



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

**NEWS RELEASE**

FOR RELEASE

May 5, 2008

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 \$8,874,589 for the year ended June 30, 2007, a 43 percent increase over 2006. The receipts included \$622,672 in property tax, \$253,785 from tax increment financing, \$1,443,504 from charges for service, \$378,675 from operating grants, contributions and restricted interest, \$67,587 from capital grants, contributions and restricted interest, \$180,431 from local option sales tax, \$39,936 from unrestricted interest on investments, \$5,757,500 from note proceeds, \$99,000 from the sale of capital assets and \$31,499 from other general receipts.

Disbursements for the year totaled \$8,094,679, a 21 percent increase over the prior year, and included \$4,904,965 for capital projects, \$400,510 for public works and \$356,384 for public safety. Also, disbursements for business type activities totaled \$1,592,274.

The increases in receipts and disbursements from the prior year are due to increases in note proceeds received and the use of the proceeds to pay for capital projects and grant programs.

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/reports.htm>.

###

**CITY OF POSTVILLE**

**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS**

**JUNE 30, 2007**

## Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor’s Report		5-6
Management’s Discussion and Analysis		7-12
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statement:		
Statement of Activities and Net Assets – Cash Basis	A	14-15
Governmental Fund Financial Statement:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B	16-17
Proprietary Fund Financial Statement:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	C	19
Notes to Financial Statements		20-28
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds		30-31
Notes to Required Supplementary Information – Budgetary Reporting		32
Other Supplementary Information:	<u>Schedule</u>	
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Governmental Funds	1	35
Schedule of Indebtedness	2	36-37
Bond and Note Maturities	3	38-39
Schedule of Receipts by Source and Disbursements by Function – All Governmental Funds	4	40
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		43-44
Schedule of Findings		45-47
Staff		48

**City of Postville**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Robert O. Penrod	Mayor	Jan 2010
Jeff Reinhardt	Mayor Pro tem	Jan 2010
Leigh Rekow	Council Member	Jan 2008
Marlys Sowers	Council Member	Jan 2008
Tracey Schager	Council Member	Jan 2008
Virginia Medberry	Council Member	Jan 2010
Darcy Radloff	Clerk	Indefinite
Cindy Converse	Treasurer	Indefinite
Matthew Erickson	Attorney	Indefinite

**City of Postville**



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

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, 2007, 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, 2007, 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, 2007, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated March 24, 2008 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 internal control over financial reporting or 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 30 through 32 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 year ended June 30, 2006 (which are not presented herein) and expressed unqualified opinions on those financial statements. 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. Other supplementary information included in Schedules 1 through 4 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, based on our audit and the report of the other auditors, 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 24, 2008

---

## **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, 2007. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### **2007 FINANCIAL HIGHLIGHTS**

- Receipts and transfers of the City's governmental activities increased 37%, or approximately \$1,882,000, from fiscal 2006 to fiscal 2007. Bond, note and loan proceeds increased approximately \$3,879,000 and operating and capital grants, contributions and restricted interest decreased approximately \$2,037,000.
- Disbursements of the City's governmental activities increased 11.5%, or approximately \$672,000, in fiscal 2007 from fiscal 2006. Capital projects disbursements increased approximately \$850,000.
- The City's total cash basis net assets increased 112%, or approximately \$780,000, from June 30, 2006 to June 30, 2007. Of this amount, the assets of the governmental activities increased approximately \$353,000 and the assets of the business type activities increased approximately \$427,000.

### **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 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 and Local Option Sales Tax, 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 three Enterprise Funds to provide separate information for water, sewer and lagoon operations. The Water, Sewer and Lagoon Operations 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 a deficit of \$(8,897) to a positive balance of \$344,122. 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,	
	2007	2006
Receipts:		
Program receipts:		
Charges for service	\$ 185	179
Operating grants, contributions and restricted interest	379	358
Capital grants, contributions and restricted interest	68	2,105
General receipts:		
Property tax	623	597
Tax increment financing	254	136
Local option sales tax	180	154
Unrestricted interest on investments	12	9
Bond, note and loan proceeds	5,124	1,245
Sale of capital assets	99	-
Other general receipts	31	290
Total receipts and transfers	<u>6,955</u>	<u>5,073</u>
Disbursements:		
Public safety	356	351
Public works	401	352
Culture and recreation	202	133
Community and economic development	87	5
General government	263	678
Debt service	288	256
Capital projects	4,905	4,055
Total disbursements	<u>6,502</u>	<u>5,830</u>
Excess (deficiency) of receipts over (under) disbursements	453	(757)
Transfers, net	(100)	290
Increase (decrease) in cash basis net assets	<u>353</u>	<u>(467)</u>
Cash basis net assets beginning of year	(9)	458
Cash basis net assets end of year	<u>\$ 344</u>	<u>(9)</u>

The City's total receipts for governmental activities increased 37%, or approximately \$1,882,000. The total cost of all programs and services increased approximately \$672,000, or 11.5%, with no new programs added this year. The significant increase in receipts was primarily the result of general obligation and sewer revenue note sales received in this year of approximately \$5,123,900 for the wastewater facility project.

The cost of all governmental activities this year was \$6.5 million compared to \$5.8 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 only \$5.9 million because some of the cost was paid by those directly benefited from the programs (\$185,420) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$446,262). The City paid for the remaining "public benefit" portion of governmental activities with approximately \$623,000 in tax (some of which could only be used for certain programs) and with other receipts, such as interest, general entitlements and note proceeds.

Changes in Cash Basis Net Assets of Business Type Activities (Expressed in Thousands)		
	Year ended June 30,	
	2007	2006
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 521	489
Sewer	571	385
Lagoon operations	166	225
General receipts:		
Unrestricted interests in investments	27	18
Sewer note proceeds	634	-
Total receipts	<u>1,919</u>	<u>1,117</u>
Disbursements:		
Water	393	375
Sewer	1,101	291
Lagoon operations	98	173
Total disbursements	<u>1,592</u>	<u>839</u>
Excess of receipts over disbursements	327	278
Transfers, net	100	(290)
Increase (decrease) in cash basis net assets	427	(12)
Cash basis net assets beginning of year	705	717
Cash basis net assets end of year	<u>\$ 1,132</u>	<u>705</u>

Total business type activities receipts for the fiscal year were approximately \$1,919,000 compared to approximately \$1,117,000 last year. This increase was due primarily to the note proceeds. The cash balance increased approximately \$427,000 from the prior year primarily due to refunding note proceeds. Total disbursements for the fiscal year increased approximately \$753,000 to a total of approximately \$1,592,000, primarily due to paying refunding note proceeds of \$614,802 to a trust agent.

## **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of Postville completed the year, its governmental funds reported a combined balance of \$344,122, an increase of approximately \$353,000 above last year's total of \$(8,897). 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 \$139,223 from the prior year to \$45,204. Total receipts decreased 2% and total disbursements decreased 24%. Other factors include a decrease in sale of capital assets of \$244,349. Disbursements for the general government function decreased \$418,496, primarily due to loan payments, the HUD program and capital improvements in the prior year.
- The Special Revenue, Road Use Tax Fund cash balance decreased \$2,578 to \$124,589 during the fiscal year with no significant changes.
- The Special Revenue, Local Option Sales Tax Fund cash balance increased \$46,234 to \$82,661. The increase was due to a reduction in transfers to other funds.
- The Special Revenue, Tax Increment Financing Fund cash balance increased \$140,785. The increase is primarily due to additional collections and decreased transfers to the Debt Service Fund in fiscal year 2007.
- The Debt Service Fund cash balance increased \$830 during the fiscal year with no significant changes.
- The Capital Projects Fund cash balance increased \$302,206 to a deficit of (\$54,925) during the fiscal year. The increase was due to the receipt of sewer revenue note proceeds.

## **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 \$144,976 to \$572,389. Transfers to other funds decreased \$257,498.
- The Sewer Fund cash balance increased \$213,934 to \$501,543. An increase in sewer rental rates during the year resulted in a partial year's collection at the new rate, amounting to \$183,213.
- The Lagoon Operations Fund cash balance increased \$67,981 to \$58,092. The increase was a result of less operational disbursements in fiscal year 2007.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget twice. The amendments were approved on January 8, 2007 and May 14, 2007 and resulted in an increase in disbursements of \$5,278,260 related to operational costs and capital projects. The City received federal grants, general obligation and sewer revenue note proceeds and had sufficient cash balances to absorb these additional costs.

The City's receipts were \$384,521 less than budgeted. This was primarily due to more delinquent charges for service than anticipated.

With the amendments, total disbursements were \$803,813 less than the amended budget, primarily due to the water treatment capital project and the lagoon in the business type activities function.

## DEBT ADMINISTRATION

At June 30, 2007, the City had \$9,683,496 in bonds, notes and other long-term debt outstanding, compared to \$9,389,452 last year, as shown below.

	Outstanding Debt at Year-End	
	June 30,	
	2007	2006
General obligation refunding bonds	\$ 1,385,000	1,495,000
General obligation notes	1,080,000	578,000
Child care facility revenue notes	293,615	297,006
Water revenue notes	1,700,000	1,700,000
Sewer revenue notes	5,042,490	600,000
Street lighting lease purchase agreement	182,391	199,446
Project anticipation revenue notes	-	4,520,000
Total	\$ 9,683,496	9,389,452

Debt increased as a result of issuing more than was redeemed during the year.

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 \$2,647,391 is below its constitutional debt limit of \$3,636,825.

## 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 2008 budget, tax rates and fees charged for various City activities. One of those factors is the economy. The City's growth is in an upward swing. Apartments and housing are being built and are in high demand. These factors were taken into account when adopting the budget for fiscal year 2008. Amounts appropriated in the operating budget are \$3,979,766. This is a significant decrease due to the near completion of the treatment plant.

Increased inflation and rising energy costs were taken into account when adopting the budget for fiscal year 2008. The City's budgeted ending fund balance is expected to be approximately \$1,753,000 as of June 30, 2008.

## 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, 2007

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>				
Governmental activities:				
Public safety	\$ 356,384	25,010	5,471	-
Public works	400,510	106,153	193,118	-
Culture and recreation	201,829	40,752	18,146	-
Community and economic development	86,651	-	-	-
General government	263,622	13,505	105,301	-
Debt service	288,444	-	6,008	-
Capital projects	4,904,965	-	50,631	67,587
Total governmental activities	6,502,405	185,420	378,675	67,587
Business type activities:				
Water	393,267	521,172	-	-
Sewer	1,101,374	571,298	-	-
Lagoon operations	97,633	165,614	-	-
Total business type activities	1,592,274	1,258,084	-	-
Total	\$ 8,094,679	1,443,504	378,675	67,587

**General Receipts:**

Property and other city tax levied for:  
 General purposes  
 Tax increment financing  
 Debt service  
 Local option sales tax  
 Unrestricted interest on investments  
 Utility franchise tax  
 General obligation note proceeds (net of \$6,100 discount)  
 Sewer revenue note proceeds  
 Sewer revenue refunding note proceeds (net of \$6,400 discount)  
 Sale of capital assets  
 Miscellaneous  
 Transfers

Total general receipts and transfers

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  
 Urban renewal purposes  
 Debt service  
 Other purposes

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
(325,903)	-	(325,903)
(101,239)	-	(101,239)
(142,931)	-	(142,931)
(86,651)	-	(86,651)
(144,816)	-	(144,816)
(282,436)	-	(282,436)
(4,786,747)	-	(4,786,747)
(5,870,723)	-	(5,870,723)
-	127,905	127,905
-	(530,076)	(530,076)
-	67,981	67,981
-	(334,190)	(334,190)
(5,870,723)	(334,190)	(6,204,913)
486,039	-	486,039
253,785	-	253,785
136,633	-	136,633
180,431	-	180,431
12,769	27,167	39,936
1,553	-	1,553
603,900	-	603,900
4,520,000	-	4,520,000
-	633,600	633,600
99,000	-	99,000
29,946	-	29,946
(100,314)	100,314	-
6,223,742	761,081	6,984,823
353,019	426,891	779,910
(8,897)	705,133	696,236
\$ 344,122	1,132,024	1,476,146
\$ 124,589	-	124,589
82,661	-	82,661
140,785	-	140,785
17,930	415,711	433,641
4,978	-	4,978
(26,821)	716,313	689,492
\$ 344,122	1,132,024	1,476,146

City of Postville

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

As of and for the year ended June 30, 2007

	General	Special Revenue		
		Road Use Tax	Local Option Sales Tax	Tax Increment Financing
Receipts:				
Property tax	\$ 349,254	-	-	-
Tax increment financing	-	-	-	253,785
Other city tax	1,553	-	180,431	-
Licenses and permits	10,960	-	-	-
Use of money and property	12,619	-	-	-
Intergovernmental	129,919	189,443	-	-
Charges for service	145,263	-	-	-
Special assessments	-	-	6,175	-
Miscellaneous	52,232	-	-	-
Total receipts	701,800	189,443	186,606	253,785
Disbursements:				
Operating:				
Public safety	189,218	-	86,372	-
Public works	128,979	192,021	54,000	-
Culture and recreation	197,846	-	-	-
Community and economic development	86,651	-	-	-
General government	234,629	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total disbursements	837,323	192,021	140,372	-
Excess (deficiency) of receipts over (under) disbursements	(135,523)	(2,578)	46,234	253,785
Other financing sources (uses):				
General obligation note proceeds (net of \$6,100 discount)	-	-	-	-
Sewer revenue note proceeds	-	-	-	-
Sale of capital assets	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers out	(3,700)	-	-	(113,000)
Total other financing sources (uses)	(3,700)	-	-	(113,000)
Net change in cash balances	(139,223)	(2,578)	46,234	140,785
Cash balances beginning of year	184,427	127,167	36,427	-
Cash balances end of year	\$ 45,204	124,589	82,661	140,785
<b>Cash Basis Fund Balances</b>				
Reserved for debt service	\$ -	-	-	-
Unreserved:				
Designated:				
Library	39,999	-	-	-
Swimming pool	20,903	-	-	-
Undesignated:				
General fund	(15,698)	-	-	-
Special revenue funds	-	124,589	82,661	140,785
Capital projects fund	-	-	-	-
Total cash basis fund balances	\$ 45,204	124,589	82,661	140,785

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
136,633	-	136,785	622,672
-	-	-	253,785
-	-	-	181,984
-	-	-	10,960
-	-	3,560	16,179
6,008	67,287	-	392,657
-	-	-	145,263
-	-	-	6,175
-	50,931	-	103,163
142,641	118,218	140,345	1,732,838
-	-	80,794	356,384
-	-	25,510	400,510
-	-	3,983	201,829
-	-	-	86,651
-	-	28,993	263,622
288,444	-	-	288,444
-	4,904,965	-	4,904,965
288,444	4,904,965	139,280	6,502,405
(145,803)	(4,786,747)	1,065	(4,769,567)
33,633	570,267	-	603,900
-	4,520,000	-	4,520,000
-	99,000	-	99,000
113,000	-	3,700	116,700
-	(100,314)	-	(217,014)
146,633	5,088,953	3,700	5,122,586
830	302,206	4,765	353,019
-	(357,131)	213	(8,897)
830	(54,925)	4,978	344,122
830	17,100	-	17,930
-	-	-	39,999
-	-	-	20,903
-	-	-	(15,698)
-	-	4,978	353,013
-	(72,025)	-	(72,025)
830	(54,925)	4,978	344,122

**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, 2007

	Enterprise			Total
	Water	Sewer	Lagoon Operations	
Operating receipts:				
Charges for service	\$ 516,517	561,491	165,614	1,243,622
Miscellaneous	4,655	9,807	-	14,462
Total operating receipts	521,172	571,298	165,614	1,258,084
Operating disbursements:				
Business type activities	315,325	263,392	97,633	676,350
Excess of operating receipts over operating disbursements	205,847	307,906	67,981	581,734
Non-operating receipts (disbursements):				
Interest on investments	17,071	9,573	-	26,644
Accrued interest on notes sold	-	523	-	523
Sewer revenue refunding notes proceeds (net of \$6400 discount)	-	633,600	-	633,600
Payment to refunding trust agent	-	(614,802)	-	(614,802)
Debt service	(77,942)	(223,180)	-	(301,122)
Total non-operating receipts (disbursements)	(60,871)	(194,286)	-	(255,157)
Excess of receipts over disbursements	144,976	113,620	67,981	326,577
Operating transfers in	-	100,314	-	100,314
Net change in cash balances	144,976	213,934	67,981	426,891
Cash balances beginning of year	427,413	287,609	(9,889)	705,133
Cash balances end of year	\$ 572,389	501,543	58,092	1,132,024
<b>Cash Basis Fund Balances</b>				
Reserved for debt service	\$ 173,624	242,087	-	415,711
Unreserved	398,765	259,456	58,092	716,313
Total cash basis fund balances	\$ 572,389	501,543	58,092	1,132,024

See notes to financial statements.

City of Postville

Notes to Financial Statements

June 30, 2007

**(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 the extinguishing of fires and performing such other duties as set for 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 have been 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 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 waste water treatment and sanitary sewer system.

The Lagoon Operations Fund accounts for the operation and maintenance of the City's lagoon system.

C. Measurement Focus and Basis of Accounting

The City of Postville 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, 2007, disbursements did not exceed the amounts budgeted.

**(2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2007 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, child care facility, water and sewer revenue notes are as follows:

Year Ending June 30,	General		General		Revenue Notes			
	Obligation Bonds		Obligation Notes		Child Care Facility		Water	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 115,000	61,735	90,000	60,970	3,537	12,479	-	77,543
2009	115,000	57,250	90,000	56,590	3,691	12,329	-	77,543
2010	120,000	52,650	100,000	52,180	3,851	12,172	100,000	77,543
2011	130,000	47,730	100,000	47,218	4,017	12,008	100,000	73,842
2012	135,000	42,205	105,000	42,117	4,192	11,838	100,000	69,942
2013-2017	770,000	113,865	370,000	133,547	23,845	56,354	500,000	287,613
2018-2022	-	-	225,000	40,230	29,479	50,828	535,000	171,500
2023-2025	-	-	-	-	221,004	27,313	365,000	37,760
<b>Total</b>	<b>\$ 1,385,000</b>	<b>375,435</b>	<b>1,080,000</b>	<b>432,852</b>	<b>293,616</b>	<b>195,321</b>	<b>1,700,000</b>	<b>873,286</b>

Year Ending June 30,	Revenue Notes		Total	
	Sewer Refunding		Principal	Interest
	Principal	Interest		
2008	\$ 35,000	26,912	243,537	239,639
2009	45,000	25,547	253,691	229,259
2010	50,000	23,770	373,851	218,315
2011	45,000	21,770	379,017	202,568
2012	50,000	19,947	394,192	186,049
2013-2017	275,000	67,632	1,938,845	659,011
2018-2022	140,000	9,310	929,479	271,868
2023-2025	-	-	586,004	65,073
<b>Total</b>	<b>\$ 640,000</b>	<b>194,888</b>	<b>5,098,616</b>	<b>2,071,782</b>

Child Care Facility Revenue Capital Loan Notes – The resolution providing for the issuance of the Child Care Facility Revenue Capital Loan Notes include the following provisions:

- (a) The notes will only redeemed from the future earnings of the Child Care 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. The City has not established this fund as of June 30, 2007.
- (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 due and extraordinary maintenance and repairs as needed. As of June 30, 2007, this fund has not been established.

Water Revenue Notes – 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 are to be used to advance refund \$600,000 of the 1999 sewer revenue bonds on the call date of June 1, 2008.

The City obtained an economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately \$15,100.

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 31 of each year. During the year ended June 30, 2007, the City paid principal of \$117,510 to the USDA, leaving a balance due at June 30, 2007 of \$4,402,490.

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.

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
2008	\$ 20,451	16,305	36,756
2009	22,482	14,274	36,756
2010	24,712	12,044	36,756
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	\$ 180,841	65,354	246,195

**(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 3.70% of their annual covered salary and the City is required to contribute 5.75% 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, 2007, 2006 and 2005 were \$30,851, \$31,483 and \$30,124, respectively, equal to the required contributions for each year.

**(5) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation, personal 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 and sick leave payable to employees at June 30, 2007, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 13,100
Personal leave	1,400
Sick leave	92,000
Total	<u>\$ 106,500</u>

This liability has been computed based on rates of pay in effect at June 30, 2007.

**(6) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2007 is as follows:

Transfer to	Transfer from	Amount
Enterprise: Sewer	Capital Projects	\$ 100,314
Special Revenue: Health Care/Ambulance	General	3,700
Debt Service	Special Revenue: Tax Increment Financing	113,000
Total		<u>\$ 217,014</u>

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

**(7) 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 556 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 300 percent of the total current members' basis rate 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, 2007 were \$63,083.

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 claims and \$5,000,000 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 \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

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 casualty claims exhaust total member's 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, 2007, 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 claims 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 capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contributions 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 three fiscal years.

**(8) Commitments**

The City has entered into various construction contracts for water storage, wastewater treatment facility, street improvements and recreation trail improvements totaling \$7,884,958. At June 30, 2007, \$3,223 remains unpaid and will be paid as work on the projects progresses. The projects will be funded through bond/note proceeds, grants, donations and local sources, as necessary.

**(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 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

**(10) Community Development Block Grant (CDBG)**

The City entered into a forgivable loan agreement dated August 13, 2004 with the Iowa Department of Economic Development for \$75,000. The proceeds were received during the year ended June 30, 2006 and were loaned to a local business to assist with economic development. The local business agreed to create at least 20 full time positions by July 31, 2007 and at least 51% of the positions created will be filled by persons from low and moderate income households.

The local business agreed, in the event the total job creation/retention requirement is not met, funds will be returned to the City in the same ratio as the job shortfall is to the total job requirement and, should the benefit to low and moderate income persons not be met or exceeded, 51% of all federal funds will be disallowed.

**(11) 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. The term of the loan is 5 years with no interest. Also, the local business agreed to create at least 18 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, funds will be returned in the same ratio as the job shortfall is to the total job requirement.

**(12) Deficit Balance**

The Capital Projects Fund had a deficit balance of \$54,925 at June 30, 2008. The Capital Project Fund deficit balance will be eliminated through grant funds and payments from wastewater usage.

**(13) Subsequent Events**

On July 23, 2007, the City approved the purchase of a police vehicle for \$20,725.

On August 20, 2007, the City approved the purchase of a truck for \$45,236.

On November 12, 2007, the City accepted a bid of \$208,182 for the Business Park Drive 2007 Project.

**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, 2007

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Property tax	\$ 622,672	-
Tax increment financing	253,785	-
Other city tax	181,984	-
Licenses and permits	10,960	-
Use of money and property	16,179	26,644
Intergovernmental	392,657	-
Charges for service	145,263	1,243,622
Special assessments	6,175	-
Miscellaneous	103,163	14,985
Total receipts	<u>1,732,838</u>	<u>1,285,251</u>
Disbursements:		
Public safety	356,384	-
Public works	400,510	-
Culture and recreation	201,829	-
Community and economic development	86,651	-
General government	263,622	-
Debt service	288,444	-
Capital projects	4,904,965	-
Business type activities	-	977,472
Total disbursements	<u>6,502,405</u>	<u>977,472</u>
Excess (deficiency) of receipts over (under) disbursements	(4,769,567)	307,779
Other financing sources (uses), net	<u>5,122,586</u>	<u>119,112</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	353,019	426,891
Balances beginning of year	<u>(8,897)</u>	<u>705,133</u>
Balances end of year	<u>\$ 344,122</u>	<u>1,132,024</u>

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
622,672	598,409	598,409	24,263
253,785	218,000	218,000	35,785
181,984	157,321	177,821	4,163
10,960	6,020	11,130	(170)
42,823	15,300	26,500	16,323
392,657	345,600	345,600	47,057
1,388,885	1,235,300	1,462,800	(73,915)
6,175	13,000	46,700	(40,525)
118,148	413,350	515,650	(397,502)
<u>3,018,089</u>	<u>3,002,300</u>	<u>3,402,610</u>	<u>(384,521)</u>
356,384	346,950	371,950	15,566
400,510	428,300	442,530	42,020
201,829	177,480	219,580	17,751
86,651	88,000	88,000	1,349
263,622	221,350	295,650	32,028
288,444	254,750	288,500	56
4,904,965	455,600	5,351,600	446,635
977,472	1,033,000	1,225,880	248,408
<u>7,479,877</u>	<u>3,005,430</u>	<u>8,283,690</u>	<u>803,813</u>
(4,461,788)	(3,130)	(4,881,080)	419,292
<u>5,241,698</u>	<u>-</u>	<u>5,374,600</u>	<u>(132,902)</u>
779,910	(3,130)	493,520	286,390
696,236	453,421	453,421	242,815
<u>1,476,146</u>	<u>450,291</u>	<u>946,941</u>	<u>529,205</u>

City of Postville

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2007

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 have been blended. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. 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, two budget amendments increased budgeted disbursements by \$5,278,260. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2007, disbursements did not exceed the amounts budgeted.

**Other Supplementary Information**

**City of Postville**

## 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, 2007

	Special Revenue			
	Employees Benefits	Emergency	Health Care/ Ambulance	Total
Receipts:				
Property tax	\$ 126,222	10,563	-	136,785
Use of money and property	-	-	3,560	3,560
Total receipts	<u>126,222</u>	<u>10,563</u>	<u>3,560</u>	<u>140,345</u>
Disbursements:				
Operating:				
Public safety	62,482	11,112	7,200	80,794
Public works	25,510	-	-	25,510
Culture and recreation	3,983	-	-	3,983
General government	28,993	-	-	28,993
Total disbursements	<u>120,968</u>	<u>11,112</u>	<u>7,200</u>	<u>139,280</u>
Excess (deficiency) of receipts over (under) disbursements	5,254	(549)	(3,640)	1,065
Other financing sources:				
Operating transfers in	-	-	3,700	3,700
Net change in cash balances	5,254	(549)	60	4,765
Cash balances beginning of year	(4,220)	4,433	-	213
Cash balances end of year	<u>\$ 1,034</u>	<u>3,884</u>	<u>60</u>	<u>4,978</u>
<b>Cash Basis Fund Balances</b>				
Unreserved:				
Special revenue funds	<u>\$ 1,034</u>	<u>3,884</u>	<u>60</u>	<u>4,978</u>

See accompanying independent auditor's report.

City of Postville  
Schedule of Indebtedness  
Year ended June 30, 2007

Obligation	Date of Issue	Interest Rates
General obligation bonds:		
Refunding	Jun 1, 2002	3.90-4.90%
General obligation notes:		
Refunding	Dec 1, 1998	4.20-4.50%
Lawler/Green streets project	Jun 15, 2004	-
Capital loan	Feb 1, 2007	6.10-6.95
Total		
Revenue notes:		
Child care facility	Apr 14, 2003	4.25%
Water	May 1, 2005	3.70-5.10
Sewer refunding	Feb 1, 2007	3.90-4.45
Sewer	Feb 8, 2007	4.125
Total		
Revenue bonds:		
Sewer	Aug 1, 1999	5.25-5.75%
Lease purchase agreement:		
Street lighting	Dec 20, 2003	9.75%
Project anticipation revenue notes:		
Sewer	Jun 1, 2004	4.50%

\* Principal and interest due and unpaid of \$1,550 and \$1,513, respectively.

See accompanying independent auditor's report.

Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Principal and Interest Due and Unpaid	Interest Paid
\$ 1,700,000	1,495,000	-	110,000	1,385,000	-	66,025
\$ 900,000	525,000	-	55,000	470,000	-	22,920
522,225	53,000	-	53,000	-	-	-
610,000	-	610,000	-	610,000	-	33,700
	\$ 578,000	610,000	108,000	1,080,000	-	56,620
\$ 300,000	297,006	-	3,391	293,615	-	12,558
1,700,000	1,700,000	-	-	1,700,000	-	77,542
640,000	-	640,000	-	640,000	-	-
4,520,000	-	4,520,000	117,510	4,402,490	-	49,550
	\$ 1,997,006	5,160,000	120,901	7,036,105	-	139,650
\$ 770,000	600,000	-	600,000	-	-	16,400
\$ 242,000	199,446	-	17,055	182,391	3,063 *	16,638
\$ 4,520,000	\$ 4,520,000	-	4,520,000	-	-	140,120

City of Postville  
Bond and Note Maturities  
June 30, 2007

Year Ending June 30,	General Obligation Bonds		General Obligation Notes				Total
	Refunding		Refunding		Capital Loan		
	Issued Jun 1, 2002		Issued Dec 1, 1998		Issued Feb 1, 2007		
Interest		Interest		Interest			
Rates	Amount	Rates	Amount	Rate	Amount		
2008	3.90%	\$ 115,000	4.25%	\$ 60,000	6.10%	\$ 30,000	90,000
2009	4.00	115,000	4.30	60,000	6.10	30,000	90,000
2010	4.10	120,000	4.35	65,000	6.10	35,000	100,000
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		-		-		-	-
Total		<u>\$1,385,000</u>		<u>\$ 470,000</u>		<u>\$ 610,000</u>	<u>1,080,000</u>

See accompanying independent auditor's report.

Revenue Notes						
Child Care Facility		Water		Sewer Refunding		
Issued Apr 14, 2003		Issued May 1, 2005		Issued Feb 1, 2007		
Interest		Interest		Interest		
Rates	Amount	Rates	Amount	Rates	Amount	Total
4.25%	\$ 3,537		\$ -	3.90%	\$ 35,000	38,537
4.25	3,691		-	3.95	45,000	48,691
4.25	3,851	3.70%	100,000	4.00	50,000	153,851
4.25	4,017	3.90	100,000	4.05	45,000	149,017
4.25	4,192	4.00	100,000	4.10	50,000	154,192
4.25	4,373	4.10	100,000	4.15	50,000	154,373
4.25	4,563	4.20	100,000	4.20	50,000	154,563
4.25	4,760	4.30	100,000	4.25	55,000	159,760
4.25	4,967	4.50	100,000	4.30	60,000	164,967
4.25	5,182	4.60	100,000	4.35	60,000	165,182
4.25	5,407	4.70	100,000	4.40	70,000	175,407
4.25	5,641	4.75	105,000	4.45	70,000	180,641
4.25	5,885	4.80	110,000	-	-	115,885
4.25	6,140	4.90	110,000	-	-	116,140
4.25	6,406	4.95	110,000	-	-	116,406
4.25	6,684	5.00	115,000	-	-	121,684
4.25	6,974	5.05	120,000	-	-	126,974
4.25	207,345	5.10	130,000	-	-	337,345
	<u>\$ 293,615</u>		<u>\$1,700,000</u>		<u>\$ 640,000</u>	<u>2,633,615</u>

**Schedule 4**

## City of Postville

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

For the Last Six Years

	2007	2006	2005	2004	2003	2002
<b>Receipts:</b>						
Property tax	\$ 622,672	596,806	601,959	591,367	503,421	513,060
Tax increment financing	253,785	136,429	140,963	38,406	69,220	12,201
Other city tax	181,984	156,424	154,567	138,283	143,186	135,644
Licenses and permits	10,960	7,607	6,190	7,117	10,130	6,396
Use of money and property	16,179	29,827	33,549	42,937	34,417	36,567
Intergovernmental	392,657	2,122,705	4,313,858	618,058	679,959	290,484
Charges for service	145,263	139,560	143,301	130,927	109,517	104,557
Special assessments	6,175	7,293	73,973	15,702	8,440	7,611
Miscellaneous	103,163	386,255	253,278	154,350	187,864	519,968
<b>Total</b>	<b>\$ 1,732,838</b>	<b>3,582,906</b>	<b>5,721,638</b>	<b>1,737,147</b>	<b>1,746,154</b>	<b>1,626,488</b>
<b>Disbursements:</b>						
<b>Operating:</b>						
Public safety	\$ 356,384	350,573	343,843	311,710	292,179	280,242
Public works	400,510	352,049	367,570	388,450	352,294	428,369
Culture and recreation	201,829	132,571	134,690	127,302	137,258	146,965
Community and economic development	86,651	4,943	176,964	183,221	57,486	106,388
General government	263,622	677,853	383,205	371,080	200,384	196,662
Debt service	288,444	256,132	251,572	153,698	150,698	83,651
Capital projects	4,904,965	4,055,279	8,854,246	976,055	2,377,674	1,209,380
<b>Total</b>	<b>\$ 6,502,405</b>	<b>5,829,400</b>	<b>10,512,090</b>	<b>2,511,516</b>	<b>3,567,973</b>	<b>2,451,657</b>

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**

**City of Postville**



**OFFICE OF AUDITOR OF STATE  
STATE OF IOWA**

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

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 of the City of Postville, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated March 24, 2008. Our report expressed an unqualified opinion on the primary government 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 an 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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting we consider to be a significant deficiency.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Postville's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of the City of Postville's financial statements that is more than inconsequential will not be prevented or detected by the City of Postville's internal control. We consider the deficiency in internal control described in the accompanying Schedule of Findings to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City of Postville's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we do not believe the significant deficiency described above is a material weakness.

#### 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 that 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, 2007 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.

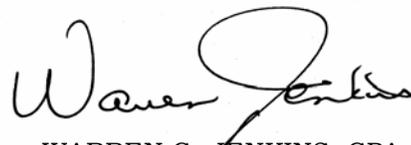
The City of Postville's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City of Postville's responses and, accordingly, we express no opinion on them.

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. This report 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 24, 2008

City of Postville  
Schedule of Findings  
Year ended June 30, 2007

**Findings Related to the Financial Statements:**

**SIGNIFICANT DEFICIENCIES:**

(A) Written Policies – The City does not have written policies and procedures for:

Purchase of equipment, supplies or materials.

Sale of city owned property, equipment, supplies or material.

Recommendation – The City should develop written policies and procedures addressing the above items to improve controls over city purchases and sales of property.

Response – The City Council adopted a policy on January 28, 2008 on purchase and sale of city owned property.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

City of Postville

Schedule of Findings

Year ended June 30, 2007

**Other Findings Related to Required Statutory Reporting:**

- (1) Certified Budget – Disbursements during the year ended June 30, 2007 did not exceed the amounts budgeted.
- (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 – The City did not have surety bond coverage of City officials and employees in accordance with statutory provisions.

Recommendation – The City should obtain surety bond coverage of City officials and employees in accordance with statutory provisions.

Response – Currently the City has obtained surety bond coverage.

Conclusion – Response accepted.

- (6) Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

Minutes were not published within 15 days as required by Chapter 372.13(6) of the Code of Iowa.

Recommendation – The City should publish minutes as required by Chapter 372.13(6) of the Code of Iowa.

Response – The Clerk sends council minutes to the newspaper within the 15 day requirement. However, the newspaper chooses not to publish due to space requirements. The Clerk will obtain a written statement from the newspaper when it chooses not to publish due to space requirements.

Conclusion – Response accepted.

- (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 Bonds and Notes – No instances of non-compliance with provisions of the revenue bond and note resolutions were noted, except as follows:

The City has not established the Sinking Fund and the Improvement Fund required by City Resolution No. 814 for the child care facility revenue note.

City of Postville

Schedule of Findings

Year ended June 30, 2007

Recommendation – The City should review Resolution No. 814 and establish the required Sinking and Improvement Funds.

Response – City has established sinking and depreciation fund accounts in FY08.

Conclusion – Response accepted.

- (9) Financial Condition – The Capital Projects Fund had a deficit balance of \$54,925 at June 30, 2007.

Recommendation – The City should investigate alternatives to eliminate the deficit to return this fund to a sound financial position.

Response – The Capital Projects Fund deficit balance will be eliminated through grant funds and payments from wastewater usage.

Conclusion – Response accepted.

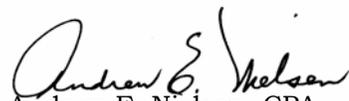
---

City of Postville

Staff

This audit was performed by:

K. David Voy, CPA, Manager  
John G. Vanis, CGFM, Senior Auditor  
Aaron P. Wagner, Staff Auditor  
Lori M. Dinville, Assistant Auditor



Andrew E. Nielsen, CPA  
Deputy Auditor of State