

Postville Community School District

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

June 30, 2010

Table of Contents

		<u>Page</u>
Officials		1
Independent Auditor's Report		2-3
Management's Discussion and Analysis		4-12
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Assets	A	13
Statement of Activities	B	14-15
Governmental Fund Financial Statements:		
Balance Sheet	C	16
Reconciliation of the Balance Sheet-Governmental Funds to the Statement of Net Assets	D	17
Statement of Revenues, Expenditures and Changes in Fund Balances	E	18-19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances- Governmental Funds to the Statement of Activities	F	20
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	21
Statement of Revenues, Expenses and Changes in Fund Net Assets	H	22
Statement of Cash Flows	I	23
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Assets	J	24
Statement of Changes in Fiduciary Net Assets	K	25
Notes to Financial Statements		26-37
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenue, Expenditures/Expenses And Changes in Balances-Budget and Actual - All Governmental Funds and Proprietary Fund		38
Notes to Required Supplementary Information-Budgetary Reporting		39
Schedule of Funding Progress for the Retiree Health Plan		40
Other Supplementary Information:	<u>Schedule</u>	
Non-major Funds:		
Combining Balance Sheet	1	41
Combining Schedule of Revenues, Expenditures and Changes In Fund Balances	2	42
Schedule of Changes in Special Revenue Fund-Student Activity Accounts	3	43
Schedule of Changes in Fiduciary Assets and Liabilities-Agency Funds-Summary	4	44
Schedule of Changes in Fiduciary Assets and Liabilities-Agency Funds-Detail	5	45
Combining Balance Sheet-Private Purpose Trusts	6	46
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances-Private Purpose Trusts	7	47
Schedule of Revenues by Source and Expenditures by Function- All Governmental Funds	8	48
Schedule of Expenditures of Federal Awards	9	49
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		50-51
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		52-53
Schedule of Findings		54-58

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, 2010, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. My responsibility is to express opinions 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 opinions.

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, 2010, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued my report dated December 2, 2010 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, Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 12 and 38 through 40 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 six years ended June 30, 2009 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 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.



Keith Oltrogge
Certified Public Accountant

December 2, 2010

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

2010 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$5,492,453 in fiscal 2009 to \$5,708,189 in fiscal 2010, and General Fund expenditures increased from \$5,599,200 in fiscal 2009 to \$5,880,263 in fiscal 2010. The District's General Fund balance decreased from \$523,632 in fiscal year 2009 to \$355,888 in fiscal year 2010, a 32% decrease.
- The increase in General Fund revenues was attributable to an increase in local sources and federal grants revenue in fiscal year 2010. The increase in expenditures was due primarily to an increase in instructional costs.
- The District's solvency ratio has decreased from 1.6% at June 30, 2009 to -6.60% at June 30, 2010. A District's solvency level indicates a District is able to meet unforeseen financing requirements and presents a sound risk for the timely repayment of short-term debt obligations. The District's solvency ratio decrease was due to the increase in restricted net assets for categorical funding.

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 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

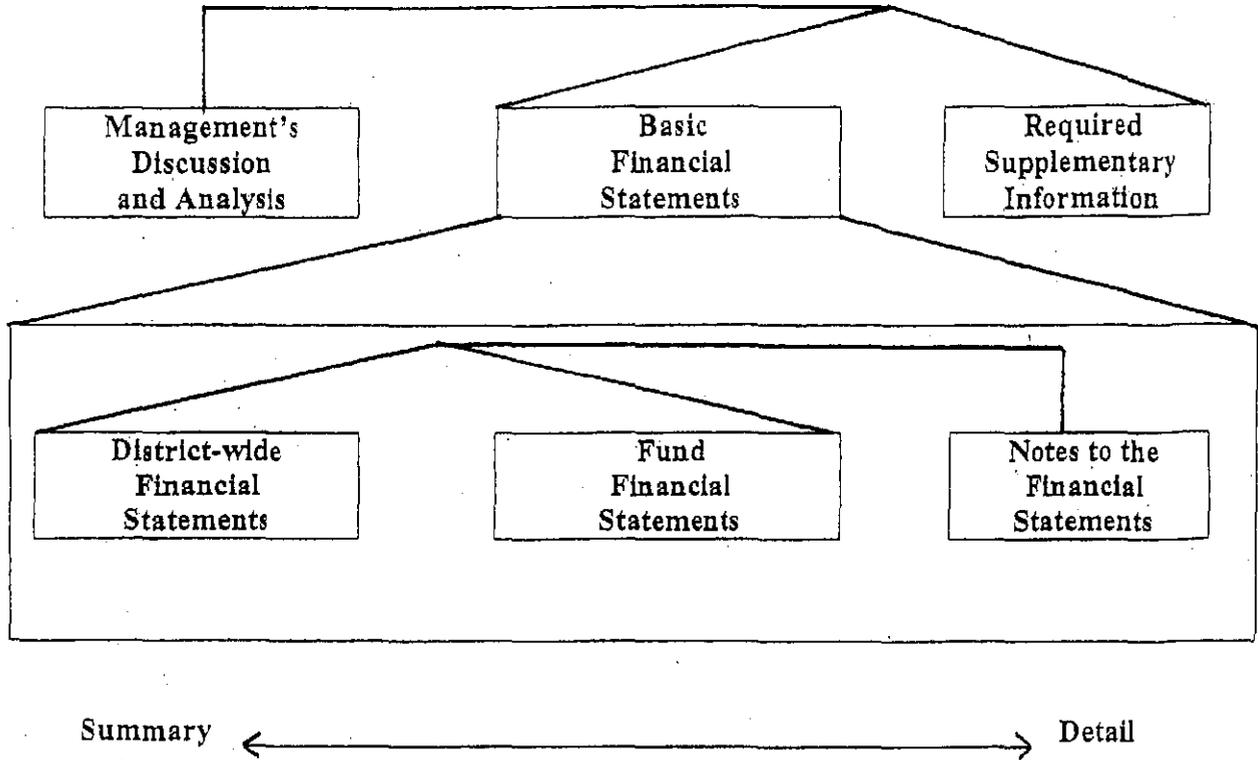


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

**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, 2010 compared to June 30, 2009.

**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,
	2010	2009	2010	2009	2010	2009	2009-2010
Current and other assets	\$5,672,304	\$6,215,063	\$125,653	\$109,581	\$5,797,957	\$6,324,644	-\$526,687
Capital assets	8,570,066	6,591,549	33,670	29,993	8,603,736	6,621,542	1,982,194
Total assets	\$14,242,370	\$12,806,612	\$159,323	\$139,574	\$14,401,693	\$12,946,186	\$1,455,507
Long-term liabilities	\$3,263,227	\$1,806,190	\$-	\$-	\$3,263,227	\$1,806,190	\$1,457,037
Other liabilities	3,350,800	4,411,809	10,780	10,822	3,361,580	4,422,631	-1,061,051
Total liabilities	\$6,614,027	\$6,217,999	\$10,780	\$10,822	\$6,624,807	\$6,228,821	\$395,986
Net assets:							
Invested in capital assets, net of related debt	\$5,412,319	\$4,858,050	\$33,670	\$29,932	\$5,445,989	\$4,887,982	\$558,007
Restricted	2,226,999	1,203,526	-	-	2,226,999	1,203,526	1,023,473
Unrestricted	-10,975	527,037	114,873	98,820	103,898	625,857	-521,959
Total net assets	\$7,628,343	\$6,588,613	\$148,543	\$128,752	\$7,776,886	\$6,717,365	\$1,059,521

The District’s combined net assets increased by nearly 13.7%, or \$1,059,521, 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 \$1,023,473 or 85% over the prior year. The increase was primarily due to the \$317,765 increase in restricted categorical funds and the \$382,304 increase in Capital Projects.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased by \$521,959, or 83.4%.

Figure A-4 shows the change in net assets for the year ended June 30, 2010 compared to the year ended June 30, 2009.

Figure A-4
Changes in Net Assets

	Governmental Activities		Business Type Activities		Total District		Total Change
	2010	2009	2010	2009	2010	2009	2009-10
Revenues:							
Program revenues:							
Charges for service	\$259,987	\$234,898	\$96,656	\$101,317	\$356,643	\$336,215	6.1%
Operating grants, contributions and restricted interest	1,559,868	1,245,461	258,661	216,885	1,818,529	1,462,346	24.4%
Capital grants, contributions and restricted interest	775,948	74,052	-	-	775,948	74,052	947.8%
General revenues:							
Property tax	2,170,688	1,935,935	-	-	2,170,688	1,935,935	12.1%
Local option sales and service tax	404,848	414,682	-	-	404,848	414,682	-2.4%
Unrestricted state grants	2,115,627	2,529,804	-	-	2,115,627	2,529,804	-16.4%
Unrestricted investment earnings	82,511	87,802	745	2,041	83,256	89,843	-7.3%
Other	28,166	81,199	-	-	28,166	81,199	-65.3%
Total revenues	\$7,397,643	\$6,603,833	\$356,062	\$320,243	\$7,753,705	\$6,924,076	12.0%
Program expenses:							
Governmental activities:							
Instruction	\$4,461,808	\$4,162,743	\$-	\$1,080	\$4,461,808	\$4,163,823	7.2%
Support services	1,684,522	1,670,682	-	-	1,684,522	1,670,682	0.8%
Non-instructional programs	1,386	1,151	336,765	316,735	338,151	317,886	6.3%
Other expenses	215,527	604,186	-	-	215,527	604,186	-64.1%
Total expenses	\$6,363,243	\$6,438,762	336,765	\$317,815	\$6,700,008	\$6,756,577	-0.8%
Change in net assets	\$1,034,400	\$165,071	\$19,297	\$2,428	\$1,053,697	\$167,499	529.1%

In fiscal year 2010, property tax and unrestricted state grants accounted for 57.9% of governmental activities revenue while charges for service and operating grants, contributions and restricted interest accounted for 99.8% of business type activities revenue.

The District's total revenues were approximately \$7.8 million, of which approximately \$7.4 million was for governmental activities and less than \$0.4 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 12.0% increase in revenues and a 0.8% decrease in expenses. Property tax increased approximately \$235,000. The decrease in expenses is related to the decrease in other expenses.

Governmental Activities

Revenues for governmental activities were \$7,397,643 and expenses were \$6,363,243 for the year ended June 30, 2010. 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 major governmental activities, instruction, support services, non-instructional programs and other expenses for the year ended June 30, 2010 compared to the year ended June 30, 2009.

Figure A-5

Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2010	2009	Change 2009-10	2010	2009	Change 2009-10
Instruction	\$4,461,808	\$4,162,743	7.2%	\$2,663,098	\$2,693,975	-1.2%
Support services	1,684,522	1,670,682	0.8%	1,663,377	1,659,091	0.3%
Non-instructional programs	1,386	1,151	20.4%	1,386	1,151	20.4%
Other expenses	215,527	604,186	-64.3%	-560,421	530,134	-5.7%
Totals	\$6,363,243	\$6,438,762	-1.2%	\$3,767,440	\$4,884,351	-22.9%

- The cost financed by users of the District's programs was \$35,664.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,818,529.
- The net cost of governmental activities was financed with \$2,575,536 in property and other taxes and \$2,115,627 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$356,062 and expenses were \$336,765. 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 \$7,628,343, well above last year's ending fund balances of \$6,588,613.

Governmental Fund Highlights

- The District's deteriorating General Fund financial position is the result of many factors. Growth during the year in tax and federal grants resulted in an increase in revenues. However, the increase in revenues was more than offset by the District's increase in General Fund expenditures, requiring the District to use carryover fund balance to meet its financial obligations during the year.
- The General Fund balance decreased from \$523,632 to \$355,888 due, in part, to the negotiated salaries and benefits and existing expenditure commitments of the District.
- The Special Revenue, Physical Plant and Equipment Levy (PPEL) Fund adjusted balance increased from a deficit of \$26,564 at the end of the fiscal year 2009 to \$71,600 at the end of fiscal year 2010. While revenues remained approximately the same, the District substantially reduced spending from the PPEL Fund in order to reduce the prior year deficit and improve the financial condition of the fund.
- Capital Projects Fund balance increased due to the sale of \$1,675,000 in revenue bonds during fiscal year 2010. The fund balance increased from \$380,785 to \$758,996 due to the \$382,304 of unspent revenue bond proceed which will be expended as the project is completed.
- The Debt Service Fund adjusted balance increased from \$672,557 to \$946,569 due to operating transfer to reserve funds for the payment of debt.

BUDGETARY HIGHLIGHTS

The District's receipts were \$701,565 less than budgeted receipts, a variance of 8.4%. The most significant variance resulted from the District receiving less in federal sources 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.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2010, the District had invested \$8,603,736, 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 23% from last year. More detailed information about the District's capital assets is presented in Note 6 to the financial statements. Depreciation expense for the year was \$350,218.

The original cost of the District's capital assets was \$17,015,588. Governmental funds account for \$16,936,607, with the remainder of \$78,981 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$2,136,439 at June 30, 2010. This significant increase resulted from construction activity financed by the issuance of revenue bonds totaling \$1,675,000 in fiscal year 2010 for construction of Project Niches, the remodeling of the old gymnasium building.

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,
	2010	2009	2010	2009	2010	2009	2009-2010
Land	\$89,000	\$89,000	\$-	\$-	\$89,000	\$89,000	\$-
Construction in process	2,136,439	-	-	-	2,136,439	-	2,136,439
Buildings	5,767,258	5,920,010	-	-	5,767,258	5,920,010	-152,752
Improvements other than buildings	170,388	172,145	-	-	170,388	172,145	-1,757
Furniture and equipment	406,981	410,394	33,670	29,993	440,651	440,387	264
Totals	\$8,570,066	\$6,591,549	\$33,670	\$29,993	\$8,603,736	\$6,621,542	\$1,982,194

Long-Term Debt

At June 30, 2010, the District had \$3,157,747 in other long-term debt outstanding. This represents an increase of 82.1% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 7 to the financial statements.

The District continues to carry a general obligation bond rating of Aa3 assigned by national rating agencies to the District's debt since 1997. The Constitution of the State of Iowa limits the amount of general obligation debt districts can issued to 5 percent of the assessed value of all taxable property within the District. The District's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$11 million.

On July 1, 2009, the District issued \$1,675,000 of Statewide Sales and Use Tax revenue bonds for the Project Niches project.

Figure A-7
Outstanding Long-term Obligations

	Total District		Total Change
	June 30,		June 30,
	2010	2009	2009-2010
Revenue bonds	\$1,975,000	\$465,000	\$1,510,000
Capital notes payable	1,182,747	1,268,499	-85,752
Totals	\$3,157,747	\$1,733,499	\$1,424,248

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Enrollment decline of 24 students from the prior year is a concern. A trend of declining enrollment could continue over the next few years.

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, 2010

	Govern- mental Activities	Business Type Activities	Total
Assets			
Cash and Cash Equivalents	\$ 2,706,789	\$ 97,214	\$ 2,804,003
Receivables:			
Property tax:			
Delinquent	41,754	-	41,754
Succeeding year	2,189,069	-	2,189,069
Accounts	2,949	18	2,967
Accrued interest:			
ISCAP	40	-	40
Escrow account	74,697	-	74,697
Due from other governments	655,201	7,111	662,312
Inventories	-	21,310	21,310
Capital assets, net of accumulated depreciation	8,570,066	33,670	8,603,736
Total Assets	\$ 14,240,565	\$ 159,323	\$ 14,399,888
Liabilities			
Accounts payable	\$ 69,423	\$ 2,385	\$ 71,808
Salaries and benefits payable	493,118	4,328	497,446
Accrued interest payable	8,062	-	8,062
Deferred revenue-succeeding year property tax	2,189,069	-	2,189,069
Deferred revenue-other	589,323	4,067	593,390
Long-term liabilities:			
Portion due within one year:			
Revenue notes	170,000	-	170,000
Capital notes payable	89,429	-	89,429
Early retirement	21,240	-	21,240
Portion due after one year:			
Revenue notes	1,805,000	-	1,805,000
Capital notes payable	1,093,318	-	1,093,318
Early retirement	21,658	-	21,658
Net OPEB liability	62,582	-	62,582
Total Liabilities	\$ 6,612,222	\$ 10,780	\$ 6,623,002
Net Assets			
Invested in capital assets, net of related debt	\$ 5,412,319	\$ 33,670	\$ 5,445,989
Restricted for:			
Categorical funding	747,608	-	747,608
Management levy	61,485	-	61,485
Physical plant and equipment levy	71,600	-	71,600
Other special revenue purposes	17,433	-	17,433
Debt service	946,569	-	946,569
Capital projects	382,304	-	382,304
Unrestricted	-10,975	114,873	103,898
Total Net Assets	\$ 7,628,343	\$ 148,543	\$ 7,776,886

See notes to financial statements.

Postville Community School District

Statement of Activities

Year Ended June 30, 2010

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental Activities:				
Instruction:				
Regular instruction	\$ 2,740,047	\$ 89,523	\$ 1,108,345	\$ -
Special instruction	834,942	21,401	425,321	-
Other instruction	886,819	140,655	13,465	-
	<u>\$ 4,461,808</u>	<u>\$ 251,579</u>	<u>\$ 1,547,131</u>	<u>\$ -</u>
Support Services:				
Student services	\$ 219,731	\$ -	\$ 3,523	\$ -
Instructional staff services	149,547	-	9,214	-
Administration services	600,594	-	-	-
Operation and maintenance of plant services	551,862	2,050	-	-
Transportation services	162,788	6,358	-	-
	<u>\$ 1,684,522</u>	<u>\$ 8,408</u>	<u>\$ 12,737</u>	<u>\$ -</u>
Non-instructional programs	\$ 1,386	\$ -	\$ -	\$ -
Other Expenditures:				
Facilities acquisition	\$ -181,942	\$ -	\$ -	\$ 775,948
Long-term debt interest	145,002	-	-	-
AEA flow-through	252,467	-	-	-
	<u>\$ 215,527</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 775,948</u>
Total Governmental Activities	<u>\$ 6,363,243</u>	<u>\$ 259,987</u>	<u>\$ 1,559,868</u>	<u>\$ 775,948</u>
Business Type Activities:				
Non-Instructional Programs:				
Food service operations	\$ 336,765	\$ 96,656	\$ 258,661	\$ -
Total	<u>\$ 6,700,008</u>	<u>\$ 356,643</u>	<u>\$ 1,818,529</u>	<u>\$ 775,948</u>

Net (Expense) Revenue
And Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$ -1,542,179	\$ -	\$ -1,542,179
-388,220	-	-388,220
-732,699	-	-732,699
<u>\$ -2,663,098</u>	<u>\$ -</u>	<u>\$ -2,663,098</u>
\$ -216,208	\$ -	\$ -216,208
-140,333	-	-140,333
-600,594	-	-600,594
-549,812	-	-549,812
-156,430	-	-156,430
<u>\$ -1,663,377</u>	<u>\$ -</u>	<u>\$ -1,663,377</u>
<u>\$ -1,386</u>	<u>\$ -</u>	<u>\$ -1,386</u>
\$ 957,890	\$ -	\$ 957,890
-145,002	-	-145,002
-252,467	-	-252,467
<u>\$ 560,421</u>	<u>\$ -</u>	<u>\$ 560,421</u>
<u>\$ -3,767,440</u>	<u>\$ -</u>	<u>\$ -3,767,440</u>
<u>\$ -</u>	<u>\$ 18,552</u>	<u>\$ 18,552</u>
<u>\$ -3,767,440</u>	<u>\$ 18,552</u>	<u>\$ -3,748,888</u>

Postville Community School District

Statement of Activities

Year Ended June 30, 2010

	<u>Program Revenues</u>		
	Operating	Capital	
	Grants,	Grants,	
	Contributions	Contributions	
	and	and	
	Restricted	Restricted	
	Interest	Interest	
<u>Expenses</u>	<u>Charges</u>		
	<u>for</u>		
	<u>Services</u>		

General Revenues:

Property Tax Levied For:

General purposes

Capital outlay

Statewide sales, services and use tax

Unrestricted state grants

Unrestricted investment earnings

Other

Total General Revenues

Change in net assets before sales and transfers

Sale of assets

Operating transfer

Change in net assets

Net assets beginning of year

Net Assets End of Year

See notes to financial statements.

Net (Expense) Revenue
And Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$ 1,912,892	\$ -	\$ 1,912,892
258,796	-	258,796
404,848	-	404,848
2,115,627	-	2,115,627
82,511	745	83,256
28,166	-	28,166
<hr/> \$ 4,802,840	<hr/> \$ 745	<hr/> \$ 4,803,585
\$ 1,035,400	\$ 19,297	\$ 1,054,697
4,824	-	4,824
-494	494	-
<hr/> \$ 1,039,730	<hr/> \$ 19,791	<hr/> \$ 1,059,521
6,588,613	128,752	6,717,365
<hr/> \$ 7,628,343	<hr/> \$ 148,543	<hr/> \$ 7,776,886

Postville Community School District

Balance Sheet
Governmental Funds

June 30, 2010

Assets	General	Physical Plant and Equipment Levy	Capital Projects	Debt Service	Non- Major Funds	Total
Cash and Pooled Investments	\$ 846,849	\$ 64,217	\$ 727,553	\$ 946,569	\$ 121,601	\$ 2,706,789
Receivables:						
Property Tax:						
Delinquent	36,378	4,606	-	-	770	41,754
Succeeding year	1,908,320	250,748	-	-	30,001	2,189,069
Interfund	-	1,805	-	-	-	1,805
Accounts	603	972	-	-	1,374	2,949
Accrued Interest:						
ISCAP	40	-	-	-	-	40
Due from other governments	588,409	16,963	49,829	-	-	655,201
Total Assets	\$ 3,380,599	\$ 339,311	\$ 777,382	\$ 946,569	\$ 153,746	\$ 5,597,607
Liabilities & Fund Balances						
Liabilities:						
Interfund payable	\$ 1,805	\$ -	\$ -	\$ -	\$ -	\$ 1,805
Accounts payable	49,108	-	18,386	-	1,929	69,423
Salaries and benefits payable	493,118	-	-	-	-	493,118
Deferred Revenue:						
Succeeding year property tax	1,908,320	250,748	-	-	30,001	2,189,069
Other	572,360	16,963	-	-	-	589,323
Total Liabilities	\$ 3,024,711	\$ 267,711	\$ 18,386	\$ -	\$ 31,930	\$ 3,342,738
Fund Balances:						
Reserved for:						
Categorical funding	\$ 747,608	\$ -	\$ -	\$ -	\$ -	\$ 747,608
Capital projects	-	-	382,304	-	-	382,304
Debt service – sinking account	-	-	-	167,016	-	167,016
Debt service	-	-	-	779,553	-	779,553
Unreserved	-391,720	71,600	376,692	-	121,816	182,888
Total Fund Balances	\$ 355,888	\$ 71,600	\$ 758,996	\$ 946,569	\$ 121,816	\$ 2,254,869
Total Liabilities & Fund Balances	\$ 3,380,599	\$ 339,311	\$ 777,382	\$ 946,569	\$ 153,746	\$ 5,597,607

See notes to financial statements.

Postville Community School District

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

June 30, 2010

Total fund balances of governmental funds (page 16)	\$ 2,254,869
<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	8,570,066
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	74,697
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	-8,062
Long-term liabilities, including capital notes payable, early retirement, and other postemployment benefits payable are not due and payable in the current period and, therefore, are not reported in the funds	<u>-3,263,227</u>
Net assets of governmental activities (page 13)	<u>\$ 7,628,343</u>

Postville Community School District

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

Year Ended June 30, 2010

	General	Physical Plant and Equipment Levy	Capital Projects	Debt Service	Non- Major Funds	Total
Revenues:						
Local Sources:						
Local tax	\$ 1,875,410	\$ 258,796	\$ 404,848	\$ -	\$ 37,482	\$ 2,576,536
Tuition	102,964	-	-	-	-	102,964
Other	54,453	3,960	20,986	19,262	149,816	248,477
Intermediate sources	-	-	-	-	-	-
State sources	2,778,970	115	775,948	-	18	3,555,051
Federal sources	896,392	-	-	-	-	896,392
Total Revenues	\$ 5,708,189	\$ 262,871	\$ 1,201,782	\$ 19,262	\$ 187,316	\$ 7,379,420
Expenditures:						
Current:						
Instruction:						
Regular instruction	\$ 2,480,732	\$ -	\$ -	\$ -	\$ 62,186	\$ 2,542,918
Special instruction	812,871	-	-	-	-	812,871
Other instruction	740,753	-	-	-	133,721	874,474
	\$ 4,034,356	\$ -	\$ -	\$ -	\$ 195,907	\$ 4,230,263
Support Services:						
Student services	\$ 217,932	\$ -	\$ -	\$ -	\$ 1,799	\$ 219,731
Instructional staff services	146,586	-	-	-	760	147,346
Administration services	587,053	536	-	2,400	3,493	593,482
Operation and maintenance of plant services	497,897	-	-	-	49,909	547,806
Transportation services	143,972	-	-	-	12,627	156,599
	\$ 1,593,440	\$ 536	\$ -	\$ 2,400	\$ 68,588	\$ 1,664,964
Non-instructional	\$ -	\$ -	\$ -	\$ -	\$ 1,386	\$ 1,386
Other Expenditures:						
Facilities acquisition	\$ -	\$ 2,192	\$ 2,012,697	\$ -	\$ -	\$ 2,014,889
Long-Term Debt:						
Principal	-	-	-	250,752	-	250,752
Interest and fiscal charges	-	-	4,818	135,133	-	139,951
AEA flow-through	252,467	-	-	-	-	252,467
	\$ 252,467	\$ 2,192	\$ 2,017,515	\$ 385,885	\$ -	\$ 2,658,059
Total Expenditures	\$ 5,880,263	\$ 2,728	\$ 2,017,515	\$ 388,285	\$ 265,881	\$ 8,554,672
Excess (deficiency) of revenues over (under) expenditures	\$ -172,074	\$ 260,143	\$ -815,733	\$ -369,023	\$ -78,565	\$ -1,175,252
Other Financing Sources (Uses):						
Bond proceeds	\$ -	\$ -	\$ 1,675,000	\$ -	\$ -	\$ 1,675,000
Operating transfers in	-	-	-	643,035	-	643,035
Operating transfers out	-494	-161,979	-481,056	-	-	-643,529
Sale of equipment	4,824	-	-	-	-	4,824
Total Other Financing Sources (Uses)	\$ 4,330	\$ -161,979	\$ 1,193,944	\$ 643,035	\$ -	\$ 1,679,330

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

Year Ended June 30, 2010

	General	Physical Plant and Equipment Levy	Capital Projects	Debt Services	Non- Major Funds	Total
Net change in fund balances	\$ -167,744	\$ 98,164	\$ 378,211	\$ 274,012	\$ -78,565	\$ 504,078
Fund balances beginning of year	523,632	643,153	380,785	2,840	200,381	1,750,791
Prior period adjustment	-	-669,717	-	669,717	-	-
Adjusted beginning fund balance	\$ 523,632	\$ -26,564	\$ 380,785	\$ 672,557	\$ 200,381	\$ 1,750,791
Fund Balances End of Year	\$ 355,888	\$ 71,600	\$ 758,996	\$ 946,569	\$ 121,816	\$ 2,254,869

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, 2010

Net change in fund balances – total governmental funds (page 19) \$ 504,078

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	\$ 2,321,661	
Depreciation expense	<u>-343,144</u>	1,978,517

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of net Assets. 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

Issued	\$ -1,675,000	
Repaid	<u>250,752</u>	-1,424,248

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.

-5,051

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	\$ 989	
Other postemployment benefits	<u>-33,778</u>	-32,789

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

19,223

Change in Net Assets of Governmental Activities (page 15) \$ 1,039,730

Postville Community School District

Statement of Net Assets
Proprietary Funds

June 30, 2010

	School Nutrition	Student Construction	Total
Assets			
Cash and cash equivalents	\$ 97,153	\$ 61	\$ 97,214
Accounts receivable	18	-	18
Due from other governments	7,111	-	7,111
Inventories	21,310	-	21,310
Capital assets, net of accumulated depreciation	33,670	-	33,670
Total Assets	\$ 159,262	\$ 61	\$ 159,323
Liabilities			
Accounts payable	\$ 2,385	\$ -	\$ 2,385
Salaries and benefits payable	4,328	-	4,328
Deferred revenue	4,067	-	4,067
Total Liabilities	\$ 10,780	\$ -	\$ 10,780
Net Assets			
Invested in capital assets, net of related debt	\$ 33,670	\$ -	\$ 33,670
Unrestricted	114,812	61	114,873
Total Net Assets	\$ 148,482	\$ 61	\$ 148,543

See notes to financial statements.

Postville Community School District

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

Year Ended June 30, 2010

	School Nutrition	Student Construction	Total
Operating revenues:			
Local sources:			
Charges for service/product	\$ 96,656	\$ -	\$ 96,656
Non-instructional programs:			
Food service operations:			
Salaries	\$ 122,196	\$ -	\$ 122,196
Benefits	47,051	-	47,051
Purchased services	3,598	-	3,598
Supplies	156,846	-	156,846
Depreciation	7,074	-	7,074
Total non-instruction programs	\$ 336,765	\$ -	\$ 336,765
Operating income (loss)	\$ -240,109	\$ -	\$ -240,109
Non-operating revenues:			
State sources	\$ 3,119	\$ -	\$ 3,119
Federal sources	255,542	-	255,542
Interest income	745	-	745
Total non-operating revenues	\$ 259,406	\$ -	\$ 259,406
Change in net assets	\$ 19,297	\$ -	\$ 19,297
Other financing sources:			
Operating transfer in	494	-	494
Net change in net assets	\$ 19,791	\$ -	\$ 19,791
Net assets beginning of year	128,691	61	128,752
Net Assets End of Year	\$ 148,482	\$ 61	\$ 148,543

See notes to financial statements.

Postville Community School District

Statement of Cash Flows
Proprietary Funds

Year Ended June 30, 2010

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 97,057
Cash paid to employees for services	-169,572
Cash paid to suppliers for goods or services	-143,834
Net cash provided (used) by operating activities	<u>\$ -216,349</u>
Cash flows from non-capital financing activities:	
State grants received	\$ 3,119
Federal grants received	231,222
Net cash provided by non-capital financing activities	<u>\$ 234,341</u>
Cash flows from investing activities:	
Interest on investments	<u>\$ 744</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	\$ -10,751
Transfer from general fund	494
Net cost used by capital and related financing activity	<u>\$ -10,257</u>
Net increase in cash and cash equivalents	\$ 8,479
Cash and cash equivalents beginning of year	<u>88,674</u>
Cash and Cash Equivalents End of Year	<u>\$ 97,153</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating (loss) income	\$ -240,109
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	21,503
Depreciation	7,074
(Increase) in inventories	-4,797
Decrease in accounts receivable	22
Increase in accounts payable	2,051
(Decrease) in salaries and benefits payable	-2,472
Increase in deferred revenue	379
Net Cash Provided (Used) by Operating Activities	<u>\$ -216,349</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2010, the District received \$21,503 of federal commodities.

See notes to financial statements.

Postville Community School District

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2010

	Private Purpose Trust	
	Scholarships	Agency
Assets		
Cash and pooled investments	\$ 25,119	\$ 9,902
Accounts receivable	-	232
Total Assets	\$ 25,119	\$ 10,134
Liabilities		
Accounts payable	\$ -	\$ 10,134
Net assets		
Reserved for scholarships	\$ 25,119	\$ -

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

Year Ended June 30, 2010

	Private Purpose Trust
	Scholarships
Additions:	
Local sources:	
Interest income	\$ 584
Deductions:	
Instruction:	
Regular instruction:	
Scholarships awarded	\$ 392
Change in net assets	\$ 192
Net assets beginning of year	24,927
Net Assets End of Year	\$ 25,119

Postville Community School District

Notes to Financial Statements

June 30, 2010

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

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

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, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2009.

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

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

Capital Assets – Capital assets, which include property, furniture and equipment, 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, 2010. 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.

(2) **Cash and Pooled Investments**

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

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

(3) **Inter-fund Transfers**

The detail of inter-fund transfers for the year ended June 30, 2010 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Physical Plant and Equipment Levy	\$ 161,979
Debt Service	Capital Projects - LOST	481,056
Capital Projects	Capital Projects - LOST	1,670,182
General Fund	Enterprise - Nutrition	494
Total		<u>\$ 2,313,711</u>

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

(4) **Due From and Due to Other Funds**

The detail of inter-fund receivables and payables at June 30, 2010 is as follows:

Receivable Fund	Payable Fund	Amount
Physical Plant and Equipment Levy	General	<u>\$ 1,805</u>

The General Fund is repaying the Physical Plant and Equipment Levy Fund for surtax incorrectly recorded in the prior year. The balance will be repaid by June 30, 2011.

(5) Iowa School Cash Anticipation Program (ISCAP)

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

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

Series	Warrant Date	Final Warrant Maturity	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2009-10A	6-25-09	6-23-10	\$ -	\$ 100,000	\$ 100,000	\$ -

During the year ended June 30, 2010, the District paid \$5,594 of interest on the ISCAP warrants.

(6) Capital Assets

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

	Balance Beginning Of Year	Increases	Decreases	Balance End Of Year
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 89,000	\$ -	\$ -	\$ 89,000
Construction in process	-	2,136,439	-	2,136,439
Total capital assets not being depreciated	\$ 89,000	\$ 2,136,439	\$ -	\$ 2,225,439
Capital assets being depreciated:				
Buildings	\$ 10,682,636	\$ 50,200	\$ -	\$ 10,732,836
Improvements other than buildings	472,758	10,192	-	482,950
Furniture and equipment	3,370,552	124,830	-	3,495,382
Total capital assets being depreciated	\$ 14,525,946	\$ 185,222	\$ -	\$ 14,711,168
Less accumulated depreciation for:				
Buildings	\$ 4,762,626	\$ 202,952	\$ -	\$ 4,965,578
Improvements other than buildings	300,613	11,949	-	312,562
Furniture and equipment	2,960,158	128,243	-	3,088,401
Total accumulated depreciation	\$ 8,023,397	\$ 343,144	\$ -	\$ 8,366,541
Total capital assets being depreciated, net	\$ 6,502,549	\$ -157,922	\$ -	\$ 6,344,627
Governmental Activities Capital Assets, Net	\$ 6,591,549	\$ 1,978,517	\$ -	\$ 8,570,066

	Balance Beginning Of Year	Increases	Decreases	Balance End Of Year
Business type activities:				
Furniture and equipment	\$ 69,810	\$ 10,751	\$ 1,580	\$ 78,981
Less accumulated depreciation	39,817	7,074	1,580	45,311
Business Type Activities Capital Assets, Net	\$ 29,993	\$ 3,677	\$ -	\$ 33,670

Depreciation expense was charged to the following functions:

Governmental Activities:

Instruction:

Regular	\$ 267,583
Special	20,720
Other	12,345

Support services:

Instructional staff	2,201
Administration	3,217
Operation and maintenance of plant	4,056
Transportation	33,022

Total Depreciation Expense – Governmental Activities

\$ 343,144

Business Type Activities:

Food service operations	\$ 7,074
-------------------------	----------

(7) Long-term Liabilities

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

	Balance Beginning Of Year	Additions	Reductions	Balance End Of Year	Due Within One Year
Revenue bonds	\$ 465,000	\$ 1,675,000	\$ 165,000	\$ 1,975,000	\$ 170,000
Capital notes payable	1,268,499	-	85,752	1,182,747	89,429
Early retirement	43,887	36,096	37,085	42,898	21,240
Net OPEB liability	28,804	33,778	-	62,582	-
Total	\$ 1,806,190	\$ 1,744,874	\$ 287,837	\$ 3,263,227	\$ 280,669

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, 2010 totaled \$37,085.

QZAB Capital Loan

The QZAB Capital Loan is a federal program in which the District borrowed \$1,000,000. It 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
2008	87,749	13,301	101,050
2009	87,749	16,238	103,987
2010	87,749	19,223	106,972
Total	\$ 701,992	\$ 74,697	\$ 776,689

Capital Loan Notes

Details of the District's June 30, 2010 capital loan notes indebtedness are as follows:

Year Ending June 30,	Capital Loan – PPEL Issued May 1, 2002			
	Interest Rates	Principal	Interest	Total
2011	4.25%	\$ 70,000	\$ 6,165	\$ 76,165
2012	4.3%	75,000	3,225	78,225
Total		\$ 145,000	\$ 9,390	\$ 154,390

Capital Loan – PPEL Issued June 6, 2009				
Year Ending June 30,	Interest Rates	Principal	Interest	Total
2011	5.5%	\$ 19,429	\$ 2,071	\$ 21,500
2012	5.5%	18,318	1,005	19,323
Total		\$ 37,747	\$ 3,076	\$ 40,823

Revenue Bonds

Details of the District's June 30, 2010 statewide service and use tax revenue bonded indebtedness are as follows:

Issued September 1, 2002				
Year Ending June 30,	Interest Rates	Principal	Interest	Total
2011	4.25%	\$ 170,000	\$ 12,880	\$ 182,880
2012	4.35%	130,000	5,656	135,656
Total		\$ 300,000	\$ 18,536	\$ 318,536

Issued July 1, 2009				
Year Ending June 30,	Interest Rates	Principal	Interest	Total
2011	3.0%	\$ -	\$ 70,450	\$ 70,450
2012	3.0%	-	70,450	70,450
2013	3.0%	75,000	70,450	145,450
2014	3.6%	100,000	68,200	168,200
2015	3.6%	100,000	64,600	164,600
2016	3.6%	100,000	61,000	161,000
2017	3.6%	100,000	57,400	157,400
2018	4.0%	100,000	53,800	153,800
2019	4.0%	100,000	49,800	149,800
2020	4.2%	100,000	45,800	145,800
2021	4.2%	100,000	41,600	141,600
2022	4.4%	100,000	37,400	137,400
2023	4.4%	100,000	33,000	133,000
2024	4.6%	100,000	28,600	128,600
2025	4.6%	100,000	24,000	124,000
2026	4.8%	100,000	19,400	119,400
2027	4.8%	100,000	14,600	114,600
2028	4.9%	100,000	9,800	109,800
2029	4.9%	100,000	4,900	104,900
Total		\$ 1,675,000	\$ 825,250	\$ 2,500,250

The District has pledged future statewide sales, services and use tax revenues to repay the \$1,675,000 of bonds issued in July 2009. The bonds were issued for the purpose of financing a portion of the costs of the Niches Project. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2029. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require approximately 12 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$2,500,250. For the current year, no principal and \$64,579 of interest was paid on the bonds and total statewide sales, services and use tax revenues were \$404,848

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- a) \$161,130 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- b) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

During the year ended June 30, 2010, the District made principal, interest and fees payments totaling \$390,703 under the agreements.

(8) Pension and Retirement Benefits

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

Plan members are required to contribute 4.30% of their annual covered salary and the District is required to contribute 6.65% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2010, 2009 and 2008 were \$234,066, \$215,427, and \$195,860, respectively, equal to the required contributions for each year.

(9) Other Postemployment Benefits (OPEB)

Plan Description – The District is a member of a twelve school trust – (NEISIT) Northeast Iowa Schools Insurance Trust. Each school provided active and retired employee information. The plan provides medical benefits to retirees and their spouses. The District had 68 active and 6 retired members in the plan. Participants must be 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2010, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 32,979
Interest on net OPEB obligation	799
Adjustment to annual required contribution	-
Annual OPEB cost	<u>\$ 33,778</u>
Contributions made	-
Increase in net OPEB obligation	<u>\$ 33,778</u>
Net OPEB obligation beginning of year	<u>28,804</u>
 Net OPEB obligation end of year	 <u>\$ 62,582</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

For the year ended June 30, 2010, the District contributed \$538,397 to the medical plan. Plan members eligible for benefits contributed \$42,403 of the premium costs.

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

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$33,778	0%	\$62,582

Funded Status and Funding Progress – As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2008 through June 30, 2009 and continuing through June 30, 2010, the actuarial accrued liability was \$427,341, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$427,341. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,675,838, and the ratio of the UAAL to covered payroll was 15.9%. As of June 30, 2010, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of July 1, 2008 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate. The projected annual medical trend rate is 6%.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

Projected claim costs of the medical plan are \$430.47 per month for retirees less than age 65. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(10) 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.

(11) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District’s actual amount for this purpose totaled \$252,467 for the year ended June 30, 2010 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(12) Construction Commitments

The District has been approved for an \$850,000 Vision Iowa Grant to remodel the old gymnasium building used by the YMCA. The cost of the \$2 million plus remodeling project will be shared by the district, the city of Postville, the county and the YMCA in 2009 and 2010 (known as Project Niches –Aquatic Facility).

The District had issued in July of 2009, \$1.675 million in revenue bonds for the construction of Project Niches.

At June 30, 2010 the District had contracts totaling \$2,488,647 for Project Niches with \$2,136,439 of construction in process. The balance of \$352,208 remaining at June 30, 2010 will be paid as work on the project progresses.

(13) Categorical Funding

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

Program	Amount
Limited English Proficiency	\$ 221,032
Home School Assistance	236,261
Gifted and Talented Programs	4,730
Dropout Prevention	222,450
Beginning Teacher Mentoring	4,309
Teacher Salary Supplement	35,717
Vocational Aid	5,621
Core Curriculum	13,480
Professional Development	4,008
Total	<u>\$ 747,608</u>

(14) Subsequent Events

The District has evaluated subsequent events through December 2, 2010 which is the date that the financial statements were available to be issued.

(15) Prior Period Adjustment

The District was notified by the Iowa Department of Education that the QZAB Capital Loan Escrow account (Note 7) should be recorded in the Debt Service Fund instead of the Physical Plant and Equipment Levy where it was previously reported.

Required Supplementary Information

Postville Community School District

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

Required Supplementary Information

Year Ended June 30, 2010

	Governmental Funds Actual	Proprietary Fund Actual
Receipts:		
Local sources	\$ 2,927,977	\$ 97,401
Intermediate sources	-	-
State sources	3,555,051	3,119
Federal sources	896,392	255,542
Total Receipts	<u>\$ 7,379,420</u>	<u>\$ 356,062</u>
Disbursements:		
Instruction	\$ 4,230,263	\$ -
Support services	1,664,964	-
Non-instructional programs	1,386	336,765
Other expenditures	2,658,059	-
Total Disbursements	<u>\$ 8,554,672</u>	<u>\$ 336,765</u>
Excess (deficiency) of receipts over (under) disbursements	\$ -1,175,252	\$ 19,297
Other financing sources, net	<u>1,679,330</u>	<u>494</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	\$ 504,078	\$ 19,791
Balances beginning of year	<u>1,750,791</u>	<u>128,752</u>
Balances End of Year	<u>\$ 2,254,869</u>	<u>\$ 148,543</u>

See accompanying independent auditor's report.

Total Actual	Budgeted Amounts Original	Final to Actual
\$ 3,025,378	\$ 3,197,864	\$ -172,486
-	130,000	-130,000
3,558,170	3,554,183	3,987
1,151,934	1,555,000	-403,066
<u>\$ 7,735,482</u>	<u>\$ 8,437,047</u>	<u>\$ -701,565</u>
\$ 4,230,263	\$ 5,303,378	\$ 1,073,115
1,664,964	2,080,300	415,336
338,151	428,824	90,673
2,658,059	3,863,810	1,205,751
<u>\$ 8,891,437</u>	<u>\$ 11,676,312</u>	<u>\$ 2,784,875</u>
\$ -1,155,955	\$ -3,239,265	\$ 2,083,310
1,679,824	1,676,500	3,324
\$ 523,869	\$ -1,562,765	\$ 2,086,634
1,879,543	2,114,662	-235,119
<u>\$ 2,403,412</u>	<u>\$ 551,897</u>	<u>\$ 1,851,515</u>

Postville Community School District

Notes to Required Supplementary Information – Budgetary Reporting

Year Ended June 30, 2010

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting 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.

Postville Community School District

**Schedule of Funding Progress for the
Retiree Health Plan
(In Thousands)**

Required Supplementary Information

June 30, 2010

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll ©	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2009	July 1, 2008	-	\$437	\$437	0.0%	\$2,915	14.9%
2010	July 1, 2008	-	\$427	\$427	0.0%	\$2,676	15.9%

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

Other Supplementary Information

Postville Community School District

Combining Balance Sheet
Non-Major Funds

June 30, 2010

	Special Revenue		Total
	Management Levy	Student Activity	
Assets			
Cash and pooled investments	\$ 104,113	\$ 17,488	\$ 121,601
Receivables:			
Property Tax:			
Delinquent	770	-	770
Succeeding year	30,001	-	30,001
Accounts	-	1,374	1,374
Total Assets	\$ 134,884	\$ 18,862	\$ 153,746
Liabilities & Fund Equity			
Liabilities:			
Accounts payable	\$ 500	\$ 1,429	\$ 1,929
Deferred revenue:			
Succeeding year property tax	30,001	-	30,001
Total Liabilities	\$ 30,501	\$ 1,429	\$ 31,930
Fund Equity:			
Unreserved fund balances	\$ 104,383	\$ 17,433	\$ 121,816
Total Liabilities & Fund Equity	\$ 134,884	\$ 18,862	\$ 153,746

Postville Community School District
Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Non-Major Funds

Year Ended June 30, 2010

	Special Revenue		Total
	Management Levy	Student Activity	
Revenues:			
Local Sources:			
Local tax	\$ 37,482	\$ -	\$ 37,482
Other	11,551	138,265	149,816
State sources	18	-	18
Total Revenues	\$ 49,051	\$ 138,265	\$ 187,316
Expenditures:			
Current:			
Instruction:			
Regular instruction	\$ 62,186	\$ -	\$ 62,186
Other instruction	-	133,721	133,721
Support Services:			
Student support services	1,799	-	1,799
Instructional staff services	760	-	760
Administration services	3,493	-	3,493
Operation and maintenance of plant services	49,909	-	49,909
Transportation services	12,627	-	12,627
Non-instructional programs	1,386	-	1,386
Total Expenditures	\$ 132,160	\$ 133,721	\$ 265,881
Excess (deficiency) of revenues over (under) expenditures	\$ -83,109	\$ 4,544	\$ -78,565
Fund balances beginning of year	\$ 187,492	\$ 12,889	\$ 200,381
Fund Balances End of Year	\$ 104,383	\$ 17,433	\$ 121,816

See accompanying independent auditor's report.

Postville Community School District

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year Ended June 30, 2010

Account	Balance Beginning Of Year	Revenues and Inter-fund Transfers	Expenditures and Inter-fund Transfers	Intra- Fund Transfers	Balance End of Year
Drama	\$ -	\$ 3,131	\$ 2,322	\$ -398	\$ 411
Vocal music	-	-	-	-	-
High School golf	-	93	1,486	1,393	-
High School boys basketball	-	3,622	2,426	-1,196	-
High School boys football	-	8,205	8,271	66	-
High School baseball	-2	759	2,714	1,898	-59
High School boys track	-	1,074	2,459	1,385	-
High School wrestling	-	1,783	1,247	-536	-
High School girls basketball	-	3,283	7,155	3,872	-
High School volleyball	-	2,281	1,340	-941	-
High School softball	-	2,673	2,892	219	-
High School girls track	-	1,272	1,989	717	-
Class of 2010	891	10,554	11,578	133	-
Class of 2011	-	13,992	12,018	-	1,974
High School student council	181	5,032	3,513	-1,513	187
FCCLA	1,718	9,081	8,865	-	1,934
Peer Helpers	532	4,506	460	-1,079	3,499
Mirror	7,375	7,978	11,796	465	4,022
Cheerleaders	658	1,326	1,219	-	765
National Honor Society	-	-	181	181	-
Magazines	-	11,131	8,351	-2,780	-
Elementary student council	73	4,117	1,667	-2,394	129
Interest account	20	322	671	329	-
Resale athletics	-	1,810	1,842	32	-
Resale band	548	603	30	-	1,121
Resale Home Economics	-	117	125	8	-
FFA	818	27,422	26,556	1,707	3,391
High School boys soccer	-	1,042	1,682	640	-
Girls cross country	-	-	160	160	-
Athletics	77	11,056	5,461	-5,613	59
Middle School boys basketball	-	-	660	660	-
Middle School football	-	-	818	818	-
Middle School boys track	-	-	140	140	-
Middle School wrestling	-	-	264	264	-
Middle School girls basketball	-	-	660	660	-
Middle School volleyball	-	-	440	440	-
Middle School girls track	-	-	263	263	-
Total	\$ 12,889	\$ 138,265	\$ 133,721	\$ -	\$ 17,433

See accompanying independent auditor's report.

Postville Community School District

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

Year Ended June 30, 2010

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash	\$ 13,113	\$ 62,820	\$ 66,031	\$ 9,902
Accounts receivable	1,062	232	1,062	232
Total Assets	\$ 14,175	\$ 63,052	\$ 67,093	\$ 10,134
Liabilities				
Accounts payable	\$ 14,175	\$ 63,052	\$ 67,093	\$ 10,134
Total Liabilities	\$ 14,175	\$ 63,052	\$ 67,093	\$ 10,134

Postville Community School District

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

Year Ended June 30, 2010

	Balance Beginning of Year	Additions	Deductions	Transfers	Balance End of Year
Music events	\$ 37	\$ 4,487	\$ 4,487	\$ -8	\$ 29
Band boosters	-200	1,146	174	-	772
Athletic events	3	5,780	5,776	-	7
Climate committee	638	711	668	-	681
Retiree insurance	4,854	46,283	53,954	-	-2,817
Bell fund	2,265	-	3	-	2,262
Outdoor bulletin	1,869	-	-	-	1,869
Production class	1	-	-	-	1
Spanish Club	4,124	1,720	4,967	-	877
Music event	584	180	772	8	-
Upper Iowa Conference	-	2,745	2,745	-	-
Total	\$ 14,175	\$ 63,052	\$ 73,546	\$ -	\$ 3,681

Postville Community School District

Combining Balance Sheet
Private Purpose Trusts

June 30, 2010

	Knutson Scholarship	Harnack Scholarship	Capper Scholarship	Total
Assets				
Cash	\$ 13,914	\$ 10,391	\$ 814	\$ 25,119
Total Assets	<u>\$ 13,914</u>	<u>\$ 10,391</u>	<u>\$ 814</u>	<u>\$ 25,119</u>
Liabilities and Fund Equity				
Liabilities	\$ -	\$ -	\$ -	\$ -
Fund equity:				
Fund Balances:				
Unreserved, undesignated fund balance	13,914	10,391	814	25,119
Total Liabilities and Fund Equity	<u>\$ 13,914</u>	<u>\$ 10,391</u>	<u>\$ 814</u>	<u>\$ 25,119</u>

See accompanying independent auditor's report.

Postville Community School District

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Private Purpose Trusts

Year Ended June 30, 2010

	Knutson Scholarship	Harnack Scholarship	Capper Scholarship	Total
Revenues:				
Local Sources:				
Interest from non-expendable trust fund investments	\$ 4	\$ 266	\$ 314	\$ 584
Expenditures:				
Instruction:				
Regular Instruction: Scholarships	-	392	-	392
Excess (deficiency) of revenues over (under) expenditures	\$ 4	\$ -126	\$ 314	\$ 192
Fund balances beginning of year	13,910	10,517	500	24,927
Fund Balances End of Year	\$ 13,914	\$ 10,391	\$ 814	\$ 25,119

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 Seven Years

	Modified Accrual Basis			
	2010	2009	2008	2007
Revenues:				
Local Sources:				
Local tax	\$ 2,576,536	\$ 2,350,617	\$ 2,322,407	\$ 1,860,460
Tuition	102,964	88,840	87,343	85,582
Other	248,477	298,821	263,029	700,245
Intermediate sources	-	-	-	-
State sources	3,555,051	3,292,417	3,428,842	3,144,829
Federal sources	896,392	556,900	440,658	564,698
Total	\$ 7,379,420	\$ 6,587,595	\$ 6,542,279	\$ 6,355,814
Expenditures:				
Instruction:				
Regular instruction	\$ 2,542,918	\$ 2,225,896	\$ 2,169,542	\$ 2,086,176
Special instruction	812,871	580,703	608,506	515,919
Other instruction	874,474	1,090,093	969,838	890,610
Support services:				
Student services	219,731	219,095	211,933	218,324
Instructional staff services	147,346	174,991	181,102	124,230
Administrative services	593,482	580,954	628,033	775,557
Operation and maintenance of plant services	547,806	537,891	558,463	550,541
Transportation services	156,599	212,470	241,865	150,505
Community services	-	-	-	40,753
Non-instructional programs	1,386	1,151	1,160	940
Other expenditures:				
Facilities acquisition	2,014,889	307,074	21,313	326,711
Long-term debt:				
Principal	250,752	242,300	229,016	239,655
Interest and other charges	139,951	62,138	51,120	60,580
AEA flow-through	252,467	236,277	226,362	211,275
Total	\$ 8,554,672	\$ 6,470,970	\$ 6,098,253	\$ 6,191,776

See accompanying independent auditor's report.

Modified Accrual Basis		
2006	2005	2004
\$ 1,783,127	\$ 1,630,556	\$ 1,585,891
98,971	140,600	142,490
643,009	510,984	608,632
-	-	-
2,908,432	2,726,816	2,505,501
739,724	408,382	689,604
<u>\$ 6,173,263</u>	<u>\$ 5,417,338</u>	<u>\$ 5,532,118</u>

\$ 1,971,723	\$ 1,975,912	\$ 2,042,077
499,879	554,142	802,373
803,014	795,634	505,707
166,615	127,274	119,340
224,379	101,620	76,982
653,175	540,534	471,885
527,793	466,425	659,882
180,352	145,485	162,122
16,260	-	10,734
996	1,174	-
509,799	13,245	2,048,687
317,432	263,038	277,749
64,976	75,497	71,780
197,612	191,485	192,936
<u>\$ 6,134,005</u>	<u>\$ 5,251,465</u>	<u>\$ 7,442,254</u>

Postville Community School District
Schedule of Expenditures of Federal Awards

Year Ended June 30, 2010

Grantor/Program	CFDA Number	Grant Number	Expenditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY10	\$ 45,906
National School Lunch Program	10.555	FY10	185,232 *
Summer Food Service Program	10.559	FY10	14,329
ARRA School Food Service Equipment Grant	10.579	FY10	10,075
			<u>\$ 255,542</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	FY10	\$ 116,024
Title I Grants Migrant Education	84.011	FY10	72,500
ARRA – Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY10	106,365
			<u>\$ 294,889</u>
Career and Technical Education – Basic Grants to State	84.048	FY10	\$ 1,388
Title III Immigrant	84.162	FY10	\$ 2,347
Safe and Drug-Free Schools and Communities – State Grant - indirect			
Allamakee	84.184	FY10	\$ 32,392
Safe and Drug-Free Schools and Communities – State Grants	84.186	FY10	\$ 107
ESL Training	84.215	FY10	\$ 33,018
Tech-Prep Education (Title II)	84.243	FY10	\$ 650
Title II D E2T2	84.318	FY10	\$ 156
Special Education – State Program Improvement Grant	84.323	FY10	\$ 900
Rural Education Achievement Program	84.358	FY10	\$ 24,419
Title III English Language Acquisition Grant	84.365	FY10	\$ 10,769
Improving Teacher Quality State Grants	84.367	FY10	\$ 32,877
Title VI Assessments	84.369	FY10	\$ 3,523
ARRA – State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act	84.394	FY10	\$ 329,023
Keystone Area Education Agency:			
Special Education – Grants to States	84.027	FY10	35,661 **
ARRA – Special Education Grants to States, Recovery Act	84.391	FY10	\$ 58,506 **
			<u>\$ 1,116,167</u>
Total			<u>\$ 1,116,167</u>

*- Includes \$21,503 of non-cash awards.

** - Total for CFDA Number 84.391 is \$58,506 and total for Special Education Cluster (IDEA) is \$94,161.

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.

See accompanying independent auditor's report.

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

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, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued my report thereon dated December 2, 2010. 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 an 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, I identified certain deficiencies in internal control over financial reporting that I consider to be material weaknesses and other deficiencies I consider to be significant deficiencies.

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

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less than a material weakness, yet important enough to merit attention by those charged with governance. I consider the deficiency described in Part II of the accompanying Schedule of Findings as item II -C-10 to be a significant deficiency.

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, 2010 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

December 2, 2010

**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, 2010. 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, 2010.

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 deficiencies in internal control over compliance that I consider to be material weaknesses.

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. I consider the deficiencies in internal control over compliance in the accompanying Schedule of Findings as items III-A-10 and III-B-10 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

December 2, 2010

Postville Community School District

Schedule of Findings

Year Ended June 30, 2010

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

- a) Unqualified opinions were issued on the financial statements.
- b) A significant deficiency and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- c) The audit did not disclose any non-compliance which is material to the financial statements.
- d) Material weaknesses in internal control over major programs were disclosed by the audit of the financial statements
- 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 84.394 – ARRA – State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act.
 - Clustered programs:
 - CFDA Number 84.010 – Title I Grants to Local Education Agencies
 - CFDA Number 84.011 – Title I Grants – Migrant Education
 - CFDA Number 84.389 – ARRA – Title I Grants to Local Education Agencies, Recovery Act
- 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, 2010

Part II – Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

MATERIAL WEAKNESSES:

II-A-10 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-10 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.

SIGNIFICANT DEFICIENCIES:

II-C-10 Annual Financial Statements – The ability to apply generally accepted accounting principles to the financial statements and determine the sufficiency of the footnote disclosure is a necessary aspect of internal control over the District financial reporting process. The District does not possess an individual with the appropriate expertise to apply generally accepted accounting principles to the financial statements and to draft and determine the sufficiency of the necessary disclosures. The District has a limited number of employees and it is not cost beneficial to employ an individual with this type of expertise and knowledge. The internal financial statements prepared by the District are not prepared in accordance with generally accepted accounting principles and do not contain the required footnote disclosures.

Recommendation – This is common control deficiency of most small Districts and is often not corrected due to cost benefit considerations. I could assist you in gaining the necessary knowledge and skills if you determine that this is a control deficiency that the District would like to address.

Response – We will consult with you as needed on financial statement considerations.

Conclusions – Response accepted.

Postville Community School District

Schedule of Findings

Year Ended June 30, 2010

Part III – Findings For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

MATERIAL WEAKNESSES:

CFDA Number 84.394: ARRA – State Fiscal Stabilization (SFSF) – Education State Grants, Recovery Act
Federal Award Year: 2010
U.S. Department of Education
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 84.389: ARRA – Title I Grants to Local Education Agencies, Recovery Act
Federal Award Year: 2010
U.S. Department of Education
Passed through the Iowa Department of Education

III-A-10 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-10 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, 2010

Part IV - Other Findings Related to Statutory Reporting:

- IV-A-10 Certified Budget – Expenditures for the year ended June 30, 2010 did not exceeded the certified budget.
- IV-B-10 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-10 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-10 Business Transactions – No business transactions between the District and District officials or employees were noted.
- IV-E-10 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-10 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-10 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.
- IV-H-10 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- IV-I-10 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-J-10 Certified Annual Report – The Certified Annual Report was filed with the Iowa Department of Education timely.
- IV-K-10 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.

Postville Community School District

Schedule of Findings

Year Ended June 30, 2010

Part IV - Other Findings Related to Statutory Reporting (continued):

IV-L-10 Statewide Sales and Service Tax – No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 4234F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2010, the District’s financial activity and other required information for the statewide sales and services tax are as follows:

Beginning balance	\$ 207,216
Statewide sales and service tax revenue	404,848
Expenditures/transfer out:	
Debt service for school infrastructure:	
Revenue debt	<u>481,056</u>
Ending balance	<u>\$ 131,008</u>

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

	Per \$1,000 of Taxable Valuation	Property Tax Dollars
Debt service levy	\$ 1.7267	\$ 404,848
Physical plant and equipment levy	-	-
Public educational and recreational levy	-	-

IV-M-10 Deficit Balances – One student activity account had a deficit balance at June 30, 2010. The General Unreserved Fund balance has a deficit of \$391,720.

Recommendation – The District should continue to investigate alternatives to eliminate those deficits in order to return these accounts to a sound financial condition.

Response – The District is continuing to investigate alternatives to eliminate deficits in the student activity account and the general unreserved fund.

Conclusion – Response accepted.