

**Postville Community School District**

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

**June 30, 2013**

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**Postville Community School District**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
Jamie Smith	President	2015
Brad Rekow	Vice President	2013
Daniel Schutte	Board Member	2013
JoAnn Jacobs	Board Member	2015
Jeff Cox	Board Member	2015
<b>School Officials</b>		
John Rothlisberger	Interim-Superintendent	2013
Clara Lensing	District Secretary	2013
Mike Kruckenberg	District Treasurer	2013
Ahlers & Cooney	Attorney	2013

Independent Auditor's Report

To the Board of Education of  
Postville Community School District:

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

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, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

## Other Matters

### *Required Supplementary Information*

U.S. generally accepted accounting principles require that Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Finding Progress for the Retiree Health Plan on pages 4 through 12 and 38 through 40 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 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 information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

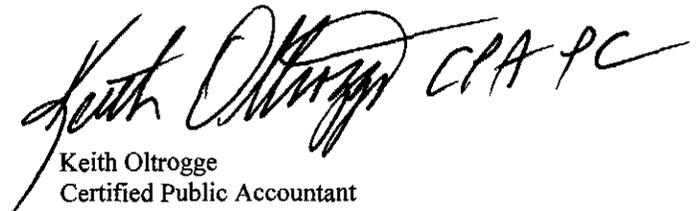
### *Supplementary and Other Information*

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 third paragraph of this report, the financial statements for the nine years ended June 30, 2012 (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.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the 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 basic financial statements or to the basic 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.

### Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated December 27, 2013 on my consideration of Postville Community School District's internal control over financial reporting and on 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 in considering Postville Community School District's internal control over financial reporting and compliance.



Keith Oltrogge  
Certified Public Accountant

December 27, 2013

**Postville Community School District**  
**Management's Discussion and Analysis**  
**For Fiscal Year Ended June 30, 2013**

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, 2013. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

**2013 FINANCIAL HIGHLIGHTS**

- General Fund revenues decreased from \$6,374,774 in fiscal 2012 to \$6,338,837 in fiscal 2013, and General Fund expenditures increased from \$5,906,083 in fiscal 2012 to \$5,993,556 in fiscal 2013. The District's General Fund balance increased from \$910,691 in fiscal year 2012 to \$1,287,019 in fiscal year 2013, a 41.3% increase.
- The decrease in General Fund revenues was attributable to a decrease in state grants revenue in fiscal year 2013. The increase in expenditures was due primarily to an increase in instruction costs.
- The District's solvency ratio has increased from 0.3% at June 30, 2012 to 6.6% at June 30, 2013. 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 Position 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 the District.

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**

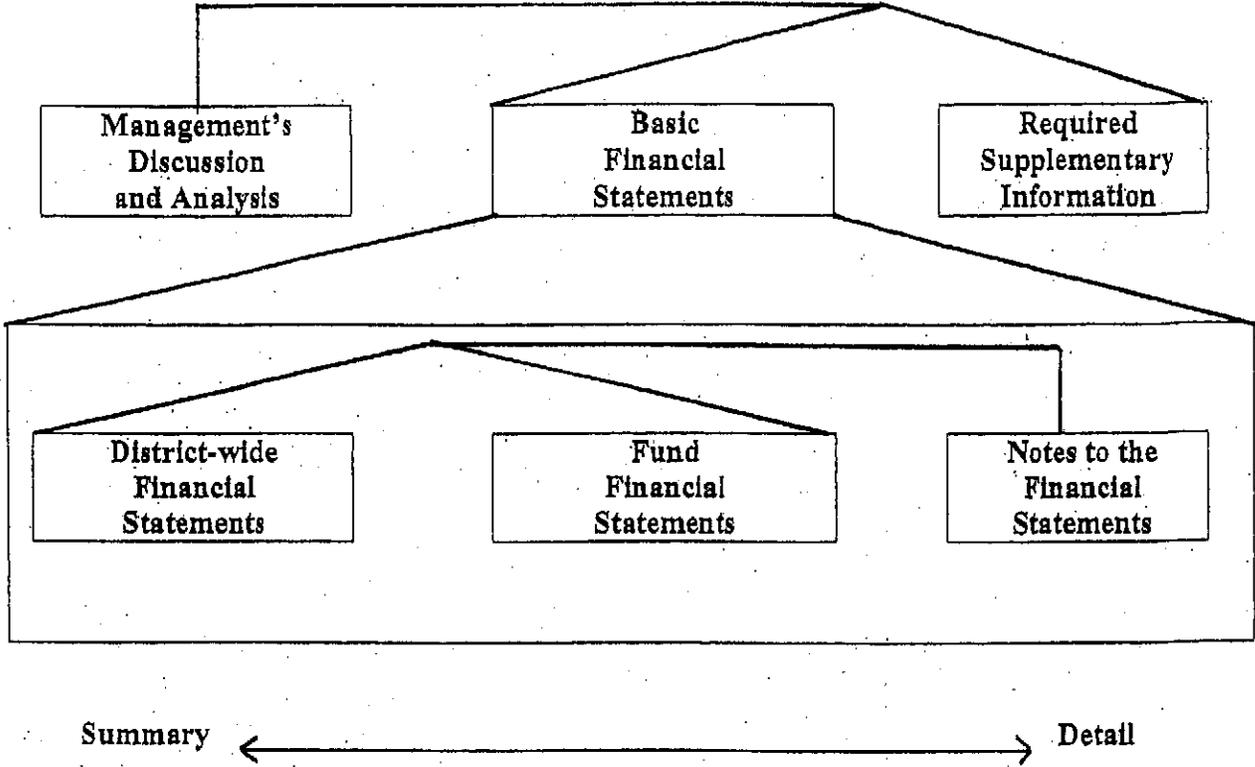


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

**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 position  Statement of activities	Balance sheet  Statement of revenues, expenditures and changes in fund balances	Statement of net position  Statement of revenues, expenses and changes in fund net position  Statement of cash flows	Statement of fiduciary net position  Statement of changes in fiduciary net position
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 Position 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 position and how it has changed. Net position – the difference between the District's assets and liabilities – is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position 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 Position, a Statement of Revenues, Expenses and Changes in Fund Net Position 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 Position and a Statement of Changes in Fiduciary Net Position.

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, 2013 compared to June 30, 2012.

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

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-2013
Current and other assets	\$5,585,054	\$4,934,447	\$123,422	\$104,407	\$5,708,476	\$5,038,854	13.2%
Capital assets	9,072,924	8,946,606	28,331	33,408	9,101,255	8,980,014	1.3%
Total assets	\$14,657,978	\$13,881,053	\$151,753	\$137,815	\$14,809,731	\$14,018,868	5.6%
Long-term liabilities	\$2,145,074	\$1,906,997	\$-	\$-	\$2,145,074	\$1,906,997	12.4%
Other liabilities	3,073,825	3,348,307	6,725	6,068	3,080,550	3,354,375	-8.2%
Total liabilities	\$5,218,899	\$5,255,304	\$6,725	\$6,068	\$5,225,624	\$5,261,372	-0.7%
Net position							
Net investment in capital assets	\$7,289,769	\$7,271,606	\$28,331	\$33,408	\$7,318,100	\$7,305,014	0.1%
Restricted	1,839,544	1,562,737	-	-	1,839,544	1,562,737	17.7%
Unrestricted	309,766	-208,594	116,697	98,339	426,463	-110,255	286.7%
Total net position	\$9,439,079	\$8,625,749	\$145,028	\$131,747	\$9,584,107	\$8,757,496	9.4%

The District’s combined net position increased by nearly 0.1%, or \$13,086, over the prior year. The largest portion of the District’s net position 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 position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District’s restricted net position increased \$276,806 or 17.7% over the prior year.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased by \$536,718, or 286.7%.

Figure A-4 shows the change in net position for the year ended June 30, 2013 compared to the year ended June 30, 2012.

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

	Governmental Activities		Business Type Activities		Total District		Total Change
	2013	2012	2013	2012	2013	2012	2012-2013
<b>Revenues:</b>							
<b>Program revenues:</b>							
Charges for service	\$275,878	\$278,181	\$94,934	\$98,510	\$370,812	\$376,691	-1.6%
Operating grants, contributions and restricted interest	1,401,942	1,397,450	310,170	275,117	1,712,112	1,672,567	2.3%
Capital grants, contributions and restricted interest	-	25,000	-	-	-	25,000	-100%
<b>General revenues:</b>							
Property tax	2,311,975	2,332,595	-	-	2,311,975	2,332,595	-0.9%
Income surtax	313,674	263,503	-	-	313,674	263,503	19.0%
Statewide sales, service and use tax	416,526	464,801	-	-	416,526	464,801	-10.4%
Unrestricted state grants	2,586,094	2,583,295	-	-	2,586,094	2,583,295	0.1%
Unrestricted investment earnings	12,123	70,985	293	503	12,416	71,488	-82.7%
Other	57,227	27,970	-	-	57,227	27,970	104.6%
<b>Total revenues</b>	<b>\$7,375,439</b>	<b>\$7,443,780</b>	<b>\$405,397</b>	<b>\$374,130</b>	<b>\$7,780,836</b>	<b>\$7,817,910</b>	<b>-0.5%</b>
<b>Program expenses:</b>							
<b>Governmental activities:</b>							
Instruction	\$4,810,235	\$4,698,645	\$-	\$-	\$4,810,235	\$4,698,645	2.3%
Support services	1,716,526	1,723,130	-	-	1,716,526	1,723,130	-0.4%
Non-instructional programs	21,062	2,173	392,116	377,842	413,178	380,015	8.7%
Other expenses	311,938	456,838	-	-	311,938	456,838	-31.8%
<b>Total expenses</b>	<b>\$6,859,761</b>	<b>\$6,880,786</b>	<b>\$392,116</b>	<b>\$377,842</b>	<b>\$7,251,877</b>	<b>\$7,258,628</b>	<b>-0.1%</b>
<b>Change in net position</b>	<b>\$515,678</b>	<b>\$562,994</b>	<b>\$13,281</b>	<b>-\$3,712</b>	<b>\$528,959</b>	<b>\$559,282</b>	<b>5.5%</b>

In fiscal year 2013, property tax and unrestricted state grants accounted for 66.4% 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 0.5% decrease in revenues and a 0.1% decrease in expenses. Property tax decreased approximately \$20,600.

#### **Governmental Activities**

Revenues for governmental activities were \$7,375,439 and expenses were \$6,859,761 for the year ended June 30, 2013. 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, 2013 compared to the year ended June 30, 2012.

**Figure A-5**

**Total and Net Cost of Governmental Activities**

	Total Cost of Services			Net Cost of Services		
	2013	2012	Change 2012-2013	2013	2012	Change 2012-2013
Instruction	\$4,810,235	\$4,698,645	2.3%	\$3,143,370	\$3,046,106	3.1%
Support services	1,716,526	1,723,130	-0.4%	1,705,571	1,700,038	0.3%
Non-instructional programs	21,062	2,173	869.2%	21,062	2,173	869.2%
Other expenses	311,938	456,838	31.8%	311,938	431,838	31.8%
<b>Totals</b>	<b>\$6,859,761</b>	<b>\$6,880,786</b>	<b>-0.4%</b>	<b>\$5,181,941</b>	<b>\$5,180,155</b>	<b>-</b>

- The cost financed by users of the District's programs was \$370,812.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,712,112.
- The net cost of governmental activities was financed with \$3,042,175 in property and other taxes and \$2,586,094 in unrestricted state grants.

### **Business Type Activities**

Revenues for business type activities were \$405,397 and expenses were \$392,116. 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 \$9,439,079, well above last year's adjusted ending fund balances of \$8,892,354

### **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 \$910,691 to \$1,287,019 due, in part, to the revenues exceeded expenditures.
- Capital Projects Funds balance increased from \$472,461 to \$743,704, due in part to revenue and other sources exceeding expenditures.

### **BUDGETARY HIGHLIGHTS**

The District's receipts were \$365,691 more than budgeted receipts, a variance of 4.9%. The most significant variance resulted from the District receiving more in federal sources than originally anticipated.

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

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, 2013, the District had invested \$9,101,255, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 1.4% 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 \$490,849.

The original cost of the District's capital assets was \$18,818,363. Governmental funds account for \$18,728,364, with the remainder of \$89,999 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 \$56,114 at June 30, 2013 for fire alarm and administrative office security projects.

**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,
	2013	2012	2013	2012	2013	2012	2012-2013
Land	\$89,000	\$89,000	\$-	\$-	\$89,000	\$89,000	-
Construction in process	56,114	-	-	-	56,114	-	100%
Buildings	7,823,333	8,073,716	-	-	7,823,333	8,073,716	-3.1%
Improvements other than buildings	229,521	227,331	-	-	229,521	227,331	1.0%
Furniture and equipment	874,956	556,559	28,331	33,408	903,287	589,967	53.1%
Totals	\$9,072,924	\$8,946,606	\$28,331	\$33,408	\$9,101,255	\$8,980,014	1.4%

### Long-Term Debt

At June 30, 2013, the District had \$1,783,155 in other long-term debt outstanding. This represents an increase of 6.5% 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 \$13.5 million.

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

	Total District		Total Change
	June 30,		June 30,
	2013	2012	2012-2013
Revenue bonds	\$1,600,000	\$1,675,000	-4.5%
Capital notes payable	183,155	-	100%
Totals	\$1,783,155	\$1,675,000	6.5%

## **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:

- Funding to local school districts from federal and state agencies needs to be monitored closely, as possible decreases will result in less funding and may require budget adjustments in some areas in the future.

## **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 Position

June 30, 2013

	Govern- mental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and Cash Equivalents	\$ 2,649,233	\$ 115,014	\$ 2,764,247
Receivables:			
Property tax:			
Delinquent	51,780	-	51,780
Succeeding year	2,321,699	-	2,321,699
Income surtax	263,054	-	263,054
Accounts	36,768	832	37,600
Due from other governments	262,520	4,381	266,901
Inventories	-	3,195	3,195
Capital assets, net of accumulated depreciation	9,072,924	28,331	9,101,255
<b>Total Assets</b>	<b>\$ 14,657,978</b>	<b>\$ 151,753</b>	<b>\$ 14,809,731</b>
<b>Liabilities</b>			
Accounts payable	\$ 162,568	\$ 147	\$ 162,715
Salaries and benefits payable	481,628	2,695	484,323
Accrued interest payable	8,779	-	8,779
Deferred revenue-succeeding year property tax	2,321,699	-	2,321,699
Deferred revenue-other	88,003	3,883	91,886
Other liabilities	11,148	-	11,148
Long-term liabilities:			
Portion due within one year:			
Revenue notes	100,000	-	100,000
Early retirement	108,319	-	108,319
Capital lease	59,017	-	59,017
Portion due after one year:			
Revenue notes	1,500,000	-	1,500,000
Early retirement	73,593	-	73,593
Net OPEB liability	180,007	-	180,007
Capital lease	124,138	-	124,138
<b>Total Liabilities</b>	<b>\$ 5,218,899</b>	<b>\$ 6,725</b>	<b>\$ 5,225,624</b>
<b>Net Position</b>			
Net investment in capital assets	\$ 7,289,769	\$ 28,331	\$ 7,318,100
Restricted for:			
Categorical funding	892,529	-	892,529
Physical plant and equipment	222,088	-	222,088
Student activities	22,320	-	22,320
Debt service	180,991	-	180,991
Capital projects	521,616	-	521,616
Unrestricted	309,766	116,697	426,463
<b>Total Net Position</b>	<b>\$ 9,439,079</b>	<b>\$ 145,028</b>	<b>\$ 9,584,107</b>

Postville Community School District

Statement of Activities

Year Ended June 30, 2013

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Functions/Programs</b>				
<b>Governmental Activities:</b>				
Instruction:				
Regular instruction	\$ 2,871,166	\$ 94,628	\$ 825,591	\$ -
Special instruction	631,924	53,233	569,702	-
Other instruction	1,307,145	120,949	2,762	-
	<u>\$ 4,810,235</u>	<u>\$ 268,810</u>	<u>\$ 1,398,055</u>	<u>\$ -</u>
Support Services:				
Student services	\$ 180,748	\$ -	\$ 3,887	\$ -
Instructional staff services	113,250	-	-	-
Administration services	686,108	-	-	-
Operation and maintenance of plant services	500,791	3,618	-	-
Transportation services	235,629	3,450	-	-
	<u>\$ 1,716,526</u>	<u>\$ 7,068</u>	<u>\$ 3,887</u>	<u>\$ -</u>
Non-instructional programs	\$ 21,062	\$ -	\$ -	\$ -
Other Expenditures:				
Facilities acquisition	\$ 2,788	\$ -	\$ -	\$ -
Long-term debt interest	80,547	-	-	-
AEA flow-through	228,603	-	-	-
	<u>\$ 311,938</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Governmental Activities	<u>\$ 6,859,761</u>	<u>\$ 275,878</u>	<u>\$ 1,401,942</u>	<u>\$ -</u>
Business Type Activities:				
Non-Instructional Programs:				
Food service operations	\$ 392,116	\$ 94,934	\$ 310,170	\$ -
Total	<u>\$ 7,251,877</u>	<u>\$ 370,812</u>	<u>\$ 1,712,112</u>	<u>\$ -</u>

Net (Expense) Revenue  
And Changes in Net Position

Governmental Activities	Business Type Activities	Total
\$ -1,950,947	\$ -	\$ -1,950,947
-8,989	-	-8,989
-1,183,434	-	-1,183,434
\$ -3,143,370	\$ -	\$ -3,143,370
\$ -176,861	\$ -	\$ -176,861
-113,250	-	-113,250
-686,108	-	-686,108
-497,173	-	-497,173
-232,179	-	-232,179
\$ -1,705,571	\$ -	\$ -1,705,571
\$ -21,062	\$ -	\$ -21,062
\$ -2,788	\$ -	\$ -2,788
-80,547	-	-80,547
-228,603	-	-228,603
\$ -311,938	\$ -	\$ -311,938
\$ -5,181,941	\$ -	\$ -5,181,941
\$ -	\$ 12,988	\$ 12,988
\$ -5,181,941	\$ 12,988	\$ -5,168,953

**Postville Community School District**

**Statement of Activities**

**Year Ended June 30, 2013**

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

**General Revenues:**

Property Tax Levied For:  
  General purposes  
  Capital outlay  
Income surtax  
Statewide sales, services and use tax  
Unrestricted state grants  
Unrestricted investment earnings  
Other

Total General Revenues

Change in net position before sales and transfers

Operating transfer  
Sale of assets

Change in net position

Net position beginning of year  
Prior Period Adjustment

Adjusted Net Position beginning of year, as restated  
(Note 13)

Net Position End of Year

Net (Expense) Revenue  
And Changes in Net Position

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Governmental Activities	Business Type Activities	Total
\$ 2,057,245	\$ -	\$ 2,057,245
254,730	-	254,730
313,674	-	313,674
416,526	-	416,526
2,586,094	-	2,586,094
12,123	293	12,416
57,227	-	57,227
<hr/>		
\$ 5,697,619	\$ 293	\$ 5,697,912
<hr/>		
\$ 515,678	\$ 13,281	\$ 528,959
<hr/>		
\$ 31,047	\$ -	\$ 31,047
<hr/>		
\$ 546,725	\$ 13,281	\$ 560,006
<hr/>		
\$ 8,889,252	\$ 131,747	\$ 9,020,999
3,102	-	3,102
<hr/>		
\$ 8,892,354	\$ 131,747	\$ 9,024,101
<hr/>		
\$ 9,439,079	\$ 145,028	\$ 9,584,107
<hr/>		

## Postville Community School District

Balance Sheet  
Governmental Funds

June 30, 2013

	General	Capital Projects	Non- Major Funds	Total
<b>Assets</b>				
Cash and Pooled Investments	\$ 1,760,341	\$ 665,274	\$ 223,618	\$ 2,649,233
Receivables:				
Property Tax:				
Delinquent	43,269	5,710	2,801	51,780
Succeeding year	1,872,959	247,740	201,000	2,321,699
Income surtax	245,517	17,537	-	263,054
Accounts	36,351	-	417	36,768
Due from other governments	137,767	124,753	-	262,520
Due from other funds	3,582	-	-	3,582
<b>Total Assets</b>	<b>\$ 4,099,786</b>	<b>\$ 1,061,014</b>	<b>\$ 427,836</b>	<b>\$ 5,588,636</b>
<b>Liabilities &amp; Fund Balances</b>				
Liabilities:				
Due to other funds	\$ -	\$ 3,582	\$ -	\$ 3,582
Accounts payable	124,660	37,303	605	162,568
Salaries and benefits payable	481,628	-	-	481,628
Deferred Revenue:				
Succeeding year property tax	1,872,959	247,740	201,000	2,321,699
Other	333,520	17,537	-	351,057
Other liabilities	-	11,148	-	11,148
<b>Total Liabilities</b>	<b>\$ 2,812,767</b>	<b>\$ 317,310</b>	<b>\$ 201,605</b>	<b>\$ 3,331,682</b>
Fund Balances:				
Restricted for:				
Categorical funding	\$ 892,529	\$ -	\$ -	\$ 892,529
Debt service	-	-	180,991	180,991
Management levy purposes	-	-	22,920	22,920
Student activities	-	-	22,320	22,320
School infrastructure	-	521,616	-	521,616
Physical plant and equipment	-	222,088	-	222,088
Unassigned	394,490	-	-	394,490
<b>Total Fund Balances</b>	<b>\$ 1,287,019</b>	<b>\$ 743,704</b>	<b>\$ 226,231</b>	<b>\$ 2,256,954</b>
<b>Total Liabilities &amp; Fund Balances</b>	<b>\$ 4,099,786</b>	<b>\$ 1,061,014</b>	<b>\$ 427,836</b>	<b>\$ 5,588,636</b>

See notes to financial statements.

Postville Community School District

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

June 30, 2013

<b>Total fund balances of governmental funds (page 16)</b>	<b>\$ 2,256,954</b>
<i>Amounts reported for governmental activities in the Statement of Net Position 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	9,072,924
Other long-term assets, including income surtax receivable, are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	263,054
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds	-8,779
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>-2,145,074</u>
<b>Net position of governmental activities (page 13)</b>	<b><u>\$ 9,439,079</u></b>

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

**Year Ended June 30, 2013**

	General	Capital Projects	Non- Major Funds	Total
<b>Revenues:</b>				
<b>Local Sources:</b>				
Local tax	\$ 2,227,831	\$ 689,732	\$ 125,061	\$ 3,042,624
Tuition	132,378	-	-	132,378
Other	52,494	36,342	124,014	212,850
Intermediate sources	-	-	-	-
State sources	3,220,876	61,850	52	3,282,778
Federal sources	705,258	-	-	705,258
<b>Total Revenues</b>	<b>\$ 6,338,837</b>	<b>\$ 787,924</b>	<b>\$ 249,127</b>	<b>\$ 7,375,888</b>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular instruction	\$ 2,294,717	\$ -	\$ 58,665	\$ 2,353,382
Special instruction	643,297	-	-	643,297
Other instruction	1,199,559	-	117,480	1,317,039
	<b>\$ 4,137,573</b>	<b>\$ -</b>	<b>\$ 176,145</b>	<b>\$ 4,313,718</b>
<b>Support Services:</b>				
Student services	\$ 179,061	\$ -	\$ 1,687	\$ 180,748
Instructional staff services	131,552	247,174	1,281	380,007
Administration services	675,313	1,000	5,840	682,153
Operation and maintenance of plant services	453,283	13,540	41,190	508,013
Transportation services	168,997	80,117	8,722	257,836
	<b>\$ 1,608,206</b>	<b>\$ 341,831</b>	<b>\$ 58,720</b>	<b>\$ 2,008,757</b>
Non-instructional	\$ 19,174	\$ -	\$ 1,888	\$ 21,062
<b>Other Expenditures:</b>				
Facilities acquisition	\$ -	\$ 203,470	\$ -	\$ 203,470
<b>Long-Term Debt:</b>				
Principal	-	-	134,024	134,024
Interest and fiscal charges	-	-	77,639	77,639
AEA flow-through	228,603	-	-	228,603
	<b>\$ 228,603</b>	<b>\$ 203,470</b>	<b>\$ 211,663</b>	<b>\$ 643,736</b>
<b>Total Expenditures</b>	<b>\$ 5,993,556</b>	<b>\$ 545,301</b>	<b>\$ 448,416</b>	<b>\$ 6,987,273</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>\$ 345,281</b>	<b>\$ 242,623</b>	<b>\$ -199,289</b>	<b>\$ 388,615</b>
<b>Other Financing Sources (Uses):</b>				
Proceeds from capital lease	\$ -	\$ 242,179	\$ -	\$ 242,179
Operating transfers in	-	-	213,559	213,559
Operating transfers out	-	-213,559	-	-213,559
Sale of equipment	31,047	-	-	31,047
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 31,047</b>	<b>\$ 28,620</b>	<b>\$ 213,559</b>	<b>\$ 273,226</b>

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

**Year Ended June 30, 2013**

	General	Capital Projects	Non- Major Funds	Total
Net change in fund balances	\$ 376,328	\$ 271,243	\$ 14,270	\$ 661,841
Fund balances beginning of year	\$ 907,589	\$ 472,461	\$ 211,961	\$ 1,592,011
Prior period adjustment	3,102	-	-	3,102
Adjusted beginning fund balance	\$ 910,691	\$ 472,461	\$ 211,961	\$ 1,595,113
Fund Balances End of Year	\$ 1,287,019	\$ 743,704	\$ 226,231	\$ 2,256,954

## 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, 2013

**Net change in fund balances – total governmental funds (page 19)** \$ 661,841

*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 Activities 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	\$ 617,167	
Depreciation expense	-490,849	126,318

Income surtax revenue not received until several months after the District's fiscal year end is not considered available revenue and is deferred in the governmental funds. It is, however, recorded as revenue in the Statement of Activities.		-449
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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 Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year issues exceeded repayments as follows:

Issuance	\$ -242,179	
Repaid	134,024	-108,155

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.		-2,908
--	--	--------

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	\$ -106,606	
Other postemployment benefits	-23,316	-129,922

**Change in Net Position of Governmental Activities (page 15)** \$ 546,725

## Postville Community School District

Statement of Net Position  
Proprietary Funds

June 30, 2013

	School Nutrition	Student Construction	Total
<b>Assets</b>			
<b>Current Assets:</b>			
Cash and cash equivalents	\$ 114,953	\$ 61	\$ 115,014
Accounts receivable	832	-	832
Due from other governments	4,381	-	4,381
Inventories	3,195	-	3,195
<b>Total Current Assets</b>	<b>\$ 123,361</b>	<b>\$ 61</b>	<b>\$ 123,422</b>
<b>Non-Current Assets:</b>			
Capital assets, net of accumulated depreciation	\$ 28,331	\$ -	\$ 28,331
<b>Total Assets</b>	<b>\$ 151,692</b>	<b>\$ 61</b>	<b>\$ 151,753</b>
<b>Liabilities</b>			
<b>Current Liabilities:</b>			
Accounts payable	\$ 147	\$ -	\$ 147
Salaries and benefits payable	2,695	-	2,695
Deferred revenue	3,883	-	3,883
<b>Total Current Liabilities</b>	<b>\$ 6,725</b>	<b>\$ -</b>	<b>\$ 6,725</b>
<b>Total Liabilities</b>	<b>\$ 6,725</b>	<b>\$ -</b>	<b>\$ 6,725</b>
<b>Net Position</b>			
Net investment in capital assets	\$ 28,331	\$ -	\$ 28,331
Unrestricted	116,636	61	116,697
<b>Total Net Position</b>	<b>\$ 144,967</b>	<b>\$ 61</b>	<b>\$ 145,028</b>

See notes to financial statements.

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

**Year Ended June 30, 2013**

	School Nutrition	Student Construction	Total
Operating revenues:			
Local sources:			
Charges for service/product	\$ 94,934	\$ -	\$ 94,934
Non-instructional programs:			
Food service operations:			
Salaries	\$ 138,864	\$ -	\$ 138,864
Benefits	54,377	-	54,377
Purchased services	2,326	-	2,326
Supplies	189,049	-	189,049
Depreciation	7,500	-	7,500
Total non-instruction programs	\$ 392,116	\$ -	\$ 392,116
Operating income (loss)	\$ -297,182	\$ -	\$ -297,182
Non-operating revenues:			
State sources	\$ 3,061	\$ -	\$ 3,061
Federal sources	307,109	-	307,109
Interest income	293	-	293
Total non-operating revenues	\$ 310,463	\$ -	\$ 310,463
Change in net assets	\$ 13,281	\$ -	\$ 13,281
Net position beginning of year	131,686	61	131,747
Net Position End of Year	\$ 144,967	\$ 61	\$ 145,028

## Postville Community School District

Statement of Cash Flows  
Proprietary Funds

Year Ended June 30, 2013

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 95,133
Cash paid to employees for services	-192,786
Cash paid to suppliers for goods or services	-155,183
Net cash provided (used) by operating activities	<u>\$ -252,836</u>
Cash flows from non-capital financing activities:	
State grants received	\$ 3,061
Federal grants received	281,530
Net cash provided by non-capital financing activities	<u>\$ 284,591</u>
Cash flows from investing activities:	
Interest on investments	<u>\$ 293</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>\$ -2,423</u>
Net decrease in cash and cash equivalents	\$ 29,625
Cash and cash equivalents beginning of year	<u>85,328</u>
Cash and Cash Equivalents End of Year	<u>\$ 114,953</u>
<b>Reconciliation of operating loss to net cash used by operating activities:</b>	
Operating (loss) income	\$ -297,182
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	27,660
Depreciation	7,500
Decrease in inventories	8,615
(Increase) in accounts receivable	-87
(Decrease) in accounts payable	-83
Increase in salaries and benefits payable	455
Increase in deferred revenue	286
Net Cash Provided (Used) by Operating Activities	<u>\$ -252,836</u>

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

During the year ended June 30, 2013, the District received \$27,660 of federal commodities.

See notes to financial statements.

Postville Community School District

Statement of Fiduciary Net Position  
Fiduciary Funds

June 30, 2013

	Private Purpose Trust	
	Scholarships	Agency
<b>Assets</b>		
Cash and pooled investments	\$ 24,534	\$ 10,074
Accounts receivable	-	197
<b>Total Assets</b>	<b>\$ 24,534</b>	<b>\$ 10,271</b>
<b>Liabilities</b>		
Accounts payable	\$ -	\$ 10,271
<b>Net position</b>		
Reserved for scholarships	\$ 24,534	\$ -

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

**Year Ended June 30, 2013**

	Private Purpose Trust
	Scholarships
Additions:	
Local sources:	
Interest income	\$ 351
Deductions:	
Instruction:	
Regular instruction:	
Scholarships awarded	\$ 342
Change in net position	\$ 9
Net position beginning of year	24,534
Net Position End of Year	\$ 24,534

See notes to financial statements.

Postville Community School District

Notes to Financial Statements

June 30, 2013

(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 Position (previously referred to as 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 Position presents the District's non-fiduciary assets and liabilities, with the difference reported as net position. Net position is reported in the following categories:

*Net investment in capital assets*, 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 position* result when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* consists of net position that does not meet the definition of the two preceding categories. Unrestricted net position 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 position and changes in net position. 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 position 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.

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, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2012.

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 Position. 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 Position 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, 2013. 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 Position.

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.

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, 2013 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, 2013 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects -- Physical Plant and Equipment Levy	\$ 64,713
Debt Service	Capital Projects -- Statewide Sales, Services, and Use Tax	148,846
Total		<u>\$ 213,559</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, 2013 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	-	56,114	-	56,114
Total capital assets not being depreciated	\$ 89,000	\$ 56,114	\$ -	\$ 145,114
Capital assets being depreciated:				
Buildings	\$ 13,499,688	\$ -	\$ -	\$ 13,499,688
Improvements other than buildings	572,667	19,241	-	591,908
Furniture and equipment	3,983,792	541,812	-33,950	4,491,654
Total capital assets being depreciated	\$ 18,056,147	\$ 561,053	\$ -33,950	\$ 18,583,250
Less accumulated depreciation for:				
Buildings	\$ 5,425,972	\$ 250,383	\$ -	\$ 5,676,355
Improvements other than buildings	345,336	17,051	-	362,387
Furniture and equipment	3,427,233	223,415	-33,950	3,616,698
Total accumulated depreciation	\$ 9,198,541	\$ 490,849	\$ -33,950	\$ 9,655,440
Total capital assets being depreciated, net	\$ 8,857,606	\$ 70,204	\$ -	\$ 8,927,810
Governmental Activities Capital Assets, Net	\$ 8,946,606	\$ 126,318	\$ -	\$ 9,072,924

	Balance Beginning Of Year	Increases	Decreases	Balance End Of Year
<b>Business type activities:</b>				
Furniture and equipment	\$ 87,576	\$ 2,423	\$ -	\$ 89,999
Less accumulated depreciation	54,168	7,500	-	61,668
Business Type Activities Capital Assets, Net	\$ 33,408	\$ -5,077	\$ -	\$ 28,331

Depreciation expense was charged to the following functions:

**Governmental Activities:**

Instruction:

Regular	\$ 395,241
Other	31,130
Special	250

Support services:

Operation and maintenance of plant	6,318
Transportation	57,910

Total Depreciation Expense – Governmental Activities \$ 490,849

**Business Type Activities:**

Food service operations	<u>\$ 7,500</u>
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(5) Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2013 are summarized as follows:

	Balance Beginning Of Year	Additions	Reductions	Balance End Of Year	Due Within One Year
Revenue bonds	\$ 1,675,000	\$ -	\$ 75,000	\$ 1,600,000	\$ 100,000
Early retirement	75,306	143,571	36,965	181,912	108,319
Net OPEB liability	156,691	23,316	-	180,007	-
Capital lease	-	242,179	59,024	183,155	59,017
Total	\$ 1,906,997	\$ 409,066	\$ 170,989	\$ 2,145,074	\$ 267,336

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, 2013 totaled \$36,965.

Capital Lease

The District entered into a capital lease with Apple Inc to purchase computers for \$242,179 with a 3.383% interest rate. Semi-annual lease payments are \$32,356.72 ending January 15, 2016. Details of the Capital Lease as follows:

Year Ending June 30,	Interest Rate	Capital Lease Issued March 12, 2012		
		Principal	Interest	Total
2014	3.383%	\$ 59,017	\$ 5,696	\$ 64,713
2015	3.383%	61,029	3,685	64,714
2016	3.383%	63,109	1,604	64,713
Total		\$ 183,155	\$ 10,985	\$ 194,140

Revenue Bonds

Details of the District's June 30, 2013 Statewide Sales, Services and Use Tax Revenue indebtedness are as follows:

Year Ending June 30,	Issued July 1, 2009			
	Interest Rates	Principal	Interest	Total
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
<b>Total</b>		<b>\$ 1,600,000</b>	<b>\$ 613,900</b>	<b>\$ 2,213,900</b>

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 \$2,213,900. For the current year, \$75,000 principal and \$70,450 of interest was paid on the bonds and total statewide sales, services and use tax revenues were \$478,273.

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, 2013, the District made principal, interest and fees payments totaling \$211,663 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 5.78% of their annual covered salary and the District is required to contribute 8.67% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$304,509, \$276,612, and \$250,209, 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 61 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, 2013, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$	41,701
Interest on net OPEB obligation		3,917
Adjustment to annual required contribution		-13,041
Annual OPEB cost	\$	32,577
Contributions made		-9,261
Increase in net OPEB obligation	\$	23,316
Net OPEB obligation beginning of year		156,691
Net OPEB obligation end of year	\$	180,007

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2012. 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, 2013.

For the year ended June 30, 2013, the District contributed \$481,156 to the medical plan. Plan members eligible for benefits contributed \$53,714 or 10% 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, 2013 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
June 30, 2013	\$32,577	0%	\$180,007

**Funded Status and Funding Progress** – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$262,881, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$262,881. The covered payroll (annual payroll of active employees covered by the plan) was \$2,672,636, and the ratio of the UAAL to covered payroll was 10.2%. As of June 30, 2013, 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, 2012 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, 2011 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2011.

Projected claim costs of the medical plan are \$324.95 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 \$228,603 for the year ended June 30, 2013 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, 2013 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Limited English Proficiency	\$ 155,265
Home School Assistance	291,362
Gifted and Talented Programs	11,163
Dropout Prevention	283,121
Beginning Teacher Mentoring	4,063
Teacher Salary Supplement	44,553
At Risk	31,897
Core Curriculum	16,072
Professional Development	14,479
Preschool	22,614
Before and After School	17,940
Total	<u>\$ 892,529</u>

**(11) Subsequent Events**

The District has evaluated subsequent events through December 27, 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 \$3,102 to correct prior year Project Venture.

**(13) Restatement of Net Position**

The levy for the District's income surtaxes applicable to and collected during the year ended June 30, 2012 were levied and certified during the year ended June 30, 2011. Under the modified accrual basis of accounting as described in Note 1 to the financial statements, because those taxes were not collected within sixty days after year end for application to current obligations, those taxes were properly deferred in the fund financial statements. However, those taxes related directly to the fiscal year ended June 30, 2012 and should have been recognized as revenue in the District-wide financial statements which are prepared on the full accrual basis of accounting, as described in Note 1 to the financial statements.

The District has corrected this item for the year ended June 30, 2013 and the effects of this correction on the related financial statement item are as follows:

	Net Position, Governmental Activities
Balance as reported at June 30, 2012	\$ 8,625,749
Adjustments:	
Income surtax recognition	<u>263,503</u>
Balance as restated on July 1, 2012	<u>\$ 8,889,252</u>

**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, 2013

	Governmental Funds Actual	Proprietary Fund Actual
Receipts:		
Local sources	\$ 3,387,852	\$ 95,227
Intermediate sources	-	-
State sources	3,282,778	3,061
Federal sources	705,258	307,109
Total Receipts	<u>\$ 7,375,888</u>	<u>\$ 405,397</u>
Disbursements:		
Instruction	\$ 4,313,718	\$ -
Support services	2,008,757	-
Non-instructional programs	21,062	392,116
Other expenditures	643,736	-
Total Disbursements	<u>\$ 6,987,273</u>	<u>\$ 392,116</u>
Excess (deficiency) of receipts over (under) disbursements	\$ 388,615	\$ 13,281
Other financing sources, net	<u>273,226</u>	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	\$ 661,841	\$ 13,281
Balances beginning of year	<u>\$ 1,592,011</u>	<u>\$ 131,747</u>
Prior period adjustment	<u>3,102</u>	-
Adjusted beginning fund balance	<u>\$ 1,595,113</u>	<u>\$ 131,747</u>
Balance end of year	<u>\$ 2,256,954</u>	<u>\$ 145,028</u>

See accompanying independent auditor's report.

	Total Actual	Budgeted Amounts		Final to Actual Variance
		Original	Final	
\$	3,483,079	\$ 3,387,836	\$ 3,387,836	\$ 95,243
	-	-	-	-
	3,285,839	3,247,758	3,247,758	38,081
	1,012,367	780,000	780,000	232,367
\$	7,781,285	\$ 7,415,594	\$ 7,415,594	\$ 365,691
\$	4,313,718	\$ 4,682,968	\$ 4,750,000	\$ 436,282
	2,008,757	2,686,062	2,686,062	677,305
	413,178	454,959	535,000	121,822
	643,736	387,726	387,726	-256,010
\$	7,379,389	\$ 8,211,715	\$ 8,358,788	\$ 979,399
\$	401,896	\$ -796,121	\$ -943,194	\$ 1,345,090
	273,226	10,000	10,000	263,226
\$	675,122	\$ -786,121	\$ -933,194	\$ 1,608,316
\$	1,723,758	\$ 838,376	\$ 838,376	\$ 885,382
	3,102	-	-	3,102
\$	1,726,860	\$ 838,376	\$ 838,376	\$ 888,484
\$	2,401,982	\$ 52,255	\$ -94,818	\$ 2,496,800

**Postville Community School District**

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

**Year Ended June 30, 2013**

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, the District adopted one budget amendment, increasing budgeted expenditures by \$147,073.

During the year ended June 30, 2013, 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, 2013**

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%
2013	July 1, 2012	-	\$263	\$263	0.0%	\$2,673	10.2%

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.

## **Supplementary Information**

## Postville Community School District

Combining Balance Sheet  
Non-Major Funds

June 30, 2013

	Debt Service	Special Revenue		Total
		Management Levy	Student Activity	
<b>Assets</b>				
Cash and pooled investments	\$ 180,991	\$ 20,119	\$ 22,508	\$ 223,618
Receivables:				
Property Tax:				
Delinquent	-	2,801	-	2,801
Succeeding year	-	201,000	-	201,000
Accounts	-	-	417	417
<b>Total Assets</b>	<b>\$ 180,991</b>	<b>\$ 223,920</b>	<b>\$ 22,925</b>	<b>\$ 427,836</b>
<b>Liabilities &amp; Fund Balances</b>				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 605	\$ 605
Deferred revenue:				
Succeeding year property tax	-	201,000	-	201,000
Total Liabilities	\$ -	\$ 201,000	\$ 605	\$ 201,605
Fund Balances:				
Restricted for:				
Debt service	\$ 180,991	\$ -	\$ -	\$ 180,991
Management levy purposes	-	22,920	-	22,920
Student activities	-	-	22,320	22,320
Total fund balances	\$ 180,991	\$ 22,920	\$ 22,320	\$ 226,231
<b>Total Liabilities &amp; Fund Balances</b>	<b>\$ 180,991</b>	<b>\$ 223,920</b>	<b>\$ 22,925</b>	<b>\$ 427,836</b>

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

**Year Ended June 30, 2013**

	Debt Service	Special Revenue		Total
		Management Levy	Student Activity	
<b>Revenues:</b>				
<b>Local Sources:</b>				
Local tax	\$ -	\$ 125,061	\$ -	\$ 125,061
Other	2,953	2,915	118,146	124,014
State sources	-	52	-	52
<b>Total Revenues</b>	<b>\$ 2,953</b>	<b>\$ 128,028</b>	<b>\$ 118,146</b>	<b>\$ 249,127</b>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular instruction	\$ -	\$ 58,665	\$ -	\$ 58,665
Other instruction	-	-	117,480	117,480
<b>Support Services:</b>				
Student support services	-	1,687	-	1,687
Instructional staff services	-	1,281	-	1,281
Administration services	-	5,840	-	5,840
Operation and maintenance of plant services	-	41,190	-	41,190
Transportation services	-	8,722	-	8,722
Non-instructional programs	-	1,888	-	1,888
<b>Other Expenditures:</b>				
<b>Long-Term Debt:</b>				
Principal	134,024	-	-	134,024
Interest and fiscal charges	77,639	-	-	77,639
<b>Total Expenditures</b>	<b>\$ 211,663</b>	<b>\$ 119,273</b>	<b>\$ 117,480</b>	<b>\$ 448,416</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>\$ -208,710</b>	<b>\$ 8,755</b>	<b>\$ 666</b>	<b>\$ -199,289</b>
<b>Other Financing Sources (Uses):</b>				
Operating transfers in	213,559	-	-	213,559
<b>Change in fund balances</b>	<b>\$ 4,849</b>	<b>\$ 8,755</b>	<b>\$ 666</b>	<b>\$ 14,270</b>
<b>Fund balances beginning of year</b>	<b>176,142</b>	<b>14,165</b>	<b>21,654</b>	<b>211,961</b>
<b>Fund Balances End of Year</b>	<b>\$ 180,991</b>	<b>\$ 22,920</b>	<b>\$ 22,320</b>	<b>\$ 226,231</b>

See accompanying independent auditor's report.

## Postville Community School District

Combining Balance Sheet  
Capital Project Accounts

June 30, 2013

	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	\$ 408,524	\$ 231,108	\$ 25,642	\$ 665,274
Receivables:				
Property Tax:				
Delinquent	-	5,710	-	5,710
Succeeding year	-	247,740	-	247,740
Income surtax	-	17,537	-	17,537
Due from other governments	124,753	-	-	124,753
<b>Total Assets</b>	<b>\$ 533,277</b>	<b>\$ 502,095</b>	<b>\$ 25,642</b>	<b>\$ 1,061,014</b>
<b>Liabilities &amp; Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 37,303	\$ -	\$ -	\$ 37,303
Due to other funds	-	3,582	-	3,582
Deferred revenue:				
Succeeding year property tax	-	247,740	-	247,740
Other	-	17,537	-	17,537
Other liabilities	-	11,148	-	11,148
Total Liabilities	\$ 37,303	\$ 280,007	\$ -	\$ 317,310
Fund Balances:				
Restricted for:				
School infrastructure	\$ 495,974	\$ -	\$ 25,642	\$ 521,616
Physical plant and equipment	-	222,088	-	222,088
Total fund balances	\$ 495,974	\$ 222,088	\$ 25,642	\$ 743,704
<b>Total Liabilities and Fund Balances</b>	<b>\$ 533,277</b>	<b>\$ 502,095</b>	<b>\$ 25,642</b>	<b>\$ 1,061,014</b>

See accompanying independent auditor's report.

**Postville Community School District**  
**Combining Schedule of Revenues, Expenditures**  
**and Changes in Fund Balances**  
**Capital Project Accounts**

**Year Ended June 30, 2013**

	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	\$ 416,526	\$ 273,206	\$ -	\$ 689,732
Other	34,542	1,163	637	36,342
State sources	61,747	103	-	61,850
Federal sources	-	-	-	-
Total Revenues	<u>\$ 512,815</u>	<u>\$ 274,472</u>	<u>\$ 637</u>	<u>\$ 787,924</u>
<b>Expenditures:</b>				
Support Services:				
Instructional staff services	\$ -	\$ 247,174	\$ -	\$ 247,174
Administrative service	1,000	-	-	1,000
Operation and maintenance of property service	-	13,540	-	13,540
Transportation service	80,117	-	-	80,117
Other Expenditures:				
Facilities acquisition	179,231	24,239	-	203,470
Total Expenditures	<u>\$ 260,348</u>	<u>\$ 284,953</u>	<u>\$ -</u>	<u>\$ 545,301</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 252,467</u>	<u>\$ -10,481</u>	<u>\$ 637</u>	<u>\$ 242,623</u>
<b>Other Financing Sources (Uses):</b>				
Proceeds from capital lease	\$ -	\$ 242,179	\$ -	\$ 242,179
Operating transfers out	-148,846	-64,713	-	-213,559
	<u>\$ -148,846</u>	<u>\$ 177,466</u>	<u>\$ -</u>	<u>\$ 28,620</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ 103,621</u>	<u>\$ 166,985</u>	<u>\$ 637</u>	<u>\$ 271,243</u>
Fund balances beginning of year	392,353	55,103	25,005	472,461
Fund Balances End of Year	<u>\$ 495,974</u>	<u>\$ 222,088</u>	<u>\$ 25,642</u>	<u>\$ 743,704</u>

See accompanying independent auditor's report.

## Postville Community School District

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

Year Ended June 30, 2013

Account	Balance Beginning Of Year	Revenues and Inter-fund Transfers	Expenditures and Inter-fund Transfers	Intra- Fund Transfers	Balance End of Year
Drama	\$ 1,268	\$ 3,411	\$ 3,098	\$ -1,090	\$ 491
Vocal music		141	141	-	-
High School golf	-	41	925	884	-
High School boys basketball	-	4,227	3,012	-1,215	-
High School boys football	-	6,699	9,132	2,433	-
High School baseball	-	503	2,174	1,671	-
High School boys track	-	61	918	857	-
High School wrestling	-	2,886	2,029	-857	-
High School girls basketball	-	2,630	2,104	-526	-
High School volleyball	-	2,865	1,552	-1,304	9
High School softball	-99	-	-99	-	-
High School girls track	-	136	1,893	1,757	-
Class of 2013	4,425	3,954	9,719	1,340	-
Class of 2012	3,584	-	-	-3,584	-
Class of 2014	-	18,250	12,865	75	5,460
High School student council	612	4,362	3,662	-619	693
FCCLA	1,837	-	1,244	-	593
Peer Helpers	812	3,832	2,904	-	1,740
Mirror	842	6,139	8,849	2,710	842
Cheerleaders	848	2,880	2,021	-	1,707
Magazines	-	7,677	4,362	-3,315	-
Elementary student council	20	4,752	3,858	-882	32
Interest account	948	13	372	442	1,031
Resale athletics	-	6,581	6,554	-4	23
Resale band	745	182	171	-	756
FFA	4,119	26,715	23,848	-	6,986
High School boys soccer	-	599	1,467	868	-
Athletics	1,693	8,610	5,158	-3,188	1,957
Middle School boys basketball	-	-	780	780	-
Middle School football	-	-	827	827	-
Middle School boys track	-	-	130	130	-
Middle School wrestling	-	-	360	360	-
Middle School girls basketball	-	-	770	770	-
Middle School volleyball	-	-	550	550	-
Middle School girls track	-	-	130	130	-
<b>Total</b>	<b>\$ 21,654</b>	<b>\$ 118,146</b>	<b>\$ 117,480</b>	<b>\$ -</b>	<b>\$ 22,320</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, 2013

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b>Assets</b>				
Cash	\$ 9,941	\$ 59,119	\$ 58,986	\$ 10,074
Accounts receivable	127	197	127	197
<b>Total Assets</b>	<b>\$ 10,068</b>	<b>\$ 59,316</b>	<b>\$ 59,113</b>	<b>\$ 10,271</b>
<b>Liabilities</b>				
Accounts payable	\$ 10,068	\$ 59,316	\$ 59,113	\$ 10,271
<b>Total Liabilities</b>	<b>\$ 10,068</b>	<b>\$ 59,316</b>	<b>\$ 59,113</b>	<b>\$ 10,271</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, 2013

	Balance Beginning of Year	Additions	Deductions	Transfers	Balance End of Year
Music events	\$ 21	\$ 2,014	\$ 2,019	\$ -	\$ 16
Band boosters	3,077	13,873	16,950	-	-
Athletic events	7	4,720	4,722	-	5
Climate committee	592	524	724	-	392
Retiree insurance	1,757	34,560	31,073	-	5,244
Bell fund	2,262	-	-	-	2,262
Outdoor bulletin	1,869	-	-	-	1,869
Production class	1	-	-	-	1
Spanish Club	-	-	-	-	-
Music event	482	-	-	-	482
Upper Iowa Conference	-	3,625	3,625	-	-
<b>Total</b>	<b>\$ 10,068</b>	<b>\$ 59,316</b>	<b>\$ 59,113</b>	<b>\$ -</b>	<b>\$ 10,271</b>

## Postville Community School District

Statement of Fiduciary Net Position  
Private Purpose Trusts

June 30, 2013

	Knutson Scholarship	Harnack Scholarship	Capper Scholarship	Total
<b>Assets</b>				
Cash	\$ 2,955	\$ 10,825	\$ 10,763	\$ 24,543
<b>Total Assets</b>	<u>\$ 2,955</u>	<u>\$ 10,825</u>	<u>\$ 10,763</u>	<u>\$ 24,543</u>
<b>Liabilities and Fund Equity</b>				
Liabilities	\$ -	\$ -	\$ -	\$ -
<b>Net Position</b>				
Reserved for Scholarships	2,955	10,825	10,763	24,543
<b>Total Liabilities and Fund Equity</b>	<u>\$ 2,955</u>	<u>\$ 10,825</u>	<u>\$ 10,763</u>	<u>\$ 24,543</u>

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

**Year Ended June 30, 2013**

	Knutson Scholarship	Harnack Scholarship	Capper Scholarship	Total
Revenues:				
Local Sources:				
Interest from non-expendable trust fund investments	\$ 1	\$ 213	\$ 137	\$ 351
Expenditures:				
Instruction:				
Regular Instruction: Scholarships	-	213	129	342
Excess (deficiency) of revenues over (under) expenditures	\$ 1	\$ -	\$ 8	\$ 9
Net Position, beginning of year	2,954	10,825	10,755	24,534
Net Position, End of Year	\$ 2,955	\$ 10,825	\$ 10,763	\$ 24,543

**Postville Community School District**  
**Schedule of Revenues by Source and Expenditures by Function**  
**All Governmental Funds**  
**For the Last Ten Years**

	Modified Accrual Basis			
	2013	2012	2011	2010
<b>Revenues:</b>				
<b>Local Sources:</b>				
Local tax	\$ 3,042,624	\$ 3,060,899	\$ 2,747,374	\$ 2,576,536
Tuition	132,378	133,517	95,741	102,964
Other	212,850	218,099	294,400	248,477
Intermediate sources	-	-	-	-
State sources	3,282,778	3,262,702	3,076,340	3,555,051
Federal sources	705,258	743,043	916,518	896,392
<b>Total</b>	<b>\$ 7,375,888</b>	<b>\$ 7,418,260</b>	<b>\$ 7,130,373</b>	<b>\$ 7,379,420</b>
<b>Expenditures:</b>				
<b>Instruction:</b>				
Regular instruction	\$ 2,353,382	\$ 2,286,919	\$ 2,331,606	\$ 2,542,918
Special instruction	643,297	623,360	643,509	812,871
Other instruction	1,317,039	1,351,055	1,309,057	874,474
<b>Support services:</b>				
Student services	180,748	187,149	251,485	219,731
Instructional staff services	380,007	144,507	160,323	147,346
Administrative services	682,153	675,881	658,275	593,482
Operation and maintenance of plant services	508,013	486,220	558,152	547,806
Transportation services	257,836	231,943	268,730	156,599
Community services	-	-	-	-
Non-instructional programs	21,062	2,173	1,681	1,386
<b>Other expenditures:</b>				
Facilities acquisition	203,470	304,091	562,985	2,014,889
<b>Long-term debt:</b>				
Principal	134,024	1,223,354	259,393	250,752
Interest and other charges	77,639	81,060	93,752	139,951
AEA flow-through	228,603	228,360	253,008	252,467
<b>Total</b>	<b>\$ 6,987,273</b>	<b>\$ 7,826,072</b>	<b>\$ 7,351,956</b>	<b>\$ 8,554,672</b>

See accompanying independent auditor's report.

Modified Accrual Basis					
2009	2008	2007	2006	2005	2004
\$ 2,350,617	\$ 2,322,407	\$ 1,860,460	\$ 1,783,127	1,630,556	1,585,891
88,840	87,343	85,582	98,971	140,600	142,490
298,821	263,029	700,245	643,009	510,984	608,632
-	-	-	-	-	-
3,292,417	3,428,842	3,144,829	2,908,432	2,726,816	2,505,501
556,900	440,658	564,698	739,724	408,382	689,604
<b>\$ 6,587,595</b>	<b>\$ 6,542,279</b>	<b>\$ 6,355,814</b>	<b>\$ 6,173,263</b>	<b>5,417,338</b>	<b>5,532,118</b>
\$ 2,225,896	\$ 2,169,542	\$ 2,086,176	\$ 1,971,723	1,975,912	2,042,077
580,703	608,506	515,919	499,879	554,142	802,373
1,090,093	969,838	890,610	803,014	795,634	505,707
219,095	211,933	218,324	166,615	127,274	119,340
174,991	181,102	124,230	224,379	101,620	76,982
580,954	628,033	775,557	653,175	540,534	471,885
537,891	558,463	550,541	527,793	466,425	659,882
212,470	241,865	150,505	180,352	145,485	162,122
-	-	40,753	16,260	-	10,734
1,151	1,160	940	996	1,174	-
307,074	21,313	326,711	509,799	13,245	2,048,687
242,300	229,016	239,655	317,432	263,038	277,749
62,138	51,120	60,580	64,976	75,497	71,780
236,277	226,362	211,275	197,612	191,485	192,936
<b>\$ 6,471,033</b>	<b>\$ 6,098,253</b>	<b>\$ 6,191,776</b>	<b>\$ 6,134,005</b>	<b>5,251,465</b>	<b>7,442,254</b>

**Postville Community School District**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2013**

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	FY13	\$ 44,017
National School Lunch Program	10.555	FY13	236,109 *
Summer Food Service Program	10.559	FY13	12,011
Basic Building and Strengthening Iowa Community Support for Nutrition and Health	10.561	FY13	4,431
Fresh Fruit and Vegetables	10.582	FY13	14,973
			<u>\$ 311,541</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	FY13	\$ 319,503
Title I Grants Migrant Education	84.011	FY13	138,818
			<u>\$ 458,321</u>
Career and Technical Education – Basic Grants to State	84.048	FY13	\$ 643
Fund for Improvement of Education	84.215		<u>\$ 119</u>
Twenty-First Century Community Learning Center	84.287		<u>\$ 61,394</u>
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	FY13	\$ 628
Rural Education Achievement Program	84.358	FY13	\$ 42,209
Title III English Language Acquisition Grant	84.365	FY13	\$ 19,857
Improving Teacher Quality State Grants	84.367	FY13	\$ 26,795
Title VI Assessments	84.369	FY13	<u>\$ 3,887</u>
Keystone Area Education Agency:			
Special Education – Grants to States	84.027	FY13	<u>\$ 34,027</u>
Total			<u>\$ 959,421</u>

\*- Includes \$27,660 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.

**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 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, the 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, 2013, and related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued my report thereon dated December 27, 2013.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Postville Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances 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. Accordingly, I do not express an opinion on the effectiveness of Postville Community School District's internal control.

My consideration of internal control 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 material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, I identified deficiencies in internal control I consider to be material weaknesses and 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 described in Part II of the accompanying Schedule of Findings as item 2013-001 to be a 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 2013-002 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, 2013 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.

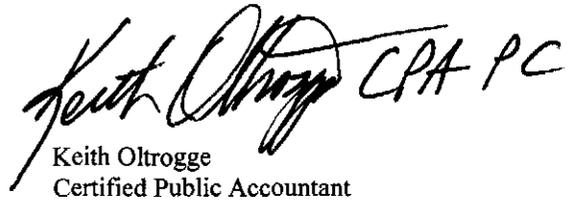
### Postville Community School District's Responses to Findings

Postville Community School District's responses to findings identified in my audit are described in the accompanying Schedule of Findings. Postville Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on them.

### Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

  
Keith Oltrogge  
Certified Public Accountant

December 27, 2013

**Independent Auditor's Report on Compliance  
for Each Major Program, and on Internal Control over Compliance  
and on the Schedule of Expenditures of Federal Awards  
Required by OMB Circular A-133**

**Independent Auditor's Report on Compliance  
for Each Major Program, and on Internal Control over Compliance  
and on the Schedule of Expenditures of Federal Awards  
Required by OMB Circular A-133**

To the Board of Education of  
Postville Community School District

**Report on Compliance for Each Major Federal Program**

I have audited Postville Community School District compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Postville Community School District's major federal programs for the year ended June 30, 2013. Postville Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings.

**Management's Responsibility**

Management is responsible for compliance with the requirements of law, regulations, contracts and grant agreements applicable to its federal programs.

**Auditor's Responsibility**

My responsibility is to express an opinion on compliance for each of Postville Community School District's major federal programs based on my audit of the types of compliance requirements referred to above. 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 and 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 that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of Postville Community School District's compliance.

**Opinion on Each Major Federal Program**

In my opinion, Postville Community School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

**Report on Internal Control Over Compliance**

The Management of Postville Community School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered Postville Community School District's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, I identified a deficiency in internal control over compliance I consider to be a material weakness.

A deficiency in 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 that a 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 described in the accompanying Schedule of Findings as item 2013-003 to be a material weakness.

Postville Community School District's response to the internal control over compliance finding identified in my audit is described in the accompanying Schedule of Findings. Postville Community School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, I express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

I have audited the financial statements of Postville Community School District as of and for the year ended June 30, 2013, and have issued my report thereon dated December 27, 2013, which contained unmodified opinions on those financial statements. My audit was conducted for the purpose of forming opinions on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 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 the audit of the 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 Schedule of Expenditure of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in black ink, appearing to read "Keith Oltrogge CPA PC". The signature is written in a cursive, flowing style.

Keith Oltrogge  
Certified Public Accountant

December 27, 2013

**Postville Community School District**

**Schedule of Findings**

**Year Ended June 30, 2013**

**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 findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510 (a).
- g) Major programs were as follows:
  - Child Nutrition Cluster
    - CFDA Number 10.553 – School Breakfast Program
    - CFDA Number 10.555 – National School Lunch Program
    - CFDA Number 10.559 – Summer Food Service Program
    - CFDA Number 10.561 – Basic Building and Strengthening Iowa Community Support for Nutrition and Health
    - CFDA Number 10.582 – Fresh Fruit and Vegetables
  - Title I Part A Cluster
    - CFDA Number 84.010 – Title I Grants to Local Education Agencies
    - CFDA Number 84.011 – Title I Grants – Migrant Education
- 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, 2013

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**INTERNAL CONTROL WEAKNESSES:**

2013-001 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.

2013-002 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, 2013**

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**INTERNAL CONTROL WEAKNESSES:**

**CFDA Number 10.553 – School Breakfast Program**

**CFDA Number 10.555 – National School Lunch Program**

**CFDA Number 10.559 – Summer Food Service Program**

**CFDA Number 10.561 – Basic Building and Strengthening Iowa Community Support for Nutrition and Health**

**CFDA Number 10.582 – Fresh Fruit and Vegetables**

**CFDA Number 84.010: Title I Grants to Local Educational Agencies**

**CFDA Number 84.011: Title I Grant – Migrant Education**

**Federal Award Year: 2013**

**U.S. Department of Education**

**Passed through the Iowa Department of Education**

2013-003 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, 2013

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

IV-A-13 Certified Budget – Expenditures for the year ended June 30, 2013 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-13 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-13 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-13 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>\$3,383</u>

In accordance with Chapter 279.74 of the Code of Iowa, the transactions may represent a conflict of interest since the total exceeds \$2,500.

Recommendation – The District should consult legal counsel to determine the disposition of this matter.

Response – We will do so.

Conclusion – Response accepted.

IV-E-13 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-13 Board Minutes – No transactions requiring Board approval, which had not been approved by the Board were noted.

IV-G-13 Certified Enrollment – No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

IV-H-13 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

IV-I-13 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.

**Postville Community School District**

**Schedule of Findings**

**Year Ended June 30, 2013**

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

IV-J-13 Certified Annual Report – The Certified Annual Report was filed with the Iowa Department of Education timely.

IV-K-13 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.

IV-L-13 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 423F.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, 2013, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	392,353
Revenues/transfers in:			
Sales tax revenue	\$	416,526	
Other local revenues		34,542	
School infrastructure supplemental amount		61,747	512,815
			<u>\$ 905,168</u>
Expenditures/transfer out:			
School infrastructure construction	\$	179,231	
Equipment		80,117	
Other		1,000	
Transfers to other funds:			
Debt service fund		148,846	409,194
			<u>409,194</u>
Ending balance		\$	<u>495,974</u>

For the year ended June 30, 2013, 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	\$ 1.06454	\$ 478,273
Physical plant and equipment levy	.40595	197,581
Public educational and recreational levy	-	-