

**Postville Community School District**

**Independent Auditor's Reports  
Basic Financial Statements  
And Supplementary Information  
Schedule of Findings**

**June 30, 2007**

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## Independent Auditor's Report

To the Board of Education of  
Postville Community School District:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Postville Community School District, Postville, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. My responsibility is to express an opinion on these financial statements based on my audit.

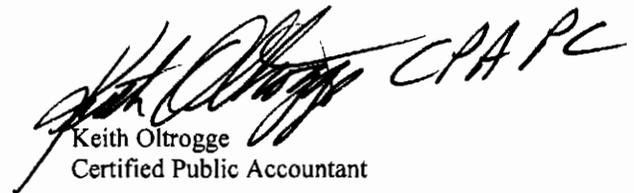
I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable 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. I believe that my audit provides a reasonable basis for my opinion.

In my 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 Postville Community School District at June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued my report dated January 24, 2008 on my consideration of Postville Community School District's internal control over financial reporting and my 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 my 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 my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 36 through 37 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Postville Community School District's basic financial statements. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2006 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules I through 9, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, 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 my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

 CPA PC  
Keith Oltrogge  
Certified Public Accountant

January 24, 2008

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Postville Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### 2007 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$5,009,739 in fiscal 2006 to \$5,422,714 in fiscal 2007, and General Fund expenditures increased from \$4,974,553 in fiscal 2006 to \$5,235,903 in fiscal 2007. The District's General Fund balance increased from \$257,138 in fiscal year 2006 to \$428,519 in fiscal year 2007, a 40% increase.
- The increase in General Fund revenues was attributable to an increase in local taxes and state and federal grant revenue in fiscal year 2007. The increase in expenditures was due primarily to an increase in instructional costs.
- The District's solvency ratio has increased from 5.2% at June 30, 2006 to 8.2% at June 30, 2007. The District's solvency level indicates the District is able to meet unforeseen financing requirements and presents a sound risk for the timely repayment of short-term debt obligations.

### 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 Postville 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 Postville 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 Postville Community School District acts solely as an agent or custodian for the benefit of those outside of County government.

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

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

Other Supplementary Information provides detailed information about the non-major Special Revenue Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

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

**Figure A-1**  
**Postville Community School District Annual Financial Report**

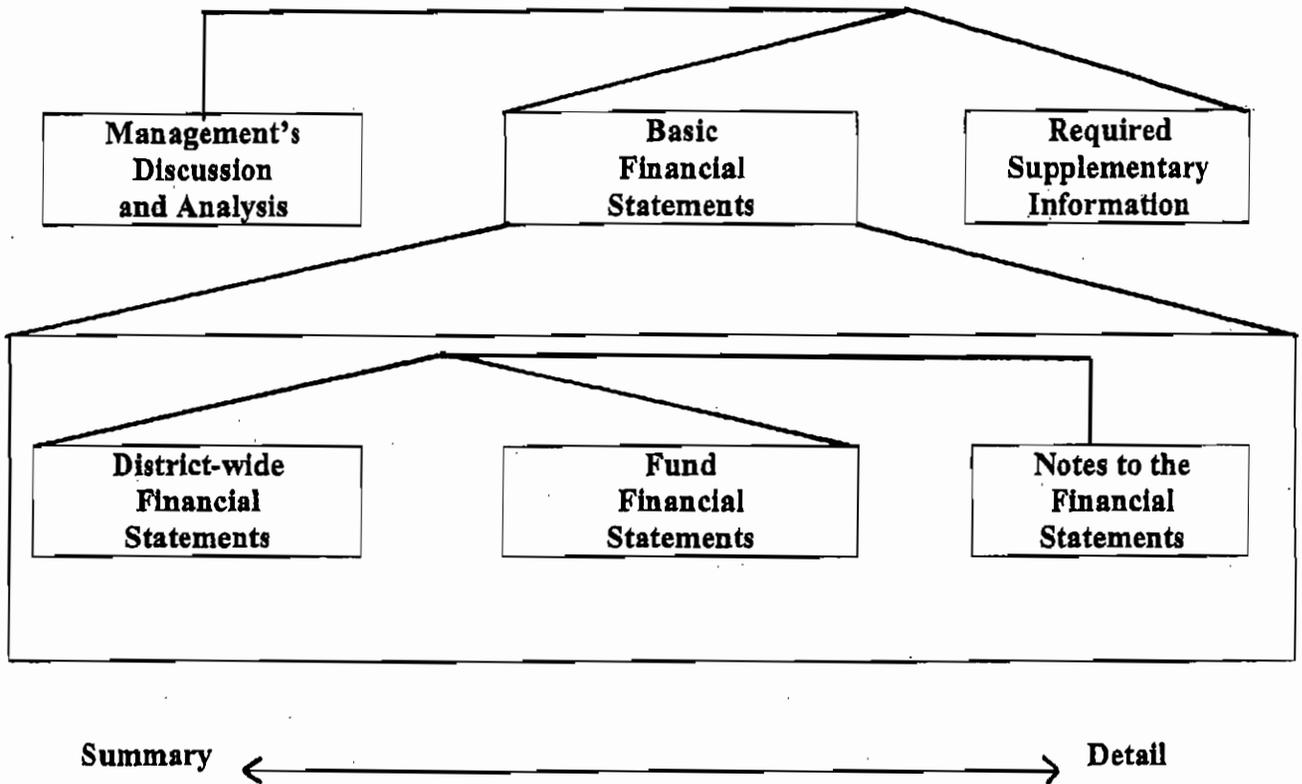


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

**Figure A-2  
Major Features of the Government-wide and Fund Financial Statements**

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	Statement of net assets  Statement of activities	Balance sheet  Statement of revenues, expenditures and changes in fund balances	Statement of net assets  Statement of revenues, expenses and changes in fund net assets  Statement of cash flows	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 one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include 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 Trust and Agency Funds.

- Trust Funds – The District accounts for outside donations for scholarships for individual students in these funds.
- Agency Funds – These are funds through which the District administers and accounts for certain revenue collected for District activities and related expenditures.

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 includes a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

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

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

**Figure A-3**  
**Condensed Statement of Net Assets**

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-2007
Current and other assets	\$4,506,136	\$4,612,864	\$90,125	\$85,156	\$4,596,261	\$4,698,020	-\$101,759
Capital assets	6,945,937	6,457,390	40,534	45,291	6,986,471	6,502,681	483,790
Total assets	\$11,452,073	\$11,070,254	\$130,659	\$130,447	\$11,582,732	\$11,200,701	\$382,031
Long-term liabilities	\$2,275,324	\$2,552,520	\$-	\$-	\$2,275,324	\$2,552,520	-\$277,196
Other liabilities	3,303,145	3,591,838	6,037	5,589	3,309,182	3,597,427	-288,245
Total liabilities	\$5,578,469	\$6,144,358	\$6,037	\$5,589	\$5,584,506	\$6,149,947	-\$565,441
Net assets:							
Invested in capital assets, net of related debt	\$4,741,122	\$4,012,920	\$40,534	\$45,291	\$4,781,656	\$4,058,211	\$723,445
Restricted	464,680	350,996	-	-	464,680	350,996	113,684
Unrestricted	667,802	561,980	84,088	79,567	751,890	641,547	110,343
Total net assets	\$5,873,604	\$4,925,896	\$124,622	\$124,858	\$5,998,226	\$5,050,754	\$947,472

The District's combined net assets increased by nearly 16%, or \$947,472, over the prior year. The largest portion of the District's net assets is in the "invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt". The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net 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 \$113,684 or 25% over the prior year. The increase was due to the principal payments and interest for the QZAB Loan in the Physical Plant and Equipment Levy Fund. (See Note 7)

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 by \$110,343, or 15%.

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

**Figure A-4  
Changes in Net Assets**

	Governmental Activities	Business Type Activities	Total District
<b>Revenues:</b>			
Program revenues:			
Charges for service	\$242,223	\$97,965	\$340,188
Operating grants, contributions and restricted interest	1,034,069	184,974	1,219,043
Capital grants, contributions and restricted interest	-	-	
General revenues:			
Property tax	1,860,460	-	1,860,460
Local option sales and service tax	386,487	-	386,487
Unrestricted state grants	2,675,459	-	2,675,459
Unrestricted investment earnings	123,189	3,013	126,202
Other	43,792	-	43,792
<b>Total revenues</b>	<b>\$6,365,679</b>	<b>\$285,952</b>	<b>\$6,651,631</b>
<b>Program expenses:</b>			
Governmental activities:			
Instruction	\$3,294,470	\$-	\$3,294,470
Support services	1,858,768	-	1,858,768
Non-instructional programs	940	286,068	287,008
Other expenses	271,031	-	271,031
<b>Total expenses</b>	<b>\$5,425,209</b>	<b>\$286,068</b>	<b>\$5,711,277</b>
<b>Change in net assets</b>	<b>\$940,470</b>	<b>-\$116</b>	<b>\$940,354</b>

Property tax and unrestricted state grants account for 68.2% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 90.2% of the total expenses.

**Governmental Activities**

Revenues for governmental activities were \$6,365,679 and expenses were \$5,425,209. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

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

**Figure A-5  
Total and Net Cost of Governmental  
Activities**

	Total Cost of Services	Net Cost of Services
Instruction	\$3,294,470	\$2,027,187
Support Services	1,858,768	1,849,759
Non-instructional programs	940	940
Other expenses	271,031	271,031
<b>Totals</b>	<b>\$5,425,209</b>	<b>\$4,148,917</b>

- The cost financed by users of the District's programs was \$340,188.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,219,043.
- The net cost of governmental activities was financed with \$2,246,947 in property and other taxes and \$2,675,459 in unrestricted state grants.

### **Business Type Activities**

Revenues for business type activities were \$285,952 and expenses were \$286,068. The District's business type activities include the School Nutrition Fund and Student Construction Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

### **INDIVIDUAL FUND ANALYSIS**

As previously noted, Postville 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 \$5,873,604, well above last year's ending fund balances of \$4,925,896.

### **Governmental Fund Highlights**

- The General Fund balance increased from \$257,138 to \$428,519.

### **BUDGETARY HIGHLIGHTS**

The District's receipts were \$575,861 less than budgeted receipts, a variance of 8%. The most significant variance resulted from the District receiving more in federal aid than originally anticipated.

The District's total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the support services functional area due to the timing of expenditures at year-end without sufficient time to amend the certified budget.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2007, the District had invested \$6,945,937, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 6% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$338,078.

The original cost of the District's capital assets was \$14,305,134. Governmental funds account for \$14,225,895, with the remainder of \$79,239 accounted for in the Proprietary, School Nutrition Fund.

**Figure A-6**  
**Capital Assets, net of Depreciation**

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-2007
Land	\$89,000	\$89,000	\$-	\$-	\$89,000	\$89,000	\$-
Construction in progress	-	416,849	-	-	-	416,849	-416,849
Buildings	6,298,501	5,288,112	-	-	6,298,501	5,288,112	1,010,389
Improvements other than buildings	196,042	207,991	-	-	196,042	207,991	-11,949
Furniture and equipment	362,394	455,438	40,534	45,291	402,928	500,729	-97,801
Totals	\$6,945,937	\$6,457,390	\$40,534	\$45,291	\$6,986,471	\$6,502,681	\$483,790

### Long-Term Debt

At June 30, 2007, the District had \$2,275,324 in other long-term debt outstanding. This represents a decrease of 11% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

**Figure A-7**  
**Outstanding Long-term Obligations**

	Total District		Total Change
	June 30,		June 30,
	2007	2006	2006-2007
Capital notes payable	\$2,204,815	\$2,425,452	-\$220,637
Early retirement	70,509	108,050	-37,541
Capital lease	-	19,018	-19,018
Totals	\$2,275,324	\$2,552,520	-\$277,196

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

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

- The District had a contract as of June 30, 2007 which was not complete. The District is replacing the windows and doors in the elementary building for \$21,313. The district has also accepted a bid to purchase a new bus for \$73,199.

## **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 Clara Lensing, District Secretary, Postville Community School District, P.O. Box 717, Postville IA 52162.

## **Basic Financial Statements**

## Postville Community School District

## Statement of Net Assets

June 30, 2007

	Govern- mental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and Cash Equivalents:			
ISCAP	\$ 1,031,965	\$ -	\$ 1,031,965
Other	1,472,347	66,379	1,538,726
Receivables:			
Property tax:			
Delinquent	26,462	-	26,462
Succeeding year	1,812,672	-	1,812,672
Accounts	770	1,777	2,547
Accrued interest:			
ISCAP	15,425	-	15,425
Escrow account	25,935	-	25,935
Prepaid Expenses	-	763	763
Due from other governments	120,560	7,178	127,738
Inventories	-	14,028	14,028
Capital assets, net of accumulated depreciation	6,945,937	40,534	6,986,471
<b>Total Assets</b>	<b>\$ 11,452,073</b>	<b>\$ 130,659</b>	<b>\$ 11,582,732</b>
<b>Liabilities</b>			
Accounts payable	\$ 16,469	\$ 154	\$ 16,623
Salaries and benefits payable	421,407	2,695	424,102
Accrued interest payable	5,037	-	5,037
Deferred revenue-succeeding year property tax	1,812,672	-	1,812,672
Deferred revenue-other	-	3,188	3,188
ISCAP warrants payable	1,034,000	-	1,034,000
ISCAP accrued interest payable	7,624	-	7,624
Other current liabilities	5,936	-	5,936
Long-term liabilities:			
Portion due within one year:			
Capital notes payable	229,046	-	229,046
Early retirement	32,274	-	32,274
Portion due after one year:			
Capital notes payable	1,975,769	-	1,975,769
Early retirement	38,235	-	38,235
<b>Total Liabilities</b>	<b>\$ 5,578,469</b>	<b>\$ 6,037</b>	<b>\$ 5,584,506</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	\$ 4,741,122	\$ 40,534	\$ 4,781,656
Restricted	464,680	-	464,680
Unrestricted	667,802	84,088	751,890
<b>Total Net Assets</b>	<b>\$ 5,873,604</b>	<b>\$ 124,622</b>	<b>\$ 5,998,226</b>

See notes to financial statements.

**Postville Community School District**

**Statement of Activities**

**Year Ended June 30, 2007**

	Expenses	Charges for Services	Program Revenues	
			Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Functions/Programs</b>				
<b>Governmental Activities:</b>				
Instruction:				
Regular instruction	\$ 1,840,956	\$ 80,087	\$ 722,774	\$ -
Special instruction	545,643	11,510	300,368	-
Other instruction	907,871	145,668	6,876	-
	<u>\$ 3,294,470</u>	<u>\$ 237,265</u>	<u>\$ 1,030,018</u>	<u>\$ -</u>
Support Services:				
Student services	\$ 218,324	\$ -	\$ -	\$ -
Instructional staff services	129,086	-	-	-
Administration services	781,492	-	-	-
Operation and maintenance of plant services	519,635	4,958	-	-
Transportation services	169,478	-	4,051	-
Community service	40,753	-	-	-
	<u>\$ 1,858,768</u>	<u>\$ 4,958</u>	<u>\$ 4,051</u>	<u>\$ -</u>
Non-instructional programs	\$ 940	\$ -	\$ -	\$ -
Other Expenditures:				
Long-term debt interest	\$ 59,756	\$ -	\$ -	\$ -
AEA flow-through	211,275	-	-	-
	<u>\$ 271,031</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Total Governmental Activities</b>	<u>\$ 5,425,209</u>	<u>\$ 242,223</u>	<u>\$ 1,034,069</u>	<u>\$ -</u>
<b>Business Type Activities:</b>				
Non-Instructional Programs:				
Food service operations	\$ 286,068	\$ 97,965	\$ 184,974	\$ -
<b>Total</b>	<u>\$ 5,711,277</u>	<u>\$ 340,188</u>	<u>\$ 1,219,043</u>	<u>\$ -</u>

Net (Expense) Revenue  
And Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$ -1,038,095	\$ -	\$ -1,038,095
-233,765	-	-233,765
-755,327	-	-755,327
<u>\$ -2,027,187</u>	<u>\$ -</u>	<u>\$ -2,027,187</u>
\$ -218,324	\$ -	\$ -218,324
-129,086	-	-129,086
-781,492	-	-781,492
-514,677	-	-514,677
-165,427	-	-165,427
-40,753	-	-40,753
<u>\$ -1,849,759</u>	<u>\$ -</u>	<u>\$ -1,849,759</u>
\$ -940	\$ -	\$ -940
\$ -59,756	\$ -	\$ -59,756
-211,275	-	-211,275
<u>\$ -271,031</u>	<u>\$ -</u>	<u>\$ -271,031</u>
\$ -4,148,917	\$ -	\$ -4,148,917
\$ -	\$ -3,129	\$ -3,129
<u>\$ -4,148,917</u>	<u>\$ -3,129</u>	<u>\$ -4,152,046</u>

**Postville Community School District**

**Statement of Activities**

**Year Ended June 30, 2007**

	Program Revenues		
	Operating	Capital	
	Grants,	Grants,	
	Contributions	Contributions	
	and	and	
	Restricted	Restricted	
	Interest	Interest	
Expenses	Charges		
	for		
	Services		

**General Revenues:**

- Property Tax Levied For:
  - General purposes
  - Capital outlay
- Local option sales and services tax
- Unrestricted state grants
- Unrestricted investment earnings
- Other

Total General Revenues

Change in net assets before transfers/sales

Transfers

Sale of assets

Change in net assets

Net assets beginning of year

Net Assets End of Year

Net (Expense) Revenue  
And Changes in Net Assets

---

Governmental Activities	Business Type Activities	Total
\$ 1,621,105	\$ -	\$ 1,621,105
239,355	-	239,355
386,487	-	386,487
2,675,459	-	2,675,459
123,189	3,013	126,202
43,792	-	43,792
\$ 5,089,387	\$ 3,013	\$ 5,092,400
\$ 940,470	\$ -116	\$ 940,354
\$ 6,436	\$ -120	\$ 6,316
802	-	802
\$ 947,708	\$ -236	\$ 947,472
4,925,896	124,858	5,050,754
\$ 5,873,604	\$ 124,622	\$ 5,998,226

## Postville Community School District

Balance Sheet  
Governmental Funds

June 30, 2007

<b>Assets</b>	General	Physical Plant and Equipment Levy	Capital Projects	Non- major Special Revenue	Total
Cash and Pooled Investments:					
ISCAP	\$ 1,031,965	\$ -	\$ -	\$ -	\$ 1,031,965
Other	749,616	600,537	12,265	109,929	1,472,347
Receivables:					
Property Tax:					
Delinquent	21,245	3,321	-	1,896	26,462
Succeeding year	1,441,838	220,834	-	150,000	1,812,672
Accounts	113	-	-	657	770
Accrued Interest:					
ISCAP	15,425	-	-	-	15,425
Due from other governments	94,098	-	26,462	-	120,560
<b>Total Assets</b>	<b>\$ 3,354,300</b>	<b>\$ 824,692</b>	<b>\$ 38,727</b>	<b>\$ 262,482</b>	<b>\$ 4,480,201</b>
<b>Liabilities &amp; Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 14,976	\$ -	\$ -	\$ 1,493	\$ 16,469
Salaries and benefits payable	421,407	-	-	-	421,407
ISCAP warrants payable	1,034,000	-	-	-	1,034,000
ISCAP accrued interest payable	7,624	-	-	-	7,624
Other current liabilities	5,936	-	-	-	5,936
Deferred Revenue:					
Succeeding year property tax	1,441,838	220,834	-	150,000	1,812,672
Total Liabilities	<b>\$ 2,925,781</b>	<b>\$ 220,834</b>	<b>\$ -</b>	<b>\$ 151,493</b>	<b>\$ 3,298,108</b>
Fund Balances:					
Reserved	\$ -	\$ 464,680	\$ -	\$ -	\$ 464,680
Unreserved	428,519	139,178	38,727	110,989	717,413
Total Fund Balances	<b>\$ 428,519</b>	<b>\$ 603,858</b>	<b>\$ 38,727</b>	<b>\$ 110,989</b>	<b>\$ 1,182,093</b>
<b>Total Liabilities &amp; Fund Balances</b>	<b>\$ 3,354,300</b>	<b>\$ 824,692</b>	<b>\$ 38,727</b>	<b>\$ 262,482</b>	<b>\$ 4,480,201</b>

## Postville Community School District

Reconciliation of the Balance Sheet – Governmental Funds  
To the Statement of Net Assets

June 30, 2007

<b>Total fund balances of governmental funds (page 16)</b>	\$ 1,182,093
<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	6,945,937
Accrued interest receivable on long-term liabilities is not receivable in the current period and, therefore, is not reported as an asset in the governmental funds	25,935
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds	-5,037
Long-term liabilities, including capital notes payable and early retirement, are not due and payable in the current period and, therefore, are not reported in the funds	<u>-2,275,324</u>
<b>Net assets of governmental activities (page 13)</b>	<u>\$ 5,873,604</u>

## Postville Community School District

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

Year Ended June 30, 2007

	General	Physical Plant and Equipment Levy	Capital Projects	Non- Major Special Revenue	Total
<b>Revenues:</b>					
<b>Local Sources:</b>					
Local tax	\$ 1,501,308	\$ 239,355	\$ -	\$ 119,797	\$ 1,860,460
Tuition	85,582	-	-	-	85,582
Other	126,494	26,301	391,126	155,701	699,622
Intermediate sources	-	-	-	-	-
State sources	3,144,632	127	-	70	3,144,829
Federal sources	564,698	-	-	-	564,698
<b>Total Revenues</b>	<b>\$ 5,422,714</b>	<b>\$ 265,783</b>	<b>\$ 391,126</b>	<b>\$ 275,568</b>	<b>\$ 6,355,191</b>
<b>Expenditures:</b>					
<b>Current:</b>					
<b>Instruction:</b>					
Regular instruction	\$ 2,033,337	\$ -	\$ -	\$ 52,839	\$ 2,086,176
Special instruction	515,919	-	-	-	515,919
Other instruction	744,731	-	-	145,879	890,610
	<b>\$ 3,293,987</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 198,718</b>	<b>\$ 3,492,705</b>
<b>Support Services:</b>					
Student services	\$ 217,570	\$ -	\$ -	\$ 754	\$ 218,324
Instructional staff services	123,630	-	-	600	124,230
Administration services	702,921	-	-	72,636	775,557
Operation and maintenance of plant services	504,792	-	-	45,749	550,541
Transportation services	140,975	-	-	9,530	150,505
Community service	40,753	-	-	-	40,753
	<b>\$ 1,730,641</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 129,269</b>	<b>\$ 1,859,910</b>
Non-instructional	\$ -	\$ -	\$ -	\$ 940	\$ 940
<b>Other Expenditures:</b>					
Facilities acquisition	\$ -	\$ 4,700	\$ 322,011	\$ -	\$ 326,711
<b>Long-Term Debt:</b>					
Principal	-	-	-	239,655	239,655
Interest and fiscal charges	-	-	-	60,580	60,580
AEA flow-through	211,275	-	-	-	211,275
	<b>\$ 211,275</b>	<b>\$ 4,700</b>	<b>\$ 322,011</b>	<b>\$ 300,235</b>	<b>\$ 838,221</b>
<b>Total Expenditures</b>	<b>\$ 5,235,903</b>	<b>\$ 4,700</b>	<b>\$ 322,011</b>	<b>\$ 629,162</b>	<b>\$ 6,191,776</b>
Excess (deficiency) of revenues over (under) expenditures	\$ 186,811	\$ 261,083	\$ 69,115	\$ -353,594	\$ 163,415
<b>Other Financing Sources (Uses):</b>					
Operating transfers in	3,061	-	5,693	300,858	309,612
Operating transfers out	-19,293	-76,512	-204,430	-2,941	-303,176
Sale of equipment	802	-	-	-	802
<b>Total Other Financing Sources (Uses)</b>	<b>\$ -15,430</b>	<b>\$ -76,512</b>	<b>\$ -198,737</b>	<b>\$ 297,917</b>	<b>\$ 7,238</b>

**Postville Community School District**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**

**Year Ended June 30, 2007**

	General	Physical Plant and Equipment Levy	Capital Projects	Non- Major Special Revenue	Total
Net change in fund balances	\$ 171,381	\$ 184,571	\$ -129,622	\$ -55,677	\$ 170,653
Fund balances beginning of year	257,138	419,287	168,349	166,666	1,011,440
Fund Balances End of Year	<u>\$ 428,519</u>	<u>\$ 603,858</u>	<u>\$ 38,727</u>	<u>\$ 110,989</u>	<u>\$ 1,182,093</u>

See notes to financial statements.

Postville Community School District

Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances – Governmental Funds  
To the Statement of Activities

Year Ended June 30, 2007

Net change in fund balances – total governmental funds (page 19) \$ 170,653

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

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

Expenditures for capital assets	\$ 819,231	
Depreciation expense	<u>-330,685</u>	488,546

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issues exceeded repayments, as follows:

Repaid	239,655
--------	---------

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

825

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement	37,541
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Interest on long-term debt escrow account in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as a revenue in the fund when received. In the Statement of Activities, interest revenue is recognized as interest receivable, regardless of when it is received

10,488

**Change in Net Assets of Governmental Activities (page 15) \$ 947,708**

## Postville Community School District

Statement of Net Assets  
Proprietary Funds

June 30, 2007

	<u>School Nutrition</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 66,379
Accounts receivable	1,777
Due from other governments	7,178
Inventories	14,028
Prepaid expenses	763
Capital assets, net of accumulated depreciation	40,534
<b>Total Assets</b>	<u>\$ 130,659</u>
<b>Liabilities</b>	
Accounts payable	\$ 154
Salaries and benefits payable	2,695
Deferred revenue	3,188
<b>Total Liabilities</b>	<u>\$ 6,037</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	\$ 40,534
Unrestricted	84,087
<b>Total Net Assets</b>	<u>\$ 124,622</u>

**Postville Community School District**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Proprietary Funds**

**June 30, 2007**

	School Nutrition	Student Construction	Total
Operating revenues:			
Local sources:			
Charges for service	\$ 97,965	\$ -	\$ 97,965
Non-instructional programs:			
Food service operations:			
Salaries	\$ 105,734	\$ -	\$ 105,734
Benefits	34,789	-	34,789
Purchased services	3,591	-	3,591
Supplies	134,561	-	134,561
Depreciation	7,393	-	7,393
Total operating expenses	\$ 286,068	\$ -	\$ 286,068
Operating income (loss)	\$ -188,103	\$ -	\$ -188,103
Non-operating revenues:			
State sources	\$ 3,297	\$ -	\$ 3,297
Federal sources	181,677	-	181,677
Interest income	3,013	-	3,013
Total non-operating revenues	\$ 187,987	\$ -	\$ 187,987
Excess (deficiency) of revenues over (under) expenditures	\$ -116	\$ -	\$ -116
Other financing (uses):			
Operating transfer out	-	-120	-120
Change in net assets	\$ -116	\$ -120	\$ -236
Net assets beginning of year	124,738	120	124,858
Net Assets End of Year	\$ 124,622	\$ -	\$ 124,622

See notes to financial statements.

## Postville Community School District

Statement of Cash Flows  
Proprietary Funds

Year Ended June 30, 2007

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 97,965
Cash paid to employees for services	-140,114
Cash paid to suppliers for goods or services	-124,171
Net cash provided (used) by operating activities	<u>\$ -166,320</u>
Cash flows from non-capital financing activities:	
State grants received	\$ 3,297
Federal grants received	161,953
Net cash provided by non-capital financing activities	<u>\$ 165,250</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>\$ -2,636</u>
Cash flows from investing activities:	
Interest on investments	<u>\$ 3,013</u>
Net increase in cash and cash equivalents	\$ -693
Cash and cash equivalents beginning of year	<u>67,072</u>
Cash and Cash Equivalents End of Year	<u>\$ 66,379</u>
<b>Reconciliation of operating loss to net cash used by operating activities:</b>	
Operating (loss) income	\$ -188,103
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	17,330
Depreciation	7,393
(Increase) in inventories	-1,124
(Increase) in accounts receivable	-1,501
(Decrease) in accounts payable	-52
Increase in salaries and benefits payable	409
Increase in deferred revenue	252
(Decrease) in due to other funds	-161
(Increase) in prepaid expenses	-763
Net Cash Provided (Used) by Operating Activities	<u>\$ -166,320</u>

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

During the year ended June 30, 2007, the District received \$17,241 of federal commodities.

Postville Community School District

Statement of Fiduciary Net Assets  
Fiduciary Funds

June 30, 2007

	Trusts		
	Expendable Scholarships	Non- Expendable Scholarships	Agency
<b>Assets</b>			
Cash and pooled investments	\$ 4,729	\$ 20,738	\$ 12,134
<b>Total Assets</b>	<b>\$ 4,729</b>	<b>\$ 20,738</b>	<b>\$ 12,134</b>
<b>Liabilities</b>			
Accounts payable	\$ -	\$ -	\$ 12,134
<b>Net assets</b>			
Reserved for scholarships	\$ 4,729	\$ 20,738	\$ -

**Postville Community School District**  
**Statement of Changes in Fiduciary Net Assets**  
**Fiduciary Funds**

**Year Ended June 30, 2007**

	Trusts	
	Expendable	Non-Expendable
Additions:		
Local sources:		
Interest income	\$ 1,273	\$ -
Deductions:		
Instruction:		
Regular instruction:		
Scholarships awarded	\$ 1,514	\$ -
Excess (deficiency) of revenue over (under) expenditures	\$ -241	\$ -
Other financing resources (uses):		
Operating transfers in	\$ 150	\$ -
Operating transfers out	-6,316	-
Total other financing sources (uses)	\$ -6,166	\$ -
Change in net assets	\$ -6,407	\$ -
Net assets beginning of year	11,136	20,738
Net Assets End of Year	\$ 4,729	\$ 20,738

## Postville Community School District

### Notes to Financial Statements

June 30, 2007

#### (1) Summary of Significant Accounting Policies

Postville Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Postville, Iowa and portions of the predominately agricultural territories in Allamakee, Clayton, Fayette and Winneshiek 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, Postville 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. Postville Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization – 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 non-fiduciary activities of the District. For the most part, the effect of inter-fund 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 non-fiduciary 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 that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

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

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

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are 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.

The Physical Plant and Equipment Levy is used to account for all resources used in the acquisition of building improvements and equipment purchases.

The District reports the following major proprietary fund:

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

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

The Trust Funds are 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.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

#### 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 judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

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

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

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

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value.

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 become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2006.

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

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

Capital Assets – Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,000
Buildings	500
Improvements other than buildings	500
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	500

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Improvements other than buildings	20 – 50 years
Furniture and equipment	5 – 15 years

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

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 represents 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 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 for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2007. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

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

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

E. Budgets and Budgetary Accounting

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

(2) **Cash and Pooled Investments**

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

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

(3) **Inter-fund Transfers**

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

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 204,430
Debt Service	Physical Plant and Equipment Levy	76,512
General Fund	Activity	2,941
Debt Service	General Fund	19,293
Capital Projects	Jamey Ash Memorial Trust	5,693
General	Student Construction	120
Knutson Scholarship	Upper Iowa Conference – Agency	150
Activity	Martin Memorial Trust	623
Total		<u>\$ 309,762</u>

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

**(4) Iowa School Cash Anticipation Program (ISCAP)**

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2007 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable	Un-amortized Premium
2006-07A	6-28-06	6-28-07	\$ -	\$ 5,963	\$ -	\$ -	\$ -
2006-07B	1-26-07	1-25-08	412,944	9,277	414,000	7,472	1,335
2007-08A	6-27-07	6-27-08	619,021	185	620,000	152	4,601
			<u>\$ 1,031,965</u>	<u>\$ 15,425</u>	<u>\$ 1,034,000</u>	<u>\$ 7,624</u>	<u>\$ 5,936</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25<sup>th</sup> of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2007 is as follows:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2006-07A	\$ -	\$ 100,000	\$ 100,000	\$ -
2006-07B	-	50,000	50,000	-
	<u>\$ -</u>	<u>\$ 150,000</u>	<u>\$ 150,000</u>	<u>\$ -</u>

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2006-07A	4.500%	5.676%
2006-07B	4.250%	5.315%
2007-08A	4.500%	5.455%

(5) **Capital Assets**

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

	Balance Beginning Of Year	Increases	Decreases	Balance End Of Year
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 89,000	\$ -	\$ -	\$ 89,000
Construction in progress	416,849	-	416,849	-
Total capital assets not being depreciated	<u>\$ 505,849</u>	<u>\$ -</u>	<u>\$ 416,849</u>	<u>\$ 89,000</u>
Capital assets being depreciated:				
Buildings	\$ 9,495,886	\$ 1,160,201	\$ -	\$ 10,656,087
Improvements other than buildings	472,758	-	-	472,758
Furniture and equipment	2,932,171	75,879	-	3,008,050
Total capital assets being depreciated	<u>\$ 12,900,815</u>	<u>\$ 1,236,080</u>	<u>\$ -</u>	<u>\$ 14,136,895</u>
Less accumulated depreciation for:				
Buildings	\$ 4,207,774	\$ 149,812	\$ -	\$ 4,357,586
Improvements other than buildings	264,767	11,949	-	276,716
Furniture and equipment	2,476,733	168,923	-	2,645,656
Total accumulated depreciation	<u>\$ 6,949,274</u>	<u>\$ 330,684</u>	<u>\$ -</u>	<u>\$ 7,279,958</u>
Total capital assets being depreciated, net	<u>\$ 5,951,541</u>	<u>\$ 905,396</u>	<u>\$ -</u>	<u>\$ 6,856,937</u>
Governmental Activities Capital Assets, Net	<u>\$ 6,457,390</u>	<u>\$ 905,396</u>	<u>\$ 416,849</u>	<u>\$ 6,945,937</u>

	Balance Beginning Of Year	Increases	Decreases	Balance End Of Year
<b>Business type activities:</b>				
Furniture and equipment	\$ 80,560	\$ 2,636	\$ 3,957	\$ 79,239
Less accumulated depreciation	35,269	7,393	3,957	38,705
Business Type Activities Capital Assets, Net	<u>\$ 45,291</u>	<u>\$ -4,757</u>	<u>\$ -</u>	<u>\$ 40,534</u>

Depreciation expense was charged to the following functions:

Governmental Activities:

Instruction:

Regular	\$ 250,092
Special	29,724
Other	17,261

Support services:

Instructional staff	4,856
Administration	5,935
Operation and maintenance of plant	3,843
Transportation	18,973

Total Depreciation Expense – Governmental Activities \$ 330,684

Business Type Activities:

Food service operations	<u>\$ 7,393</u>
-------------------------	-----------------

**(6) Long-term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2007 are summarized as follows:

	Balance Beginning Of Year	Additions	Reductions	Balance End Of Year	Due Within One Year
Capital notes payable	\$ 2,425,452	\$ -	\$ 220,637	\$ 2,204,815	\$ 229,046
Early retirement	108,050	65,387	102,928	70,509	32,274
Capital lease	19,018	-	19,018	-	-
Total	\$ 2,552,520	\$ 65,387	\$ 342,583	\$ 2,275,324	\$ 261,320

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and must have completed fifteen years of continuous service to the District. Employees must complete an application, which is required to be approved by the Board of Education. Early retirement expenditures for the year ended June 30, 2007 totaled \$102,938.

QZAB Capital Loan

The QZAB Capital Loan is a federal program in which the \$1,000,000 is due in ten years with one lump payment with a 0% interest rate. The District is required to deposit \$87,749 per year into an escrow account, which will earn 2.85% interest on the funds to be used for the repayment of the loan. Details of the escrow account are as follows:

Year Ending June 30,	QZAB Capital Loan Escrow Issued April 15, 2002		
	Principal	Interest Earned	Total Escrow Account
2003	\$ 87,749	\$ -	\$ 87,749
2004	87,749	2,519	90,268
2005	87,749	5,110	92,859
2006	87,749	7,818	95,567
2007	87,749	10,488	98,237
Total	\$ 438,745	\$ 25,935	\$ 464,680

Capital Loan Notes

Details of the District's June 30, 2007 capital loan notes indebtedness are as follows:

Year Ending June 30,	Capital Loan – PPEL Issued May 1, 2002			
	Interest Rates	Principal	Interest	Total
2008	4.2%	\$ 65,000	\$ 14,062	\$ 79,062
2009	4.2%	65,000	11,463	76,463
2010	4.2%	65,000	8,830	73,830
2011	4.25%	70,000	6,165	76,165
2012	4.3%	75,000	3,225	78,225
Total		\$ 340,000	\$ 43,745	\$ 383,745

Year Ending June 30,	Capital Loan – LOST (Local Option Sales Tax) Issued September 1, 2002			
	Interest Rates	Principal	Interest	Total
2008	3.8%	\$ 150,000	\$ 31,666	\$ 181,666
2009	3.95%	160,000	25,966	185,966
2010	4.1%	165,000	19,646	184,646
2011	4.25%	170,000	12,880	182,880
2012	4.35%	130,000	5,656	135,656
Total		\$ 775,000	\$ 95,814	\$ 870,814

Year Ending June 30,	Capital Loan – PPEL Issued June 6, 2007			
	Interest Rates	Principal	Interest	Total
2008	5.5%	\$ 14,046	\$ 4,954	\$ 19,000
2009	5.5%	17,333	4,167	21,500
2010	5.5%	20,786	3,214	24,000
2011	5.5%	19,429	2,071	21,500
2012	5.5%	18,221	1,005	19,226
Total		\$ 89,815	\$ 15,411	\$ 105,226

The District entered into a lease purchase agreement with Wells Fargo Bank in February 2002 for the purchase of exercise equipment for \$207,984.10. Under a three-year lease, \$6,412.44 monthly payments are due. The District had a school participation agreement with the National School Fitness Foundation (NSFF) which was to reimburse the District for these lease payments. In April 2004, the NSFF filed bankruptcy and has made one payment of \$9,881.46 to the District as of June 30, 2007.

During the year ended June 30, 2007, the District made principal, interest, and fees payments totaling \$300,235 under the agreements.

**(7) Pension and Retirement Benefits**

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

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2007, 2006 and 2005. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$180,437, \$172,740, and \$148,603, respectively, equal to the required contributions for each year.

**(8) Risk Management**

Postville Community School 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 \$211,275 for the year ended June 30, 2007 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(10) Construction Commitments**

The District accepted a bid to purchase a new bus for \$73,199.

The District has entered into a contract to replace windows and door in the elementary building for \$21,313.

**Required Supplementary Information**

**Postville Community School District**

**Budgetary Comparison Schedule of Revenue, Expenditures and Changes in Balances –  
Budget and Actual – All Governmental Funds and Proprietary Fund**

**Required Supplementary Information**

**Year Ended June 30, 2007**

	Governmental Funds Actual	Proprietary Fund Actual
Receipts:		
Local sources	\$ 2,645,664	\$ 100,978
Intermediate sources	-	-
State sources	3,144,829	3,297
Federal sources	564,698	181,677
Total Receipts	<u>\$ 6,355,191</u>	<u>\$ 285,952</u>
Disbursements:		
Instruction	\$ 3,492,705	\$ -
Support services	1,859,910	-
Non-instructional programs	940	286,068
Other expenditures	838,221	-
Total Disbursements	<u>\$ 6,191,776</u>	<u>\$ 286,068</u>
Excess (deficiency) of receipts over (under) disbursements	\$ 163,415	\$ -116
Other financing sources, net	<u>7,238</u>	<u>-120</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	\$ 170,653	\$ -236
Balances beginning of year	<u>1,011,440</u>	<u>124,858</u>
Balances End of Year	<u>\$ 1,182,093</u>	<u>\$ 124,622</u>

See accompanying independent auditor's report.

	Total Actual	Budgeted Amounts Original	Final To Actual Amended
\$	2,746,642	\$ 2,613,124	\$ 133,518
	-	-	-
	3,148,126	3,757,880	-609,754
	746,375	846,000	-99,625
\$	<u>6,641,143</u>	<u>\$ 7,217,004</u>	<u>\$ -575,861</u>
\$	3,492,705	\$ 4,193,431	\$ 700,726
	1,859,910	1,671,500	-188,410
	287,008	383,324	96,316
	838,221	1,209,504	371,283
\$	<u>6,477,844</u>	<u>\$ 7,457,759</u>	<u>\$ 979,915</u>
\$	163,299	\$ -240,755	\$ 404,054
	7,118	1,000	6,118
\$	170,417	\$ -239,755	\$ 410,172
	1,136,298	732,954	403,344
\$	<u>1,306,715</u>	<u>\$ 493,199</u>	<u>\$ 813,516</u>

**Postville Community School District**

**Notes to Required Supplementary Information – Budgetary Reporting**

**Year Ended June 30, 2007**

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except 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 functional 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.

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

**Other Supplementary Information**

## Postville Community School District

**Combining Balance Sheet  
Non-Major Special Revenue Funds**

**June 30, 2007**

	Debt Service	Management Levy	Student Activity	Total
<b>Assets</b>				
Cash and pooled investments	\$ 2,702	\$ 92,058	\$ 15,169	\$ 109,929
Receivables:				
Property Tax:				
Delinquent	-	1,896	-	1,896
Succeeding year	-	150,000	-	150,000
Accounts	-	-	657	657
<b>Total Assets</b>	<b>\$ 2,702</b>	<b>\$ 243,954</b>	<b>\$ 15,826</b>	<b>\$ 262,482</b>
<b>Liabilities &amp; Fund Equity</b>				
Liabilities:				
Accounts payable	\$ -	\$ 1,446	\$ 47	\$ 1,493
Deferred revenue:				
Succeeding year property tax	-	150,000	-	150,000
Total Liabilities	\$ -	\$ 151,446	\$ 47	\$ 151,493
Fund Equity:				
Unreserved fund balances	2,702	92,508	15,779	110,989
<b>Total Liabilities &amp; Fund Equity</b>	<b>\$ 2,702</b>	<b>\$ 243,954</b>	<b>\$ 15,826</b>	<b>\$ 262,482</b>

## Postville Community School District

**Combining Schedule of Revenues, Expenditures  
and Changes in Fund Balances  
Non-Major Special Revenue Funds**

**Year Ended June 30, 2007**

	Debt Service	Management Levy	Student Activity	Total
Revenues:				
Local Sources:				
Local tax	\$ -	\$ 119,797	\$ -	\$ 119,797
Other	102	13,524	142,075	155,701
State sources	-	70	-	70
Total Revenues	<u>\$ 102</u>	<u>\$ 133,391</u>	<u>\$ 142,075</u>	<u>\$ 275,568</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	\$ -	\$ 52,839	\$ -	\$ 52,839
Other instruction	-	-	145,879	145,879
Support Services:				
Student support services	-	754	-	754
Instructional staff services	-	600	-	600
Administration services	-	72,636	-	72,636
Operation and maintenance of plant services	-	45,749	-	45,749
Transportation services	-	9,530	-	9,530
Non-instructional programs	-	940	-	940
Other Expenditures:				
Long-Term Debt:				
Principal	239,655	-	-	239,655
Interest and fiscal charges	60,580	-	-	60,580
Total Expenditures	<u>\$ 300,235</u>	<u>\$ 183,048</u>	<u>\$ 145,879</u>	<u>\$ 629,162</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -300,133</u>	<u>\$ -49,657</u>	<u>\$ -3,804</u>	<u>\$ -353,594</u>
Other Financing Sources (Uses):				
Operating transfers in	\$ 300,235	\$ -	\$ 623	\$ 300,858
Operating transfers out	-	-	2,941	2,941
Total Other Financing Sources (Uses)	<u>\$ 300,235</u>	<u>\$ -</u>	<u>\$ -2,318</u>	<u>\$ 297,917</u>
Excess (deficiency) of revenues & other financing sources over (under) expenditures & other financing uses	<u>\$ 102</u>	<u>\$ -49,657</u>	<u>\$ 6,122</u>	<u>\$ -55,677</u>
Fund balances beginning of year	2,600	142,165	21,901	166,666
Fund Balances End of Year	<u>\$ 2,702</u>	<u>\$ 92,508</u>	<u>\$ 15,779</u>	<u>\$ 110,989</u>

See accompanying independent auditor's report.

## Postville Community School District

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

Year Ended June 30, 2007

Account	Balance Beginning Of Year	Revenues and Inter-fund Transfers	Expenditures and Inter-fund Transfers	Intra- Fund Transfers	Balance End of Year
Drama	\$ 550	\$ 7,863	\$ 7,888	\$ -326	\$ 199
Vocal music	-	182	249	67	-
Instrumental music	-	-	1,093	1,093	-
High School golf	-	152	1,321	1,169	-
High School boys basketball	-	3,533	1,859	-1,674	-
High School boys football	-88	9,070	6,786	-2,196	-
High School baseball	55	1,623	2,420	742	-
High School boys track	-	804	2,332	1,528	-
High School wrestling	-	3,136	3,584	448	-
High School girls basketball	252	3,519	2,318	-1,453	-
High School volleyball	-	3,385	4,583	1,198	-
High School softball	68	1,688	3,039	1,393	110
High School girls track	-	85	1,529	1,444	-
Class of 2006	2,448	-	2,448	-	-
Class of 2007	2,729	48	1,072	-1,705	-
Class of 2008	-	17,848	13,664	-	4,184
Class of 2009	-	-	-	-	-
High School student council	1,410	7,733	8,561	-	582
FCCLA	956	11,835	10,826	-	1,965
Peer Helpers	320	1,714	920	-	1,114
Mirror	-	8,225	8,229	700	696
Cheerleaders	2,152	4,715	5,531	-	1,336
National Honor Society	-	-	166	166	-
SADD	93	-	-	-93	-
Magazines	-	14,086	11,471	-2,615	-
Elementary student council	1,763	3,471	1,449	-3,425	360
Interest account	128	1,777	108	-1,702	95
Resale basketball	6	43	43	-6	-
Resale band	1,250	1,193	1,241	-	1,202
Resale softball	48	-	-	-48	-
Resale baseball	-	10	-	-10	-
Resale football	96	567	637	-26	-
Resale Home Economics	1	478	460	-19	-
Resale girls track	6	290	290	-6	-
Resale golf	-	-	-	-	-
Resale boys track	-	-	-	-	-
FFA	7,470	22,964	26,525	-	3,909
Resale volleyball	43	-	-	-43	-

## Postville Community School District

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

Year Ended June 30, 2007

Account	Balance Beginning Of Year	Revenues and Inter-fund Transfers	Expenditures and Inter-fund Transfers	Intra- Fund Transfers	Balance End of Year
Athletics	\$ 145	\$ 10,241	\$ 13,138	\$ 2,779	\$ 27
Middle School boys basketball	-	-	770	770	-
Middle School football	-	-	330	330	-
Middle School boys track	-	210	223	13	-
Middle School wrestling	-	-	255	255	-
Middle School girls basketball	-	-	660	660	-
Middle School volleyball	-	-	600	600	-
Middle School girls track	-	210	202	-8	-
<b>Total</b>	<b>\$ 21,901</b>	<b>\$ 142,698</b>	<b>\$ 148,820</b>	<b>\$ -</b>	<b>\$ 15,779</b>

## Postville Community School District

Schedule of Changes in Fiduciary Assets and Liabilities -  
Agency Funds – Summary

Year Ended June 30, 2007

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b>Assets</b>				
Cash	\$ 10,540	\$ 50,303	\$ 48,709	\$ 12,134
Accounts receivable	163	-	163	-
<b>Total Assets</b>	<b>\$ 10,703</b>	<b>\$ 50,303</b>	<b>\$ 48,872</b>	<b>\$ 12,134</b>
<b>Liabilities</b>				
Accounts payable	\$ 10,703	\$ 50,303	\$ 48,872	\$ 12,134
<b>Total Liabilities</b>	<b>\$ 10,703</b>	<b>\$ 50,303</b>	<b>\$ 48,872</b>	<b>\$ 12,134</b>

## Postville Community School District

Schedule of Changes in Fiduciary Assets and Liabilities -  
Agency Funds – Detail

Year Ended June 30, 2007

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Music events	\$ 33	\$ 4,442	\$ 4,442	\$ 33
Band boosters	884	1,848	541	2,191
Athletic events	77	18,993	19,070	-
Climate committee	409	301	332	378
Retiree insurance	976	15,392	11,209	5,159
Bell fund	2,265	-	-	2,265
Outdoor bulletin	121	1,748	-	1,869
Production class	1	-	-	1
Spanish Club	1,696	7,262	8,958	-
Upper Iowa Conference	150	-	150	-
Music event	4,091	317	4,170	238
Total	\$ 10,703	\$ 50,303	\$ 48,872	\$ 12,134

## Postville Community School District

Combining Balance Sheet  
Expendable Trust Funds

June 30, 2007

	Knutson Scholarship	Harnack Scholarship	Capper Scholarship	Total
<b>Assets</b>				
Cash	\$ 3,808	\$ 420	\$ 501	\$ 4,729
<b>Total Assets</b>	<u>\$ 3,808</u>	<u>\$ 420</u>	<u>\$ 501</u>	<u>\$ 4,729</u>
<b>Liabilities and Fund Equity</b>				
Liabilities	\$ -	\$ -	\$ -	\$ -
Fund equity:				
Fund Balances:				
Unreserved, undesignated fund balance	3,808	420	501	4,729
<b>Total Liabilities and Fund Equity</b>	<u>\$ 3,808</u>	<u>\$ 420</u>	<u>\$ 501</u>	<u>\$ 4,729</u>

## Postville Community School District

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances  
Expendable Trust Funds

Year Ended June 30, 2007

	Knutson Scholarship	Jamey Ash Memorial	Harnack Scholarship	Capper Scholarship	Martin Trust	Total
Revenues:						
Local Sources:						
Interest from non-expendable trust fund investments	\$ 276	\$ 64	\$ 421	\$ 501	\$ 11	\$ 1,273
	\$ 276	\$ 64	\$ 421	\$ 501	\$ 11	\$ 1,273
Expenditures:						
Instruction:						
Regular Instruction: Scholarships	\$ 700	\$ -	\$ 416	\$ 398	\$ -	\$ 1,514
Excess (deficiency) of revenues over (under) expenditures	\$ -424	\$ 64	\$ 5	\$ 103	\$ 11	\$ -241
Other financing sources (uses):						
Operating transfer in	\$ 150	\$ -	\$ -	\$ -	\$ -	\$ 150
Operating transfer out	-	-5,693	-	-	-623	-6,316
Total other financing sources (uses)	\$ 150	\$ -5,693	\$ -	\$ -	\$ -623	\$ -6,166
Excess (deficiency) of revenues and other financing sources over (under) expenditures	-274	-5,629	5	103	-612	-6,407
Fund balances beginning of year	4,082	5,629	415	398	612	11,136
Fund Balances End of Year	\$ 3,808	\$ -	\$ 420	\$ 501	\$ -	\$ 4,729

See accompanying independent auditor's report.

## Postville Community School District

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

## For the Last Four Years

	Modified Accrual Basis			
	2007	2006	2005	2004
<b>Revenues:</b>				
<b>Local Sources:</b>				
Local tax	\$ 1,860,460	\$ 1,783,127	\$ 1,630,556	\$ 1,585,891
Tuition	85,582	98,971	140,600	142,490
Other	700,245	643,009	510,984	608,632
<b>Intermediate sources</b>	-	-	-	-
State sources	3,144,829	2,908,432	2,726,816	2,505,501
Federal sources	564,698	739,724	408,382	689,604
<b>Total</b>	<b>\$ 6,355,814</b>	<b>\$ 6,173,263</b>	<b>\$ 5,417,338</b>	<b>\$ 5,532,118</b>
<b>Expenditures:</b>				
<b>Instruction:</b>				
Regular instruction	\$ 2,086,176	\$ 1,971,723	\$ 1,975,912	\$ 2,042,077
Special instruction	515,919	499,879	554,142	802,373
Other instruction	890,610	803,014	795,634	505,707
<b>Support services:</b>				
Student services	218,324	166,615	127,274	119,340
Instructional staff services	124,230	224,379	101,620	76,982
Administrative services	775,557	653,175	540,534	471,885
Operation and maintenance of plant services	550,541	527,793	466,425	659,882
Transportation services	150,505	180,352	145,485	162,122
Community services	40,753	16,260	-	10,734
Non-instructional programs	940	996	1,174	-
<b>Other expenditures:</b>				
Facilities acquisition	326,711	509,799	13,245	2,048,687
<b>Long-term debt:</b>				
Principal	239,655	317,432	263,038	277,749
Interest and other charges	60,580	64,976	75,497	71,780
AEA flow-through	211,275	197,612	191,485	192,936
<b>Total</b>	<b>\$ 6,191,776</b>	<b>\$ 6,134,005</b>	<b>\$ 5,251,465</b>	<b>\$ 7,442,254</b>

**Postville Community School District**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2007**

Grantor/Program	CFDA Number	Grant Number	Expenditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
Food Distribution (non-cash)	10.550	FY07	\$ 17,241
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY07	\$ 28,146
National School Lunch Program	10.555	FY07	122,571
			<u>\$ 150,717</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	FY07	\$ 101,440
Title I Grants Migrant Education	84.011	FY07	\$ 48,331
Safe and Drug-Free Schools and Communities – State Grant - indirect Allamakee	84.186	FY07	\$ 107,772
Safe and Drug-Free Schools and Communities – State Grant	84.186	FY07	\$ 3,546
Special Education Grants to States	84.027	FY07	\$ 1,284
Innovative Education Program Strategies (Title V Program)	84.298	FY07	\$ 1,099
Title III English Language Acquisition Grant	84.243	FY07	\$ 3,713
Title IIA-Federal Teacher Quality Program	84.367	FY07	\$ 31,047
Technology Literacy Challenge Funds Grants - Bilingual & ESL Training	84.318	FY07	\$ 4,500
Rural Education Achievement Program	84.358	FY07	\$ 18,109
Iowa Bilingual and ESL training	84.215	FY07	\$ 70,500
Title VI Assessments	84.369	FY07	\$ 1,978
Title III Immigrant Child	84.365	FY07	\$ 36,157
U.S. Department of Health & Human Services:			
Iowa Department of Education:			
Medical Assistance Program	93.778	FY07	\$ 33,751
Education of Handicap - Part B	93.778	FY07	\$ 37,178
Total			<u>\$ 668,363</u>

**Basis of Presentation** - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Postville Community School District and is presented on the accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**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**

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  
Postville Community School District:

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Postville Community School District as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued my report thereon dated January 24, 2008. I conducted my 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 my audit, I considered the Postville Community School District's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing my opinion on the effectiveness of Postville Community School District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Postville Community School District's internal control over financial reporting.

My 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, I identified certain deficiencies in internal control over financial reporting that I consider to be significant deficiencies and other deficiencies I 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 Postville Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Postville Community School District's financial statements that is more inconsequential will not be prevented or detected by Postville Community School District's internal control. I consider the deficiencies in internal control described in Part II of 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 Postville Community School District's internal control.

My 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, I believe items II-A-07 and II-B-07 are material weaknesses.

Compliance and Other Matters

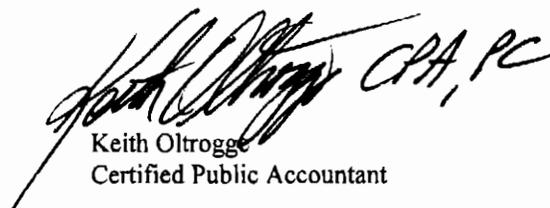
As part of obtaining reasonable assurance about whether Postville Community School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of noncompliance or other matters that are described in Part IV of the accompanying Schedule of Findings.

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

Postville Community School District's responses to findings identified in my audit are described in the accompanying Schedule of Findings. While I have expressed my conclusions on the District's responses, I did not audit Postville Community School District's responses and, accordingly, I 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 Postville Community School District and other parties to whom Postville Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of Postville Community School District during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.



Keith Oltrogge  
Certified Public Accountant

January 24, 2008

**Independent Auditor's Report on Compliance with Requirements Applicable  
To Each Major Program and on Internal Control over Compliance  
in Accordance with OMB Circular A-133**

Independent Auditor's Report on Compliance with Requirements Applicable  
To Each Major Program and on Internal Control over Compliance  
in Accordance with OMB Circular A-133

To the Board of Education of  
Postville Community School District

## Compliance

I have audited the compliance of Postville Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2007. Postville Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings. Compliance with the requirements of law, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Postville Community School District's management. My responsibility is to express an opinion on Postville Community School District's compliance based on my audit.

I conducted my audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Postville Community School District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on Postville Community School District's compliance with those requirements.

In my opinion, Postville Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

## Internal Control Over Compliance

The management of Postville Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing my audit, I considered Postville Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Postville Community School District's internal control over compliance.

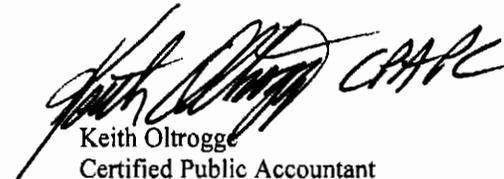
My consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, I identified a deficiency in internal control over compliance that we consider to be a material weakness.

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control. I consider the deficiency in internal control over compliance in the accompanying Schedule of Findings as items III-A-07 and III-B-07 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control. I consider the significant deficiency in internal control over compliance described in the accompanying Schedule of Findings as items III-A-07 and III-B-07 to be material weaknesses.

Postville Community School District's responses to the findings identified in my audit are described in the accompanying Schedule of Findings. While I expressed my conclusions on the District's responses, I did not audit Postville Community School District's responses and, accordingly, I 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 Postville Community School District and other parties to whom Postville Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.



Keith Oltrogge  
Certified Public Accountant

January 24, 2008

**Postville Community School District**

**Schedule of Findings**

**Year Ended June 30, 2007**

**Part I – Summary of the Independent Auditor’s Results:**

- a) Unqualified opinions were issued on the financial statements.
- b) Significant conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- c) The audit did not disclose any non-compliance which is material to the financial statements.
- d) A significant deficiency in internal control over major programs was disclosed by the audit of the financial statements, which was considered to be a material weakness.
- e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- f) The audit disclosed no audit finding which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510 (a).
- g) Major programs were as follows:
  - CFDA Number 84.010 – Title I Grants to Local Educational Agencies
  - CFDA Number 84.011 – Title I Grant – Migrant Education
  - CFDA Number 84.215 – Iowa Bilingual and ESL Training
  - Clustered programs:
    - CFDA Number 10.553 – School Breakfast Program
    - CFDA Number 10.555 – National School Lunch Program
- h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- i) Postville Community School District did not qualify as a low-risk auditee.

**Postville Community School District**

**Schedule of Findings**

**Year Ended June 30, 2007**

**Part II – Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**SIGNIFICANT DEFICIENCIES:**

II-A-07 Segregation of Duties – The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks and bank reconciliations, preparation of journals and 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 I 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 – I realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

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

Conclusion – Response accepted.

II-B-07 Check-Signing Machine – I noted that a check-signing machine was used to sign checks. I also noted that the person who wrote the checks, journalized transactions and reconciled the bank accounts had access to the check-signing machine.

Recommendation – The District should establish procedures to control access to the check-signing machine, such as having another person control the key to the machine and establishing a log of the numbers of the checks signed that reconciles to a counter on the machine.

Response – We will review our procedures controlling access to the check-signing machine.

Conclusion – Response accepted.

**Postville Community School District**

**Schedule of Findings**

**Year Ended June 30, 2007**

**Part III – Findings For Federal Awards:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**SIGNIFICANT DEFICIENCY:**

**CFDA Number 10.553: School Breakfast Program  
CFDA Number 10.555 National School Lunch Program and  
Federal Award Year: 2007  
U.S. Department of Agriculture  
Passed through the Iowa Department of Education**

**CFDA Number 84.010: Title I Grants to Local Educational Agencies  
CFDA Number 84.011: Title I Grant – Migrant Education  
CFDA Number 84.215: Iowa Bilingual and ESL Training  
Federal Award Year: 2007  
U.S. Department of Education  
Passed through the Iowa Department of Education**

III-A-07 Segregation of Duties – The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks and bank reconciliations, preparation of journals and 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 I 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 – I realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

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

Conclusion – Response accepted.

III-B-07 Check-Signing Machine – I noted that a check-signing machine was used to sign checks. I also noted that the person who wrote the checks, journalized transactions and reconciled the bank accounts had access to the check-signing machine.

Recommendation – The District should establish procedures to control access to the check-signing machine, such as having another person control the key to the machine and establishing a log of the numbers of the checks signed that reconciles to a counter on the machine.

Response – We will review our procedures controlling access to the check-signing machine.

Conclusion – Response accepted.

**Postville Community School District**

**Schedule of Findings**

**Year Ended June 30, 2007**

**Part IV - Other Findings Related to Statutory Reporting:**

IV-A-07 Certified Budget – Expenditures for the year ended June 30, 2007 exceeded the certified budget amounts in the support services function.

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

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

Conclusion – Response accepted.

IV-B-07 Questionable Expenditures – No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-C-07 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-07 Business Transactions – No business transactions between the District and District officials or employees were noted.

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

IV-F-07 Board Minutes – The minutes record was examined and appeared to give a condensed account of business transactions by the Board. No transactions requiring Board approval which had not been approved by the Board were noted.

IV-G-07 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.

IV-H-07 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

IV-I-07 Certified Annual Report – The Certified Annual Report was filed with the Iowa Department of Education timely.