

Postville Community School District

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

June 30, 2012

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**Postville Community School District**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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**Board of Education**

**(Before September 2011)**

Jamie Smith	President	2011
Brad Rekow	Board Member	2013
Daniel Schutte	Board Member	2013
Laura Lubka	Board Member	2011
Jeff Cox	Board Member	2011

**Board of Education**

**(After September 2011)**

Jamie Smith	President	2015
Brad Rekow	Board Member	2013
Daniel Schutte	Board Member	2013
JoAnn Jacobs	Board Member	2015
Jeff Cox	Board Member	2015

**School Officials**

Ottie Maxey*	Superintendent	2012
Clara Lensing	District Secretary	2012
Mike Kruckenberg	District Treasurer	2012
Stephan Saunders	Attorney	2012

\*Resigned June 30, 2012

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, 2012, 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, 2012, 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 February 14, 2013 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.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 12 and 37 through 39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. I have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

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 eight years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 11, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in my audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In my opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Keith Oltrogge  
Certified Public Accountant

February 14, 2013

## **Postville Community School District**

### **Management's Discussion and Analysis**

#### **For Fiscal Year Ended June 30, 2012**

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, 2012. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

#### **2012 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$6,188,811 in fiscal 2011 to \$6,374,774 in fiscal 2012, and General Fund expenditures decreased from \$6,072,338 in fiscal 2011 to \$5,906,083 in fiscal 2012. The District's General Fund balance increased from \$432,818 in fiscal year 2011 to \$907,589 in fiscal year 2012, a 109.7% increase.
- The increase in General Fund revenues was attributable to an increase in local sources and state grants revenue in fiscal year 2012. The decrease in expenditures was due primarily to a decrease in support services costs.
- The District's solvency ratio has increased from -9% at June 30, 2011 to 0.3% at June 30, 2012. 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.

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

Other Supplementary Information provides detailed information about the non-major governmental 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

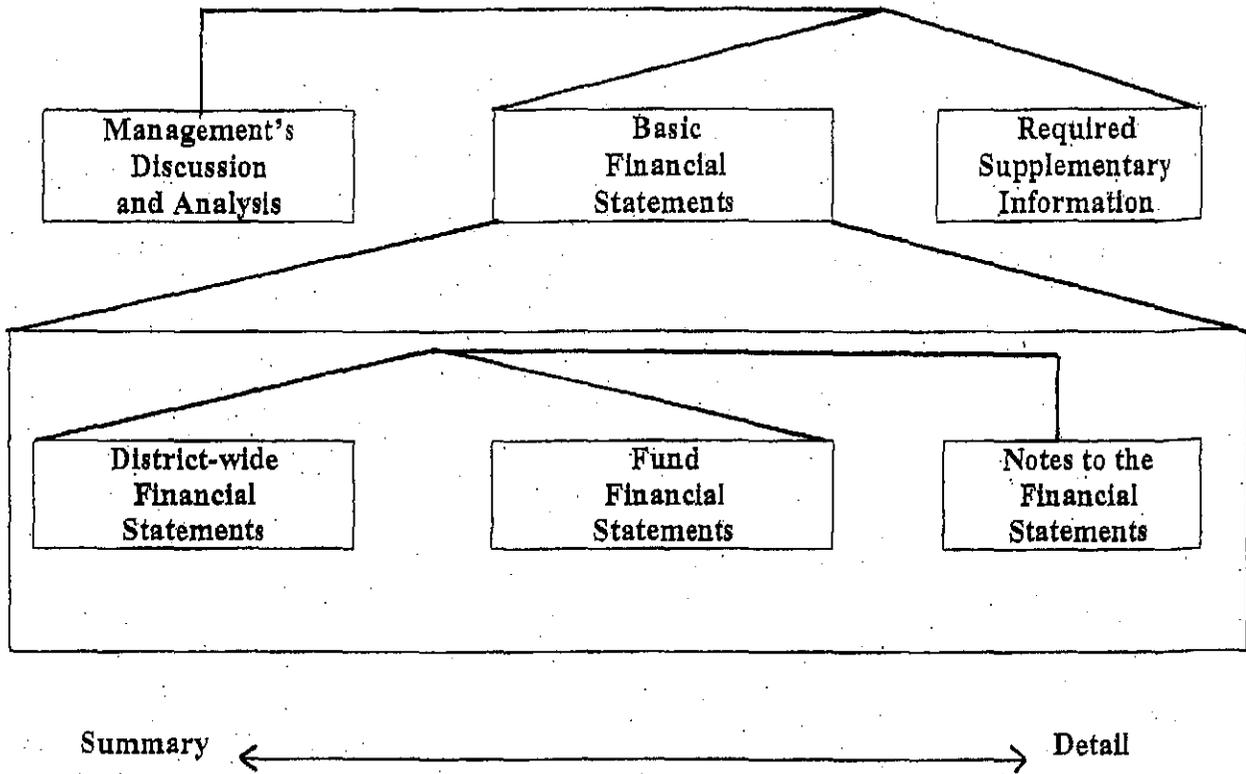


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

**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 two Enterprise Funds, the School Nutrition Fund and the Student Construction Fund.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private Purpose Trust and Agency Funds.

- Private Purpose 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, 2012 compared to June 30, 2011.

**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,
	2012	2011	2012	2011	2012	2011	2011-2012
Current and other assets	\$4,934,447	\$5,417,872	\$104,407	\$117,195	\$5,038,854	\$5,535,067	-9.30%
Capital assets	8,946,606	9,016,459	33,408	28,164	8,980,014	9,044,623	-0.7%
Total assets	\$13,881,053	\$14,434,331	\$137,815	\$145,359	\$14,018,868	\$14,579,690	-3.9%
Long-term liabilities	\$1,906,997	\$3,044,137	\$-	\$-	\$1,906,997	\$3,044,137	-37.4%
Other liabilities	3,348,307	3,333,519	6,068	9,489	3,354,375	3,343,008	0.3%
Total liabilities	\$5,255,304	\$6,377,656	\$6,068	\$9,489	\$5,261,372	\$6,387,145	-17.6%
Net assets:							
Invested in capital assets, net of related debt	\$7,271,606	\$6,118,105	\$33,408	\$28,164	\$7,305,014	\$6,146,269	18.9%
Restricted	1,562,737	2,521,603	-	-	1,562,737	2,521,603	-38.0%
Unrestricted	-208,594	-583,033	98,339	107,706	-110,255	-475,327	23.2%
Total net assets	\$8,625,749	\$8,056,675	\$131,747	\$135,870	\$8,757,496	\$8,192,545	6.9%

The District’s combined net assets increased by nearly 6.9%, or \$564,951, 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 decreased \$958,866 or 38.0% over the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased by \$365,072, or 23.2%.

Figure A-4 shows the change in net assets for the year ended June 30, 2012 compared to the year ended June 30, 2011.

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

	Governmental Activities		Business Type Activities		Total District		Total Change
	2012	2011	2012	2011	2012	2011	2011-2012
<b>Revenues:</b>							
<b>Program revenues:</b>							
Charges for service	\$278,181	\$238,776	\$98,510	\$86,327	\$376,691	\$325,103	15.9%
Operating grants, contributions and restricted interest	1,397,450	1,665,604	275,117	284,342	1,672,567	1,949,946	-14.2%
Capital grants, contributions and restricted interest	25,000	-	-	-	25,000	-	100%
<b>General revenues:</b>							
Property tax	2,596,098	2,311,058	-	-	2,596,098	2,311,058	12.3%
Statewide sales, service and use tax	464,801	436,316	-	-	464,801	436,316	6.5%
Unrestricted state grants	2,583,295	2,327,253	-	-	2,583,295	2,327,253	11.0%
Unrestricted investment earnings	70,985	61,230	503	513	71,488	61,743	15.8%
Other	27,970	112,429	-	-	27,970	112,429	-75.1%
<b>Total revenues</b>	<b>\$7,443,780</b>	<b>\$7,152,666</b>	<b>\$374,130</b>	<b>\$371,182</b>	<b>\$7,817,910</b>	<b>\$7,523,848</b>	<b>3.9%</b>
<b>Program expenses:</b>							
<b>Governmental activities:</b>							
Instruction	\$4,698,645	\$4,520,937	\$-	\$-	\$4,698,645	\$4,520,937	3.9%
Support services	1,723,130	1,817,095	-	-	1,723,130	1,817,095	-5.2%
Non-instructional programs	2,173	1,681	377,842	383,855	380,015	385,536	-1.4%
Other expenses	456,838	345,078	-	-	456,838	345,078	32.4%
<b>Total expenses</b>	<b>\$6,880,786</b>	<b>\$6,684,791</b>	<b>\$377,842</b>	<b>\$383,855</b>	<b>\$7,258,628</b>	<b>\$7,068,646</b>	<b>2.7%</b>
<b>Change in net assets</b>	<b>\$562,994</b>	<b>\$467,875</b>	<b>-\$3,712</b>	<b>-\$12,673</b>	<b>\$559,282</b>	<b>\$455,202</b>	<b>22.9%</b>

In fiscal year 2012, property tax and unrestricted state grants accounted for 70% of governmental activities revenue while charges for service and operating grants, contributions and restricted interest accounted for 99.9% 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 3.9% increase in revenues and a 2.7% increase in expenses. Property tax increased approximately \$285,000.

### Governmental Activities

Revenues for governmental activities were \$7,443,780 and expenses were \$6,880,786 for the year ended June 30, 2012. 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, 2012 compared to the year ended June 30, 2011.

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

	Total Cost of Services			Net Cost of Services		
	2012	2011	Change 2011-2012	2012	2011	Change 2011-2012
Instruction	\$4,698,645	\$4,520,937	3.9%	\$3,046,106	\$2,630,166	15.8%
Support services	1,723,130	1,817,095	-5.2%	1,700,038	1,803,486	-5.7%
Non-instructional programs	2,173	1,681	29.3%	2,173	1,681	29.3%
Other expenses	456,838	345,078	32.4%	431,838	345,078	32.4%
<b>Totals</b>	<b>\$6,880,786</b>	<b>\$6,684,791</b>	<b>2.9%</b>	<b>\$5,180,155</b>	<b>\$4,780,411</b>	<b>8.4%</b>

- The cost financed by users of the District's programs was \$376,691.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,672,567.
- The net cost of governmental activities was financed with \$3,060,899 in property and other taxes and \$2,583,295 in unrestricted state grants.

### **Business Type Activities**

Revenues for business type activities were \$374,130 and expenses were \$377,842. 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 \$8,625,749, well above last year's adjusted ending fund balances of \$8,049,568

### **Governmental Fund Highlights**

- The District's increase in 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. The increase in revenues was more than the increase in General Fund expenditures.
- The General Fund balance increased from \$435,711 to \$907,589 due, in part, to the increase in local taxes and state sources.
- Capital Projects Funds balance increased from \$464,256 to \$472,461.
- The Debt Service Fund adjusted balance decreased from \$1,056,616 to \$176,142 due to the payoff of the QZAB Capital Loan of \$1,000,000.

### **BUDGETARY HIGHLIGHTS**

The District's receipts were \$130,921 more than budgeted receipts, a variance of 1.7%. The most significant variance resulted from the District receiving more in local 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.

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

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2012, the District had invested \$8,980,014, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of 0.7% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$458,359.

The original cost of the District's capital assets was \$18,232,728. Governmental funds account for \$18,145,147, with the remainder of \$87,576 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 \$0 at June 30, 2012 for the Project Niches, the remodeling of the old gymnasium building was completed.

**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,
	2012	2011	2012	2011	2012	2011	2011-2012
Land	\$89,000	\$89,000	\$-	\$-	\$89,000	\$89,000	-
Construction in process	-	125,650	-	-	-	125,650	-100%
Buildings	8,073,716	8,052,903	-	-	8,073,716	8,052,903	0.3%
Improvements other than buildings	227,331	244,275	-	-	227,331	244,275	-6.9%
Furniture and equipment	556,559	504,631	33,408	28,164	589,967	532,795	10.7%
Totals	\$8,946,606	\$9,016,459	\$33,408	\$28,164	\$8,980,014	\$9,044,623	0.7%

### Long-Term Debt

At June 30, 2012, the District had \$1,675,000 in other long-term debt outstanding. This represents a decrease of 46.9% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 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 \$12.6 million.

In April 2012 the District paid off the \$1,000,000 QZAB Capital Loan.

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

	Total District		Total Change
	June 30,		June 30,
	2012	2011	2011-2012
Revenue bonds	\$1,675,000	\$1,975,000	-15.1%
Capital notes payable	-	1,182,747	-100.0%
Totals	\$1,675,000	\$3,157,747	-46.9%

## **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 9 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, 2012

	Govern- mental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and Cash Equivalents	\$ 2,029,298	\$ 85,389	\$ 2,114,687
Receivables:			
Property tax:			
Delinquent	88,118	-	88,118
Succeeding year	2,310,908	-	2,310,908
Accounts	24,912	745	25,657
Other	3	-	3
Due from other governments	481,208	6,462	487,670
Inventories	-	11,811	11,811
Capital assets, net of accumulated depreciation	8,946,606	33,408	8,980,014
<b>Total Assets</b>	<b>\$ 13,881,053</b>	<b>\$ 137,815</b>	<b>\$ 14,018,868</b>
<b>Liabilities</b>	<b>\$ 161,714</b>	<b>\$ 230</b>	<b>\$ 161,944</b>
Accounts payable			
Salaries and benefits payable	513,205	2,240	515,445
Accrued interest payable	5,871	-	5,871
Deferred revenue-succeeding year property tax	2,310,908	-	2,310,908
Deferred revenue-other	356,609	3,598	360,207
Long-term liabilities:			
Portion due within one year:			
Revenue notes	75,000	-	75,000
Early retirement	36,533	-	36,533
Portion due after one year:			
Revenue notes	1,600,000	-	1,600,000
Early retirement	38,773	-	38,773
Net OPEB liability	156,691	-	156,691
<b>Total Liabilities</b>	<b>\$ 5,255,304</b>	<b>\$ 6,068</b>	<b>\$ 5,261,372</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	\$ 7,271,606	\$ 33,408	\$ 7,305,014
Restricted for:			
Categorical funding	892,480	-	892,480
Physical plant and equipment	55,103	-	55,103
Student activities	21,654	-	21,654
Debt service	176,142	-	176,142
Capital projects	417,358	-	417,358
Unrestricted	-208,594	98,339	-110,255
<b>Total Net Assets</b>	<b>\$ 8,625,749</b>	<b>\$ 131,747</b>	<b>\$ 8,757,496</b>

See notes to financial statements.

**Postville Community School District**

**Statement of Activities**

**Year Ended June 30, 2012**

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b><u>Functions/Programs</u></b>				
<b>Governmental Activities:</b>				
Instruction:				
Regular instruction	\$ 2,676,048	\$ 109,411	\$ 754,502	\$ -
Special instruction	624,218	26,107	635,503	-
Other instruction	1,398,379	122,666	4,350	-
	<u>\$ 4,698,645</u>	<u>\$ 258,184</u>	<u>\$ 1,394,355</u>	<u>\$ -</u>
Support Services:				
Student services	\$ 187,149	\$ -	\$ 3,095	\$ -
Instructional staff services	144,507	-	-	-
Administration services	677,169	-	-	-
Operation and maintenance of plant services	490,188	7,767	-	-
Transportation services	224,117	12,230	-	-
	<u>\$ 1,723,130</u>	<u>\$ 19,997</u>	<u>\$ 3,095</u>	<u>\$ -</u>
Non-instructional programs	\$ 2,173	\$ -	\$ -	\$ -
Other Expenditures:				
Facilities acquisition	\$ 25,417	\$ -	\$ -	\$ 25,000
Long-term debt interest	203,061	-	-	-
AEA flow-through	228,360	-	-	-
	<u>\$ 456,838</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,000</u>
Total Governmental Activities	<u>\$ 6,880,786</u>	<u>\$ 278,181</u>	<u>\$ 1,397,450</u>	<u>\$ 25,000</u>
<b>Business Type Activities:</b>				
Non-Instructional Programs:				
Food service operations	\$ 377,842	\$ 98,510	\$ 275,117	\$ -
Total	<u>\$ 7,258,628</u>	<u>\$ 376,691</u>	<u>\$ 1,672,567</u>	<u>\$ 25,000</u>

Net (Expense) Revenue  
And Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$ -1,812,135	\$ -	\$ -1,812,135
37,392	-	37,392
-1,271,363	-	-1,271,363
<u>\$ -3,046,106</u>	<u>\$ -</u>	<u>\$ -3,046,106</u>
\$ -184,054	\$ -	\$ -184,054
-144,507	-	-144,507
-677,169	-	-677,169
-482,421	-	-482,421
-211,887	-	-211,887
<u>\$ -1,700,038</u>	<u>\$ -</u>	<u>\$ -1,700,038</u>
<u>\$ -2,173</u>	<u>\$ -</u>	<u>\$ -2,173</u>
\$ -417	\$ -	\$ -417
-203,061	-	-203,061
-228,360	-	-228,360
<u>\$ -431,838</u>	<u>\$ -</u>	<u>\$ -431,838</u>
<u>\$ -5,180,155</u>	<u>\$ -</u>	<u>\$ -5,180,155</u>
<u>\$ -</u>	<u>\$ -4,215</u>	<u>\$ -4,215</u>
<u>\$ -5,180,155</u>	<u>\$ -4,215</u>	<u>\$ -5,184,370</u>

**Postville Community School District**

**Statement of Activities**

**Year Ended June 30, 2012**

	<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

Operating transfer

Sale of assets

Total other sources

Change in net assets

Net assets beginning of year

Prior Period Adjustment

Adjusted Net Asset 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
\$	2,318,898	\$	-	\$ 2,318,898
	277,200		-	277,200
	464,801		-	464,801
	2,583,295		-	2,583,295
	70,985		503	71,488
	27,970		-	27,970
\$	5,743,149	\$	503	\$ 5,743,652
\$	562,994	\$	-3,712	\$ 559,282
\$	500	\$	-500	\$ -
	12,687		-	12,687
\$	13,187	\$	-500	\$ 12,687
\$	576,181	\$	-4,212	\$ 571,969
\$	8,056,675	\$	135,870	\$ 8,192,545
	-7,107		89	-7,018
\$	8,049,568	\$	135,959	\$ 8,185,527
\$	8,625,749	\$	131,747	\$ 8,757,496

## Postville Community School District

Balance Sheet  
Governmental Funds

June 30, 2012

	General	Capital Projects	Debt Service	Non- Major Funds	Total
<b>Assets</b>					
Cash and Pooled Investments	\$ 1,439,457	\$ 384,056	\$ 176,142	\$ 29,643	\$ 2,029,298
Receivables:					
Property Tax:					
Delinquent	74,560	9,589	-	3,969	88,118
Succeeding year	1,931,229	254,680	-	124,999	2,310,908
Accounts	22,134	-	-	2,778	24,912
Other receivables	-	3	-	-	3
Due from other governments	385,182	96,026	-	-	481,208
Due from other funds	1,031	-	-	-	1,031
<b>Total Assets</b>	<b>\$ 3,853,593</b>	<b>\$ 744,354</b>	<b>\$ 176,142</b>	<b>\$ 161,389</b>	<b>\$ 4,935,478</b>
<b>Liabilities &amp; Fund Balances</b>					
Liabilities:					
Due to other funds	\$ -	\$ 1,031	\$ -	\$ -	\$ 1,031
Accounts payable	160,461	682	-	571	161,714
Salaries and benefits payable	513,205	-	-	-	513,205
Deferred Revenue:					
Succeeding year property tax	1,931,229	254,680	-	124,999	2,310,908
Other	341,109	15,500	-	-	356,609
Total Liabilities	\$ 2,946,004	\$ 271,893	\$ -	\$ 125,570	\$ 3,343,467
Fund Balances:					
Restricted for:					
Categorical funding	\$ 892,480	\$ -	\$ -	\$ -	\$ 892,480
Debt service	-	-	176,142	-	176,142
Management levy purposes	-	-	-	14,165	14,165
Student activities	-	-	-	21,654	21,654
School infrastructure	-	417,358	-	-	417,358
Physical plant and equipment	-	55,103	-	-	55,103
Unassigned	15,109	-	-	-	15,109
Total Fund Balances	\$ 907,589	\$ 472,461	\$ 176,142	\$ 35,819	\$ 1,592,011
<b>Total Liabilities &amp; Fund Balances</b>	<b>\$ 3,853,593</b>	<b>\$ 744,354</b>	<b>\$ 176,142</b>	<b>\$ 161,389</b>	<b>\$ 4,935,478</b>

See notes to financial statements.

## Postville Community School District

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

June 30, 2012

<b>Total fund balances of governmental funds (page 16)</b>	\$ 1,592,011
<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	8,946,606
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds	-5,871
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>-1,906,997</u>
<b>Net assets of governmental activities (page 13)</b>	<u>\$ 8,625,749</u>

## Postville Community School District

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

Year Ended June 30, 2012

	General	Capital Projects	Debt Service	Non- Major Funds	Total
<b>Revenues:</b>					
<b>Local Sources:</b>					
Local tax	\$ 2,216,759	\$ 742,001	\$ -	\$ 102,139	\$ 3,060,899
Tuition	133,517	-	-	-	133,517
Other	43,902	13,184	33,430	127,583	218,099
Intermediate sources	-	-	-	-	-
State sources	3,262,553	106	-	43	3,262,702
Federal sources	718,043	25,000	-	-	743,043
<b>Total Revenues</b>	<b>\$ 6,374,774</b>	<b>\$ 780,291</b>	<b>\$ 33,430</b>	<b>\$ 229,765</b>	<b>\$ 7,418,260</b>
<b>Expenditures:</b>					
<b>Current:</b>					
<b>Instruction:</b>					
Regular instruction	\$ 2,224,770	\$ -	\$ -	\$ 62,149	\$ 2,286,919
Special instruction	623,360	-	-	-	623,360
Other instruction	1,237,945	-	-	113,110	1,351,055
	<b>\$ 4,086,075</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 175,259</b>	<b>\$ 4,261,334</b>
<b>Support Services:</b>					
Student services	\$ 184,801	\$ -	\$ -	\$ 2,348	\$ 187,149
Instructional staff services	143,197	-	-	1,310	144,507
Administration services	667,468	1,000	-	7,413	675,881
Operation and maintenance of plant services	448,344	-	-	37,876	486,220
Transportation services	147,838	76,485	-	7,620	231,943
	<b>\$ 1,591,648</b>	<b>\$ 77,485</b>	<b>\$ -</b>	<b>\$ 56,567</b>	<b>\$ 1,725,700</b>
Non-instructional	\$ -	\$ -	\$ -	\$ 2,173	\$ 2,173
<b>Other Expenditures:</b>					
Facilities acquisition	\$ -	\$ 304,091	\$ -	\$ -	\$ 304,091
<b>Long-Term Debt:</b>					
Principal	-	-	1,223,354	-	1,223,354
Interest and fiscal charges	-	-	81,060	-	81,060
AEA flow-through	228,360	-	-	-	228,360
	<b>\$ 228,360</b>	<b>\$ 304,091</b>	<b>\$ 1,304,414</b>	<b>\$ -</b>	<b>\$ 1,836,865</b>
<b>Total Expenditures</b>	<b>\$ 5,906,083</b>	<b>\$ 381,576</b>	<b>\$ 1,304,414</b>	<b>\$ 233,999</b>	<b>\$ 7,826,072</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>\$ 468,691</b>	<b>\$ 398,715</b>	<b>\$ -1,270,984</b>	<b>\$ -4,234</b>	<b>\$ -407,812</b>
<b>Other Financing Sources (Uses):</b>					
Operating transfers in	\$ 500	\$ 3	\$ 390,513	\$ -	\$ 391,016
Operating transfers out	-	-390,513	-3	-	-390,516
Sale of equipment	12,687	-	-	-	12,687
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 13,187</b>	<b>\$ -390,510</b>	<b>\$ 390,510</b>	<b>\$ -</b>	<b>\$ 13,187</b>

Postville Community School District

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

Year Ended June 30, 2012

	General	Capital Projects	Debt Services	Non- Major Funds	Total
Net change in fund balances	\$ 481,878	\$ 8,205	\$ -880,474	\$ -4,234	\$ -394,625
Fund balances beginning of year	432,818	464,256	1,056,616	40,053	1,993,743
Prior period adjustment	-7,107	-	-	-	-7,107
Adjusted beginning fund balance	\$ 425,711	\$ 464,256	\$ 1,056,616	\$ 40,053	\$ 1,986,636
Fund Balances End of Year	\$ 907,589	\$ 472,461	\$ 176,142	\$ 35,819	\$ 1,592,011

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, 2012

Net change in fund balances – total governmental funds (page 19) \$ -394,625

*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	\$ 381,208	
Depreciation expense	<u>-451,061</u>	-69,853

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 repayments, as follows

Repaid 1,223,354

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.

-122,001

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	\$ -53,595	
Other postemployment benefits	<u>-32,619</u>	-86,214

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

22,520

Change in Net Assets of Governmental Activities (page 15) \$ 573,181

## Postville Community School District

Statement of Net Assets  
Proprietary Funds

June 30, 2012

	School Nutrition	Student Construction	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 85,328	\$ 61	\$ 85,389
Accounts receivable	745	-	745
Due from other governments	6,462	-	6,462
Inventories	11,811	-	11,811
Capital assets, net of accumulated depreciation	33,408	-	33,408
<b>Total Assets</b>	<b>\$ 137,754</b>	<b>\$ 61</b>	<b>\$ 137,815</b>
<b>Liabilities</b>			
Accounts payable	\$ 230	\$ -	\$ 230
Salaries and benefits payable	2,240	-	2,240
Deferred revenue	3,598	-	3,598
<b>Total Liabilities</b>	<b>\$ 6,068</b>	<b>\$ -</b>	<b>\$ 6,068</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	\$ 33,408	\$ -	\$ 33,408
Unrestricted	98,278	61	98,339
<b>Total Net Assets</b>	<b>\$ 131,686</b>	<b>\$ 61</b>	<b>\$ 131,747</b>

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, 2012**

	School Nutrition	Student Construction	Total
Operating revenues:			
Local sources:			
Charges for service/product	\$ 98,510	\$ -	\$ 98,510
Non-instructional programs:			
Food service operations:			
Salaries	\$ 141,082	\$ -	\$ 141,082
Benefits	54,041	-	54,041
Purchased services	1,351	-	1,351
Supplies	174,070	-	174,070
Depreciation	7,298	-	7,298
Total non-instruction programs	\$ 377,842	\$ -	\$ 377,842
Operating income (loss)	\$ -279,332	\$ -	\$ -279,332
Non-operating revenues:			
State sources	\$ 3,026	\$ -	\$ 3,026
Federal sources	272,091	-	272,091
Interest income	503	-	503
Total non-operating revenues	\$ 275,620	\$ -	\$ 275,620
Change in net assets	\$ -3,712	\$ -	\$ -3,712
Other Financing Sources (Uses):			
Operating transfer out	-500	-	-500
Net change in net assets	\$ -4,212	\$ -	\$ -4,212
Net assets beginning of year	\$ 135,809	\$ 61	\$ 135,870
Prior period adjustment	89	-	89
Adjusted net assets, beginning of year	\$ 135,898	\$ 61	\$ 135,959
Net Assets End of Year	\$ 131,686	\$ 61	\$ 131,747

See notes to financial statements.

## Postville Community School District

Statement of Cash Flows  
Proprietary Funds

Year Ended June 30, 2012

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 97,957
Cash paid to employees for services	-197,556
Cash paid to suppliers for goods or services	-140,473
Net cash provided (used) by operating activities	<u>\$ -240,072</u>
Cash flows from non-capital financing activities:	
State grants received	\$ 3,026
Federal grants received	248,990
Net cash provided by non-capital financing activities	<u>\$ 252,016</u>
Cash flows from investing activities:	
Interest on investments	<u>\$ 503</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	\$ -12,543
Transfer out	-500
Net cash used by capital and related financing activities	<u>\$ -13,043</u>
Net decrease in cash and cash equivalents	\$ -596
Cash and cash equivalents beginning of year	<u>85,924</u>
Cash and Cash Equivalents End of Year	<u>\$ 85,328</u>
<b>Reconciliation of operating loss to net cash used by operating activities:</b>	
Operating (loss) income	\$ -279,332
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	27,764
Depreciation	7,298
Decrease in inventories	8,182
(Increase) in accounts receivable	-562
(Decrease) in accounts payable	-1,073
(Decrease) in salaries and benefits payable	-2,433
Increase in deferred revenue	<u>84</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ -240,072</u>

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

During the year ended June 30, 2012, the District received \$27,764 of federal commodities.

See notes to financial statements.

Postville Community School District

Statement of Fiduciary Net Assets  
Fiduciary Funds

June 30, 2012

	Private Purpose Trust	
	Scholarships	Agency
<b>Assets</b>		
Cash and pooled investments	\$ 24,534	\$ 9,941
Accounts receivable	-	127
<b>Total Assets</b>	<b>\$ 24,534</b>	<b>\$ 10,068</b>
<b>Liabilities</b>		
Accounts payable	\$ -	\$ 10,068
<b>Net assets</b>		
Reserved for scholarships	\$ 24,534	\$ -

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

**Year Ended June 30, 2012**

	Private Purpose Trust
	Scholarships
Additions:	
Local sources:	
Interest income	\$ 341
Deductions:	
Instruction:	
Regular instruction:	
Scholarships awarded	\$ 339
Change in net assets	\$ 2
Net assets beginning of year	24,532
Net Assets End of Year	\$ 24,534

## Postville Community School District

### Notes to Financial Statements

June 30, 2012

#### (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 the following categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation/amortization 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. Combining schedules are also included for the Capital Projects Fund accounts.

The District reports the following major governmental funds:

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

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 Enterprise, School Nutrition 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.

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

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

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

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

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, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2011.

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, 2012. 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, fund balances are classified as follows:

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

Committed – Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned – All amounts not included in other spendable classifications.

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or 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, 2012 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, 2012 is as follows:

Transfer to	Transfer from	Amount
General Fund	Proprietary Fund – Nutrition	\$ 500
Debt Service	Capital Projects – Physical Plant and Equipment Levy	166,474
Debt Service	Capital Projects – Statewide Sales, Services, and Use Tax	224,039
Capital Projects – Physical Plant and Equipment Levy	Debt Service	3
Total		<u>\$ 391,016</u>

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

(4) Capital Assets

Capital assets activity for the year ended June 30, 2012 was as follows:

	Balance Beginning Of Year	Increases	Decreases	Balance End Of Year
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 89,000	\$ -	\$ -	\$ 89,000
Construction in process	125,650	-	125,650	-
Total capital assets not being depreciated	<u>\$ 214,650</u>	<u>\$ -</u>	<u>\$ 125,650</u>	<u>\$ 89,000</u>
Capital assets being depreciated:				
Buildings	\$ 13,232,121	\$ 267,567	\$ -	\$ 13,499,688
Improvements other than buildings	572,667	-	-	572,667
Furniture and equipment	3,744,501	239,291	-	3,983,792
Total capital assets being depreciated	<u>\$ 17,549,289</u>	<u>\$ 506,858</u>	<u>\$ -</u>	<u>\$ 18,056,147</u>
Less accumulated depreciation for:				
Buildings	\$ 5,179,218	\$ 246,754	\$ -	\$ 5,425,972
Improvements other than buildings	328,392	16,944	-	345,336
Furniture and equipment	3,239,870	187,363	-	3,427,233
Total accumulated depreciation	<u>\$ 8,747,480</u>	<u>\$ 451,061</u>	<u>\$ -</u>	<u>\$ 9,198,541</u>
Total capital assets being depreciated, net	<u>\$ 8,801,809</u>	<u>\$ 55,797</u>	<u>\$ -</u>	<u>\$ 8,857,606</u>
Governmental Activities Capital Assets, Net	<u>\$ 9,016,459</u>	<u>\$ 55,797</u>	<u>\$ 125,650</u>	<u>\$ 8,946,606</u>

	Balance Beginning Of Year	Increases	Decreases	Balance End Of Year
<b>Business type activities:</b>				
Furniture and equipment	\$ 80,059	\$ 12,543	\$ 5,026	\$ 87,576
Less accumulated depreciation	51,895	7,298	5,025	54,168
Business Type Activities Capital Assets, Net	<u>\$ 28,164</u>	<u>\$ 5,245</u>	<u>\$ 1</u>	<u>\$ 33,408</u>

Depreciation expense was charged to the following functions:

Governmental Activities:

Instruction:

Regular	\$ 305,061
Other	73,373

Support services:

Operation and maintenance of plant	3,968
Transportation	68,659

Total Depreciation Expense – Governmental Activities	<u>\$ 451,061</u>
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Business Type Activities:

Food service operations	<u>\$ 7,298</u>
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(5) **Long-term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2012 are summarized as follows:

	Balance Beginning Of Year	Additions	Reductions	Balance End Of Year	Due Within One Year
Revenue bonds	\$ 1,805,000	\$ -	\$ 130,000	\$ 1,675,000	\$ 75,000
Capital notes payable	1,093,354	-	1,093,354	-	-
Early retirement	21,711	73,066	19,471	75,306	36,533
Net OPEB liability	124,072	32,619	-	156,691	-
Total	\$ 3,044,137	\$ 105,685	\$ 1,242,825	\$ 1,906,997	\$ 111,533

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, 2012 totaled \$19,471.

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. The loan was paid off in April 2012. 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
2011	87,749	22,293	110,042
2012	87,749	25,520	113,269
Total	\$ 877,490	\$ 122,510	\$ 1,000,000

Revenue Bonds

Details of the District's June 30, 2012 Statewide Sales, Services and Use Tax Revenue indebtedness are as follows:

Year Ending June 30,	Issued July 1, 2009			
	Interest Rates	Principal	Interest	Total
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	\$ 684,350	\$ 2,359,350

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 \$2,359,350. For the current year, no principal and \$70,450 of interest was paid on the bonds and total statewide sales, services and use tax revenues were \$464,801.

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, 2012, the District made principal, interest and fees payments totaling \$1,304,414 under the agreements.

**(6) Pension and Retirement Benefits**

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

Plan members are required to contribute 5.38% of their annual covered salary and the District is required to contribute 8.07% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$276,612, \$250,209, and \$234,066, respectively, equal to the required contributions for each year.

**(7) Other Postemployment Benefits (OPEB)**

Plan Description – The District is a member of a ten 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 66 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, 2012, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$	46,891
Interest on net OPEB obligation		3,102
Adjustment to annual required contribution		-8,451
Annual OPEB cost	\$	41,542
Contributions made		-8,923
Increase in net OPEB obligation	\$	32,619
Net OPEB obligation beginning of year		124,072
Net OPEB obligation end of year	\$	156,691

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2010. 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, 2012.

For the year ended June 30, 2012, the District contributed \$475,123 to the medical plan. Plan members eligible for benefits contributed \$51,468 or 9.8% 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, 2012 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
June 30, 2011	\$41,329	0%	\$124,072
June 30, 2012	\$41,542	0%	\$156,691

**Funded Status and Funding Progress** – As of July 1, 2010, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$265,872, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$265,872. The covered payroll (annual payroll of active employees covered by the plan) was \$2,616,533, and the ratio of the UAAL to covered payroll was 9.8%. As of June 30, 2012, 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, 2010 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, 2009 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2009.

Projected claim costs of the medical plan are \$339.70 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.

**(8) Risk Management**

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

**(9) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$228,360 for the year ended June 30, 2012 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(10) Categorical Funding**

The District's reserved fund balance for categorical funding at June 30, 2012 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Limited English Proficiency	\$ 146,350
Home School Assistance	283,384
Gifted and Talented Programs	10,375
Dropout Prevention	316,257
Beginning Teacher Mentoring	4,997
Teacher Salary Supplement	44,175
At Risk	34,437
Core Curriculum	17,799
Professional Development	12,096
Preschool	2,019
Before and After School	20,591
Total	<u>\$ 892,480</u>

**(11) Subsequent Events**

The District has evaluated subsequent events through February 14, 2013 which is the date that the financial statements were available to be issued.

**(12) Prior Period Adjustment**

The District had a General Fund adjustment of -\$7,107 and a Proprietary – School Nutrition adjustment of \$89.

**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, 2012**

	Governmental Funds Actual	Proprietary Fund Actual
Receipts:		
Local sources	\$ 3,412,515	\$ 99,013
Intermediate sources	-	-
State sources	3,262,702	3,026
Federal sources	743,043	272,091
Total Receipts	<u>\$ 7,418,260</u>	<u>\$ 374,130</u>
Disbursements:		
Instruction	\$ 4,261,334	\$ -
Support services	1,725,700	-
Non-instructional programs	2,173	377,842
Other expenditures	1,836,865	-
Total Disbursements	<u>\$ 7,826,072</u>	<u>\$ 377,842</u>
Excess (deficiency) of receipts over (under) disbursements	\$ -407,812	\$ -3,712
Other financing sources, net	<u>13,187</u>	<u>-500</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	\$ -394,625	\$ -4,212
Balances beginning of year	<u>1,993,743</u>	<u>135,870</u>
Prior period adjustment	\$ -7,107	\$ 89
Adjusted beginning fund balance	<u>1,986,636</u>	<u>135,959</u>
Balance end of year	<u>\$ 1,592,011</u>	<u>\$ 131,747</u>

See accompanying independent auditor's report.

	Total Actual	Budgeted Amounts		Final to Actual Variance
		Original	Final	
\$	3,511,528	\$ 3,353,230	\$ 3,353,230	\$ 158,298
	-	-	-	-
	3,265,728	3,406,129	3,406,129	-140,401
	1,015,134	902,110	902,110	113,024
\$	7,792,390	\$ 7,661,469	\$ 7,661,469	\$ 130,921
\$	4,261,334	\$ 4,671,622	\$ 4,671,622	\$ 410,288
	1,725,700	3,115,096	3,115,096	1,389,396
	380,015	369,342	400,300	20,285
	1,836,865	1,648,580	1,648,580	-188,285
\$	8,203,914	\$ 9,804,640	\$ 9,835,598	\$ 1,631,684
\$	-411,524	\$ -2,143,171	\$ -2,174,129	\$ 1,762,605
	12,687	3,250	3,250	9,437
\$	-398,837	\$ -2,139,921	\$ -2,170,879	\$ 1,772,042
	2,129,613	2,332,690	2,332,690	-203,077
\$	-7,018	\$ -	\$ -	\$ -7,018
	2,122,595	2,332,690	2,332,690	-210,095
\$	1,723,758	\$ 192,769	\$ 161,811	\$ 1,561,947

**Postville Community School District**

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

**Year Ended June 30, 2012**

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2012, expenditures in the other expenditures function exceeded the amount budgeted.

**Postville Community School District**

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

**Required Supplementary Information**

**June 30, 2012**

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%
2011	July 1, 2010	-	\$271	\$271	0.0%	\$2,713	10.0%
2012	July 1, 2010	-	\$266	\$266	0.0%	\$2,617	9.8%

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

## **Other Supplementary Information**

## Postville Community School District

Combining Balance Sheet  
Non-Major Funds

June 30, 2012

	Special Revenue		Total
	Management Levy	Student Activity	
<b>Assets</b>			
Cash and pooled investments	\$ 10,196	\$ 19,447	\$ 29,643
Receivables:			
Property Tax:			
Delinquent	3,969	-	3,969
Succeeding year	124,999	-	124,999
Accounts	-	2,778	2,778
<b>Total Assets</b>	<b>\$ 139,164</b>	<b>\$ 22,225</b>	<b>\$ 161,389</b>
<b>Liabilities &amp; Fund Equity</b>			
Liabilities:			
Accounts payable	\$ -	\$ 571	\$ 571
Deferred revenue:			
Succeeding year property tax	124,999	-	124,999
Total Liabilities	\$ 124,999	\$ 571	\$ 125,570
Fund Balances:			
Restricted for:			
Management levy purposes	\$ 14,165	\$ -	\$ 14,165
Student activities	-	21,654	21,654
Total fund balances	\$ 14,165	\$ 21,654	\$ 35,819
<b>Total Liabilities &amp; Fund Equity</b>	<b>\$ 139,164</b>	<b>\$ 22,225</b>	<b>\$ 161,389</b>

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

**Year Ended June 30, 2012**

	Special Revenue		Total
	Management Levy	Student Activity	
Revenues:			
Local Sources:			
Local tax	\$ 102,139	\$ -	\$ 102,139
Other	7,756	119,827	127,583
State sources	43	-	43
Total Revenues	<u>\$ 109,938</u>	<u>\$ 119,827</u>	<u>\$ 229,765</u>
Expenditures:			
Current:			
Instruction:			
Regular instruction	\$ 62,149	\$ -	\$ 62,149
Other instruction	-	113,110	113,110
Support Services:			
Student support services	2,348	-	2,348
Instructional staff services	1,310	-	1,310
Administration services	7,413	-	7,413
Operation and maintenance of plant services	37,876	-	37,876
Transportation services	7,620	-	7,620
Non-instructional programs	2,173	-	2,173
Total Expenditures	<u>\$ 120,889</u>	<u>\$ 113,110</u>	<u>\$ 233,999</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -10,951</u>	<u>\$ 6,717</u>	<u>\$ -4,234</u>
Fund balances beginning of year	<u>\$ 25,116</u>	<u>\$ 14,937</u>	<u>\$ 40,053</u>
Fund Balances End of Year	<u>\$ 14,165</u>	<u>\$ 21,654</u>	<u>\$ 35,819</u>

See accompanying independent auditor's report.

## Postville Community School District

Combining Balance Sheet  
Capital Project Accounts

June 30, 2012

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Capital Project Funds	
<b>Assets</b>				
Cash and pooled investments	\$ 312,506	\$ 46,545	\$ 25,005	\$ 384,056
Receivables:				
Property Tax:				
Delinquent	-	9,589	-	9,589
Succeeding year	-	254,680	-	254,680
Due from other governments	80,526	15,500	-	96,026
Other receivables	3	-	-	3
<b>Total Assets</b>	<b>\$ 393,035</b>	<b>\$ 326,314</b>	<b>\$ 25,005</b>	<b>\$ 744,354</b>
<b>Liabilities &amp; Fund Equity</b>				
Liabilities:				
Accounts payable	\$ 682	\$ -	\$ -	\$ 682
Due to other funds	-	1,031	-	1,031
Deferred revenue:				
Succeeding year property tax	-	254,680	-	254,680
Other	-	15,500	-	15,500
Total Liabilities	\$ 682	\$ 271,211	\$ -	\$ 271,893
Fund Balances:				
Restricted for:				
School infrastructure	\$ 392,353	\$ -	\$ 25,005	\$ 417,358
Physical plant and equipment	-	55,103	-	55,103
Total fund balances	\$ 392,353	\$ 55,103	\$ 25,005	\$ 472,461
<b>Total Liabilities and Fund Balances</b>	<b>\$ 393,035</b>	<b>\$ 326,314</b>	<b>\$ 25,005</b>	<b>\$ 744,354</b>

## Postville Community School District

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

Year Ended June 30, 2012

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Capital Project Funds	
<b>Revenues:</b>				
Local Sources:				
Local tax	\$ 464,801	\$ 277,200	\$ -	\$ 742,001
Other	1,332	10,627	1,225	13,184
State sources	-	106	-	106
Federal sources	-	25,000	-	25,000
<b>Total Revenues</b>	<b>\$ 466,133</b>	<b>\$ 312,933</b>	<b>\$ 1,225</b>	<b>\$ 780,291</b>
<b>Expenditures:</b>				
Support Services:				
Administrative service	\$ 1,000	\$ -	\$ -	\$ 1,000
Transportation service	76,485	-	-	76,485
Other Expenditures:				
Facilities acquisition	168,162	135,929	-	304,091
<b>Total Expenditures</b>	<b>\$ 245,647</b>	<b>\$ 135,929</b>	<b>\$ -</b>	<b>\$ 381,576</b>
Excess (deficiency) of revenues over (under) expenditures	\$ 220,486	\$ 177,004	\$ 1,225	\$ 398,715
<b>Other Financing Sources (Uses):</b>				
Operating transfers in	\$ -	\$ 3	\$ -	\$ 3
Operating transfers out	-224,039	-166,474	-	-390,513
	\$ -224,039	\$ -166,471	\$ -	\$ -390,510
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	\$ -3,553	\$ 10,533	\$ 1,225	\$ 8,205
Fund balances beginning of year	395,906	44,570	23,780	464,256
<b>Fund Balances End of Year</b>	<b>\$ 392,353</b>	<b>\$ 55,103</b>	<b>\$ 25,005</b>	<b>\$ 472,461</b>

See accompanying independent auditor's report.

## Postville Community School District

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

Year Ended June 30, 2012

Account	Balance Beginning Of Year	Revenues and Inter-fund Transfers	Expenditures and Inter-fund Transfers	Intra- Fund Transfers	Balance End of Year
Drama	\$ 1,598	\$ 5,439	\$ 4,411	\$ -1,358	\$ 1,268
Vocal music	-	-	-	-	-
High School golf	6	4	1,403	1,393	-
High School boys basketball	-	3,611	2,777	-834	-
High School boys football	-	6,867	13,796	6,929	-
High School baseball	-	1,302	3,104	1,802	-
High School boys track	-	1,683	1,904	221	-
High School wrestling	-	1,073	1,680	607	-
High School girls basketball	-	3,039	2,385	-654	-
High School volleyball	-	2,218	1,663	-555	-
High School softball	276	-	425	50	-99
High School girls track	-	1,183	923	-260	-
Class of 2013	500	17,351	13,426	-	4,425
Class of 2012	4,132	6,064	4,437	-2,175	3,584
Class of 2012	1,501	-	-	-1,501	-
High School student council	971	3,460	3,267	-552	612
FCCLA	1,877	-	40	-	1,837
Peer Helpers	20	4,494	3,702	-	812
Mirror	183	6,842	8,728	2,545	842
Cheerleaders	797	1,528	1,477	-	848
National Honor Society	-	-	-	-	-
Magazines	-	8,820	6,332	-2,488	-
Elementary student council	928	4,379	2,412	-2,875	20
Interest account	102	299	585	1,132	948
Resale athletics	-	3,294	1,479	-1,815	-
Resale band	1,258	-	513	-	745
Resale Home Economics	-	-	-	-	-
FFA	716	25,941	22,538	-	4,119
High School boys soccer	-	993	2,167	1,174	-
Girls cross country	-	-	335	335	-
Athletics	72	9,918	4,145	-4,152	1,693
Middle School boys basketball	-	-	550	550	-
Middle School football	-	-	501	501	-
Middle School boys track	-	-	475	475	-
Middle School wrestling	-	-	240	240	-
Middle School girls basketball	-	-	660	660	-
Middle School volleyball	-	-	440	440	-
Middle School girls track	-	25	190	165	-
<b>Total</b>	<b>\$ 14,937</b>	<b>\$ 119,827</b>	<b>\$ 113,110</b>	<b>\$ -</b>	<b>\$ 21,654</b>

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, 2012

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b>Assets</b>				
Cash	\$ 12,410	\$ 53,001	\$ 55,470	\$ 9,941
Accounts receivable	93	127	93	127
<b>Total Assets</b>	<b>\$ 12,503</b>	<b>\$ 53,128</b>	<b>\$ 55,563</b>	<b>\$ 10,068</b>
<b>Liabilities</b>				
Accounts payable	\$ 12,503	\$ 10,068	\$ 12,503	\$ 10,068
<b>Total Liabilities</b>	<b>\$ 12,503</b>	<b>\$ 10,068</b>	<b>\$ 12,503</b>	<b>\$ 10,068</b>

See accompanying independent auditor's report.

## Postville Community School District

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

Year Ended June 30, 2012

	Balance Beginning of Year	Additions	Deductions	Transfers	Balance End of Year
Music events	\$ 21	\$ 3,624	\$ 3,624	\$ -	\$ 21
Band boosters	1,874	1,368	165	-	3,077
Athletic events	5	13,443	13,441	-	7
Climate committee	561	615	584	-	592
Retiree insurance	3,005	33,225	34,473	-	1,757
Bell fund	2,262	-	-	-	2,262
Outdoor bulletin	1,869	-	-	-	1,869
Production class	1	-	-	-	1
Spanish Club	2,628	-	2,628	-	-
Music event	277	205	-	-	482
Upper Iowa Conference	-	648	648	-	-
<b>Total</b>	<b>\$ 12,503</b>	<b>\$ 53,128</b>	<b>\$ 55,563</b>	<b>\$ -</b>	<b>\$ 10,068</b>

## Postville Community School District

Statement of Fiduciary Net Assets  
Private Purpose Trusts

June 30, 2012

	Knutson Scholarship	Harnack Scholarship	Capper Scholarship	Total
<b>Assets</b>				
Cash	\$ 13,568	\$ 10,339	\$ 627	\$ 24,534
<b>Total Assets</b>	<b>\$ 13,568</b>	<b>\$ 10,339</b>	<b>\$ 627</b>	<b>\$ 24,534</b>
<b>Liabilities and Fund Equity</b>				
Liabilities	\$ -	\$ -	\$ -	\$ -
<b>Net Assets</b>				
Reserved for Scholarships	13,568	10,339	627	24,534
<b>Total Liabilities and Fund Equity</b>	<b>\$ 13,568</b>	<b>\$ 10,339</b>	<b>\$ 627</b>	<b>\$ 24,534</b>

See accompanying independent auditor's report.

**Postville Community School District**  
**Statement of Change in Fiduciary Net Assets**  
**Private Purpose Trusts**

**Year Ended June 30, 2012**

	Knutson Scholarship	Harnack Scholarship	Capper Scholarship	Total
Revenues:				
Local Sources:				
Interest from non-expendable trust fund investments	\$ 1	\$ 213	\$ 127	\$ 341
Expenditures:				
Instruction:				
Regular Instruction: Scholarships	-	212	127	339
Excess (deficiency) of revenues over (under) expenditures	\$ 1	\$ 1	\$ -	\$ 2
Net Assets, beginning of year	13,567	10,338	627	24,532
Net Assets, End of Year	\$ 13,568	\$ 10,339	\$ 627	\$ 24,534

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 Nine Years**

	Modified Accrual Basis			
	2012	2011	2010	2009
<b>Revenues:</b>				
<b>Local Sources:</b>				
Local tax	\$ 3,060,899	\$ 2,747,374	\$ 2,576,536	\$ 2,350,617
Tuition	133,517	95,741	102,964	88,840
Other	218,099	294,400	248,477	298,821
Intermediate sources	-	-	-	-
State sources	3,262,702	3,076,340	3,555,051	3,292,417
Federal sources	743,043	916,518	896,392	556,900
<b>Total</b>	<b>\$ 7,418,260</b>	<b>\$ 7,130,373</b>	<b>\$ 7,379,420</b>	<b>\$ 6,587,595</b>
<b>Expenditures:</b>				
<b>Instruction:</b>				
Regular instruction	\$ 2,286,919	\$ 2,331,606	\$ 2,542,918	\$ 2,225,896
Special instruction	623,360	643,509	812,871	580,703
Other instruction	1,351,055	1,309,057	874,474	1,090,093
<b>Support services:</b>				
Student services	187,149	251,485	219,731	219,095
Instructional staff services	144,507	160,323	147,346	174,991
Administrative services	675,881	658,275	593,482	580,954
Operation and maintenance of plant services	486,220	558,152	547,806	537,891
Transportation services	231,943	268,730	156,599	212,470
Community services	-	-	-	-
Non-instructional programs	2,173	1,681	1,386	1,151
<b>Other expenditures:</b>				
Facilities acquisition	304,091	562,985	2,014,889	307,074
<b>Long-term debt:</b>				
Principal	1,223,354	259,393	250,752	242,300
Interest and other charges	81,060	93,752	139,951	62,138
AEA flow-through	228,360	253,008	252,467	236,277
<b>Total</b>	<b>\$ 7,826,072</b>	<b>\$ 7,351,956</b>	<b>\$ 8,554,672</b>	<b>\$ 6,471,033</b>

See accompanying independent auditor's report.

Modified Accrual Basis				
2008	2007	2006	2005	2004
\$ 2,322,407	\$ 1,860,460	\$ 1,783,127	\$ 1,630,556	1,585,891
87,343	85,582	98,971	140,600	142,490
263,029	700,245	643,009	510,984	608,632
-	-	-	-	-
3,428,842	3,144,829	2,908,432	2,726,816	2,505,501
440,658	564,698	739,724	408,382	689,604
<u>\$ 6,542,279</u>	<u>\$ 6,355,814</u>	<u>\$ 6,173,263</u>	<u>\$ 5,417,338</u>	<u>5,532,118</u>
\$ 2,169,542	\$ 2,086,176	\$ 1,971,723	\$ 1,975,912	2,042,077
608,506	515,919	499,879	554,142	802,373
969,838	890,610	803,014	795,634	505,707
211,933	218,324	166,615	127,274	119,340
181,102	124,230	224,379	101,620	76,982
628,033	775,557	653,175	540,534	471,885
558,463	550,541	527,793	466,425	659,882
241,865	150,505	180,352	145,485	162,122
-	40,753	16,260	-	10,734
1,160	940	996	1,174	-
21,313	326,711	509,799	13,245	2,048,687
229,016	239,655	317,432	263,038	277,749
51,120	60,580	64,976	75,497	71,780
226,362	211,275	197,612	191,485	192,936
<u>\$ 6,098,253</u>	<u>\$ 6,191,776</u>	<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, 2012**

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	FY11	\$ 39,160
National School Lunch Program	10.555	FY11	211,079 *
Summer Food Service Program	10.559	FY11	12,774
Basic Building and Strengthening Iowa Community Support for Nutrition and Health	10.561	FY11	3,158
Fresh Fruit and Vegetables	10.582	FY11	9,078
			<u>\$ 275,249</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	FY11	\$ 456,464
Title I Grants Migrant Education	84.011	FY11	70,820
ARRA – Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY11	19,538
			<u>\$ 546,822</u>
Career and Technical Education – Basic Grants to State	84.048	FY11	\$ 609
Safe and Drug-Free Schools and Communities – State Grant - indirect Allamakee	84.184	FY11	\$ 55,761
Iowa Demonstration Construction Grant	84.215	FY11	\$ 25,000
Rural Education Achievement Program	84.358	FY11	\$ 21,329
Title III English Language Acquisition Grant	84.365	FY11	\$ 6,906
Improving Teacher Quality State Grants	84.367	FY11	\$ 27,313
Title VI Assessments	84.369	FY11	\$ 3,095
Education Jobs Funds	84.410	FY11	\$ 1,746
Keystone Area Education Agency:			
Special Education – Grants to States	84.027	FY11	\$ 33,977
Special Education – State Program Improvement Grant	84.323	FY11	100
			<u>\$ 34,077</u>
Total			<u>\$ 997,907</u>

\*- Includes \$27,764 of non-cash awards.

**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, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued my report thereon dated February 14, 2013. 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 item II-A-12 to be material weakness.

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 -B-12 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, 2012 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

February 14, 2013

**Independent Auditor's Report on Compliance with Requirements That Could  
Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance  
in Accordance with OMB Circular A-133**

**Independent Auditor's Report on Compliance with Requirements That Could  
Have a Direct and Material Effect on 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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. 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, 2012.

**Internal Control Over Compliance**

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

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

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 deficiency in internal control over compliance in the accompanying Schedule of Findings as item III-A-12 to be a material weakness.

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

February 14, 2013

**Postville Community School District**

**Schedule of Findings**

**Year Ended June 30, 2012**

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

- a) Unqualified opinions were issued on the financial statements.
- b) A significant deficiency and a material weakness 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) A material weakness in internal control over major programs was 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 program was as follows:
  - 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, 2012**

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**INTERNAL CONTROL WEAKNESSES:**

II-A-12 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-12 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, 2012**

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**INTERNAL CONTROL WEAKNESSES:**

**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: 2012**

**U.S. Department of Education**

**Passed through the Iowa Department of Education**

III-A-12 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 and Corrective Action Planned - The District is aware of the lack of complete segregation of duties and will make changes as the opportunity arises.

Conclusion – Response accepted.

Postville Community School District

Schedule of Findings

Year Ended June 30, 2012

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

IV-A-12 Certified Budget – Expenditures for the year ended June 30, 2012 exceeded the certified budget amounts in the other expenditures function.

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

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

Conclusion – Response accepted.

IV-B-12 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-12 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-12 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title &amp; Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Szabo Construction – Jamie Smith – Board Member	Repairs, Gravel	<u>\$745</u>

In accordance with an Attorney General’s opinion dated November 9, 1976, the above transaction does not appear to represent a conflict of interest.

IV-E-12 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-12 Board Minutes – No transactions requiring Board approval, which had not been approved by the Board were noted. Not all minutes were published as required by Chapter 279.35 of the Code of Iowa.

Recommendation – The Board Secretary should furnish a copy of the Board proceedings with all disbursements to be published within two weeks of each meeting.

Response – All minutes will be published as required.

Conclusion – Response accepted.

IV-G-12 Certified Enrollment – Variances in the basic enrollment data certified to the Department of Education were noted.

Recommendation – A letter must be sent to the Department of Management to report this discrepancy.

Response – This has been done.

Conclusion – Response accepted.

**Postville Community School District**

**Schedule of Findings**

**Year Ended June 30, 2012**

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

IV-H-12 Supplementary Weighting – Supplementary weighting certified to the Iowa Department of Education was overstated by 0.22% due to inclusion of a student who exceeded ELL Funding prior to FY11.

Recommendation – A letter must be sent to the Department of Management to report this discrepancy.

Response – This has been done.

Conclusion – Response accepted.

IV-I-12 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-12 Certified Annual Report – The Certified Annual Report was filed with the Iowa Department of Education timely.

IV-K-12 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.

IV-L-12 Statewide Sales, Services and Use Tax – No instances of non-compliance with the use of the statewide sales, services and use 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, services, and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2012, the District reported the following information regarding the statewide sales, services and use tax revenue in the District’s CAR:

Beginning balance		\$	395,906
Revenues/transfers in:			
Sales tax revenue	\$	381,770	
Other local revenues		1,332	
School infrastructure supplemental amount		83,031	466,133
			<u>\$ 862,039</u>
Expenditures/transfer out:			
School infrastructure construction	\$	168,162	
Equipment		76,485	
Other		1,000	
Transfers to other funds:			
Debt service fund		224,039	469,686
			<u>469,686</u>
Ending balance		\$	<u>392,353</u>

**Postville Community School District**

**Schedule of Findings**

**Year Ended June 30, 2012**

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

For the year ended June 30, 2012, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	Per \$1,000 of Taxable Valuation	Property Tax Dollars
Debt service levy	\$ 0.9015	\$ 464,801
Physical plant and equipment levy	-	-
Public educational and recreational levy	-	-

IV-M-12 Deficit Balance – One student activity account had a deficit balance at June 30, 2012.

Recommendation – The District should continue to investigate alternatives to eliminate this deficit in order to return the account to a sound financial condition.

Response – The deficit balance was due to an accounts payable not taken into consideration at year end.

Conclusion – Response accepted.