



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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David A. Vaudt, CPA
Auditor of State

NEWS RELEASE

FOR RELEASE

March 31, 2011

Contact: Andy Nielsen
515/281-5834

Auditor of State David A. Vaudt today released an audit report on the City of Postville, Iowa.

The City's receipts totaled \$3,314,407 for the year ended June 30, 2010, a 2.5 percent decrease from the prior year. The receipts included \$661,941 from property tax, \$177,075 from tax increment financing, \$1,354,943 from charges for service, \$576,170 from operating grants, contributions and restricted interest, \$297,160 from capital grants, contributions and restricted interest, \$199,031 from local option sales tax, \$25,190 from unrestricted interest on investments and \$22,897 from other general receipts.

Disbursements for the year totaled \$2,977,931, a 9.8 percent decrease from the prior year, and included \$391,235 for public safety, \$426,324 for public works and \$325,830 for debt service. Also, disbursements for business type activities totaled \$1,142,895. The significant decrease in disbursements from the prior year is primarily due to the City receiving and disbursing a one-time Community Development Block Grant during fiscal year 2009.

A copy of the audit report is available for review in the City Clerk's office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1020-0013-B00F.pdf>.

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CITY OF POSTVILLE
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2010

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City of Postville

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2010)		
Robert O. Penrod	Mayor	(Resigned)
Leigh Rekow (Appointed)	Mayor	Jan 2010
Ross Malcom	Mayor Pro tem	Jan 2012
Virginia Medberry	Council Member	Jan 2010
Jeff Reinhardt	Council Member	Jan 2010
Milo Heins	Council Member	Jan 2012
Larry Moore	Council Member	Jan 2012
Darcy Radloff	Clerk	Indefinite
Cindy Converse	Treasurer	(Resigned)
Kevin Cronk (Appointed May 2009)	Treasurer	Indefinite
Anne Loomis	Attorney	Indefinite

(After January 2010)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Leigh Rekow	Mayor	Jan 2014
Ross Malcom	Mayor Pro tem	Jan 2012
Milo Heins	Council Member	(Resigned)
Jason Meyer (Appointed May 2010)	Council Member	Nov 2011
Larry Moore	Council Member	Jan 2012
Virginia Medberry	Council Member	Jan 2014
Darcy Radloff	Clerk	Indefinite
Kevin Cronk	Treasurer	Indefinite
Anne Loomis	Attorney	Indefinite

City of Postville



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David A. Vaudt, CPA
Auditor of State

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Postville, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Postville's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our 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 we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

The financial statements referred to above include only the primary government of the City of Postville, which consists of all funds, organizations, institutions, agencies, departments and offices that comprise the City's legal entity. The financial statements do not include financial data for the City's legally separate component unit, which U.S. generally accepted accounting principles require to be reported with the financial data of the City's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the cash basis financial position of the reporting entity of the City of Postville as of June 30, 2010, and the changes in its cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

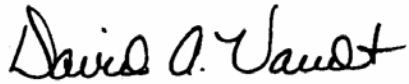
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information for the primary government of the City of Postville as of June 30, 2010, and the respective changes in its cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

The City's General Fund deficit increased to \$296,316 at June 30, 2010, an increase of \$9,705 during the year ended June 30, 2010. The deficit is approximately 31% of the City's recurring General Fund receipts of \$949,090 during the year ended June 30, 2010. The City will continue to monitor and reduce disbursements as possible to return the fund to a positive account balance.

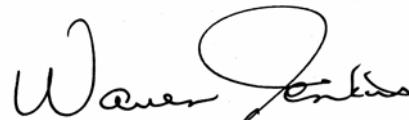
In accordance with Government Auditing Standards, we have also issued our report dated March 15, 2011 on our consideration of the City of Postville's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 12 and 32 through 34 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Postville's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2009 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. The financial statements for the four years ended June 30, 2005 (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

March 15, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Postville provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2010 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities decreased 10%, or approximately \$207,000, from fiscal year 2009 to fiscal year 2010. Operating grants, contributions and restricted interest decreased approximately \$486,000 and property tax increased approximately \$166,000 due to collections on delinquent accounts.
- Disbursements of the City's governmental activities decreased 19%, or approximately \$424,000, in fiscal year 2010 from fiscal year 2009. Community and economic development disbursements decreased approximately \$363,000.
- The City's total cash basis net assets increased 19%, or approximately \$336,000, from June 30, 2009 to June 30, 2010. Of this amount, the assets of the governmental activities increased approximately \$26,000 and the assets of the business type activities increased approximately \$310,000.

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 City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City'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 the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

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 City's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental and proprietary funds and the City's indebtedness.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the water and the sanitary sewer systems. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax, Local Option Sales Tax, Tax Increment Financing and 2008 CDBG, 3) the Debt Service Fund and 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a statement of cash receipts, disbursements and changes in cash balances.

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains four Enterprise Funds to provide separate information for water, sewer, lagoon and storm water utility operations. The Water and Sewer Funds are considered to be major funds of the City.

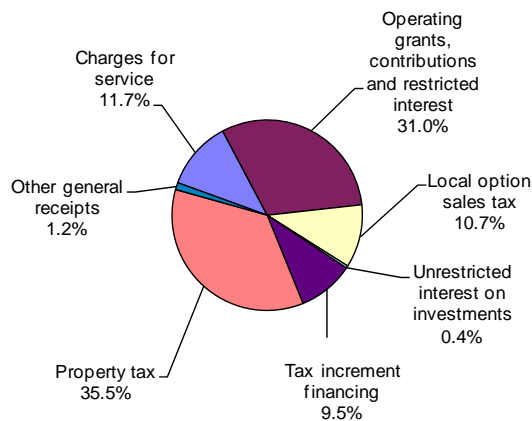
The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

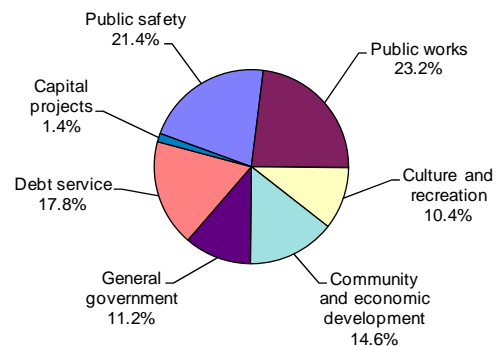
Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, increasing from \$46,958 to \$73,107. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2010	2009
Receipts:		
Program receipts:		
Charges for service	\$ 217	187
Operating grants, contributions and restricted interest	576	1,062
General receipts:		
Property tax	662	496
Tax increment financing	177	110
Local option sales tax	199	182
Unrestricted interest on investments	7	10
Other general receipts	23	21
Total receipts	<u>1,861</u>	<u>2,068</u>
Disbursements:		
Public safety	391	412
Public works	426	412
Culture and recreation	191	156
Community and economic development	269	632
General government	207	235
Debt service	326	320
Capital projects	25	92
Total disbursements	<u>1,835</u>	<u>2,259</u>
Changes in cash basis net assets	26	(191)
Cash basis net assets beginning of year	47	238
Cash basis net assets end of year	<u>\$ 73</u>	<u>47</u>

Receipts by Source



Disbursements by Function



The City's total receipts for governmental activities decreased 10%, or approximately \$207,000. The total cost of all programs and services decreased approximately \$424,000, or 19%. The significant decrease in receipts and disbursements was primarily the result of the City receiving one-time Community Development Block Grant (CDBG) proceeds of \$698,000 and disbursing \$623,914 of the grant proceeds during fiscal year 2009.

The cost of all governmental activities this year was approximately \$1.8 million compared to approximately \$2.3 million last year. However, as shown in the Statement of Activities and Net Assets on pages 14-15, the amount taxpayers ultimately financed for these activities was approximately \$1.0 million because some of the cost was paid by those directly benefited from the programs (\$216,562) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (\$576,170). The City paid for the remaining "public benefit" portion of governmental activities with approximately \$1,068,000 in tax (some of which could only be used for certain programs) and with other receipts, such as interest and general entitlements.

Changes in Cash Basis Net Assets of Business Type Activities (Expressed in Thousands)		
	Year ended June 30,	
	2010	2009
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 547	535
Sewer	557	483
Lagoon	-	2
Storm water utility	35	34
Capital contributions	297	248
General receipts:		
Unrestricted interests in investments	17	27
Total receipts	<u>1,453</u>	<u>1,329</u>
Disbursements:		
Water	514	398
Sewer	629	643
Total disbursements	<u>1,143</u>	<u>1,041</u>
Change in cash basis net assets	310	288
Cash basis net assets beginning of year	<u>1,690</u>	<u>1,402</u>
Cash basis net assets end of year	<u>\$ 2,000</u>	<u>1,690</u>

Total business type activities receipts for fiscal year 2010 were approximately \$1,453,000 compared to approximately \$1,329,000 last year. This increase was due primarily to the City collecting more money for services. The cash balance increased approximately \$310,000 from the prior year, primarily due to increases in charges for service. Total disbursements for the fiscal year increased approximately \$102,000 to a total of approximately \$1,143,000.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Postville completed the year, its governmental funds reported a combined fund balance of \$73,107, an increase of \$26,149 from last year's total of \$46,958. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance decreased \$9,705 from the prior year to a deficit balance of \$296,316. Total receipts increased 67% and total disbursements increased 32%. Property tax receipts increased \$115,346 and intergovernmental receipts

increased \$203,921. Community and economic development disbursements increased \$254,908.

- The Special Revenue, Road Use Tax Fund cash balance increased \$22,259 to \$129,170. The increase was due primarily to an increase in intergovernmental receipts.
- The Special Revenue, Local Option Sales Tax Fund cash balance increased \$34,163 to \$204,956. The increase was primarily due to increased local option sales tax receipts and decreases in public safety and public works disbursements.
- The Special Revenue, Tax Increment Financing Fund cash balance decreased \$70,925 to a deficit balance of \$103,597. The decrease is primarily due to transfers out exceeding receipts.
- The Special Revenue, 2008 CDBG (Community Development Block Grant) Fund was established in fiscal year 2009 to account for CDBG funds. The fund had no receipts during fiscal year 2010 and disbursements of \$6,929, leaving an ending cash balance of \$67,157.
- The Debt Service Fund cash balance increased \$256 during the fiscal year to \$21,316.
- The Capital Projects Fund cash balance increased \$76,517 to \$84,107. The increase was primarily due to an increase in miscellaneous receipts of \$61,346.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund was established to accumulate funds to be used for water management and capital projects. During the fiscal year, the cash balance increased \$44,339 to \$918,342. The increase is primarily due to collection of delinquent utility charges.
- The Sewer Fund cash balance increased \$231,278 to \$948,765. The increase is primarily due to collection of delinquent utility charges.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. The amendment was approved on May 10, 2010 and resulted in an increase in disbursements of \$111,316 related primarily to public works and community and economic development. Budgeted receipts increased, primarily due to grants received by the City.

The City's receipts were \$341,904 less than budgeted. This was primarily due to charges for service for utilities and tax increment financing being less than anticipated.

With the amendment, total disbursements were \$556,725 less than the amended budget, primarily due to business type activities.

DEBT ADMINISTRATION

At June 30, 2010, the City had \$8,266,992 in bonds, notes and other long-term debt outstanding, compared to \$8,845,499 last year, as shown below.

	Outstanding Debt at Year-End	
	June 30,	
	2010	2009
General obligation refunding bonds	\$ 1,035,000	1,155,000
General obligation notes	800,000	900,000
Child care facility revenue notes	282,536	286,387
Water revenue notes	1,600,000	1,700,000
Sewer revenue notes	4,436,260	4,666,204
Street lighting lease purchase agreement	113,196	137,908
Total	\$ 8,266,992	8,845,499

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all property within the City's corporate limits. The City's outstanding general obligation debt of \$1,948,196 is below its constitutional debt limit of \$4,265,200.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Postville's elected and appointed officials and citizens considered many factors when setting the fiscal year 2011 budget, tax rates and fees charged for various City services. One of these factors is the economy. The City is still struggling from the bankruptcy of its largest employer and several properties in foreclosure forces the City to aggressively reduce costs. The City has been successful in housing rehabilitation grant funding and several homes have successfully received new ownership. Unpaid property tax still is a concern of cash flow. The City Council took this into consideration and projected no major projects for fiscal year 2011. The City budget reflects minimum operations to be provided. Amounts appropriated in the operating budget are \$3,397,322.

The City's budgeted ending fund balance is expected to be approximately \$1,945,000 as of June 30, 2011.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Darcy Radloff, City Clerk, 147 N. Lawler St., P.O. Box 242, Postville, Iowa 52162-0242.

Basic Financial Statements

City of Postville

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2010

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 391,235	21,742	227,584	-
Public works	426,324	125,878	210,847	-
Culture and recreation	191,113	29,501	36,600	-
Community and economic development	269,140	-	-	-
General government	206,772	39,441	-	-
Debt service	325,830	-	-	-
Capital projects	24,622	-	101,139	-
Total governmental activities	1,835,036	216,562	576,170	-
Business type activities:				
Water	513,883	546,637	-	-
Sewer	629,012	557,034	-	297,160
Storm water utility	-	34,710	-	-
Total business type activities	1,142,895	1,138,381	-	297,160
Total	\$ 2,977,931	1,354,943	576,170	297,160

General Receipts:

Property and other city tax levied for:

General purposes

Debt service

Tax increment financing

Local option sales tax

Unrestricted interest on investments

Miscellaneous

Total general receipts

Change in cash basis net assets

Cash basis net assets beginning of year

Cash basis net assets end of year

Cash Basis Net Assets

Restricted:

Streets

Local option sales tax

2008 CDBG

Debt service

Capital projects

Unrestricted

Total cash basis net assets

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
(141,909)	-	(141,909)
(89,599)	-	(89,599)
(125,012)	-	(125,012)
(269,140)	-	(269,140)
(167,331)	-	(167,331)
(325,830)	-	(325,830)
76,517	-	76,517
(1,042,304)	-	(1,042,304)
-	32,754	32,754
-	225,182	225,182
-	34,710	34,710
-	292,646	292,646
(1,042,304)	292,646	(749,658)
583,855	-	583,855
78,086	-	78,086
177,075	-	177,075
199,031	-	199,031
7,509	17,681	25,190
22,897	-	22,897
1,068,453	17,681	1,086,134
26,149	310,327	336,476
46,958	1,690,164	1,737,122
\$ 73,107	2,000,491	2,073,598
\$ 129,170	-	129,170
204,956	-	204,956
67,157	-	67,157
21,316	532,297	553,613
84,107	-	84,107
(433,599)	1,468,194	1,034,595
\$ 73,107	2,000,491	2,073,598

City of Postville

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Governmental Funds

As of and for the year ended June 30, 2010

	Special Revenue			
	General	Road Use Tax	Local Option Sales Tax	Tax Increment Financing
Receipts:				
Property tax	\$ 445,276	-	-	-
Tax increment financing	-	-	-	177,075
Local option sales tax	-	-	199,031	-
Other city tax	1,691	-	-	-
Licenses and permits	10,230	-	-	-
Use of money and property	7,301	-	-	-
Intergovernmental	216,702	210,847	-	-
Charges for service	191,402	-	-	-
Special assessments	-	-	6,036	-
Miscellaneous	76,488	-	-	-
Total receipts	949,090	210,847	205,067	177,075
Disbursements:				
Operating:				
Public safety	198,474	-	95,972	-
Public works	170,689	188,588	44,932	-
Culture and recreation	185,576	-	-	-
Community and economic development	262,211	-	-	-
General government	167,845	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total disbursements	984,795	188,588	140,904	-
Excess (deficiency) of receipts over (under) disbursements	(35,705)	22,259	64,163	177,075
Other financing sources (uses):				
Operating transfers in	30,000	-	-	-
Operating transfers out	(4,000)	-	(30,000)	(248,000)
Total other financing sources (uses)	26,000	-	(30,000)	(248,000)
Net change in cash balances	(9,705)	22,259	34,163	(70,925)
Cash balances beginning of year	(286,611)	106,911	170,793	(32,672)
Cash balances end of year	\$ (296,316)	129,170	204,956	(103,597)
Cash Basis Fund Balances				
Reserved for debt service	\$ -	-	-	-
Unreserved:				
Designated:				
Library	58,194	-	-	-
Swimming pool	60,201	-	-	-
Childcare	14,970	-	-	-
Fire truck replacement	32,617	-	-	-
Undesignated:				
General fund	(462,298)	-	-	-
Special revenue funds	-	129,170	204,956	(103,597)
Capital projects fund	-	-	-	-
Total cash basis fund balances	\$ (296,316)	129,170	204,956	(103,597)

See notes to financial statements.

2008 CDBG	Debt Service	Capital Projects	Nonmajor	Total
-	78,086	-	136,888	660,250
-	-	-	-	177,075
-	-	-	-	199,031
-	-	-	-	1,691
-	-	-	-	10,230
-	-	-	2,993	10,294
-	-	13,244	-	440,793
-	-	-	-	191,402
-	-	-	-	6,036
-	-	87,895	-	164,383
-	78,086	101,139	139,881	1,861,185
-	-	-	96,789	391,235
-	-	-	22,115	426,324
-	-	-	5,537	191,113
6,929	-	-	-	269,140
-	-	-	38,927	206,772
-	325,830	-	-	325,830
-	-	24,622	-	24,622
6,929	325,830	24,622	163,368	1,835,036
(6,929)	(247,744)	76,517	(23,487)	26,149
-	248,000	-	4,000	282,000
-	-	-	-	(282,000)
-	248,000	-	4,000	-
(6,929)	256	76,517	(19,487)	26,149
74,086	21,060	7,590	(14,199)	46,958
67,157	21,316	84,107	(33,686)	73,107
-	21,316	17,100	-	38,416
-	-	-	-	58,194
-	-	-	-	60,201
-	-	-	-	14,970
-	-	-	-	32,617
-	-	-	-	(462,298)
67,157	-	-	(33,686)	264,000
-	-	67,007	-	67,007
67,157	21,316	84,107	(33,686)	73,107

City of Postville

City of Postville

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Proprietary Funds

As of and for the year ended June 30, 2010

	Enterprise			Total
	Water	Sewer	Nonmajor	
Operating receipts:				
Charges for service	\$ 519,556	542,346	34,710	1,096,612
Miscellaneous	27,081	14,688	-	41,769
Total operating receipts	546,637	557,034	34,710	1,138,381
Operating disbursements:				
Business type activities	335,941	220,714	-	556,655
Excess of operating receipts over operating disbursements	210,696	336,320	34,710	581,726
Non-operating receipts (disbursements):				
Interest on investments	11,585	6,096	-	17,681
Debt service	(177,942)	(408,298)	-	(586,240)
Total non-operating receipts (disbursements)	(166,357)	(402,202)	-	(568,559)
Net change in cash balances before capital contributions	44,339	(65,882)	34,710	13,167
Capital contributions	-	297,160	-	297,160
Net change in cash balances	44,339	231,278	34,710	310,327
Cash balances beginning of year	874,003	717,487	98,674	1,690,164
Cash balances end of year	\$ 918,342	948,765	133,384	2,000,491
Cash Basis Fund Balances				
Reserved for debt service	\$ 171,797	360,500	-	532,297
Unreserved	746,545	588,265	133,384	1,468,194
Total cash basis fund balances	\$ 918,342	948,765	133,384	2,000,491

See notes to financial statements.

City of Postville

Notes to Financial Statements

June 30, 2010

(1) Summary of Significant Accounting Policies

The City of Postville is a political subdivision of the State of Iowa located in Allamakee and Clayton Counties. It was first incorporated in 1873 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Postville has included all funds, organizations, agencies, boards, commissions and authorities. The City 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 City are such that exclusion would cause the City'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 City 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 City.

These financial statements present the City of Postville (the primary government) and exclude the City's component unit. The component unit discussed below is not included in the City's reporting entity.

Excluded Component Unit

The Postville Volunteer Fire Department, Inc. has been incorporated under the provisions of the Iowa Nonprofit Corporation Act, Chapter 504C of the Code of Iowa, for the purpose of aiding in extinguishing fires and performing such other duties as set forth by the Postville Fire Department. The Postville Volunteer Fire Department, Inc. meets the definition of a component unit which should be blended, but has declined to make its financial data available to the City. As a result, the component unit which should be blended has been excluded from the financial statements.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of or appoint representatives to the following boards and commissions: Allamakee County Assessor's Conference Board, Allamakee County Emergency Management Commission and Allamakee County E911 Joint Service Board.

B. Basis of Presentation

Government-wide Financial Statement - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which 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 Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts 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 on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental and proprietary funds are aggregated and reported as nonmajor governmental or proprietary funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts 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 disbursements, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Local Option Sales Tax Fund is used to account for local option sales tax received and its uses.

The Tax Increment Financing Fund is used to account for the urban renewal projects financed by tax increment financing.

The 2008 CDBG (Community Development Block Grant) Fund is used for the receipt and disbursement of CDBG contract 08-OT-001.

The Debt Service Fund is used to account for payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those financed through Enterprise Funds.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, disbursements exceeded the amount budgeted in the culture and recreation function.

(2) Cash and Pooled Investments

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

The City 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 City Council; 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.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

(3) Bonds and Notes Payable

Annual debt service requirements to maturity for general obligation bonds, general obligation notes and child care facility, water and sewer revenue notes are as follows:

Year Ending June 30,	General Obligation Bonds		General Obligation Notes		Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2011	130,000	47,730	100,000	47,218	322,962	267,726	552,962	362,674
2012	135,000	42,205	105,000	42,117	335,386	254,580	575,386	338,902
2013	140,000	36,265	115,000	36,797	343,119	240,797	598,119	313,859
2014	145,000	29,965	115,000	30,900	351,175	226,566	611,175	287,431
2015	155,000	23,295	45,000	24,965	364,566	211,875	564,566	260,135
2016-2020	330,000	24,340	260,000	76,975	1,961,482	813,921	2,551,482	915,236
2021-2025	-	-	60,000	4,140	2,040,466	385,834	2,100,466	389,974
2026-2030	-	-	-	-	440,962	53,176	440,962	53,176
2031-2035	-	-	-	-	51,173	28,567	51,173	28,567
2036-2040	-	-	-	-	63,266	16,474	63,266	16,474
2041-2043	-	-	-	-	44,239	2,915	44,239	2,915
Total	\$ 1,035,000	203,800	800,000	263,112	6,318,796	2,502,431	8,153,796	2,969,343

USDA Child Care Facility Revenue Capital Loan Notes – The City previously issued \$300,000 of Child Care Facility Revenue Capital Loan Notes, Series 2003 (Notes) approved by City resolution number 841 dated April 14, 2003. Certain provisions of the Notes were amended by City resolution number 848 dated July 14, 2003. The Notes were issued to provide financing for construction of a Child Care Facility (Facility).

Pursuant to the amended resolution, the Notes are payable to the U.S. Department of Agriculture (USDA) in monthly installments of \$1,329, including interest at 4.25% per annum. During the year ended June 30, 2010, principal payments to the USDA totaled \$3,851, leaving a principal balance at June 30, 2010 of \$282,536.

The amended resolution providing for the issuance of the revenue notes includes the following provisions:

- (a) The notes will only be redeemed from the future earnings of the Facility and the note holders hold a lien on the future earnings of the Facility.
- (b) Sufficient monthly transfers shall be made to a Child Care Facility Revenue Note and Interest Sinking Fund (Sinking Fund) for the purpose of making the note principal and interest payments when due.
- (c) A Child Care Facility Revenue Debt Service Reserve shall be established. The City has funded the reserve by setting aside \$17,100 in the Capital Projects Fund. This account is restricted for the purpose of paying principal and interest on the notes.
- (d) A Child Care Facility Improvement Fund shall be established for the purpose of paying principal and interest when there is insufficient money in the sinking and reserve funds and extraordinary maintenance and repairs, as needed.

In conjunction with the issuance of the Notes, the City entered into a Joint Agreement Regarding Child Care Center (28E agreement) with the Postville Community School District (District) whereby the District provided the land for the City to construct the Facility. The City also entered into a Management Agreement with Postville Child Care Services, Incorporated (PCCS) for management of the Facility. According to the Management Agreement with the City and PCCS, which operates the Facility, PCCS is responsible for the pledged receipts and maintaining sufficient receipts to pay disbursements and principal and interest. However, according to an amendment to the management agreement, due to economic conditions in the community, the City is

willing to make contributions to PCCS if it is determined there is a shortfall in receipts to pay disbursements for principal and interest and the City Administrator determines it is necessary based on conditions noted in the amendment.

Water Revenue Notes – The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$1,700,000 of water revenue notes issued in May 2005. Proceeds from the notes provided financing for the construction of improvements to the municipal water utility. The notes are payable solely from water customer net receipts and are payable through 2025. The total principal and interest remaining to be paid on the notes is \$2,240,658. Annual principal and interest payments on the water revenue notes are expected to require 84 percent of net receipts. For the current year, principal and interest paid and total customer net receipts were \$177,543 and \$210,696, respectively.

The resolution providing for the issuance of the water revenue notes includes the following provisions:

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to a water revenue note sinking account for the purpose of making the note principal and interest payments when due.
- (c) A separate water revenue note reserve account shall be established. The City has funded the reserve at \$170,000. The account is to be used solely for the purpose of paying principal and interest on the notes.

Sewer Revenue Refunding Notes

On February 1, 2007, the City issued \$640,000 of sewer revenue refunding notes. The City entered into an escrow agreement with Bankers Trust Company, N.A. and deposited a portion of the proceeds from the refunding notes. The proceeds were used to advance refund \$600,000 of the 1999 sewer revenue bonds on the call date of June 1, 2008.

The resolution providing for the issuance of the sewer revenue refunding notes includes the following provisions:

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to a sewer revenue note sinking account for the purpose of making the note principal and interest payments when due.
- (c) A separate sewer revenue note reserve account shall be established. The City has funded the reserve at \$69,100. The account is to be used solely for the purpose of paying principal and interest on the notes.

USDA Rural Development Sewer Revenue Note – The City issued a sewer revenue note totaling \$4,520,000 on February 8, 2007 to defray a portion of the cost of constructing a sewer treatment plant. The note is payable to the U.S. Department of Agriculture (USDA) in semi-annual installments of \$167,060, including interest at 4.125% per annum, due on June 1 and December 1 of each year. During the year ended June 30, 2010, the City paid principal of \$179,944 to the USDA, leaving a balance due at June 30, 2010 of \$3,926,260.

The resolution providing for the issuance of the sewer revenue note includes the following provisions:

- (a) The note will only be redeemed from the future earnings of the enterprise activity and the note holder holds a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to a sewer revenue note sinking account for the purpose of making the note principal and interest payments when due.
- (c) A sewer reserve account shall be established. Annually, there shall be deposited in the sewer reserve account an amount equal to 25 percent of the sewer reserve account requirement. This account is restricted for the purpose of paying principal and interest when funds in the sinking account are inadequate.
- (d) An improvement account shall be established for the purpose of paying principal and interest when there is insufficient money in the sinking and reserve accounts and extraordinary maintenance and repairs, as needed.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay the \$640,000 of sewer revenue refunding notes and the \$4,520,000 sewer revenue note. The notes are payable solely from sewer customer net receipts and are payable through 2027. The total principal and interest remaining to be paid on the notes is \$6,054,977. Annual principal and interest payments on the sewer revenue notes are expected to require more than 100 percent of net receipts. For the current year, principal and interest paid and total customer net receipts were \$407,898 and \$336,320, respectively.

The balance in the sewer reserve account is not in compliance with the requirement of the note resolution.

Lease Purchase Agreement

On December 20, 2002, the City entered into a lease purchase agreement with interest at 9.75% per annum for street lighting and improvements. Annual debt service requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2011	27,165	9,591	36,756
2012	29,861	6,895	36,756
2013	32,825	3,928	36,753
2014	23,345	2,317	25,662
Total	\$ 113,196	22,731	135,927

(4) Pension and Retirement Benefits

The City 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.

Most regular plan members are required to contribute 4.30% of their annual covered salary and the City is required to contribute 6.65% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2010, 2009 and 2008 were \$38,657, \$34,997 and \$33,486, respectively, equal to the required contributions for each year.

(5) Other Post Employment Benefits (OPEB)

Plan Description - The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees and retirees and their spouses. There are 11 active and no retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 would pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$501 for single coverage, \$949 for employee/dependent coverage, \$1,025 for employee/spouse coverage and \$1,547 for family coverage. For the year ended June 30, 2010, the City contributed 100% of the plan membership cost of \$125,853.

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation, personal leave and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation, personal leave and sick leave payable to employees at June 30, 2010, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 17,700
Personal leave	6,000
Sick leave	96,200
Total	<u>\$ 119,900</u>

This liability has been computed based on rates of pay in effect at June 30, 2010.

(7) Interfund Transfers

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue: Local Option Sales Tax	\$ 30,000
Special Revenue: Health Care/Ambulance	General	4,000
Debt Service	Special Revenue: Tax Increment Financing	248,000
Total		<u>\$ 282,000</u>

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

(8) Risk Management

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 634 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 200 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2010 were \$59,558.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$10,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by the Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2010, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City also carries commercial insurance purchased from other insurers for coverage associated with workers compensation. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past four fiscal years.

(9) Promissory Notes Receivable

The City entered into two promissory notes with the Postville Chamber of Commerce dated March 1, 2000 and August 14, 2000. These notes are for repayment of improvements made by the City to the industrial park, are interest free and are to be repaid to the City as lots are sold. The final payments are due in 10 years. The amount due on March 1, 2010 was not paid to the Enterprise, Water Reserve Fund and is still outstanding as of June 30, 2010. The amounts due on these notes are as follows:

Date of Issue	Original Amount	Balance Beginning of Year	Received During Year	Balance End of Year
Mar 1, 2000	\$ 110,000	80,000	-	80,000
Aug 14, 2000	100,000	100,000	-	100,000
Total		\$ 180,000	-	180,000

The City entered into a promissory note with Allamakee New Beginnings, Inc. on June 10, 2010. This note is for property Allamakee New Beginnings, Inc. purchased from the City. The note is to be repaid to the City, interest free, in full on June 10, 2011. The amount due on this note is as follows:

Date of Issue	Original Amount	Balance Beginning of Year	Received During Year	Balance End of Year
June 10, 2010	\$ 5,000	5,000	-	5,000

(10) Community Economic Betterment Account (CEBA)

The City entered into a forgivable loan agreement dated October 19, 2006 with the Iowa Department of Economic Development for \$70,000. The proceeds were received during the year ended June 30, 2007 and loaned to a local business to assist with economic development. The local business agreed to a \$20,000 loan with monthly payments of \$333 beginning September 1, 2007 payable to the Iowa Department of Economic Development. The term of the loan is 5 years with no interest. Also, the local business agreed to create at least 4 full time positions and retain 14 full time positions. The forgivable loan is for \$50,000 at no interest unless an event of default occurs.

The local business agreed, in the event the total job creation/retention requirement is not met by October 31, 2009 and maintained through October 31, 2011, funds will be returned in the same ratio as the job shortfall is to the total job requirement. As of June 30, 2010, the local business is in compliance with the job creation/retention requirement.

(11) Deficit Balances

The General Fund and Special Revenue, Tax Increment Financing, Employee Benefits, Emergency and Health Care/Ambulance Funds had deficit balances of, \$296,316, \$103,597, \$25,898, \$7,268 and \$520, respectively, at June 30, 2010. The City will continue to monitor and reduce disbursements as possible to return the funds to a positive account balance.

(12) Litigation

The City is involved in several lawsuits as of June 30, 2010. The probability of loss, if any, is undeterminable.

City of Postville

Required Supplementary Information

City of Postville

Budgetary Comparison Schedule
of Receipts, Disbursements and Changes in Balances -
Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds

Required Supplementary Information

Year ended June 30, 2010

	Governmental Funds Actual	Proprietary Funds Actual	Total
Receipts:			
Property tax	\$ 660,250	-	660,250
Tax increment financing	177,075	-	177,075
Other city tax	200,722	-	200,722
Licenses and permits	10,230	-	10,230
Use of money and property	10,294	17,681	27,975
Intergovernmental	440,793	-	440,793
Charges for service	191,402	1,096,612	1,288,014
Special assessments	6,036	-	6,036
Miscellaneous	164,383	338,929	503,312
Total receipts	<u>1,861,185</u>	<u>1,453,222</u>	<u>3,314,407</u>
Disbursements:			
Public safety	391,235	-	391,235
Public works	426,324	-	426,324
Culture and recreation	191,113	-	191,113
Community and economic development	269,140	-	269,140
General government	206,772	-	206,772
Debt service	325,830	-	325,830
Capital projects	24,622	-	24,622
Business type activities	-	1,142,895	1,142,895
Total disbursements	<u>1,835,036</u>	<u>1,142,895</u>	<u>2,977,931</u>
Excess of receipts over disbursements	26,149	310,327	336,476
Balances beginning of year	46,958	1,690,164	1,737,122
Balances end of year	<u>\$ 73,107</u>	<u>2,000,491</u>	<u>2,073,598</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Total
		Variance
636,026	636,026	24,224
289,000	289,000	(111,925)
194,365	194,565	6,157
7,550	13,550	(3,320)
19,750	51,400	(23,425)
557,781	509,109	(68,316)
1,706,061	1,791,061	(503,047)
10,000	10,100	(4,064)
111,550	161,500	341,812
<u>3,532,083</u>	<u>3,656,311</u>	<u>(341,904)</u>
435,170	442,520	51,285
467,930	504,850	78,526
159,380	187,380	(3,733)
281,500	316,930	47,790
281,550	268,800	62,028
326,055	326,055	225
35,000	25,750	1,128
1,436,755	1,462,371	319,476
<u>3,423,340</u>	<u>3,534,656</u>	<u>556,725</u>
108,743	121,655	214,821
<u>2,040,428</u>	<u>2,040,428</u>	<u>(303,306)</u>
<u>2,149,171</u>	<u>2,162,083</u>	<u>(88,485)</u>

City of Postville

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2010

The 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 City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except the component unit which should be blended. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund and the Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$111,316. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2010, disbursements exceeded the amount budgeted in the culture and recreation function.

City of Postville

Other Supplementary Information

City of Postville

Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds

As of and for the year ended June 30, 2010

	Special Revenue			Total
	Employee Benefits	Emergency	Health Care/ Ambulance	
Receipts:				
Property tax	\$ 123,792	13,096	-	136,888
Use of money and property	-	22	2,971	2,993
Total receipts	<u>123,792</u>	<u>13,118</u>	<u>2,971</u>	<u>139,881</u>
Disbursements:				
Operating:				
Public safety	72,360	16,029	8,400	96,789
Public works	22,115	-	-	22,115
Culture and recreation	5,537	-	-	5,537
General government	38,927	-	-	38,927
Total disbursements	<u>138,939</u>	<u>16,029</u>	<u>8,400</u>	<u>163,368</u>
Deficiency of receipts under disbursements	(15,147)	(2,911)	(5,429)	(23,487)
Other financing sources:				
Operating transfers in	-	-	4,000	4,000
Net change in cash balances	(15,147)	(2,911)	(1,429)	(19,487)
Cash balances beginning of year	(10,751)	(4,357)	909	(14,199)
Cash balances end of year	<u>\$ (25,898)</u>	<u>(7,268)</u>	<u>(520)</u>	<u>(33,686)</u>
Cash Basis Fund Balances				
Unreserved:				
Special revenue funds	<u>\$ (25,898)</u>	<u>(7,268)</u>	<u>(520)</u>	<u>(33,686)</u>

See accompanying independent auditor's report.

Schedule 2

City of Postville

Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Proprietary Funds

As of and for the year ended June 30, 2010

	Enterprise		
	Storm Water		
	Lagoon	Utility	Total
Operating receipts:			
Charges for service	\$ -	34,710	34,710
Operating disbursements:			
None	-	-	-
Excess of operating receipts over operating disbursements	-	34,710	34,710
Cash balances beginning of year	49,930	48,744	98,674
Cash balances end of year	\$ 49,930	83,454	133,384
Cash Basis Fund Balances			
Unreserved	\$ 49,930	83,454	133,384

See accompanying independent auditor's report.

City Postville

City of Postville
 Schedule of Indebtedness
 Year ended June 30, 2010

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds: Refunding	Jun 1, 2002	3.90-4.90%	\$ 1,700,000
General obligation notes: Refunding	Dec 1, 1998	4.20-4.50%	\$ 900,000
Capital loan	Aug 1, 2006	6.10-6.95	610,000
Total			
Revenue notes: Child care facility	Apr 14, 2003	4.25%	\$ 300,000
Water	May 1, 2005	3.70-5.10	1,700,000
Sewer refunding	Feb 1, 2007	3.90-4.45	640,000
Sewer	Feb 8, 2007	4.125	4,520,000
Total			
Lease purchase agreement: Street lighting	Dec 20, 2002	9.75%	\$ 242,000

See accompanying independent auditor's report.

Balance Beginning of Year	Redeemed During Year	Balance End of Year	Interest Paid
1,155,000	120,000	1,035,000	52,650
350,000	65,000	285,000	15,480
550,000	35,000	515,000	36,700
\$ 900,000	100,000	800,000	52,180
286,387	3,851	282,536	12,097
1,700,000	100,000	1,600,000	77,543
560,000	50,000	510,000	23,770
4,106,204	179,944	3,926,260	154,184
\$ 6,652,591	333,795	6,318,796	267,594
137,908	24,712	113,196	12,044

City of Postville
 Bond and Note Maturities
 June 30, 2010

Year Ending June 30,	General Obligation Bonds		General Obligation Notes					Total
	Refunding		Refunding		Capital Loan			
	Issued Jun 1, 2002		Issued Dec 1, 1998		Issued Aug 1, 2006			
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount		
2011	4.25%	\$ 130,000	4.40%	\$ 65,000	6.40%	\$ 35,000	100,000	
2012	4.40	135,000	4.40	70,000	6.40	35,000	105,000	
2013	4.50	140,000	4.45	75,000	6.40	40,000	115,000	
2014	4.60	145,000	4.50	75,000	6.40	40,000	115,000	
2015	4.70	155,000	-	-	6.70	45,000	45,000	
2016	4.80	160,000	-	-	6.70	45,000	45,000	
2017	4.90	170,000	-	-	6.70	50,000	50,000	
2018	-	-	-	-	6.90	50,000	50,000	
2019	-	-	-	-	6.90	55,000	55,000	
2020	-	-	-	-	6.90	60,000	60,000	
2021	-	-	-	-	6.95	60,000	60,000	
2022	-	-	-	-	-	-	-	
2023	-	-	-	-	-	-	-	
2024	-	-	-	-	-	-	-	
2025	-	-	-	-	-	-	-	
2026	-	-	-	-	-	-	-	
2027	-	-	-	-	-	-	-	
2028	-	-	-	-	-	-	-	
2029	-	-	-	-	-	-	-	
2030	-	-	-	-	-	-	-	
2031	-	-	-	-	-	-	-	
2032	-	-	-	-	-	-	-	
2033	-	-	-	-	-	-	-	
2034	-	-	-	-	-	-	-	
2035	-	-	-	-	-	-	-	
2036	-	-	-	-	-	-	-	
2037	-	-	-	-	-	-	-	
2038	-	-	-	-	-	-	-	
2039	-	-	-	-	-	-	-	
2040	-	-	-	-	-	-	-	
2041	-	-	-	-	-	-	-	
2042	-	-	-	-	-	-	-	
2043	-	-	-	-	-	-	-	
Total		<u>\$ 1,035,000</u>		<u>\$ 285,000</u>		<u>\$ 515,000</u>	<u>800,000</u>	

See accompanying independent auditor's report.

Revenue Notes									
Child Care Facility		Water		Sewer Refunding		Sewer			
Issued Apr 14, 2003		Issued May 1, 2005		Issued Feb 1, 2007		Issued Feb 8, 2007			
Interest		Interest		Interest		Interest			
Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount	Total	
4.25%	\$ 4,017	3.90%	\$ 100,000	4.05%	\$ 45,000	4.125%	\$ 173,945	322,962	
4.25	4,191	4.00	100,000	4.10	50,000	4.125	181,195	335,386	
4.25	4,373	4.10	100,000	4.15	50,000	4.125	188,746	343,119	
4.25	4,563	4.20	100,000	4.20	50,000	4.125	196,612	351,175	
4.25	4,760	4.30	100,000	4.25	55,000	4.125	204,806	364,566	
4.25	4,967	4.50	100,000	4.30	60,000	4.125	213,341	378,308	
4.25	5,182	4.60	100,000	4.35	60,000	4.125	222,232	387,414	
4.25	5,407	4.70	100,000	4.40	70,000	4.125	231,494	406,901	
4.25	5,641	4.75	105,000	4.45	70,000	4.125	241,142	421,783	
4.25	5,885	4.80	110,000	-	-	4.125	251,191	367,076	
4.25	6,140	4.90	110,000	-	-	4.125	261,660	377,800	
4.25	6,406	4.95	110,000	-	-	4.125	272,564	388,970	
4.25	6,684	5.00	115,000	-	-	4.125	283,924	405,608	
4.25	6,974	5.05	120,000	-	-	4.125	295,756	422,730	
4.25	7,276	5.10	130,000	-	-	4.125	308,082	445,358	
4.25	7,591	-	-	-	-	4.125	320,922	328,513	
4.25	7,920	-	-	-	-	4.125	78,648	86,568	
4.25	8,264	-	-	-	-	-	-	8,264	
4.25	8,622	-	-	-	-	-	-	8,622	
4.25	8,995	-	-	-	-	-	-	8,995	
4.25	9,385	-	-	-	-	-	-	9,385	
4.25	9,792	-	-	-	-	-	-	9,792	
4.25	10,216	-	-	-	-	-	-	10,216	
4.25	10,659	-	-	-	-	-	-	10,659	
4.25	11,121	-	-	-	-	-	-	11,121	
4.25	11,603	-	-	-	-	-	-	11,603	
4.25	12,106	-	-	-	-	-	-	12,106	
4.25	12,630	-	-	-	-	-	-	12,630	
4.25	13,178	-	-	-	-	-	-	13,178	
4.25	13,749	-	-	-	-	-	-	13,749	
4.25	14,345	-	-	-	-	-	-	14,345	
4.25	14,966	-	-	-	-	-	-	14,966	
4.25	14,928	-	-	-	-	-	-	14,928	
	<u>\$ 282,536</u>		<u>\$ 1,600,000</u>		<u>\$ 510,000</u>		<u>\$ 3,926,260</u>	<u>6,318,796</u>	

City of Postville

Schedule of Receipts by Source and Disbursement by Function -
All Governmental Funds

For the Last Nine Years

	2010	2009	2008	2007
Receipts:				
Property tax	\$ 660,250	494,150	640,224	622,672
Local option sales tax	199,031	182,194	162,448	180,431
Tax increment financing	177,075	110,338	260,799	253,785
Other city tax	1,691	1,476	1,545	1,553
Licenses and permits	10,230	5,375	6,868	10,960
Use of money and property	10,294	12,909	22,953	16,179
Intergovernmental	440,793	1,021,131	201,426	392,657
Charges for service	191,402	162,911	170,731	145,263
Special assessments	6,036	3,250	12,278	6,175
Miscellaneous	164,383	74,159	188,508	103,163
Total	\$ 1,861,185	2,067,893	1,667,780	1,732,838
Disbursements:				
Operating:				
Public safety	\$ 391,235	412,223	396,159	356,384
Public works	426,324	411,805	392,742	400,510
Culture and recreation	191,113	155,681	160,046	201,829
Community and economic development	269,140	631,627	9,493	86,651
General government	206,772	235,478	262,795	263,622
Debt service	325,830	320,115	328,905	288,444
Capital projects	24,622	92,064	223,704	4,904,965
Total	\$ 1,835,036	2,258,993	1,773,844	6,502,405

See accompanying independent auditor's report.

2006	2005	2004	2003	2002
596,806	601,959	591,367	503,421	513,060
154,350	152,472	136,362	127,006	119,984
136,429	140,963	38,406	69,220	12,201
2,074	2,095	1,921	16,180	15,660
7,607	6,190	7,117	10,130	6,396
29,827	33,549	42,937	34,417	36,567
2,122,705	4,313,858	618,058	679,959	290,484
139,560	143,301	130,927	109,517	104,557
7,293	73,973	15,702	8,440	7,611
386,255	253,278	154,350	187,864	519,968
<u>3,582,906</u>	<u>5,721,638</u>	<u>1,737,147</u>	<u>1,746,154</u>	<u>1,626,488</u>
350,573	343,843	311,710	292,179	280,242
352,049	367,570	388,450	352,294	428,369
132,571	134,690	127,302	137,258	146,965
4,943	176,964	183,221	57,486	106,388
677,853	383,205	371,080	200,384	196,662
256,132	251,572	153,698	150,698	83,651
<u>4,055,279</u>	<u>8,854,246</u>	<u>976,055</u>	<u>2,377,674</u>	<u>1,209,380</u>
<u>5,829,400</u>	<u>10,512,090</u>	<u>2,511,516</u>	<u>3,567,973</u>	<u>2,451,657</u>

City of Postville



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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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 Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information for the primary government of the City of Postville, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated March 15, 2011. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Postville's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City of Postville's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Postville's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and another deficiency we consider to be a significant deficiency.

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

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings as item (C) to be a significant deficiency.

Compliance and Other Matters

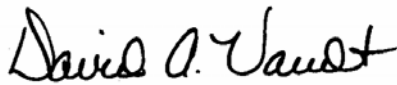
As part of obtaining reasonable assurance about whether the City of Postville's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our 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.

The City of Postville's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City of Postville's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Postville and other parties to whom the City of Postville may report and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Postville during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

March 15, 2011

City of Postville

Schedule of Findings

Year ended June 30, 2010

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

- (A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Bank deposits and the posting of the cash receipts to the cash receipts journal are all done by the same person.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, all incoming mail should be opened by an employee who is not authorized to make entries to the accounting records. This employee should prepare a listing of cash and checks received. The mail should then be forwarded to the accounting personnel for processing. Later, the same listing should be compared to the cash receipt records.

Response – The City will continue to monitor office staff so duties are segregated amongst the small staff.

Conclusion – Response accepted.

- (B) Financial Reporting – During the audit, we identified material amounts of receipts, disbursements and certificates of deposit in the General Fund which were improperly recorded. Also, special assessments which should have been allocated to the General Fund and the Enterprise, Water and Sewer Funds were improperly recorded in the Enterprise, Water Fund. Adjustments were subsequently made by the City to properly report the amounts in the City's financial statements.

Recommendation – The City should implement procedures to ensure receipts, disbursements, certificates of deposits and special assessments are properly recorded in the City's financial statements.

Response – Due to a large amount of special assessments the City will implement a formula to put a percentage of the breakdown of water, sewer and garbage into the correct funds. In the future we will ensure receipts, disbursements and certificates of deposit are properly recorded.

Conclusion – Response accepted.

- (C) Annual Financial Report – The City's annual financial report was prepared and filed timely for the year ended June 30, 2010. However, the report contained material errors and amounts which were not reported in the correct funds.

Recommendation – The annual financial report should be amended to correct material errors.

Response – The City Clerk will amend and resubmit the annual financial report.

Conclusion – Response accepted.

City of Postville
Schedule of Findings
Year ended June 30, 2010

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Postville

Schedule of Findings

Year ended June 30, 2010

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2010 exceeded the amount budgeted in culture and recreation function at year end. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - The City will amend the budget prior to exceeding disbursements.

Conclusion – Response accepted.

- (2) Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) Business Transactions – No business transactions between the City and City officials or employees were noted.
- (5) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.
- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted.
- (8) Revenue Notes – The sewer reserve balance is not in compliance with the minimum balance requirement of the sewer revenue note resolution.

Recommendation – The City should make sufficient transfers to the sewer reserve account to maintain the minimum balance requirements of the note resolution.

Response – The City will make sure adequate reserve balances are in compliance with note resolution.

Conclusion – Response accepted.

- (9) Financial Condition – At June 30, 2010, The General Fund and Special Revenue, Tax Increment Financing, Employee Benefits, Emergency and Health Care/Ambulance Funds had deficit balances of \$296,316, \$103,597, \$25,898, \$7,268 and \$520, respectively.

City of Postville

Schedule of Findings

Year ended June 30, 2010

Recommendation – The City should investigate alternatives to eliminate these deficits and return these funds to a sound financial position.

Response – The deficit balances reflected are due to unpaid property tax owed to the City. The Council will continue to monitor and reduce disbursements as possible to return the funds to a positive account balance.

Conclusion – Response accepted.

- (10) Promissory Notes Receivable - On March 1, 2000, the City entered into a promissory note with the Postville Chamber of Commerce for \$110,000 due on March 1, 2010. As of June 30, 2010, \$30,000 has been repaid to the Enterprise, Water Reserve Fund and the remaining balance of \$80,000 is still outstanding. Also, on August 14, 2000, the City entered into another promissory note with the Postville Chamber of Commerce for \$100,000 due on August 14, 2010.

On July 1, 2007, the two promissory notes of \$80,000 and \$100,000 were certified as tax increment financing (TIF) debt. As of June 30, 2010, the City has not collected any TIF receipts on these debts.

Recommendation – The City should forgive the \$80,000 and \$100,000 remaining balances on the promissory notes with the Postville Chamber of Commerce or decertify the TIF debt.

Response – The City Council approved forgiving the remaining balances on the promissory notes.

Conclusion – Response accepted.

City of Postville

Staff

This audit was performed by:

K. David Voy, CPA, Manager
Darryl J. Brumm, CPA, Senior Auditor II
Rosemary E. Nielsen, Staff Auditor
Brandon J. Vogel, Assistant Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large, stylized initial "A".

Andrew E. Nielsen, CPA
Deputy Auditor of State