial position for the years then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated May 13, 2009 on our consideration of the City of Pomeroy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts 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 internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 13 and 32 through 36 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required 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 the City of Pomeroy'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 year ended June 30, 2006 (which are not presented herein) and expressed qualified opinions on the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information which were prepared in conformity with an other comprehensive basis of accounting since we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2005. Other supplementary information included in Schedules 1 through 3 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.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

May 13, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Pomeroy provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal years ended June 30, 2008 and 2007. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2008 FINANCIAL HIGHLIGHTS

- The cash basis net assets of the City's governmental activities decreased 20.9%, or approximately \$59,000, from June 30, 2007 to June 30, 2008.
- The cash basis net assets of the City's business type activities decreased 11.8%, or approximately \$20,000, from June 30, 2007 to June 30, 2008.

2007 FINANCIAL HIGHLIGHTS

- The cash basis net assets of the City's governmental activities decreased 1.9%, or approximately \$5,500, from June 30, 2006 to June 30, 2007.
- The cash basis net assets of the City's business type activities increased 42.0%, or approximately \$50,000, from June 30, 2006 to June 30, 2007, primarily due to a portion of FY 2006 water and sewer revenues being billed and received in FY 2007.

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 City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City'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 the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

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 City's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government and debt service. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks, the sanitary sewer system and landfill assessments. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Employee Benefits, 3) the Debt Service Fund and 4) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a statement of cash receipts, disbursements and changes in cash balances.

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the water and sewer funds, considered to be major funds of the City, and the landfill assessment fund, a nonmajor fund.

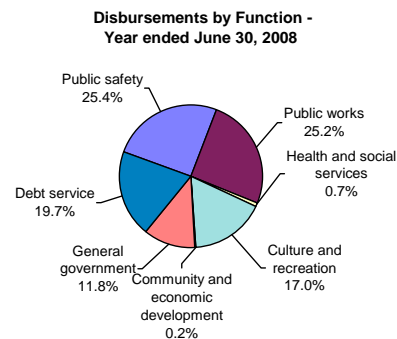
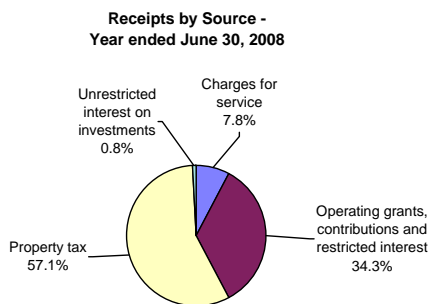
The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

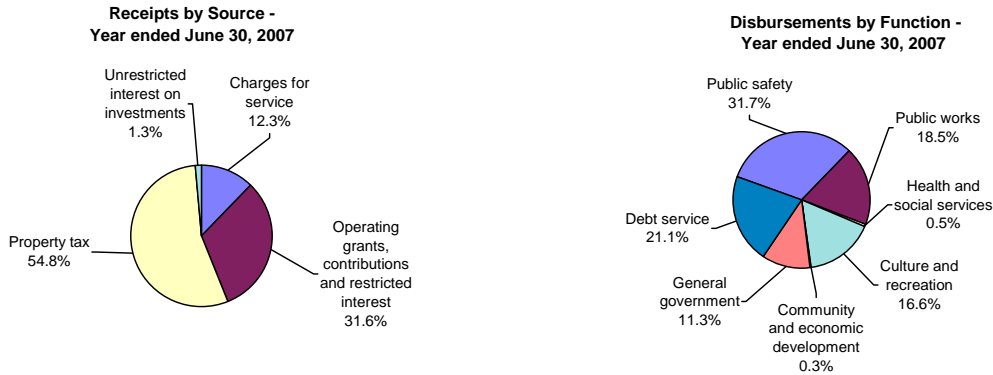
Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from fiscal 2007 to fiscal 2008 and from fiscal 2006 to fiscal 2007, decreasing from approximately \$281,000 to approximately \$223,000 and from \$287,000 to \$281,000, respectively. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities			
(Expressed in Thousands)			
	Year ended June 30,		
	2008	2007	2006
Receipts:			
Program receipts:			
Charges for service	\$ 28	46	46
Operating grants, contributions and restricted interest	123	118	102
General receipts:			
Property tax	205	204	276
Unrestricted interest on investments	3	5	1
Total receipts	359	373	425
Disbursements:			
Public safety	106	120	110
Public works	105	70	87
Health and social services	3	2	1
Culture and recreation	71	63	57
Community and economic development	1	1	-
General government	49	43	68
Debt service	82	80	83
Total disbursements	417	379	406
Change in cash basis net assets	(58)	(6)	19
Cash basis net assets beginning of year	281	287	268
Cash basis net assets end of year	\$ 223	281	287

In fiscal year 2008, the City's total receipts for governmental activities decreased 4.0%, or approximately \$14,000. The total cost of all programs and services increased approximately \$38,000, or 10%. The significant increase in cost was primarily the result of a road maintenance project.



In fiscal year 2007, the City's total receipts for governmental activities decreased 12.1%, or approximately \$52,000. The total cost of all programs and services decreased approximately \$27,000, or 6.7%. The significant decrease in receipts was primarily the result of the property tax rate being reduced from \$21.51355 to \$15.75685 per \$1,000 of taxable valuation.



The City decreased property tax rates for 2007 approximately 26.8%. Property tax rates increased approximately 1.2% in 2008. The decrease in 2007 was due to an inadequate levy for employee benefits of \$405 for fiscal year 2007 from \$49,000 in fiscal year 2006.

The cost of all governmental activities was approximately \$417,000 in fiscal year 2008 and approximately \$379,000 in fiscal year 2007 compared to approximately \$406,000 in fiscal year 2006. However, as shown in the Statement of Activities and Net Assets on pages 16-19, the amount taxpayers ultimately financed for these activities was approximately \$267,000 in fiscal year 2008 and approximately \$215,000 in fiscal year 2007 because some of the cost was paid by those directly benefiting from the programs (\$27,000 in fiscal year 2008 and \$47,000 in fiscal year 2007) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$123,000 in fiscal year 2008 and \$118,000 in fiscal year 2007). Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, decreased from approximately \$165,000 in 2007 to approximately \$150,000 in 2008 and increased from approximately \$148,000 in 2006 to approximately \$165,000 in 2007, remaining fairly stable between years. The City paid for the remaining "public benefit" portion of governmental activities (\$267,000 in fiscal year 2008 and \$215,000 in fiscal year 2007) with taxes (some of which could only be used for certain programs) and other receipts, such as interest.

Changes in Cash Basis Net Assets of Business Type Activities			
(Expressed in Thousands)			
	Year ended June 30,		
	2008	2007	2006
Receipts:			
Program receipts:			
Charges for service:			
Water	\$ 113	141	81
Sewer	112	73	36
Landfill assessments	19	21	12
Miscellaneous	1	1	-
General receipts:			
Intergovernmental	21	-	-
Unrestricted interest on investments	1	1	1
Note proceeds	73	-	-
Total receipts	<u>340</u>	<u>237</u>	<u>130</u>
Disbursements:			
Water	196	116	74
Sewer	81	40	4
Landfill assessments	21	4	8
Capital projects	62	27	-
Total disbursements	<u>360</u>	<u>187</u>	<u>86</u>
Change in cash basis net assets	(20)	50	44
Cash basis net assets beginning of year	<u>169</u>	<u>119</u>	<u>75</u>
Cash basis net assets end of year	<u>\$ 149</u>	<u>169</u>	<u>119</u>

Total business type activities receipts were approximately \$340,000 in fiscal year 2008 and approximately \$237,000 in fiscal year 2007 compared to approximately \$130,000 in fiscal year 2006. The significant increase from 2007 to 2008 was due primarily to the receipt of \$21,000 in CDBG funds and \$73,000 in note proceeds from the state revolving loan fund for the sewer lagoon project. The significant increase from 2006 to 2007 was due to an increase in sewer rates, from \$3.34 per 1000 gallons of usage to \$7.34 per 1,000 gallons of usage, and due to not billing April 2006 and May 2006 until fiscal year 2007. The cash balance decreased approximately \$20,000 from fiscal year 2007 to fiscal year 2008 and increased approximately \$50,000 from fiscal year 2006 to fiscal year 2007. Total disbursements increased 92.5% to approximately \$360,000 for fiscal year 2008 and 117.4% to approximately \$187,000 for fiscal year 2007, due primarily to the purchase of water filters and maintenance costs.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Pomeroy completed the year, its governmental funds reported a combined fund balance of \$222,505 at the end of fiscal year 2008 and \$281,200 at the end of fiscal year 2007, a decrease of approximately \$59,000 and approximately \$6,000 below the prior year's totals, respectively. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance decreased \$5,079 to \$207,645 from June 30, 2007 to June 30, 2008 and increased \$24,957 to \$212,724 from June 30, 2006 to June 30, 2007. The fiscal year 2007 increase was primarily due to additional grants the City received for the ambulance.
- The Special Revenue, Road Use Tax Fund cash balance decreased \$23,524 to a deficit of \$4,628 from June 30, 2007 to June 30, 2008 and decreased \$1,987 to \$18,896 from June 30, 2006 to June 30, 2007. The decreases were attributable to approximately \$10,000 of road use tax receipts being offset by the State of Iowa to cover outstanding sales tax payments.

- The Special Revenue, Employee Benefits Fund cash balance decreased \$32,127 to a deficit of \$42,973 from June 30, 2007 to June 30, 2008 and decreased \$31,729 to a deficit of \$10,846 from June 30, 2006 to June 30, 2007. The decreases are due to an inadequate levy to cover employee benefit costs.
- The Special Revenue, Emergency Fund cash balance increased \$3,414 to \$27,607 during fiscal year 2008. The increase was due to \$3,553 in property tax collections.
- The Debt Service Fund cash balance decreased \$2,153 to \$11,519 during fiscal year 2008 and decreased \$588 to \$13,672 during fiscal year 2007. The cash balance and activity of the Debt Service Fund remained relatively stable.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance decreased \$81,109 to \$27,731 during fiscal year 2008 and increased \$27,025 to \$108,840 during fiscal year 2007. The increase in fiscal year 2007 was due primarily to two additional months being billed in fiscal year 2007. The decrease in fiscal year 2008 was primarily due to the purchase of water filters at a cost of \$81,777.
- The Sewer Fund cash balance increased \$63,022 to \$102,034 during fiscal year 2008 and increased \$6,174 to \$39,012 during fiscal year 2007. The increase for both fiscal years was due primarily to the increase in sewer rates.

BUDGETARY HIGHLIGHTS

Over the course of fiscal year 2008, the City amended its budget one time. The amendment was approved on May 19, 2008 and resulted in an increase in operating disbursements related to the sewer lagoon project of approximately \$100,000 and a correction to include a budget for debt service of \$83,000. The City issued new debt during fiscal year 2008 to cover engineering costs for the sewer lagoon project.

The City's receipts were \$30,181 less than budgeted in fiscal 2008. This was primarily due to the City budgeting note proceeds as receipts rather than as other financing sources.

Total disbursements were \$31,990 less than the amended budget in fiscal 2008. Actual disbursements for the public safety, public works, health and social services, general government, and debt service functions were \$3,823, \$21,160, \$475, \$13,532 and \$725, respectively, less than the amended budget. This was primarily due to the City overestimating the public safety function due to the anticipation of a grant for equipment for the Fire Department, the public works function was due to a street project partially postponed in fiscal year 2008, the general government function was lower due to tort liabilities being expensed out of each different function instead of the general government function where it was budgeted and the debt service function over estimated \$725 in interest.

The City exceeded the amounts budgeted in the culture and recreation and business type activities functions for the year ended June 30, 2008 due to the City not budgeting for the separately maintained bank accounts and underestimating the sewer construction project costs. The City had sufficient cash balances to absorb these additional costs.

Over the course of fiscal year 2007, the City did not amend its budget.

The City's receipts were \$14,131 more than budgeted. This was primarily due to the City receiving CDBG funds for the sewer project.

Total disbursements were \$57,139 less than budgeted. Actual disbursements for the public works, community and economic development, general government and business type activities functions were \$13,975, \$5,001, \$32,729 and \$29,362, respectively, less than budgeted.

The City exceeded the amounts budgeted in the public works, health and social services, and culture and recreation functions for the year ended June 30, 2007, due primarily to the City not budgeting for the separately maintained bank accounts. The City had sufficient cash balances in these accounts to absorb the costs incurred.

DEBT ADMINISTRATION

At June 30, 2008 and 2007, the City had \$147,608 and \$150,000, respectively, in general obligation bonds outstanding, compared to \$220,000 at June 30, 2006, as shown below.

Outstanding Debt at Year-End		
	June 30,	
	2008	2007
General obligation bonds	\$ 75,000	150,000
Interim project note	72,608	-
 Total	 \$ 147,608	 150,000

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City’s corporate limits. The City’s outstanding general obligation debt of \$147,608 at June 30, 2008 and \$150,000 at June 30, 2007 was significantly below its constitutional debt limit of approximately \$1 million for both years.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET AND RATES

The City of Pomeroy’s elected and appointed officials and citizens considered many factors when setting the fiscal year 2009 budget, tax rates and fees charged for various City activities.

The fiscal year 2009 budget includes receipts totaling \$1,913,020 and disbursements of \$1,951,538.

The fiscal year 2009 levy is \$21.31416 per \$1,000 of taxable valuation.

If these estimates are realized, the City’s budgeted cash balance is expected to decrease approximately \$38,000 by the close of 2009.

CONTACTING THE CITY’S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City’s finances and to show the City’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact Sarah Burke, City Clerk, 114 Ontario Street, Pomeroy, Iowa 50575.

City of Pomeroy

Basic Financial Statements

City of Pomeroy

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2008

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 106,613	17,409	12,652	-
Public works	104,866	2,266	66,715	-
Health and social services	2,525	-	-	-
Culture and recreation	71,294	6,322	40,693	-
Community and economic development	500	-	-	-
General government	49,468	1,296	3,198	-
Debt service	82,275	-	-	-
Total governmental activities	417,541	27,293	123,258	-
Business type activities:				
Water	195,986	113,286	-	-
Sewer	142,502	112,448	-	20,468
Landfill assessments	21,188	19,265	-	-
Total business type activities	359,676	244,999	-	20,468
Total	\$ 777,217	272,292	123,258	20,468

General Receipts:

Property and other city tax levied for:
 General purposes
 Debt service
 Unrestricted interest on investments
 Note proceeds
 Miscellaneous

Total general receipts

Change in cash basis net assets

Cash basis net assets beginning of year

Cash basis net assets end of year

Cash Basis Net Assets

Restricted:

Debt service
 Other purposes

Unrestricted

Total cash basis net assets

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
(76,552)	-	(76,552)
(35,885)	-	(35,885)
(2,525)	-	(2,525)
(24,279)	-	(24,279)
(500)	-	(500)
(44,974)	-	(44,974)
(82,275)	-	(82,275)
(266,990)	-	(266,990)
-	(82,700)	(82,700)
-	(9,586)	(9,586)
-	(1,923)	(1,923)
-	(94,209)	(94,209)
(266,990)	(94,209)	(361,199)
124,952	-	124,952
80,122	-	80,122
3,221	1,216	4,437
-	72,608	72,608
-	375	375
208,295	74,199	282,494
(58,695)	(20,010)	(78,705)
281,200	169,479	450,679
\$ 222,505	149,469	371,974
\$ 11,519	-	11,519
50,942	-	50,942
160,044	149,469	309,513
\$ 222,505	149,469	371,974

City of Pomeroy

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2007

	Disbursements	Program Receipts	
		Charges for Service	Operating Grants, Contributions and Restricted Interest
Functions/Programs:			
Governmental activities:			
Public safety	\$ 119,788	43,010	29,805
Public works	70,190	1,005	67,161
Health and social services	2,450	-	-
Culture and recreation	62,794	2,330	18,837
Community and economic development	899	-	-
General government	43,068	320	1,734
Debt service	80,120	-	-
Total governmental activities	379,309	46,665	117,537
Business type activities:			
Water	115,908	141,043	-
Sewer	66,473	72,647	-
Landfill assessments	4,257	21,193	-
Total business type activities	186,638	234,883	-
Total	\$ 565,947	281,548	117,537

General Receipts:

Property and other city tax levied for:
 General purposes
 Debt service
Unrestricted interest on investments
Miscellaneous

Total general receipts

Change in cash basis net assets

Cash basis net assets beginning of year

Cash basis net assets end of year

Cash Basis Net Assets

Restricted:

 Streets
 Debt service
 Other purposes

Unrestricted

Total cash basis net assets

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
(46,973)	-	(46,973)
(2,024)	-	(2,024)
(2,450)	-	(2,450)
(41,627)	-	(41,627)
(899)	-	(899)
(41,014)	-	(41,014)
(80,120)	-	(80,120)
(215,107)	-	(215,107)
-	25,135	25,135
-	6,174	6,174
-	16,936	16,936
-	48,245	48,245
(215,107)	48,245	(166,862)
124,980	-	124,980
79,532	-	79,532
5,069	601	5,670
-	1,289	1,289
209,581	1,890	211,471
(5,526)	50,135	44,609
286,726	119,344	406,070
\$ 281,200	169,479	450,679
\$ 18,896	-	18,896
13,672	-	13,672
46,754	-	46,754
201,878	169,479	371,357
\$ 281,200	169,479	450,679

City of Pomeroy

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Governmental Funds

As of and for the year ended June 30, 2008

	Special Revenue			
	General	Road Use Tax	Employee Benefits	Emergency
Receipts:				
Property tax	\$ 106,886	-	7,355	3,553
Other city tax	7,158	-	-	-
Licenses and permits	1,180	-	-	-
Use of money and property	3,747	-	-	-
Intergovernmental	30,187	66,433	-	-
Charges for service	22,218	-	-	-
Miscellaneous	29,233	-	-	-
Total receipts	200,609	66,433	7,355	3,553
Disbursements:				
Operating:				
Public safety	84,748	-	21,726	139
Public works	4,797	89,957	10,112	-
Health and social services	2,525	-	-	-
Culture and recreation	68,763	-	2,531	-
Community and economic development	500	-	-	-
General government	44,355	-	5,113	-
Debt service	-	-	-	-
Total disbursements	205,688	89,957	39,482	139
Excess (deficiency) of receipts over (under) disbursements	(5,079)	(23,524)	(32,127)	3,414
Cash balances beginning of year	212,724	18,896	(10,846)	24,193
Cash balances end of year	\$ 207,645	(4,628)	(42,973)	27,607
Cash Basis Fund Balances				
Reserved for debt service	\$ -	-	-	-
Unreserved:				
General fund	207,645	-	-	-
Special revenue funds	-	(4,628)	(42,973)	27,607
Permanent fund	-	-	-	-
Total cash basis fund balances	\$ 207,645	(4,628)	(42,973)	27,607

See notes to financial statements.

Debt Service	Nonmajor Permanent Cemetery Perpetual Care	Total
80,122	-	197,916
-	-	7,158
-	-	1,180
-	774	4,521
-	-	96,620
-	-	22,218
-	-	29,233
80,122	774	358,846
-	-	106,613
-	-	104,866
-	-	2,525
-	-	71,294
-	-	500
-	-	49,468
82,275	-	82,275
82,275	-	417,541
(2,153)	774	(58,695)
13,672	22,561	281,200
11,519	23,335	222,505
11,519	-	11,519
-	-	207,645
-	-	(19,994)
-	23,335	23,335
11,519	23,335	222,505

City of Pomeroy

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Governmental Funds

As of and for the year ended June 30, 2007

	Special Revenue		
	General	Road Use Tax	Employee Benefits
Receipts:			
Property tax	\$ 105,559	-	8,077
Other city tax	7,886	-	-
Licenses and permits	270	-	-
Use of money and property	6,048	-	-
Intergovernmental	48,074	53,434	-
Charges for service	44,355	-	-
Miscellaneous	16,579	-	-
Total receipts	228,771	53,434	8,077
Disbursements:			
Operating:			
Public safety	97,380	-	22,260
Public works	5,096	55,421	9,673
Health and social services	2,450	-	-
Culture and recreation	60,670	-	2,124
Community and economic development	899	-	-
General government	37,319	-	5,749
Debt service	-	-	-
Total disbursements	203,814	55,421	39,806
Excess (deficiency) of receipts over (under) disbursements	24,957	(1,987)	(31,729)
Cash balances beginning of year	187,767	20,883	20,883
Cash balances end of year	\$ 212,724	18,896	(10,846)
Cash Basis Fund Balances			
Reserved for debt service	\$ -	-	-
Unreserved:			
General fund	212,724	-	-
Special revenue funds	-	18,896	(10,846)
Permanent fund	-	-	-
Total cash basis fund balances	\$ 212,724	18,896	(10,846)

See notes to financial statements.

Debt Service	Nonmajor	Total
79,532	3,458	196,626
-	-	7,886
-	-	270
-	511	6,559
-	-	101,508
-	-	44,355
-	-	16,579
<u>79,532</u>	<u>3,969</u>	<u>373,783</u>
-	148	119,788
-	-	70,190
-	-	2,450
-	-	62,794
-	-	899
-	-	43,068
80,120	-	80,120
<u>80,120</u>	<u>148</u>	<u>379,309</u>
(588)	3,821	(5,526)
<u>14,260</u>	<u>42,933</u>	<u>286,726</u>
<u>13,672</u>	<u>46,754</u>	<u>281,200</u>
13,672	-	13,672
-	-	212,724
-	24,193	32,243
-	22,561	22,561
<u>13,672</u>	<u>46,754</u>	<u>281,200</u>

Exhibit C

City of Pomeroy

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Proprietary Funds

As of and for the year ended June 30, 2008

	Enterprise			Total
	Water	Sewer	Nonmajor Landfill	
Assessments				
Operating receipts:				
Charges for service	\$ 113,286	112,448	19,265	244,999
Miscellaneous	375	-	-	375
Total operating receipts	113,661	112,448	19,265	245,374
Operating disbursements:				
Business type activities	114,209	80,759	21,188	216,156
Excess (deficiency) of operating receipts over (under) operating disbursements	(548)	31,689	(1,923)	29,218
Non-operating receipts (disbursements):				
Intergovernmental	-	20,468	-	20,468
Interest on investments	1,216	-	-	1,216
Note proceeds	-	72,608	-	72,608
Equipment	(81,777)	-	-	(81,777)
Capital projects	-	(61,743)	-	(61,743)
Total non-operating receipts (disbursements)	(80,561)	31,333	-	(49,228)
Net change in cash balances	(81,109)	63,022	(1,923)	(20,010)
Cash balances beginning of year	108,840	39,012	21,627	169,479
Cash balances end of year	\$ 27,731	102,034	19,704	149,469
Cash Basis Fund Balances				
Unreserved	\$ 27,731	102,034	19,704	149,469

See notes to financial statements.

City of Pomeroy

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Proprietary Funds

As of and for the year ended June 30, 2007

	Enterprise			Total
	Water	Sewer	Nonmajor	
			Landfill Assessments	
Operating receipts:				
Charges for service	\$ 141,043	72,647	21,193	234,883
Miscellaneous	1,289	-	-	1,289
Total operating receipts	142,332	72,647	21,193	236,172
Operating disbursements:				
Business type activities	115,908	40,089	4,257	160,254
Excess of operating receipts over operating disbursements	26,424	32,558	16,936	75,918
Non-operating receipts (disbursements) :				
Interest on investments	601	-	-	601
Capital projects	-	(26,384)	-	(26,384)
Total non-operating receipts (disbursements)	601	(26,384)	-	(25,783)
Net change in cash balances	27,025	6,174	16,936	50,135
Cash balances beginning of year	81,815	32,838	4,691	119,344
Cash balances end of year	\$ 108,840	39,012	21,627	169,479
Cash Basis Fund Balances				
Unreserved	\$ 108,840	39,012	21,627	169,479

See notes to financial statements.

City of Pomeroy

Notes to Financial Statements

June 30, 2008 and 2007

(1) Summary of Significant Accounting Policies

The City of Pomeroy is a political subdivision of the State of Iowa located in Calhoun County. It was first incorporated in 1870 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water, sewer and landfill assessment utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Pomeroy has included all funds, organizations, agencies, boards, commissions and authorities. The City 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 City are such that exclusion would cause the City'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 City 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 City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Calhoun County Assessor's Conference Board, Calhoun County Emergency Management Commission, North Central Iowa Regional Solid Waste Agency and Calhoun County Joint E911 Service Board.

B. Basis of Presentation

Government-wide Financial Statement - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which 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 Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

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 preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts 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 on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

Unless otherwise noted, the City reports the following major governmental funds for both of the years ended June 30, 2008 and 2007:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts 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 disbursements, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Employee Benefits Fund is used to account for special tax levy collections to be used for employee benefits.

For the year ended June 30, 2008 the Emergency Fund was a major governmental fund. The Emergency Fund is used to account for the emergency levy collections.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

C. Measurement Focus and Basis of Accounting

The City of Pomeroy maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, disbursements exceeded the amounts budgeted in the culture and recreation and business type activities functions. During the year ended June 30, 2007, disbursements exceeded the amounts budgeted in public safety, health and social services and culture and recreation functions.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2008 and 2007 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City 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 City Council; 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, 2007 and June 30, 2008, the City had the following investments:

Type	Carrying Amount	Fair Value
U.S. Savings Bonds	\$ 1,425	1,425

Interest rate risk – The City’s investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

(3) Bonds Payable

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending June 30,	Street Improvement/Police Car Issued Jan. 1, 1999		
	Principal	Interest	Total
2009	\$ 75,000	3,375	78,375

(4) Interim Loan and Disbursement Agreement

On March 23, 2007, the City entered into a State Revolving Fund (SRF) loan and disbursement agreement with the Iowa Finance Authority for the issuance of a \$128,500 interest free Interim Loan and Disbursement Agreement/Project Note. The note was issued as an interim measure for engineering costs for a sewer lagoon project and will be repaid from proceeds of a \$1,241,000 SRF loan agreement. At June 30, 2008, the City had drawn \$72,608.

(5) Pension and Retirement Benefits

The City 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.

Most regular plan members are required to contribute 3.90% of their annual covered salary and the City is required to contribute 6.05% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City’s contributions to IPERS for the years ended June 30, 2008, 2007 and 2006 were \$9,654, \$9,376 and \$7,606, respectively, equal to the required contributions for each year.

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City did not compute the employees’ vacation or sick leave balances as of June 30, 2008 and 2007.

(7) Related Party Transactions

The City had business transactions between the City and City officials totaling \$1,003 during the year ended June 30, 2007 and \$3,472 during the year ended June 30, 2008.

(8) Risk Management

The City 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 City 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) Deficit Balances

The Special Revenue, Road Use Tax and Employee Benefits Funds had deficit balances of \$4,628 and \$42,973, respectively, at June 30, 2008. The Special Revenue, Employee Benefits Fund also had a deficit balance of \$10,846 at June 30, 2007. The deficit balances in the Special Revenue, Road Use Tax Fund at June 30, 2008 was a result of the State of Iowa offsetting \$9,714 of road use tax receipts to pay outstanding sales tax. The deficit balances in the Special Revenue, Employee Benefits Fund were a result of an inadequate levy. The deficits will be eliminated by appropriate transfers from other City funds.

(10) Subsequent Events

On October 1, 2008, the City issued \$1,241,000 of sewer revenue bonds - State Revolving Fund (SRF) Loan Program and entered into construction contracts totaling approximately \$1,400,000 for a sewer lagoon project.

Required Supplementary Information

City of Pomeroy
 Budgetary Comparison Schedule
 of Receipts, Disbursements, and Changes in Balances –
 Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds

Required Supplementary Information

Year ended June 30, 2008

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Property tax	\$ 197,916	-
Other city tax	7,158	-
Licenses and permits	1,180	-
Use of money and property	4,521	1,216
Intergovernmental	96,620	20,468
Charges for service	22,218	244,999
Miscellaneous	29,233	375
Total receipts	358,846	267,058
Disbursements:		
Public safety	106,613	-
Public works	104,866	-
Health and social services	2,525	-
Culture and recreation	71,294	-
Community and economic development	500	-
General government	49,468	-
Debt service	82,275	-
Business type activities	-	359,676
Total disbursements	417,541	359,676
Excess (deficiency) of receipts over (under) disbursements	(58,695)	(92,618)
Other financing sources, net	-	72,608
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(58,695)	(20,010)
Balances beginning of year	281,200	169,479
Balances end of year	\$ 222,505	149,469

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
197,916	198,061	198,061	(145)
7,158	7,191	7,191	(33)
1,180	-	-	1,180
5,737	-	-	5,737
117,088	72,705	146,865	(29,777)
267,217	289,968	289,968	(22,751)
29,608	14,000	14,000	15,608
625,904	581,925	656,085	(30,181)
106,613	97,988	110,436	3,823
104,866	126,026	126,026	21,160
2,525	3,000	3,000	475
71,294	66,585	69,245	(2,049)
500	500	500	-
49,468	63,000	63,000	13,532
82,275	-	83,000	725
359,676	216,000	354,000	(5,676)
777,217	573,099	809,207	31,990
(151,313)	8,826	(153,122)	1,809
72,608	-	-	72,608
(78,705)	8,826	(153,122)	74,417
450,679	593,083	593,083	(142,404)
371,974	601,909	439,961	(67,987)

City of Pomeroy
 Budgetary Comparison Schedule
 of Receipts, Disbursements, and Changes in Balances –
 Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds

Required Supplementary Information

Year ended June 30, 2007

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Property tax	\$ 196,626	-
Other city tax	7,886	-
Licenses and permits	270	-
Use of money and property	6,559	601
Intergovernmental	101,508	-
Charges for service	44,355	234,883
Miscellaneous	16,579	1,289
Total receipts	373,783	236,773
Disbursements:		
Public safety	119,788	-
Public works	70,190	-
Health and social services	2,450	-
Culture and recreation	62,794	-
Community and economic development	899	-
General government	43,068	-
Debt service	80,120	-
Business type activities	-	186,638
Total disbursements	379,309	186,638
Excess (deficiency) of receipts over (under) disbursements	(5,526)	50,135
Balances beginning of year	286,726	119,344
Balances end of year	\$ 281,200	169,479

See accompanying independent auditor's report.

Total	Original and Final Budgeted Amounts	Final to Total Variance
196,626	198,061	(1,435)
7,886	7,191	695
270	-	270
7,160	-	7,160
101,508	93,705	7,803
279,238	289,968	(10,730)
17,868	7,500	10,368
610,556	596,425	14,131
119,788	103,488	(16,300)
70,190	84,165	13,975
2,450	2,000	(450)
62,794	55,616	(7,178)
899	5,900	5,001
43,068	75,797	32,729
80,120	80,120	-
186,638	216,000	29,362
565,947	623,086	57,139
44,609	(26,661)	71,270
406,070	772,834	(366,764)
450,679	746,173	(295,494)

City of Pomeroy

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2008 and 2007

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

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During fiscal year 2008, one budget amendment increased budgeted disbursements by \$236,108. The budget amendment is reflected in the final budgeted amounts for 2008.

During the year ended June 30, 2008, disbursements exceeded the amounts budgeted in the culture and recreation and business type activities functions. During the year ended June 30, 2007, disbursements exceeded the amounts budgeted in the public safety, health and social services and culture and recreation functions.

Other Supplementary Information

City of Pomeroy

City of Pomeroy

Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds

As of and for the year ended June 30, 2007

	Special Revenue	Permanent	Total
	Emergency	Cemetery Perpetual Care	
Receipts:			
Property tax	\$ 3,458	-	3,458
Use of money and property	-	511	511
Total receipts	3,458	511	3,969
Disbursements:			
Operating:			
Public safety	148	-	148
Net change in cash balances	3,310	511	3,821
Cash balances beginning of year	20,883	22,050	42,933
Cash balances end of year	\$ 24,193	22,561	46,754
Cash Basis Fund Balances			
Unreserved:			
Special revenue funds	\$ 24,193	-	24,193
Permanent fund	-	22,561	22,561
Total cash basis fund balances	\$ 24,193	22,561	46,754

See accompanying independent auditor's report.

City of Pomeroy
Schedule of Indebtedness
Year ended June 30, 2008

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds: Street improvement/police car	Jan 1, 1999	4.00 - 4.50%	\$ 650,000
Interim loan and disbursement agreement/project note	Mar 23, 2007	0.00%	\$ 128,500

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
150,000	-	75,000	75,000	6,675
-	72,608	-	72,608	-

City of Pomeroy
Schedule of Indebtedness
Year ended June 30, 2007

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds: Street improvement/police car	Jan 1, 1999	4.00 - 4.50%	\$ 650,000

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
220,000	-	70,000	150,000	9,720

Schedule 3

City of Pomeroy

Schedule of Receipts By Source and Disbursements By Function -
All Governmental Funds

For the Last Three Years

	2008	2007	2006
Receipts:			
Property tax	\$ 197,916	196,626	266,505
Other city tax	7,158	7,886	9,679
Licenses and permits	1,180	270	595
Use of money and property	4,521	6,559	2,624
Intergovernmental	96,620	101,508	99,129
Charges for service	22,218	44,355	36,923
Miscellaneous	29,233	16,579	9,756
	<hr/>		
Total	\$ 358,846	373,783	425,211
	<hr/>		
Disbursements:			
Operating:			
Public safety	\$ 106,613	119,788	110,428
Public works	104,866	70,190	86,856
Health and social services	2,525	2,450	705
Culture and recreation	71,294	62,794	56,675
Community and economic development	500	899	-
General government	49,468	43,068	68,314
Debt service	82,275	80,120	82,930
	<hr/>		
Total	\$ 417,541	379,309	405,908
	<hr/>		

See accompanying independent auditor's report.

**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**

City of Pomeroy



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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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 Honorable Mayor and
Members of the City Council:

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 the City of Pomeroy, Iowa, as of and for the years ended June 30, 2008 and 2007, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated May 13, 2009. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. 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 the City of Pomeroy's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City of Pomeroy's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Pomeroy's internal control over financial reporting.

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

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Pomeroy's ability to initiate, authorize, record, process or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of the City of Pomeroy's financial statements that is more than inconsequential will not be prevented or detected by the City of Pomeroy's internal control. We consider the deficiencies in internal control described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

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

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

Compliance and Other Matters

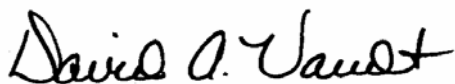
As part of obtaining reasonable assurance about whether the City of Pomeroy's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material 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 the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the years ended June 30, 2008 and 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. 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.

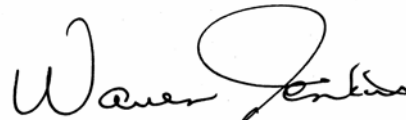
The City of Pomeroy's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City of Pomeroy's responses and, accordingly, we express no opinion on them.

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Pomeroy 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.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

May 13, 2009

City of Pomeroy

City of Pomeroy

Schedule of Findings

Years ended June 30, 2008 and 2007

Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

(A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. When duties are properly segregated, the activities of one employee act as a check of those of another. One person has control over each of the following areas for the City:

1. Accounting system - performing all general accounting functions and having custody of assets.
2. Cash – custody of petty cash, initiating cash receipt and disbursement functions and handling and recording cash.
3. Investments – detailed record keeping, custody of investments and reconciling earnings.
4. Long term debt – recording and reconciling.
5. Receipts – collecting, depositing, journalizing and posting.
6. Utility receipts – billing, collecting, depositing, posting and reconciling.
7. Disbursements – purchasing, recording and reconciling.
8. Information system (computer usage) – performing all general accounting functions and controlling all data input and output.
9. Financial reporting – preparing, reconciling and distributing.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available personnel. Evidence of various reviews should be indicated by initials of the independent reviewer and the date of the review.

Response – The Council now reviews and approves monthly bills, financial statements and bank and utility reconciliations. We will implement internal control procedures where possible.

Conclusion – Response accepted.

(B) Reconciliation of Utility Billings, Collections and Delinquencies – Testing of utility receipts identified the following:

- Utility billings, collections and delinquent accounts were not reconciled. Also, monthly receipt registers are not prepared.
- Utility billings were not prepared and mailed timely, resulting in fourteen billings for the year ended June 30, 2007.

City of Pomeroy

Schedule of Findings

Years ended June 30, 2008 and 2007

- New utility rates are not tested when entered into the billing system.
- The City water ordinance requires water service to be discontinued under certain conditions and a 10% penalty to be charged on late payments. The City is not following its water ordinance for discontinuing water service or charging the 10% penalty.
- The City does not have an ordinance to establish the landfill assessment or the return check fee.

Recommendation – Procedures should be established to reconcile utility billings, collections and delinquencies each month. The Council should review the reconciliation and monitor delinquencies each month. A monthly receipt register should be prepared and water, sewer and landfill assessment receipts should be identified separately for recording.

The City should also implement a review of billings each month to ensure proper amounts are being billed timely. New utility rates should be tested and documentation of testing should be maintained each time new rates are entered into the billing system.

In addition, the City should follow its water ordinance regarding discontinuance of service and penalties charged on late payments or change the ordinance to current City practice. The City should also establish ordinances regarding the landfill assessment and the returned check fee.

Response – Monthly reconciliations are now implemented. The Council reviews the reconciliation and delinquents. Bills are now sent out in a timely manner. Penalties are assessed every month to follow the water ordinance. Discontinuance of service is also being followed now. The City will establish an ordinance for the returned check fee. When utility rates change we will run a test billing cycle.

Conclusion – Response accepted.

- (C) Monthly Financial Reports and Accounting Records – Monthly financial reports were not prepared and provided to the City Council each month. Bank to book balance reconciliations were not performed monthly.

Recommendation – Monthly financial reports should be prepared and provided to the City Council. Also, monthly receipts and disbursements should be reconciled to the bank each month and the reconciliations should be provided to the City Council for review and approval.

Response – The City Council is now reviewing the monthly financials including bank reconciliations and bills.

Conclusion – Response accepted.

- (D) Receipts – Deposits were not made timely and intact. Certain collections tested were deposited two months or more after receipt. Checks are not restrictively endorsed immediately upon receipt. Additionally, one receipt for a \$30 returned check fee could not be traced to a deposit.

City of Pomeroy

Schedule of Findings

Years ended June 30, 2008 and 2007

Recommendation – Deposits should be made timely and intact and checks should be restrictively endorsed immediately upon receipt.

Response – All checks are restrictively endorsed immediately upon receipt now, and have been since the auditors pointed it out. Deposits are now made when they are received and intact.

Conclusion – Response accepted.

- (E) Records of Accounts/Separately Maintained Records – The Pomeroy Fire Fighters, Pomeroy Library, Pomeroy Ambulance, Pomeroy Park, Pomeroy Shelter House and Summer Recreation program each maintain checking and/or savings accounts in a location separate from the Clerk’s office. These accounts were not reflected in the City’s accounting system or annual budget.

Additionally, the Fire Fighters, Library, Ambulance, Park, Shelter House, and Summer Recreation program each have one person who has primary control over receipts, deposits, disbursements and bank reconciliations. Also, 1099’s are not issued for labor paid for the Summer Recreation program.

Recommendation – Chapter 384.20 of the Code of Iowa states, in part, “A City shall keep accounts which show an accurate and detailed statement of all public funds collected, received or expended for any City purpose.” All financial transactions of these accounts should be included in the Clerk’s monthly financial reports. Internal control would be strengthened and operating efficiency could be increased by integrating the receipts and disbursements of these accounts with the City’s accounting records in the Clerk’s office.

If the Fire Fighters, Library, Ambulance, Park, Shelter House and Summer Recreation program account receipts and disbursements are not integrated with the City’s accounting records in the Clerk’s office, duties should be segregated to the extent possible.

In addition, 1099’s should be issued when required.

Response – The City is currently working on bringing the separate accounts up to date to be current on the balance sheet of the City. All bank statements are now mailed directly to the City to keep in its records. Also, the City Clerk has been placed as a signer on all separately maintained accounts. The City will review all transactions and ensure 1099’s are issued when needed.

Conclusion – Response accepted.

- (F) Disbursements – During our review of disbursements, the following items were noted:

- Supporting documentation was not retained or could not be located for five disbursements.
- Invoices were not cancelled to prevent reuse.

City of Pomeroy

Schedule of Findings

Years ended June 30, 2008 and 2007

- The City requires two signatures on checks. During testing, two checks were noted which lacked two signatures.
- Two invoices and/or support were not mathematically correct.
- Certain disbursement lists purportedly reviewed by the City Council could not be located and there was no evidence of review on those available.

Recommendation – Supporting documentation, including packing slips, should be retained for all disbursements. Invoices should be cancelled to prevent reuse. All checks should contain two authorized signatures. Supporting documentation should be reviewed to determine it is mathematically correct. A complete and accurate disbursement list should be provided to the Council for review and the review should be documented through initials and date.

Response – The Council now signs the disbursement list at every council meeting. Every disbursement now has supporting documentation and is cancelled after payment is made. Every check is signed by the Mayor and City Clerk.

Conclusion – Response accepted.

- (G) Compensated Absences – The City did not maintain a record of vacation and sick leave earned and used for each employee.

Recommendation – The City should maintain a record of vacation and sick leave earned and used for each employee.

Response – Available vacation, sick and personal time is maintained now. The totals print on the paycheck stub so the mayor can review as the check is signed.

Conclusion – Response accepted.

- (H) Travel Policy – The City has not adopted a travel reimbursement policy, including an approved mileage rate. Additionally, the City is not monitoring when withholding is required for taxable travel.

Recommendation – The City should adopt a travel reimbursement policy, including a requirement all reimbursable expenses be itemized. The policy should also specify lodging, meals and mileage reimbursement rates. In addition, the City should ensure taxes are withheld when appropriate.

Response – The City has a mileage rate established, but will adopt a travel reimbursement policy for the other requirements.

Conclusion – Response accepted.

- (I) Payroll Procedures – Although time sheets were prepared and retained for all employees, not all time sheets indicated they had been reviewed and approved by the appropriate supervisory personnel prior to the preparation of payroll. In addition, timesheets are to be submitted by noon on Thursday for purposes of running payroll. Because the pay period ends the following Saturday, employees must estimate their time worked for the remainder of the week.

City of Pomeroy

Schedule of Findings

Years ended June 30, 2008 and 2007

Recommendation – Timesheets should be submitted at the completion of the pay period and should be approved by appropriate supervisory personnel prior to preparation of payroll. The approval should be evidenced by initials of the reviewer.

Response – Timesheets are now submitted on Monday morning following the end of a pay period so employees are paid for the actual time worked. Timesheets are now approved by the appropriate supervisor and then all timesheets are approved by the mayor.

Conclusion – Response accepted.

- (J) Payroll Withholdings – The City was delinquent in remitting payments to the Iowa Public Employees Retirement System (IPERS) which resulted in fines and interest charges.

Recommendation – The City should ensure IPERS remittances are paid monthly as required.

Response – The City now reports IPERS as required.

Conclusion – Response accepted.

- (K) Additional Pay – The former City clerk was paid for overtime through the claim process. Therefore, appropriate state and federal withholdings were not deducted. In addition, the City Clerk's pay of \$50 for attending Council meetings was not processed through payroll and withholdings were not appropriately deducted.

Recommendation – The City should pay all overtime and compensation for attending meetings through the payroll process and appropriate tax withholdings should be deducted.

Response – All pay to the employees is made through the payroll process to have the appropriate state and federal withholdings deducted. The \$50 will be setup to be paid through the payroll process from now on.

Conclusion – Response accepted.

- (L) Water Consumption – Based on water tower readings, significantly more water is being consumed than is being billed each month. Per discussion with City officials, this difference may be due to broken or inaccurate meter readings or a water leak. In addition, the City does not read all water meters on a regular basis. These meters are either estimated or the City relies on the customer to report the water usage.

Recommendation – The City should work to resolve the significant variance between the amount of water being consumed and the amount of water being billed. Also, the City should develop a plan to allow a City employee to read all water meters periodically.

City of Pomeroy

Schedule of Findings

Years ended June 30, 2008 and 2007

Response – The City is currently establishing a replacement plan for water meters. The City has discussed bringing a leak check company in to investigate the water system.

Conclusion – Response accepted.

(M) Information Systems – During our review of internal control, the existing control activities in the City’s computer-based systems were evaluated in order to determine activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations and compliance with written accounting policies, applicable laws and regulations. The following weaknesses in the City’s computer based systems were noted:

- Passwords are not periodically changed every 60 to 90 days. The City’s software does not require users to periodically change log-ins/passwords.
- Passwords are not required to be 6 characters in length or longer.
- Backups were not done regularly and were not taken off site.

The City does not have written policies for:

- A disaster recovery plan.
- Periodically changing passwords or password length.

Recommendation – The City should implement procedures and develop written policies addressing the above items in order to improve the City’s control over computer-based systems.

Response – The City now backs up the computer five nights a week and backups are now stored offsite with the company IDrive. City employees are now required to change passwords quarterly with a minimum of 6 characters. The Council is currently working on a disaster recovery plan.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Other Findings Related to Required Statutory Reporting:

(1) Certified Budget – Disbursements during the year ended June 30, 2008 exceeded the amounts budgeted in the culture and recreation and business type activities functions. Disbursements during the year ended June 30, 2007 exceeded the amounts budgeted in the public safety, health and social services, and culture and recreation functions. Chapter 384.20 of the Code of Iowa states, in part,

City of Pomeroy

Schedule of Findings

Years ended June 30, 2008 and 2007

“Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – With the Council now reviewing monthly financial statements and disbursements, they will not allow disbursements to exceed the budget.

Conclusion – Response accepted.

- (2) Questionable Disbursements – 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.
- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount	
		FY07	FY08
Bachman Tiling, owned and operated by brother of Councilman Ron Bachman	Tiling	\$ -	2,204
Juilfs Trucking, owned and operated by fiancé of City Clerk Sarah Burke	Rock hauling	1,003	1,268

In accordance with Chapter 362.5(11) of the Code of Iowa, the above transactions do not appear to represent conflicts of interest since the total for each year was less than \$2,500.

- (5) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.
- (6) Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

The City did not publish a summary of receipts as required by Chapter 372.13(6) of the Code of Iowa. Also, the City did not publish total disbursements from each City fund as required.

The Council went into closed session on January 8, 2007. However, the minutes record did not document the specific information regarding the closed session as required by Chapter 21 of the Code of Iowa, commonly known as the open-meetings law.

Although minutes of Council proceedings were published, they were not published within fifteen days as required by Chapter 372.13(6) of the Code of Iowa.

City of Pomeroy

Schedule of Findings

Years ended June 30, 2008 and 2007

Recommendation – The City should comply with Chapter 21 of the Code of Iowa and should publish minutes and annual individual salaries as required.

Response – The minutes, summary of receipts and disbursements and annual individual salaries are now being published according to the Code of Iowa.

Conclusion – Response accepted.

- (7) Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted. However, the City has not maintained a complete record of CD's and other investments held.

Recommendation – The City should ensure a complete record of investments is maintained and the record is reviewed monthly for completeness.

Response – The Council now reviews the balance sheet monthly, the list of investments are now kept up to date.

Conclusion – Response accepted.

- (8) Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the City to retained cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and the back of each cancelled check. The City retains cancelled checks through electronic image, but does not obtain an image of the back of each cancelled check for the Pomeroy Fire Fighters, Pomeroy Library, Pomeroy Ambulance, Pomeroy Park, Pomeroy Shelter House and Summer Recreation program accounts in addition to the City's primary checking account, as required.

Recommendation – The City should obtain and retain an image of both the front and back of each cancelled check as required.

Response – The City contacted the banking financial institution and is now obtaining and retaining an image of both the front and back of each cancelled check as required.

Conclusion – Response accepted.

- (9) Annual Financial Report – The City prepared the annual financial report for the year ended June 30, 2007. However, the report did not accurately reflect the activity of the City.

Recommendation – The annual financial report should accurately reflect the activity of the City.

Response – The Council will review future annual financial reports to make sure it accurately reflects the activity of the City.

Conclusion – Response accepted.

City of Pomeroy

Schedule of Findings

Years ended June 30, 2008 and 2007

- (10) Financial Condition – At June 30, 2008, the Special Revenue, Road Use Tax and the Employee Benefits Funds had deficit balances of \$4,628 and \$42,973, respectively. At June 30, 2007, the Special Revenue, Employee Benefits Fund had a deficit balance of \$10,846.

Recommendation – The City should investigate alternatives to eliminate these deficits in order to return these funds to a sound financial position.

Response – The City has corrected the budgeting error and will no longer be in a deficit balance by the end of fiscal year 2010 for the Employee Benefits Fund. Currently, the Road Use Tax Fund is no longer in the negative.

Conclusion – Response accepted.

- (11) Road Use Tax Receipts – Sales tax collected on water sales was not remitted to the Iowa Department of Revenue. The State of Iowa withheld \$9,714 of road use tax through the income offset process to cover the delinquent sales tax payments. As a result of the withholding of road use tax receipts, the Road Use Tax Fund had a deficit balance at June 30, 2008.

Recommendation – The City should implement procedures to ensure sales tax is remitted to the Iowa Department of Revenue timely. In addition, the City should transfer \$9,714 from the Enterprise, Water Fund to the Special Revenue, Road Use Tax Fund to correct the cash balance of both funds.

Response – The sales tax is filed quarterly by the Deputy Clerk then double checked by the City Clerk. The City will transfer from the Enterprise, Water Fund to the Special Revenue, Road Use Tax Fund.

Conclusion – Response accepted.

- (12) Notice of Public Hearing for Issuance of Debt – The City held a public hearing to review an application for a State Revolving Fund loan. However, notice of the public hearing was not published not less than 4 nor more than 20 days before the hearing as required by Chapter 362.3 of the Code of Iowa. The notice of public hearing was published 32 days prior to the public hearing.

Recommendation – The City should give notice at least four but not more than twenty days prior to the hearing as provided in Chapter 362.3 of the Code of Iowa.

Response – The City will review and follow Chapter 362.3 of the Code of Iowa in the future.

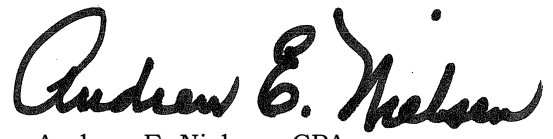
Conclusion – Response accepted.

City of Pomeroy

Staff

This audit was performed by:

Ernest H. Ruben, Jr., CPA, Manager
Karen L. Brustkern CPA, Senior Auditor II
Tiffany M. Ainger, Staff Auditor
Michael D. Eckard, Staff Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large initial 'A' and a distinct dot over the 'i' in 'Nielsen'.

Andrew E. Nielsen, CPA
Deputy Auditor of State