

Postville Community School District

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

June 30, 2014

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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, 2014, 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, 2014, 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 Funding 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.

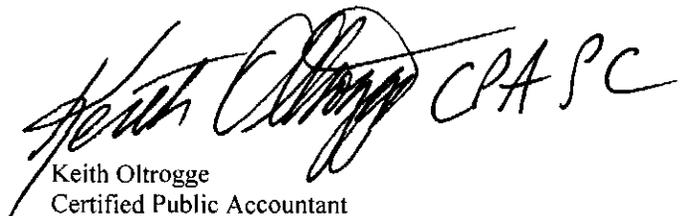
Supplementary and Other Information

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, 2013 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules I 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 January 6, 2015 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

January 6, 2015

Postville Community School District

Management's Discussion and Analysis

For Fiscal Year Ended June 30, 2014

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, 2014. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$6,338,837 in fiscal 2013 to \$7,061,364 in fiscal 2014, and General Fund expenditures increased from \$5,993,556 in fiscal 2013 to \$6,426,043 in fiscal 2014. The District's General Fund balance increased from adjusted \$1,311,825 in fiscal year 2013 to \$1,980,879 in fiscal year 2014, a 51.0% increase.
- The increase in General Fund revenues was attributable to an increase in state grants revenue in fiscal year 2014. The increase in expenditures was due primarily to an increase in instruction costs.
- The District's solvency ratio has increased from 6.6% at June 30, 2013 to 16.5% at June 30, 2014. 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.

Supplementary Information provides detailed information about the non-major governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various final 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

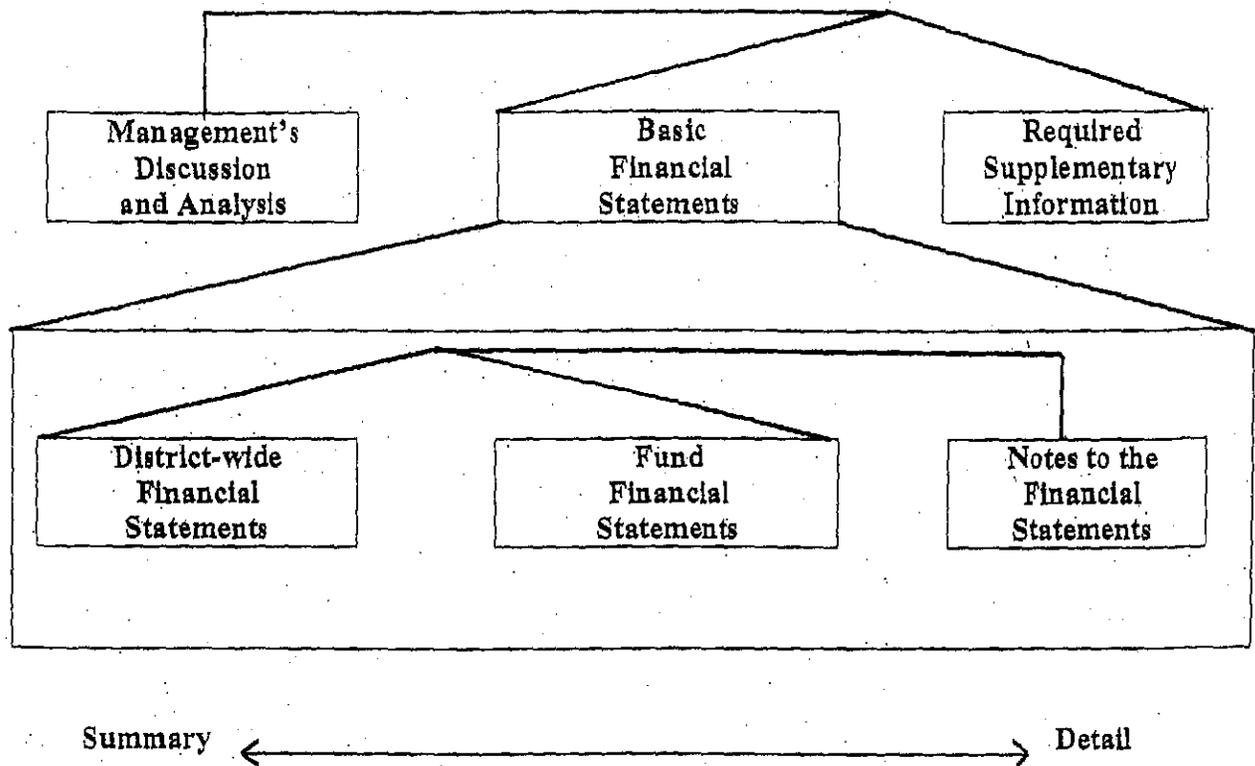


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

**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, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. 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 is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position is 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 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, is the same as its business type activities, but provides 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 position at June 30, 2014 compared to June 30, 2013.

**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,
	2014	2013	2014	2013	2014	2013	2013-2014
Current and other assets	\$6,542,017	\$5,585,054	\$101,345	\$123,422	\$6,643,362	\$5,708,476	16.4%
Capital assets	9,120,919	9,072,924	50,465	28,331	9,171,384	9,101,255	0.7%
Total assets	\$15,662,936	\$14,657,978	\$151,810	\$151,753	\$15,814,746	\$14,809,731	6.8%
Long-term liabilities	\$2,006,605	\$2,145,074	\$-	\$-	\$2,006,605	\$2,145,074	-6.5%
Other liabilities	815,737	752,126	9,540	6,725	825,277	758,851	13.8%
Total liabilities	\$2,822,342	\$2,897,200	\$9,540	\$6,725	\$2,831,882	\$2,903,925	-2.4%
Deferred inflows of resources	\$2,385,720	\$2,321,699	\$-	\$-	\$2,385,720	\$2,321,699	2.8%
Net position							
Net investment in capital assets	\$7,391,071	\$7,289,769	\$50,465	\$28,331	\$7,441,536	\$7,318,100	1.7%
Restricted	1,959,189	1,839,544	-	-	1,959,189	1,839,544	6.5%
Unrestricted	1,104,614	309,766	91,805	116,697	1,196,419	426,463	180.5%
Total net position	\$10,454,874	\$9,439,079	\$142,270	\$145,028	\$10,597,144	\$9,584,107	10.6%

The District’s combined net position increased by nearly 10.6%, or \$1,013,037, 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 represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how it can be used. The District’s restricted net position increased \$119,645 or 6.5% 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 \$769,956, or 180.5%.

Figure A-4 shows the change in net position for the year ended June 30, 2014 compared to the year ended June 30, 2013.

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

	Governmental Activities		Business Type Activities		Total District		Total Change
	2014	2013	2014	2013	2014	2013	2013-2014
Revenues:							
Program revenues:							
Charges for service	\$312,340	\$275,878	\$101,124	\$94,934	\$413,464	\$370,812	11.5%
Operating grants, contributions and restricted interest	1,607,739	1,401,942	352,271	310,170	1,960,010	1,712,112	14.5%
Capital grants, contributions and restricted interest	-	-	-	-	-	-	-
General revenues:							
Property tax	2,443,703	2,311,975	-	-	2,443,703	2,311,975	5.7%
Income surtax	337,156	313,674	-	-	337,156	313,674	7.5%
Statewide sales, service and use tax	530,692	416,526	-	-	530,692	416,526	27.4%
Unrestricted state grants	2,969,253	2,586,094	-	-	2,969,253	2,586,094	14.8%
Unrestricted investment earnings	13,169	12,123	218	293	13,387	12,416	7.8%
Other	19,534	57,227	-	-	19,534	57,227	-65.9%
Total revenues	\$8,233,586	\$7,375,439	\$453,613	\$405,397	\$8,687,199	\$7,780,836	11.6%
Program expenses:							
Governmental activities:							
Instruction	\$4,948,952	\$4,810,235	\$-	\$-	\$4,948,952	\$4,810,235	2.9%
Support services	1,906,002	1,716,526	-	-	1,906,002	1,716,526	11.0%
Non-instructional programs	60,323	21,062	456,371	392,116	516,694	413,178	25.1%
Other expenses	360,881	311,938	-	-	360,881	311,938	15.7%
Total expenses	\$7,276,158	\$6,859,761	\$456,371	\$392,116	\$7,732,529	\$7,251,877	6.6%
Change in net position before sale of assets	\$957,428	\$515,678	-\$2,758	\$13,281	\$954,670	\$528,959	80.5%
Sale of assets	33,733	31,047	-	-	33,733	31,047	8.7%
Change in net position	\$991,161	\$546,725	-\$2,758	\$13,281	\$988,403	\$560,006	76.5%
Net position beginning of year	\$9,439,079	\$8,889,252	\$145,028	\$131,747	\$9,584,107	\$9,020,999	6.2%
Prior period adjustment	24,634	3,102	-	-	24,634	3,102	794.1%
Adjusted net position beginning of year	\$9,463,713	\$8,892,354	\$145,028	\$131,747	\$9,608,741	\$9,024,101	6.5%
Net position end of year	\$10,454,874	\$9,439,079	\$142,270	\$145,028	\$10,597,144	\$9,584,107	10.6%

In fiscal year 2014, property tax and unrestricted state grants accounted for 62.3% 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 \$8.7 million, of which approximately \$8.2 million was for governmental activities and less than \$0.5 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced an 11.0% increase in revenues and a 6.6% increase in expenses. Property tax increased approximately \$131,728.

Governmental Activities

Revenues for governmental activities were \$8,233,586 and expenses were \$7,276,158 for the year ended June 30, 2014. 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, 2014 compared to the year ended June 30, 2013.

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

	Total Cost of Services			Net Cost of Services		
	2014	2013	Change 2013-2014	2014	2013	Change 2013-2014
Instruction	\$4,948,952	\$4,810,235	2.9%	\$3,041,175	\$3,143,370	-3.3%
Support services	1,906,002	1,716,526	11.0%	1,893,700	1,705,571	11.0%
Non-instructional programs	60,323	21,062	286.4%	60,323	21,062	186.4%
Other expenses	360,881	311,938	15.7%	360,881	311,938	15.7%
Totals	\$7,276,158	\$6,859,761	6.1%	\$5,356,079	\$5,181,941	3.4%

- The cost financed by users of the District's programs was \$413,464.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,960,010.
- The net cost of governmental activities was financed with \$3,311,551 in property and other taxes and \$2,969,253 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$453,613 and expenses were \$456,371. 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 \$10,454,874, well above last year's adjusted ending fund balances of \$9,439,079

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 \$1,311,825 to \$1,980,879 due, in part, to the revenues exceeded expenditures.
- Capital Projects Funds balance increased from \$743,532 to \$829,487, due in part to revenue and other sources exceeding expenditures.

BUDGETARY HIGHLIGHTS

The District's receipts were \$677,732 more than budgeted receipts, a variance of 8.5%. 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 non-instructional and other expenditures functional areas 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, 2014, the District had invested \$9,171,384, 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 0.8% 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 \$568,442.

The original cost of the District's capital assets was \$19,448,265. Governmental funds account for \$19,343,952, with the remainder of \$104,313 accounted for in the Proprietary, School Nutrition Fund.

Figure A-6
Capital Assets, net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-2014
Land	\$89,000	\$89,000	\$-	\$-	\$89,000	\$89,000	-
Construction in process	4,616	56,114	-	-	4,616	56,114	-0.92%
Buildings	5,491,314	7,823,333	-	-	5,491,314	7,823,333	-29.8%
Improvements other than buildings	289,757	229,521	-	-	289,757	229,521	26.2%
Furniture and equipment	3,246,232	874,956	50,465	28,331	3,296,697	903,287	264.9%
Totals	\$9,120,919	\$9,072,924	\$50,465	\$28,331	\$9,171,384	\$9,101,255	0.8%

Long-Term Debt

At June 30, 2014, the District had \$1,729,848 in other long-term debt outstanding. This represents a decrease of 3.0% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

The District continues to carry a general obligation bond rating of Aa3 assigned by national rating agencies to the District's debt since 1997. The Constitution of the State of Iowa limits the amount of general obligation debt districts can issued to 5 percent of the assessed value of all taxable property within the District. The District's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$12.9 million.

Figure A-7
Outstanding Long-term Obligations

	Total District June 30, 2014	Total Change June 30, 2013	Total Change June 30, 2013-2014
Revenue bonds	\$1,500,000	\$1,600,000	-6.3%
Capital notes payable	229,848	183,155	25.5
Totals	\$1,729,848	\$1,783,155	-3.0%

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, 2014

	Govern- mental Activities	Business Type Activities	Total
Assets			
Cash and Cash Equivalents	\$ 3,480,361	\$ 87,891	\$ 3,568,252
Receivables:			
Property tax:			
Delinquent	48,051	-	48,051
Succeeding year	2,385,720	-	2,385,720
Income surtax	277,159	-	277,159
Accounts	34,718	1,151	35,869
Due from other governments	316,008	8,476	324,484
Inventories	-	3,827	3,827
Capital assets, net of accumulated depreciation	9,120,919	50,465	9,171,384
Total Assets	\$ 15,662,936	\$ 151,810	\$ 15,814,746
Liabilities			
Accounts payable	\$ 139,272	\$ 298	\$ 139,570
Salaries and benefits payable	570,699	4,581	575,280
Accrued interest payable	9,040	-	9,040
Advances from grantors	83,697	-	83,697
Unearned revenue	-	4,661	4,661
Other liabilities	13,029	-	13,029
Long-term liabilities:			
Portion due within one year:			
Revenue notes	100,000	-	100,000
Early retirement	71,786	-	71,786
Capital lease	113,110	-	113,110
Portion due after one year:			
Revenue notes	1,400,000	-	1,400,000
Early retirement	1,364	-	1,364
Net OPEB liability	203,607	-	203,607
Capital lease	116,738	-	116,738
Total Liabilities	\$ 2,822,342	\$ 9,540	\$ 2,831,882
Deferred Inflows of Resources			
Unavailable property tax revenue	\$ 2,385,720	\$ -	\$ 2,385,720
Net Position			
Net investment in capital assets	\$ 7,391,071	\$ 50,465	\$ 7,441,536
Restricted for:			
Categorical funding	920,631	-	920,631
Physical plant and equipment	258,618	-	258,618
Student activities	31,329	-	31,329
Debt service	177,742	-	177,742
Capital projects	570,869	-	570,869
Unrestricted	1,104,614	91,805	1,196,419
Total Net Position	\$ 10,454,874	\$ 142,270	\$ 10,597,144

See notes to financial statements.

Postville Community School District

Statement of Activities

Year Ended June 30, 2014

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental Activities:				
Instruction:				
Regular instruction	\$ 2,882,436	\$ 126,522	\$ 1,001,546	\$ -
Special instruction	704,868	55,942	114,353	-
Other instruction	1,361,648	120,818	488,596	-
	<u>\$ 4,948,952</u>	<u>\$ 303,282</u>	<u>\$ 1,604,495</u>	<u>\$ -</u>
Support Services:				
Student services	\$ 177,331	\$ -	\$ 3,244	\$ -
Instructional staff services	208,817	-	-	-
Administration services	713,568	-	-	-
Operation and maintenance of plant services	561,106	3,468	-	-
Transportation services	245,180	5,590	-	-
	<u>\$ 1,906,002</u>	<u>\$ 9,058</u>	<u>\$ 3,244</u>	<u>\$ -</u>
Non-instructional programs	\$ 60,323	\$ -	\$ -	\$ -
Other Expenditures:				
Facilities acquisition	\$ 35,616	\$ -	\$ -	\$ -
Long-term debt interest	77,592	-	-	-
AEA flow-through	247,673	-	-	-
	<u>\$ 360,881</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Governmental Activities	<u>\$ 7,276,158</u>	<u>\$ 312,340</u>	<u>\$ 1,607,739</u>	<u>\$ -</u>
Business Type Activities:				
Non-Instructional Programs:				
Food service operations	\$ 456,371	\$ 101,124	\$ 352,271	\$ -
Total	<u>\$ 7,732,529</u>	<u>\$ 413,464</u>	<u>\$ 1,960,010</u>	<u>\$ -</u>

Net (Expense) Revenue
And Changes in Net Position

Governmental Activities	Business Type Activities	Total
\$ -1,754,368	\$ -	\$ -1,754,368
-534,573	-	-534,573
-752,234	-	-752,234
\$ -3,041,175	\$ -	\$ -3,041,175
\$ -174,087	\$ -	\$ -174,087
-208,817	-	-208,817
-713,568	-	-713,568
-557,638	-	-557,638
-239,590	-	-239,590
\$ -1,893,700	\$ -	\$ -1,893,700
\$ -60,323	\$ -	\$ -60,323
\$ -35,616	\$ -	\$ -35,616
-77,592	-	-77,592
-247,673	-	-247,673
\$ -360,881	\$ -	\$ -360,881
\$ -5,356,079	\$ -	\$ -5,356,079
\$ -	\$ -2,976	\$ -2,976
\$ -5,356,079	\$ -2,976	\$ -5,359,055

Postville Community School District

Statement of Activities

Year Ended June 30, 2014

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

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 sale of assets

Sale of assets

Change in net position

Net position beginning of year

Prior Period Adjustment

Adjusted Net Position beginning of year

Net Position End of Year

Net (Expense) Revenue
And Changes in Net Position

Governmental Activities	Business Type Activities	Total
\$ 2,181,918	\$ -	\$ 2,181,918
261,785	-	261,785
337,156	-	337,156
530,692	-	530,692
2,969,253	-	2,969,253
13,169	218	13,387
19,534	-	19,534
\$ 6,313,507	\$ 218	\$ 6,313,725
\$ 957,428	\$ -2,758	\$ 954,670
33,733	-	33,733
\$ 991,161	\$ -2,758	\$ 988,403
\$ 9,439,079	\$ 145,028	\$ 9,584,107
24,634	-	24,634
\$ 9,463,713	\$ 145,028	\$ 9,608,741
\$ 10,454,874	\$ 142,270	\$ 10,597,144

Postville Community School District

Balance Sheet
Governmental Funds

June 30, 2014

	General	Capital Projects	Non- Major Funds	Total
Assets				
Cash and Pooled Investments	\$ 2,540,542	\$ 682,500	\$ 257,319	\$ 3,480,361
Receivables:				
Property Tax:				
Delinquent	38,785	5,104	4,162	48,051
Succeeding year	1,926,940	228,780	230,000	2,385,720
Income surtax	258,682	18,477	-	277,159
Accounts	34,067	-	651	34,718
Due from other governments	152,315	163,693	-	316,008
Due from other funds	-	504	-	504
Total Assets	\$ 4,951,331	\$ 1,099,058	\$ 492,132	\$ 6,542,521
Liabilities, Deferred Inflows of Resources & Fund Balances				
Liabilities:				
Due to other funds	\$ 504	\$ -	\$ -	\$ 504
Accounts payable	129,945	9,285	42	139,272
Salaries and benefits payable	570,684	-	15	570,699
Advances from grantors	83,697	-	-	83,697
Other liabilities	-	13,029	-	13,029
Total Liabilities	\$ 784,830	\$ 22,314	\$ 57	\$ 807,201
Deferred inflows of resources				
Unavailable revenue:				
Succeeding year property tax	\$ 1,926,940	\$ 228,780	\$ 230,000	\$ 2,385,720
Other	258,682	18,477	-	277,159
Total deferred inflows of resources	\$ 2,185,622	\$ 247,257	\$ 230,000	\$ 2,662,879
Fund Balances:				
Restricted for:				
Categorical funding	\$ 920,631	\$ -	\$ -	\$ 920,631
Debt service	-	-	177,742	177,742
Management levy purposes	-	-	53,004	53,004
Student activities	-	-	31,329	31,329
School infrastructure	-	570,869	-	570,869
Physical plant and equipment	-	258,618	-	258,618
Unassigned	1,060,248	-	-	1,060,248
Total Fund Balances	\$ 1,980,879	\$ 829,487	\$ 262,075	\$ 3,072,441
Total Liabilities, Deferred Inflows of Resources & Fund Balances	\$ 4,951,331	\$ 1,099,058	\$ 492,132	\$ 6,542,521

See notes to financial statements.

Postville Community School District

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

June 30, 2014

Total fund balances of governmental funds (page 16)	\$ 3,072,441
<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	9,120,919
Other long-term assets, including income surtax receivable, are not available to pay current period expenditures and, therefore, are deferred inflows of resources in the governmental funds.	277,159
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	-9,040
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 governmental funds	<u>-2,006,605</u>
Net position of governmental activities (page 13)	<u>\$ 10,454,874</u>

Postville Community School District

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

Year Ended June 30, 2014

	General	Capital Projects	Non- Major Funds	Total
Revenues:				
Local Sources:				
Local tax	\$ 2,271,972	\$ 283,322	\$ 211,460	\$ 2,766,754
Tuition	167,036	-	-	167,036
Other	45,538	5,206	127,262	178,006
Intermediate sources	-	-	-	-
State sources	3,796,302	530,788	79	4,327,169
Federal sources	780,516	-	-	780,516
Total Revenues	\$ 7,061,364	\$ 819,316	\$ 338,801	\$ 8,219,481
Expenditures:				
Current:				
Instruction:				
Regular instruction	\$ 2,475,198	\$ -	\$ 124,809	\$ 2,600,007
Special instruction	705,582	-	-	705,582
Other instruction	1,195,935	-	110,060	1,305,995
	\$ 4,376,715	\$ -	\$ 234,869	\$ 4,611,584
Support Services:				
Student services	\$ 177,214	\$ -	\$ 1,179	\$ 178,393
Instructional staff services	185,570	182,222	1,236	369,028
Administration services	707,239	1,000	4,891	713,130
Operation and maintenance of plant services	510,480	4,910	42,832	558,222
Transportation services	164,666	80,829	10,358	255,853
	\$ 1,745,169	\$ 268,961	\$ 60,496	\$ 2,074,626
Non-instructional	\$ 56,486	\$ -	\$ 1,922	\$ 58,408
Other Expenditures:				
Facilities acquisition	\$ -	\$ 339,432	\$ -	\$ 339,432
Long-Term Debt:				
Principal	-	-	211,901	211,901
Interest and fiscal charges	-	-	77,331	77,331
AEA flow-through	247,673	-	-	247,673
	\$ 247,673	\$ 339,432	\$ 289,232	\$ 876,337
Total Expenditures	\$ 6,426,043	\$ 608,393	\$ 586,519	\$ 7,620,955
Excess (deficiency) of revenues over (under) expenditures	\$ 635,321	\$ 210,923	\$ -247,718	\$ 598,526
Other Financing Sources (Uses):				
Proceeds from capital lease	\$ -	\$ 158,594	\$ -	\$ 158,594
Operating transfers in	-	25,834	283,562	309,396
Operating transfers out	-	-309,396	-	-309,396
Sale of equipment	33,733	-	-	33,733
Total Other Financing Sources (Uses)	\$ 33,733	\$ -124,968	\$ 283,562	\$ 192,327

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

Year Ended June 30, 2014

	General	Capital Projects	Non- Major Funds	Total
Net change in fund balances	\$ 669,054	\$ 85,955	\$ 35,844	\$ 790,853
Fund balances beginning of year	\$ 1,287,019	\$ 743,704	\$ 226,231	\$ 2,256,954
Prior period adjustment	24,806	-172	-	24,634
Adjusted beginning fund balance	\$ 1,311,825	\$ 743,532	\$ 226,231	\$ 2,281,588
Fund Balances End of Year	\$ 1,980,879	\$ 829,487	\$ 262,075	\$ 3,072,441

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, 2014

Net change in fund balances – total governmental funds (page 19) \$ 790,853

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	\$ 632,610	
Depreciation expense	-568,442	
Adjusted assets	-16,173	47,995

Income surtax revenue not received until several months after year end is not considered available revenue and is recognized as deferred inflows of resources in the governmental funds.		14,105
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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. Repayments exceeded current year issues as follows:

Issuance	\$ -158,594	
Repaid	211,901	53,307

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.		-261
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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	\$ 108,762	
Other postemployment benefits	-23,600	85,162

Change in Net Position of Governmental Activities (page 15)		\$ 991,161
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Postville Community School District

Statement of Net Position
Proprietary Funds

June 30, 2014

	School Nutrition	Student Construction	Total
Assets			
Current Assets:			
Cash and cash equivalents	\$ 87,830	\$ 61	\$ 87,891
Accounts receivable	1,151	-	1,151
Due from other governments	8,476	-	8,476
Inventories	3,827	-	3,827
Total Current Assets	<u>\$ 101,284</u>	<u>\$ 61</u>	<u>\$ 101,345</u>
Non-Current Assets:			
Capital assets, net of accumulated depreciation	\$ 50,465	\$ -	\$ 50,465
Total Assets	<u>\$ 151,749</u>	<u>\$ 61</u>	<u>\$ 151,810</u>
Liabilities			
Current Liabilities:			
Accounts payable	\$ 298	\$ -	\$ 298
Salaries and benefits payable	4,581	-	4,581
Unearned revenue	4,661	-	4,661
Total Current Liabilities	<u>\$ 9,540</u>	<u>\$ -</u>	<u>\$ 9,540</u>
Total Liabilities	<u>\$ 9,540</u>	<u>\$ -</u>	<u>\$ 9,540</u>
Net Position			
Net investment in capital assets	\$ 50,465	\$ -	\$ 50,465
Unrestricted	91,744	61	91,805
Total Net Position	<u>\$ 142,209</u>	<u>\$ 61</u>	<u>\$ 142,270</u>

Postville Community School District

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

Year Ended June 30, 2014

	School Nutrition	Student Construction	Total
Operating revenues:			
Local sources:			
Charges for service/product	\$ 101,124	\$ -	\$ 101,124
Non-instructional programs:			
Food service operations:			
Salaries	\$ 156,220	\$ -	\$ 156,220
Benefits	58,067	-	58,067
Purchased services	5,485	-	5,485
Supplies	227,903	-	227,903
Depreciation	8,696	-	8,696
Total non-instruction programs	\$ 456,371	\$ -	\$ 456,371
Operating income (loss)	\$ -355,247	\$ -	\$ -355,247
Non-operating revenues:			
State sources	\$ 3,238	\$ -	\$ 3,238
Federal sources	349,033	-	349,033
Interest income	218	-	218
Total non-operating revenues	\$ 352,489	\$ -	\$ 352,489
Change in net position	\$ -2,758	\$ -	\$ -2,758
Net position beginning of year	144,967	61	145,028
Net Position End of Year	\$ 142,209	\$ 61	\$ 142,270

Postville Community School District

Statement of Cash Flows
Proprietary Funds

Year Ended June 30, 2014

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 101,582
Cash paid to employees for services	-212,401
Cash paid to suppliers for goods or services	-198,521
Net cash provided (used) by operating activities	<u>\$ -309,340</u>
Cash flows from non-capital financing activities:	
State grants received	\$ 3,238
Federal grants received	309,590
Net cash provided by non-capital financing activities	<u>\$ 312,828</u>
Cash flows from investing activities:	
Interest on investments	<u>\$ 218</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>\$ -30,829</u>
Net decrease in cash and cash equivalents	\$ -27,123
Cash and cash equivalents beginning of year	<u>114,953</u>
Cash and Cash Equivalents End of Year	<u>\$ 87,830</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating (loss) income	\$ -355,247
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	35,348
Depreciation	8,696
(Increase) in inventories	-632
(Increase) in accounts receivable	-320
Increase in accounts payable	152
Increase in salaries and benefits payable	1,886
Increase in unearned revenue	777
Net Cash Provided (Used) by Operating Activities	<u>\$ -309,340</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2014, the District received \$35,348 of federal commodities.

See notes to financial statements.

Postville Community School District

Statement of Fiduciary Net Position
Fiduciary Funds

June 30, 2014

	Private Purpose Trust	
	Scholarships	Agency
Assets		
Cash and pooled investments	\$ 21,674	\$ -
Accounts receivable	-	18,248
Total Assets	\$ 21,674	\$ 18,248
Liabilities		
Bank overdraft	\$ -	\$ 797
Accounts payable	-	17,451
Total liabilities	\$ -	\$ 18,248
Net position		
Reserved for scholarships	\$ 21,674	\$ -

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

Year Ended June 30, 2014

	Private Purpose Trust Scholarships
Additions:	
Local sources:	
Interest income	\$ 298
Deductions:	
Instruction:	
Regular instruction:	
Scholarships awarded	\$ 3,167
Change in net position	\$ -2,869
Net position beginning of year	24,543
Net Position End of Year	\$ 21,674

Postville Community School District

Notes to Financial Statements

June 30, 2014

(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 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, outflows of resources, liabilities and inflows of resources, 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 results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted Net Position

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints 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 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, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2013.

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.

Advance from Grantors – Grant proceeds which have been received by the District but will be spent in a succeeding fiscal year.

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.

Deferred Inflows of Resources – Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources 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 year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year-end.

Deferred inflows of resources 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.

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. During the year ended June 30, 2014, expenditures exceeded the amounts budgeted in the non-instructional and other expenditures functions.

(2) **Cash and Pooled Investments**

The District’s deposits in banks at June 30, 2014 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, 2014 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects – Physical Plant and Equipment Levy	\$ 119,532
Debt Service	Capital Projects – Statewide Sales, Services, and Use Tax	164,030
Capital Projects – Statewide Sales, Services and Use Tax	Capital Projects – Other Capital Projects Funds	25,834
Total		<u>\$ 309,396</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, 2014 was as follows:

	Balance Beginning Of Year	Increases	Decreases	Re- classified	Balance End Of Year
Governmental Activities:					
Capital assets not being depreciated:					
Land	\$ 89,000	\$ -	\$ -	\$ -	\$ 89,000
Construction in process	56,114	4,616	56,114	-	4,616
Total capital assets not being depreciated	\$ 145,114	\$ 4,616	\$ 56,114	\$ -	\$ 93,616
Capital assets being depreciated:					
Buildings	13,499,688	\$ 290,859	\$ -	\$ -2,556,421	\$ 11,234,126
Improvements other than buildings	591,908	81,638	-	-	673,546
Furniture and equipment	4,491,654	311,611	17,022	2,556,421	7,342,664
Total capital assets being depreciated	\$ 18,583,250	\$ 684,108	\$ 17,022	\$ -	\$ 19,250,336
Less accumulated depreciation for:					
Buildings	5,676,355	\$ 200,057	\$ -	\$ -133,600	\$ 5,742,812
Improvements other than buildings	362,387	21,402	-	-	383,789
Furniture and equipment	3,616,698	346,983	849	133,600	4,096,432
Total accumulated depreciation	\$ 9,655,440	\$ 568,442	\$ 849	\$ -	\$ 10,223,033
Total capital assets being depreciated, net	\$ 8,927,810	\$ 115,666	\$ 16,173	\$ -	\$ 9,027,303
Governmental Activities Capital Assets, Net	\$ 9,072,924	\$ 120,282	\$ 72,287	\$ -	\$ 9,120,919

	Balance Beginning Of Year	Increases	Decreases	Balance End Of Year
Business type activities:				
Furniture and equipment	\$ 89,999	\$ 30,829	\$ 16,515	\$ 104,313
Less accumulated depreciation	61,668	8,696	16,516	53,848
Business Type Activities Capital Assets, Net	\$ 28,331	\$ 22,133	\$ -1	\$ 50,465

Depreciation expense was charged to the following functions:

Governmental Activities:

Instruction:

Regular	\$ 394,378
Other	55,653
Special	1,891

Support services:

Student support	37
Instructional staff	36,411
Administrative	207
Operation and maintenance of plant	7,794
Transportation	70,156
Non-instructional	1,915

Total Depreciation Expense – Governmental Activities \$ 568,442

Business Type Activities:

Food service operations \$ 8,696

(5) Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2014 are summarized as follows:

	Balance Beginning Of Year	Additions	Reductions	Balance End Of Year	Due Within One Year
Revenue bonds	\$ 1,600,000	\$ -	\$ 100,000	\$ 1,500,000	\$ 100,000
Early retirement	181,912	-	108,762	73,150	71,786
Net OPEB liability	180,007	23,600	-	203,607	-
Capital lease	183,155	158,594	111,901	229,848	113,110
Total	\$ 2,145,074	\$ 182,194	\$ 320,663	\$ 2,006,605	\$ 284,896

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, 2014 totaled \$108,762.

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 are as follows:

Year Ending June 30,	Interest Rate	Capital Lease Issued March 12, 2012		
		Principal	Interest	Total
2015	3.383%	\$ 61,029	\$ 3,685	\$ 64,714
2016	3.383%	63,109	1,604	64,713
Total		\$ 124,138	\$ 5,289	\$ 129,427

The District entered into a capital lease with Apple Inc. to purchase computers for \$158,594 with a 2.95% interest rate. Semi-annual lease payments are \$27,409.26 ending January 15, 2016. Details of the Capital Lease are as follows:

Year Ending June 30,	Interest Rate	Capital Lease Issued July 15, 2013		
		Principal	Interest	Total
2015	2.95%	\$ 52,081	\$ 2,737	\$ 54,818
2016	2.95%	53,629	1,189	54,818
Total		\$ 105,710	\$ 3,926	\$ 109,636

Revenue Bonds

Details of the District's June 30, 2014 Statewide Sales, Services and Use Tax Revenue indebtedness are as follows:

Year Ending June 30,	Interest Rates	Issued July 1, 2009		
		Principal	Interest	Total
2015	3.6%	\$ 100,000	\$ 64,600	\$ 164,600
2016	3.6%	100,000	61,000	161,000
2017	3.6%	100,000	57,400	157,400
2018	4.0%	100,000	53,800	153,800
2019	4.0%	100,000	49,800	149,800
2020	4.2%	100,000	45,800	145,800
2021	4.2%	100,000	41,600	141,600
2022	4.4%	100,000	37,400	137,400
2023	4.4%	100,000	33,000	133,000
2024	4.6%	100,000	28,600	128,600
2025	4.6%	100,000	24,000	124,000
2026	4.8%	100,000	19,400	119,400
2027	4.8%	100,000	14,600	114,600
2028	4.9%	100,000	9,800	109,800
2029	4.9%	100,000	4,900	104,900
Total		\$ 1,500,000	\$ 545,700	\$ 2,045,700

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 \$2,045,700. For the current year, \$100,000 principal and \$68,200 of interest was paid on the bonds and total statewide sales, services and use tax revenues were \$530,693.

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, 2014, the District made principal, interest and fees payments totaling \$169,700 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 5.95% of their annual covered salary and the District is required to contribute 8.93% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$330,805, \$304,509, and \$276,612, 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, 2014, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 43,049
Interest on net OPEB obligation	4,500
Adjustment to annual required contribution	-15,650
Annual OPEB cost	<u>\$ 31,899</u>
Contributions made	-8,299
Increase in net OPEB obligation	<u>\$ 23,600</u>
Net OPEB obligation beginning of year	<u>180,007</u>
Net OPEB obligation end of year	<u>\$ 203,607</u>

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, 2014.

For the year ended June 30, 2014, the District contributed \$522,640 to the medical plan. Plan members eligible for benefits contributed \$70,096 or 11.8% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligations 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	21.6%	\$124,072
June 30, 2012	\$41,542	21.5%	\$156,691
June 30, 2013	\$32,577	28.4%	\$180,007
June 30, 2014	\$31,899	26.0%	\$203,607

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$264,461, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$264,461. The covered payroll (annual payroll of active employees covered by the plan) was \$2,830,655, and the ratio of the UAAL to covered payroll was 9.3%. As of June 30, 2014, 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 \$247,673 for the year ended June 30, 2014 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, 2014 is comprised of the following programs:

Program	Amount
Limited English Proficiency	\$ 156,539
Home School Assistance	315,704
Gifted and Talented Programs	29,283
Dropout Prevention	240,887
Beginning Teacher Mentoring	3,005
Teacher Salary Supplement	44,520
At Risk	46,785
Core Curriculum	16,691
Professional Development	15,767
Preschool	5,353
Before and After School	17,937
Iowa Early Intervention	5,188
Teacher Leadership	6,303
Early Readers	16,669
Total	<u>\$ 920,631</u>

(11) Subsequent Events

The District has evaluated subsequent events through January 6, 2015 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 \$24,806 to correct prior year unearned revenue.

The District had a Capital Project – Physical Plant and Equipment Levy adjustment of -\$172 for the computer repair deposit.

(13) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions – An Amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

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, 2014

	Governmental Funds Actual	Proprietary Fund Actual
Receipts:		
Local sources	\$ 3,111,796	\$ 101,342
Intermediate sources	-	-
State sources	4,327,169	3,238
Federal sources	780,516	349,033
Total Receipts	<u>\$ 8,219,481</u>	<u>\$ 453,613</u>
Disbursements:		
Instruction	\$ 4,611,584	\$ -
Support services	2,074,626	-
Non-instructional programs	58,408	456,371
Other expenditures	876,337	-
Total Disbursements	<u>\$ 7,620,955</u>	<u>\$ 456,371</u>
Excess (deficiency) of receipts over (under) disbursements	\$ 598,526	\$ -2,758
Other financing sources, net	192,327	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	<u>\$ 790,853</u>	<u>\$ -2,758</u>
Balances beginning of year	\$ 2,256,954	\$ 145,028
Prior period adjustment	24,634	-
Adjusted beginning fund balance	<u>\$ 2,281,588</u>	<u>\$ 145,028</u>
Balance end of year	<u>\$ 3,072,441</u>	<u>\$ 142,270</u>

See accompanying independent auditor's report.

	Total Actual	Budgeted Amounts		Final to Actual Variance
		Original	Final	
\$	3,213,138	\$ 3,452,037	\$ 3,452,037	\$ -238,899
	-	-	-	-
	4,330,407	3,648,325	3,648,325	682,082
	1,129,549	895,000	895,000	234,549
\$	8,673,094	\$ 7,995,362	\$ 7,995,362	\$ 677,732
<hr/>				
\$	4,611,584	\$ 4,824,288	\$ 4,824,288	\$ 212,704
	2,074,626	2,612,044	2,612,044	537,418
	514,779	387,600	450,000	-64,779
	876,337	722,508	870,000	-6,337
\$	8,077,326	\$ 8,546,440	\$ 8,756,332	\$ 679,006
<hr/>				
\$	595,768	\$ -551,078	\$ -760,970	\$ 1,356,738
	192,327	10,000	10,000	182,327
<hr/>				
\$	788,095	\$ -541,078	\$ -750,970	\$ 1,539,065
\$	2,401,982	\$ 1,377,746	\$ 1,377,746	\$ 1,024,236
	24,634	-	-	24,634
<hr/>				
\$	2,426,616	\$ 1,377,746	\$ 1,377,746	\$ 1,048,870
<hr/>				
\$	3,214,711	\$ 836,668	\$ 626,776	\$ 2,587,935

Postville Community School District

Notes to Required Supplementary Information – Budgetary Reporting

Year Ended June 30, 2014

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 \$209,892.

During the year ended June 30, 2014, expenditures in the non-instructional and other expenditures functions exceeded the amounts budgeted.

Postville Community School District

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

Required Supplementary Information

June 30, 2014

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%
2014	July 1, 2012	-	\$264	\$264	0.0%	\$2,831	9.3%

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, 2014

	Debt Service	Special Revenue		Total
		Management Levy	Student Activity	
Assets				
Cash and pooled investments	\$ 177,742	\$ 48,842	\$ 30,735	\$ 257,319
Receivables:				
Property Tax:				
Delinquent	-	4,162	-	4,162
Succeeding year	-	230,000	-	230,000
Accounts	-	-	651	651
Total Assets	\$ 177,742	\$ 283,004	\$ 31,386	\$ 492,132
Liabilities, Deferred Inflows of Resources & Fund Balances				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 42	\$ 42
Salaries and benefits payable	-	-	15	15
Total Liabilities	\$ -	\$ -	\$ 57	\$ 57
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	\$ -	\$ 230,000	\$ -	\$ 230,000
Total deferred inflows of resources	\$ -	\$ 230,000	\$ -	\$ 230,000
Fund Balances:				
Restricted for:				
Debt service	\$ 177,742	\$ -	\$ -	\$ 177,742
Management levy purposes	-	53,004	-	53,004
Student activities	-	-	31,329	31,329
Total fund balances	\$ 177,742	\$ 53,004	\$ 31,329	\$ 262,075
Total Liabilities, Deferred Inflows of Resources & Fund Balances	\$ 177,742	\$ 283,004	\$ 31,386	\$ 492,132

See accompanying independent auditor's report.

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

Year Ended June 30, 2014

	Debt Service	Special Revenue		Total
		Management Levy	Student Activity	
Revenues:				
Local Sources:				
Local tax	\$ -	\$ 211,460	\$ -	\$ 211,460
Other	2,421	5,772	119,069	127,262
State sources	-	79	-	79
Total Revenues	\$ 2,421	\$ 217,311	\$ 119,069	\$ 338,801
Expenditures:				
Current:				
Instruction:				
Regular instruction	\$ -	\$ 124,809	\$ -	\$ 124,809
Other instruction	-	-	110,060	110,060
Support Services:				
Student support services	-	1,179	-	1,179
Instructional staff services	-	1,236	-	1,236
Administration services	-	4,891	-	4,891
Operation and maintenance of plant services	-	42,832	-	42,832
Transportation services	-	10,358	-	10,358
Non-instructional programs	-	1,922	-	1,922
Other Expenditures:				
Long-Term Debt:				
Principal	211,901	-	-	211,901
Interest and fiscal charges	77,331	-	-	77,331
Total Expenditures	\$ 289,232	\$ 187,227	\$ 110,060	\$ 586,519
Excess (deficiency) of revenues over (under) expenditures	\$ -286,811	\$ 30,084	\$ 9,009	\$ -247,718
Other Financing Sources (Uses):				
Operating transfers in	283,562	-	-	283,562
Change in fund balances	\$ -3,249	\$ 30,084	\$ 9,009	\$ 35,844
Fund balances beginning of year	180,991	22,920	22,320	226,231
Fund Balances End of Year	\$ 177,742	\$ 53,004	\$ 31,329	\$ 262,075

See accompanying independent auditor's report.

Postville Community School District

Combining Balance Sheet
Capital Project Accounts

June 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 411,792	\$ 270,708	\$ 682,500
Receivables:			
Property Tax:			
Delinquent	-	5,104	5,104
Succeeding year	-	228,780	228,780
Income surtax	-	18,477	18,477
Due from other governments	163,693	-	163,693
Due from other funds	-	504	504
Total Assets	\$ 575,485	\$ 523,573	\$ 1,099,058
Liabilities, Deferred Inflows of Resources & Fund Balances			
Liabilities:			
Accounts payable	\$ 4,616	\$ 4,669	\$ 9,285
Other liabilities	-	13,029	13,029
Total Liabilities	\$ 4,616	\$ 17,698	\$ 22,314
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	\$ -	\$ 228,780	\$ 228,780
Other	-	18,477	18,477
Total deferred inflows of resources	\$ -	\$ 247,257	\$ 247,257
Fund Balances:			
Restricted for:			
School infrastructure	\$ 570,869	\$ -	\$ 570,869
Physical plant and equipment	-	258,618	258,618
Total fund balances	\$ 570,869	\$ 258,618	\$ 829,487
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 575,485	\$ 523,573	\$ 1,099,058

Postville Community School District

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

Year Ended June 30, 2014

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Capital Project Funds	
Revenues:				
Local Sources:				
Local tax	\$ -	\$ 283,322	\$ -	\$ 283,322
Other	997	4,017	192	5,206
State sources	530,693	95	-	530,788
Federal sources	-	-	-	-
Total Revenues	\$ 531,690	\$ 287,434	\$ 192	\$ 819,316
Expenditures:				
Support Services:				
Instructional staff services	\$ -	\$ 182,222	\$ -	\$ 182,222
Administrative service	1,000	-	-	1,000
Operation and maintenance of property service	-	4,910	-	4,910
Transportation service	80,829	-	-	80,829
Other Expenditures:				
Facilities acquisition	236,770	102,662	-	339,432
Total Expenditures	\$ 318,599	\$ 289,794	\$ -	\$ 608,393
Excess (deficiency) of revenues over (under) expenditures	\$ 213,091	\$ -2,360	\$ 192	\$ 210,923
Other Financing Sources (Uses):				
Proceeds from capital lease	\$ -	\$ 158,594	\$ -	\$ 158,594
Operating transfers in	25,834	-	-	25,834
Operating transfers out	-164,030	-119,532	-25,834	-309,396
	\$ -138,196	\$ 39,062	\$ -25,834	\$ -124,968
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	\$ 74,895	\$ 36,702	\$ -25,642	\$ 85,955
Fund balances beginning of year	\$ 495,974	\$ 222,088	\$ 25,642	\$ 743,704
Prior period adjustment	-	-172	-	-172
Adjusted fund balances beginning of year	\$ 495,974	\$ 221,916	\$ 25,642	\$ 743,532
Fund Balances End of Year	\$ 570,869	\$ 258,618	\$ -	\$ 829,487

See accompanying independent auditor's report.

Postville Community School District

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year Ended June 30, 2014

Account	Balance Beginning Of Year	Revenues and Inter-fund Transfers	Expenditures and Inter-fund Transfers	Intra- Fund Transfers	Balance End of Year
Drama	\$ 491	\$ 2,020	\$ 1,782	\$ -	\$ 729
Vocal music	-	1,058	-	-	1,058
High School golf	-	13	802	789	-
High School boys basketball	-	3,410	3,641	231	-
High School boys football	-	8,309	6,558	-1,751	-
High School baseball	-	688	2,615	2,446	519
High School boys track	-	1,140	1,878	738	-
High School wrestling	-	1,730	1,099	-519	112
High School girls basketball	-	2,902	2,164	-	738
High School volleyball	9	2,445	2,029	-92	333
High School softball	-	265	1,904	1,639	-
High School girls track	-	1,138	1,865	727	-
Class of 2014	5,460	9,342	12,645	-	2,157
Class of 2015	-	15,119	12,481	-	2,638
High School student council	693	5,611	2,707	-652	2,945
FCCLA	593	-	-	-	593
Peer Helpers	1,740	3,309	3,745	-	1,304
Mirror	842	6,102	5,760	-	1,184
Cheerleaders	1,707	1,365	1,234	-	1,838
Magazines	-	10,135	6,780	-3,355	-
Elementary student council	32	-	-	-32	-
Interest account	1,031	978	182	-	1,827
Resale athletics	23	4,636	4,074	-585	-
Resale band	756	30	-	-	786
FFA	6,986	26,988	22,781	-	11,193
High School boys soccer	-	609	2,047	1,438	-
Athletics	1,957	9,727	5,248	-5,061	1,375
Middle School boys basketball	-	-	489	489	-
Middle School football	-	-	1,535	1,535	-
Middle School boys track	-	-	217	217	-
Middle School wrestling	-	-	60	60	-
Middle School girls basketball	-	-	600	600	-
Middle School volleyball	-	-	998	998	-
Middle School girls track	-	-	140	140	-
Total	\$ 22,320	\$ 119,069	\$ 110,060	\$ -	\$ 31,329

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, 2014

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash	\$ 10,074	\$ 69,379	\$ 79,453	\$ -
Accounts receivable	197	18,248	197	18,248
Total Assets	\$ 10,271	\$ 87,627	\$ 79,650	\$ 18,248
Liabilities				
Accounts payable	\$ 10,271	\$ 86,830	\$ 79,650	\$ 17,451
Bank overdraft	-	797	-	797
Total Liabilities	\$ 10,271	\$ 87,627	\$ 79,650	\$ 18,248

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, 2014

	Balance Beginning of Year	Additions	Deductions	Transfers	Balance End of Year
Music events	\$ 16	\$ 2,086	\$ 2,086	\$ -	\$ 16
Band boosters	-	1,246	170	-	1,076
Athletic events	5	4,543	4,542	-	6
Climate committee	392	897	848	-96	345
Retiree insurance	5,244	38,273	31,422	96	12,191
Bell fund	2,262	-	-	-	2,262
Outdoor bulletin	1,869	-	-	-	1,869
Production class	1	-	-	-	1
Spanish Club	-	458	458	-	-
Music event	482	-	-	-	482
AEA-1 Superintendents	-	40,124	40,124	-	-
Total	\$ 10,271	\$ 87,627	\$ 79,650	\$ -	\$ 18,248

Postville Community School District

Schedule of Fiduciary Net Position
Private Purpose Trusts

June 30, 2014

	Knutson Scholarship	Harnack Scholarship	Capper Scholarship	Total
Assets				
Cash	\$ 1	\$ 10,777	\$ 10,896	\$ 21,674
Total Assets	<u>\$ 1</u>	<u>\$ 10,777</u>	<u>\$ 10,896</u>	<u>\$ 21,674</u>
Liabilities and Fund Equity				
Liabilities	\$ -	\$ -	\$ -	-
Net Position				
Reserved for Scholarships	1	10,777	10,896	21,674
Total Liabilities and Fund Equity	<u>\$ 1</u>	<u>\$ 10,777</u>	<u>\$ 10,896</u>	<u>\$ 21,674</u>

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

Year Ended June 30, 2014

	Knutson Scholarship	Harnack Scholarship	Capper Scholarship	Total
Revenues:				
Local Sources:				
Interest from non-expendable trust fund investments	\$ -	\$ 165	\$ 133	\$ 298
Expenditures:				
Instruction:				
Regular Instruction: Scholarships	2,954	213	-	3,167
Excess (deficiency) of revenues over (under) expenditures	\$ -2,954	\$ -48	\$ 133	\$ -2,869
Net Position, beginning of year	2,955	10,825	10,763	24,543
Net Position, End of Year	\$ 1	\$ 10,777	\$ 10,896	\$ 21,674

See accompanying independent auditor's report.

Postville Community School District

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

For the Last Ten Years

	Modified Accrual Basis			
	2014	2013	2012	2011
Revenues:				
Local Sources:				
Local tax	\$ 2,766,754	\$ 3,042,624	\$ 3,060,899	\$ 2,747,374
Tuition	167,036	132,378	133,517	95,741
Other	178,006	212,850	218,099	294,400
Intermediate sources	-	-	-	-
State sources	4,327,169	3,282,778	3,262,702	3,076,340
Federal sources	780,516	705,258	743,043	916,518
Total	\$ 8,219,481	\$ 7,375,888	\$ 7,418,260	\$ 7,130,373
Expenditures:				
Instruction:				
Regular instruction	\$ 2,600,007	\$ 2,353,382	\$ 2,286,919	\$ 2,331,606
Special instruction	705,582	643,297	623,360	643,509
Other instruction	1,305,995	1,317,039	1,351,055	1,309,057
Support services:				
Student services	178,393	180,748	187,149	251,485
Instructional staff services	369,028	380,007	144,507	160,323
Administrative services	713,130	682,153	675,881	658,275
Operation and maintenance of plant services	558,222	508,013	486,220	558,152
Transportation services	255,853	257,836	231,943	268,730
Community services	-	-	-	-
Non-instructional programs	58,408	21,062	2,173	1,681
Other expenditures:				
Facilities acquisition	339,432	203,470	304,091	562,985
Long-term debt:				
Principal	211,901	134,024	1,223,354	259,393
Interest and other charges	77,331	77,639	81,060	93,752
AEA flow-through	247,673	228,603	228,360	253,008
Total	\$ 7,620,955	\$ 6,987,273	\$ 7,826,072	\$ 7,351,956

See accompanying independent auditor's report.

Modified Accrual Basis

2010	2009	2008	2007	2006	2005
\$ 2,576,536	\$ 2,350,617	\$ 2,322,407	\$ 1,860,460	\$ 1,783,127	\$ 1,630,556
102,964	88,840	87,343	85,582	98,971	140,600
248,477	298,821	263,029	700,245	643,009	510,984
-	-	-	-	-	-
3,555,051	3,292,417	3,428,842	3,144,829	2,908,432	2,726,816
896,392	556,900	440,658	564,698	739,724	408,382
\$ 7,379,420	\$ 6,587,595	\$ 6,542,279	\$ 6,355,814	\$ 6,173,263	\$ 5,417,338

\$ 2,542,918	\$ 2,225,896	\$ 2,169,542	\$ 2,086,176	\$ 1,971,723	\$ 1,975,912
812,871	580,703	608,506	515,919	499,879	554,142
874,474	1,090,093	969,838	890,610	803,014	795,634
219,731	219,095	211,933	218,324	166,615	127,274
147,346	174,991	181,102	124,230	224,379	101,620
593,482	580,954	628,033	775,557	653,175	540,534
547,806	537,891	558,463	550,541	527,793	466,425
156,599	212,470	241,865	150,505	180,352	145,485
-	-	-	40,753	16,260	-
1,386	1,151	1,160	940	996	1,174
2,014,889	307,074	21,313	326,711	509,799	13,245
250,752	242,300	229,016	239,655	317,432	263,038
139,951	62,138	51,120	60,580	64,976	75,497
252,467	236,277	226,362	211,275	197,612	191,485
\$ 8,554,672	\$ 6,471,033	\$ 6,098,253	\$ 6,191,776	\$ 6,134,005	\$ 5,251,465

Postville Community School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

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	FY14	\$ 44,932
National School Lunch Program	10.555	FY14	270,950 *
Summer Food Service Program	10.559	FY14	18,778
Basic Building and Strengthening Iowa Community Support for Nutrition and Health	10.561	FY14	3,199
Team Nutrition Grant	10.574	FY14	441
Fresh Fruit and Vegetables	10.582	FY14	13,932
			<u>\$ 352,232</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	FY14	\$ 322,392
Title I Grants Migrant Education	84.011	FY14	163,123
			<u>\$ 485,515</u>
Career and Technical Education – Basic Grants to State	84.048	FY14	\$ 983
Twenty-First Century Community Learning Center	84.287	FY14	\$ 148,117
Rural Education Achievement Program	84.358	FY14	\$ 3,589
Title III English Language Acquisition Grant	84.365	FY14	\$ 11,269
Improving Teacher Quality State Grants	84.367	FY14	\$ 24,715
Title VI Assessments	84.369	FY14	\$ 3,159
Keystone Area Education Agency:			
Special Education – Grants to States	84.027	FY14	\$ 32,411
Department of Health and Human Services:			
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health	93.938	FY14	\$ 85
Total			<u>\$ 1,062,075</u>

*- Includes \$35,348 of non-cash awards.

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

See accompanying independent auditor's report.

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

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

To the Board of Education of
Postville Community School District:

I have audited 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, 2014, and related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued my report thereon dated January 6, 2015.

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 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 2014-001 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 2014-002 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, 2014 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.

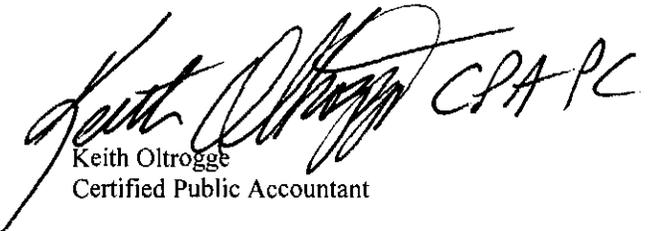
Postville Community School District's Responses to Findings

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

January 6, 2015

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

Independent Auditor's Report on Compliance
for Each Major Federal Program, and on Internal Control
over Compliance 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's 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, 2014. 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 of the major federal programs. 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, 2014.

Report on Internal Control Over Compliance

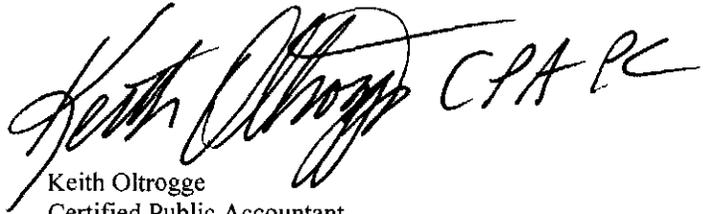
The Management of Postville Community School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered Postville Community School District's 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 2014-003 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.



Keith Oltrogge
Certified Public Accountant

January 6, 2015

Postville Community School District

Schedule of Findings

Year Ended June 30, 2014

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 10574 – Team Nutrition Grant
 - 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, 2014

Part II – Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

INTERNAL CONTROL WEAKNESSES:

2014-001 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.

2014-002 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, 2014

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 10.574 – Team Nutrition Grant

CFDA Number 10.582 – Fresh Fruit and Vegetables

Federal Award Year: 2014

U.S. Department of Agriculture

Passed through the Iowa Department of Education

CFDA Number 84.010: Title I Grants to Local Educational Agencies

CFDA Number 84.011: Title I Grant – Migrant Education

Federal Award Year: 2014

U.S. Department of Education

Passed through the Iowa Department of Education

2014-003 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, 2014

Part IV - Other Findings Related to Statutory Reporting:

IV-A-14 Certified Budget – Expenditures for the year ended June 30, 2014 exceeded the certified budget amounts in the non-instructional and 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-14 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-14 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-14 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title & Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Szabo Construction – Jamie Smith – Board Member	Repairs, Gravel	\$4,046
Palas Service & Repair – Kevin Palas – Employee	Repairs	3,215
		<u>\$7,261</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-14 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-14 Board Minutes – No transactions requiring Board approval, which had not been approved by the Board were noted.

IV-G-14 Certified Enrollment – No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

IV-H-14 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

IV-I-14 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, 2014

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

IV-J-14 Certified Annual Report – The Certified Annual Report was filed with the Iowa Department of Education timely.

IV-K-14 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.

IV-L-14 Statewide Sales, Services and Use Tax – No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 4234F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services, and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2014, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	495,974
Revenues/transfers in:			
Sales tax revenue	\$	434,925	
Other local revenues		997	
School infrastructure supplemental amount		95,768	
Transfer from other funds		25,834	557,524
			<u>\$ 1,053,498</u>
Expenditures/transfer out:			
School infrastructure construction	\$	236,770	
Equipment		80,829	
Other		1,000	
Transfers to other funds:			
Debt service fund		164,030	482,629
			<u>\$ 570,869</u>

For the year ended June 30, 2014, 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	\$ 1.0112	\$ 530,693
Physical plant and equipment levy	.7343	206,756
Public educational and recreational levy	-	-

Postville Community School District
Summary Schedule of Prior Federal Audit Findings
Year Ended June 30, 2014

Comment Reference	Comment Title	Status	If not corrected, provide planned corrective action or other explanation
2013-003	Segregation of Duties	Not corrected	Plans to make changes as opportunities arise.