



**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 29, 2009

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 \$3,046,576 for the year ended June 30, 2008, a 66 percent decrease from 2007. The receipts included \$641,769 from property tax, \$260,799 from tax increment financing, \$1,548,506 from charges for service, \$355,001 from operating grants, contributions and restricted interest, \$162,448 from local option sales tax, \$46,275 from unrestricted interest on investments and \$31,778 from other general receipts.

Disbursements for the year totaled \$2,882,979, a 64 percent decrease from the prior year, and included \$396,159 for public safety, \$392,742 for public works and \$328,905 for debt service. Also, disbursements for business type activities totaled \$1,109,135.

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

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>.

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**CITY OF POSTVILLE**

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

**JUNE 30, 2008**

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**City of Postville**

**Officials**

| <u>Name</u>                  | <u>Title</u>   | <u>Term Expires</u> |
|------------------------------|----------------|---------------------|
| <b>(Before January 2008)</b> |                |                     |
| 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       | (Resigned)          |
| Anne Loomis (Appointed)      | Attorney       | Indefinite          |
| <b>(After January 2008)</b>  |                |                     |
| Robert O. Penrod             | Mayor          | Jan 2010            |
| Jeff Reinhardt               | Mayor Pro tem  | Jan 2010            |
| Virginia Medberry            | Council Member | Jan 2010            |
| Larry Moore                  | Council Member | Jan 2012            |
| Milo Heins                   | Council Member | Jan 2012            |
| Ross Malcom                  | Council Member | Jan 2012            |
| Darcy Radloff                | Clerk          | Indefinite          |
| Cindy Converse               | Treasurer      | Indefinite          |
| Anne Loomis                  | Attorney       | Indefinite          |

**City of Postville**



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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, 2008, 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.

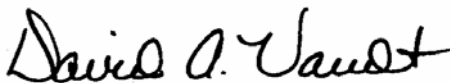
The financial statements referred to above include only the primary government of the City of Postville, which consists of all funds, organizations, institutions, agencies, departments and offices that comprise the City's legal entity. The financial statements do not include financial data for the City's 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, 2008, 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, 2008, 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.

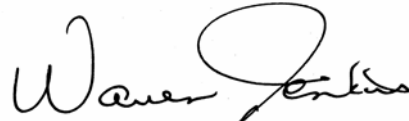
In accordance with Government Auditing Standards, we have also issued our report dated March 31, 2009 on our consideration of the City of Postville's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements 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 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 two years ended June 30, 2007 (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, based on our audits and the reports 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 31, 2009



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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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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, 2008. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### **2008 FINANCIAL HIGHLIGHTS**

- Receipts of the City's governmental activities decreased 76%, or approximately \$5,287,000, from fiscal year 2007 to fiscal year 2008. Bond, note and loan proceeds decreased approximately \$5,124,000 and sale of capital assets decreased approximately \$99,000.
- Disbursements of the City's governmental activities decreased 73%, or approximately \$4,728,000, in fiscal year 2008 from fiscal year 2007. Capital projects disbursements decreased approximately \$4,681,000.
- The City's total cash basis net assets increased 11%, or approximately \$164,000, from June 30, 2007 to June 30, 2008. Of this amount, the assets of the governmental activities decreased approximately \$106,000 and the assets of the business type activities increased approximately \$270,000.

### **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 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 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.

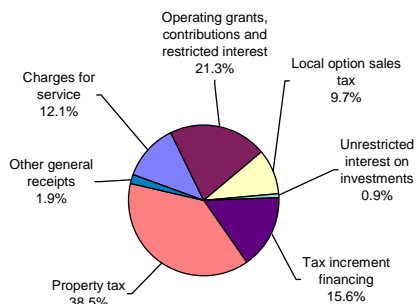
The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

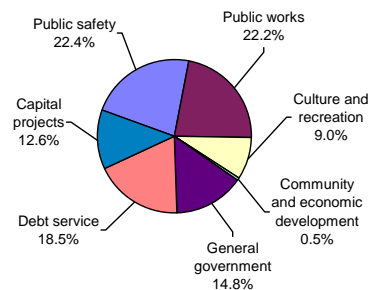
Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, decreasing from \$344,122 to \$238,058. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

| Changes in Cash Basis Net Assets of Governmental Activities<br>(Expressed in Thousands) |                     |              |
|---|---------------------|--------------|
|   | Year ended June 30, |              |
|   | 2008                | 2007         |
| Receipts:   |                     |              |
| Program receipts:   |                     |              |
| Charges for service   | \$ 201              | 185          |
| Operating grants, contributions and restricted interest                                 | 355                 | 379          |
| Capital grants, contributions and restricted interest                                   | -                   | 68           |
| General receipts:   |                     |              |
| Property tax  | 642                 | 623          |
| Tax increment financing   | 261                 | 254          |
| Local option sales tax  | 162                 | 180          |
| Unrestricted interest on investments  | 15                  | 12           |
| Bond, note and loan proceeds  | -                   | 5,124        |
| Sale of capital assets  | -                   | 99           |
| Other general receipts  | 32                  | 31           |
| Total receipts  | <u>1,668</u>        | <u>6,955</u> |
| Disbursements:  |                     |              |
| Public safety   | 396                 | 356          |
| Public works  | 393                 | 401          |
| Culture and recreation  | 160                 | 202          |
| Community and economic development  | 9                   | 87           |
| General government  | 263                 | 263          |
| Debt service  | 329                 | 288          |
| Capital projects  | 224                 | 4,905        |
| Total disbursements   | <u>1,774</u>        | <u>6,502</u> |
| Changes in cash basis net assets before transfers                                       | (106)               | 453          |
| Transfers, net  | -                   | (100)        |
| Increase (decrease) in cash basis net assets  | <u>(106)</u>        | <u>353</u>   |
| Cash basis net assets beginning of year   | 344                 | (9)          |
| Cash basis net assets end of year   | <u>\$ 238</u>       | <u>344</u>   |

Receipts by Source



Disbursements by Function



The City's total receipts for governmental activities decreased 76%, or approximately \$5,287,000. The total cost of all programs and services decreased approximately \$4,728,000, or 73%, with no new programs added this year. The significant decrease in receipts and disbursements was primarily the result of general obligation note proceeds received in the previous year of approximately \$5,124,000 for the wastewater facility project.

The cost of all governmental activities this year was approximately \$1.8 million compared to approximately \$6.5 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 \$1.2 million because some of the cost was paid by those directly benefited from the programs (\$201,313) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$342,723). The City paid for the remaining "public benefit" portion of governmental activities with approximately \$642,000 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, |              |
|  | 2008                | 2007         |
| Receipts:  |                     |              |
| Program receipts:  |                     |              |
| Charges for service:   |                     |              |
| Water  | \$ 582              | 521          |
| Sewer  | 738                 | 571          |
| Lagoon operations  | 13                  | 166          |
| Storm water utility  | 14                  | -            |
| General receipts:  |                     |              |
| Unrestricted interests in investments                        | 32                  | 27           |
| Sewer note proceeds  | -                   | 634          |
| Total receipts   | <u>1,379</u>        | <u>1,919</u> |
| Disbursements:   |                     |              |
| Water  | 458                 | 393          |
| Sewer  | 628                 | 1,101        |
| Lagoon operations  | 23                  | 98           |
| Total disbursements  | <u>1,109</u>        | <u>1,592</u> |
| Change in cash basis net assets before transfers             | 270                 | 327          |
| Transfers, net   | -                   | 100          |
| Increase in cash basis net assets                            | 270                 | 427          |
| Cash basis net assets beginning of year                      | 1,132               | 705          |
| Cash basis net assets end of year                            | <u>\$ 1,402</u>     | <u>1,132</u> |

Total business type activities receipts for the fiscal year 2008 were approximately \$1,379,000 compared to approximately \$1,919,000 last year. This decrease was due primarily to the note proceeds received in the prior year. The cash balance increased approximately \$270,000 from the prior year, primarily due to increases in charges for service. Total disbursements for the fiscal year decreased approximately \$483,000 to a total of approximately \$1,109,000, primarily due to paying refunding note proceeds of \$614,802 to a trust agent in the prior year.

## **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of Postville completed the year, its governmental funds reported a combined balance of \$238,058, a decrease of approximately \$106,000 from last year's total of \$344,122. 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 \$148,397 from the prior year to a deficit balance of \$(103,193). Total receipts decreased 7% and total disbursements decreased 10%. Other factors include a decrease in intergovernmental receipts of \$123,227. Disbursements for the community and economic development function decreased \$77,158.
- The Special Revenue, Road Use Tax Fund cash balance decreased \$49,871 to \$74,718. The decrease was due to increased public works spending.
- The Special Revenue, Local Option Sales Tax Fund cash balance increased \$63,232 to \$145,893. The increase was due to a reduction in public works spending.
- The Special Revenue, Tax Increment Financing Fund cash balance decreased \$40,385 to \$100,400. The decrease is primarily due to increased transfers to the Debt Service Fund in fiscal year 2008.
- The Debt Service Fund cash balance increased \$38,349 during the fiscal year to \$39,179. The increase is primarily due to an increase in transfers to the Debt Service Fund.
- The Capital Projects Fund cash balance increased \$6,270 to a deficit of (\$48,655) during the fiscal year, with no significant changes.

## **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 \$146,201 to \$718,590.
- The Sewer Fund cash balance increased \$119,264 to \$620,807. An increase in sewer rental rates during the prior year resulted in a full year's collection at the new rate.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget once. The amendment was approved on March 24, 2008 and resulted in a decrease in disbursements of \$162,450 related to operational costs and capital projects. Budgeted receipts increased, primarily due to charges for service.

The City's receipts were \$724,505 less than budgeted. This was primarily due to less collection for charges for service than anticipated.

With the amendment, total disbursements were \$934,337 less than the amended budget, primarily due to the bike trail in the capital projects function and the water treatment project and sewer utility in the business type activities function which were not completed in FY 2008.

## DEBT ADMINISTRATION

At June 30, 2008, the City had \$9,270,794 in bonds, notes and other long-term debt outstanding, compared to \$9,683,496 last year, as shown below.

|  | Outstanding Debt at Year-End |           |
|--|------------------------------|-----------|
|  | June 30,                     |           |
|  | 2008                         | 2007      |
| General obligation refunding bonds       | \$ 1,270,000                 | 1,385,000 |
| General obligation notes                 | 990,000                      | 1,080,000 |
| Child care facility revenue notes        | 290,078                      | 293,615   |
| Water revenue notes                      | 1,700,000                    | 1,700,000 |
| Sewer revenue notes                      | 4,860,326                    | 5,042,490 |
| Street lighting lease purchase agreement | 160,390                      | 182,391   |
| Total                                    | \$ 9,270,794                 | 9,683,496 |

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 \$2,420,390 is below its constitutional debt limit of \$3,676,129.

## 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 2009 budget, tax rates and fees charged for various City activities. One of those factors is the economy. The City planned to reduce spending due to previous years of overspending. We planned on normal economic activity with businesses continuing in a normal business cycle. We planned for moderate housing growth, moving forward in modifying the City's wastewater facility with changes to user fees accordingly. Increased inflation and rising energy costs were taken into account when adopting the budget for fiscal year 2009. Amounts appropriated in the operating budget are \$3,182,627.

The City's budgeted ending fund balance is expected to be approximately \$1,739,000 as of June 30, 2009.

## 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, 2008

|                                    | Disbursements | Program Receipts    |  |
|------------------------------------|---------------|---------------------|--|
|                                    |               | Charges for Service | Operating Grants Contributions and Restricted Interest |
| <b>Functions/Programs:</b>         |               |                     |  |
| Governmental activities:           |               |                     |  |
| Public safety                      | \$ 396,159    | 22,767              | 21,257   |
| Public works                       | 392,742       | 119,948             | 194,734  |
| Culture and recreation             | 160,046       | 29,628              | 18,758   |
| Community and economic development | 9,493         | -                   | -  |
| General government                 | 262,795       | 28,970              | -  |
| Debt service                       | 328,905       | -                   | -  |
| Capital projects                   | 223,704       | -                   | 120,252  |
| Total governmental activities      | 1,773,844     | 201,313             | 355,001  |
| Business type activities:          |               |                     |  |
| Water                              | 457,626       | 581,711             | -  |
| Sewer                              | 628,084       | 737,861             | -  |
| Lagoon operations                  | 23,425        | 13,163              | -  |
| Storm water utility                | -             | 14,458              | -  |
| Total business type activities     | 1,109,135     | 1,347,193           | -  |
| Total                              | \$ 2,882,979  | 1,548,506           | 355,001  |

**General Receipts:**

Property and other city tax levied for:

General purposes

Tax increment financing

Debt service

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

Urban renewal purposes

Debt service

Other purposes

Unrestricted

**Total cash basis net assets**

See notes to financial statements.



| Net (Disbursements) Receipts and<br>Changes in Cash Basis Net Assets |                             |             |
|--|-----------------------------|-------------|
| Governmental<br>Activities   | Business Type<br>Activities | Total       |
| (352,135)  | -                           | (352,135)   |
| (78,060)   | -                           | (78,060)    |
| (111,660)  | -                           | (111,660)   |
| (9,493)  | -                           | (9,493)     |
| (233,825)  | -                           | (233,825)   |
| (328,905)  | -                           | (328,905)   |
| (103,452)  | -                           | (103,452)   |
| (1,217,530)  | -                           | (1,217,530) |
| -  | 124,085                     | 124,085     |
| -  | 109,777                     | 109,777     |
| -  | (10,262)                    | (10,262)    |
| -  | 14,458                      | 14,458      |
| -  | 238,058                     | 238,058     |
| (1,217,530)  | 238,058                     | (979,472)   |
| 521,515  | -                           | 521,515     |
| 260,799  | -                           | 260,799     |
| 120,254  | -                           | 120,254     |
| 162,448  | -                           | 162,448     |
| 14,672   | 31,603                      | 46,275      |
| 31,778   | -                           | 31,778      |
| 1,111,466  | 31,603                      | 1,143,069   |
| (106,064)  | 269,661                     | 163,597     |
| 344,122  | 1,132,024                   | 1,476,146   |
| \$ 238,058   | 1,401,685                   | 1,639,743   |
| \$ 74,718  | -                           | 74,718      |
| 145,893  | -                           | 145,893     |
| 100,400  | -                           | 100,400     |
| 39,179   | 552,530                     | 591,709     |
| 29,716   | -                           | 29,716      |
| (151,848)  | 849,155                     | 697,307     |
| \$ 238,058   | 1,401,685                   | 1,639,743   |

City of Postville

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

As of and for the year ended June 30, 2008

|  | Special Revenue |                 |                           |                            |
|--|-----------------|-----------------|---------------------------|----------------------------|
|  | General         | Road<br>Use Tax | Local Option<br>Sales Tax | Tax Increment<br>Financing |
| Receipts:  |                 |                 |                           |                            |
| Property tax   | \$ 365,444      | -               | -                         | -                          |
| Tax increment financing                                    | -               | -               | -                         | 260,799                    |
| Other city tax   | 1,545           | -               | 162,448                   | -                          |
| Licenses and permits                                       | 6,868           | -               | -                         | -                          |
| Use of money and property                                  | 18,726          | -               | -                         | -                          |
| Intergovernmental  | 6,692           | 194,734         | -                         | -                          |
| Charges for service  | 170,731         | -               | -                         | -                          |
| Special assessments  | -               | -               | 12,278                    | -                          |
| Miscellaneous  | 80,534          | -               | -                         | -                          |
| Total receipts   | 650,540         | 194,734         | 174,726                   | 260,799                    |
| Disbursements:   |                 |                 |                           |                            |
| Operating:   |                 |                 |                           |                            |
| Public safety  | 218,982         | -               | 93,347                    | -                          |
| Public works   | 140,035         | 214,605         | 18,147                    | -                          |
| Culture and recreation                                     | 155,867         | -               | -                         | -                          |
| Community and economic development                         | 9,493           | -               | -                         | -                          |
| General government   | 232,744         | -               | -                         | -                          |
| Debt service   | -               | -               | -                         | -                          |
| Capital projects   | -               | -               | -                         | -                          |
| Total disbursements  | 757,121         | 214,605         | 111,494                   | -                          |
| Excess (deficiency) of receipts over (under) disbursements | (106,581)       | (19,871)        | 63,232                    | 260,799                    |
| Other financing sources (uses):                            |                 |                 |                           |                            |
| Operating transfers in                                     | -               | -               | -                         | 37,816                     |
| Operating transfers out                                    | (41,816)        | (30,000)        | -                         | (339,000)                  |
| Total other financing sources (uses)                       | (41,816)        | (30,000)        | -                         | (301,184)                  |
| Net change in cash balances                                | (148,397)       | (49,871)        | 63,232                    | (40,385)                   |
| Cash balances beginning of year                            | 45,204          | 124,589         | 82,661                    | 140,785                    |
| Cash balances end of year                                  | \$ (103,193)    | 74,718          | 145,893                   | 100,400                    |
| <b>Cash Basis Fund Balances</b>                            |                 |                 |                           |                            |
| Reserved for debt service                                  | \$ -            | -               | -                         | -                          |
| Unreserved:  |                 |                 |                           |                            |
| Designated:  |                 |                 |                           |                            |
| Library  | 51,373          | -               | -                         | -                          |
| Swimming pool  | 45,107          | -               | -                         | -                          |
| Childcare  | 5,433           | -               | -                         | -                          |
| Undesignated:  |                 |                 |                           |                            |
| General fund   | (205,106)       | -               | -                         | -                          |
| Special revenue funds                                      | -               | 74,718          | 145,893                   | 100,400                    |
| Capital projects fund                                      | -               | -               | -                         | -                          |
| Total cash basis fund balances                             | \$ (103,193)    | 74,718          | 145,893                   | 100,400                    |

See notes to financial statements.

| Debt Service | Capital Projects | Nonmajor | Total     |
|--------------|------------------|----------|-----------|
| 120,254      | -                | 154,526  | 640,224   |
| -            | -                | -        | 260,799   |
| -            | -                | -        | 163,993   |
| -            | -                | -        | 6,868     |
| -            | -                | 4,227    | 22,953    |
| -            | -                | -        | 201,426   |
| -            | -                | -        | 170,731   |
| -            | -                | -        | 12,278    |
| -            | 107,974          | -        | 188,508   |
| 120,254      | 107,974          | 158,753  | 1,667,780 |
| -            | -                | 83,830   | 396,159   |
| -            | -                | 19,955   | 392,742   |
| -            | -                | 4,179    | 160,046   |
| -            | -                | -        | 9,493     |
| -            | -                | 30,051   | 262,795   |
| 328,905      | -                | -        | 328,905   |
| -            | 223,704          | -        | 223,704   |
| 328,905      | 223,704          | 138,015  | 1,773,844 |
| (208,651)    | (115,730)        | 20,738   | (106,064) |
| 247,000      | 122,000          | 4,000    | 410,816   |
| -            | -                | -        | (410,816) |
| 247,000      | 122,000          | 4,000    | -         |
| 38,349       | 6,270            | 24,738   | (106,064) |
| 830          | (54,925)         | 4,978    | 344,122   |
| 39,179       | (48,655)         | 29,716   | 238,058   |
| 39,179       | 17,100           | -        | 56,279    |
| -            | -                | -        | 51,373    |
| -            | -                | -        | 45,107    |
| -            | -                | -        | 5,433     |
| -            | -                | -        | (205,106) |
| -            | -                | 29,716   | 350,727   |
| -            | (65,755)         | -        | (65,755)  |
| 39,179       | (48,655)         | 29,716   | 238,058   |

**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, 2008

|   | Enterprise |           |          |           |
|---|------------|-----------|----------|-----------|
|   | Water      | Sewer     | Nonmajor | Total     |
| Operating receipts:                                       |            |           |          |           |
| Charges for service                                       | \$ 573,197 | 418,948   | 27,621   | 1,019,766 |
| Miscellaneous   | 8,514      | 318,913   | -        | 327,427   |
| Total operating receipts                                  | 581,711    | 737,861   | 27,621   | 1,347,193 |
| Operating disbursements:                                  |            |           |          |           |
| Business type activities                                  | 379,684    | 222,598   | 23,425   | 625,707   |
| Excess of operating receipts over operating disbursements | 202,027    | 515,263   | 4,196    | 721,486   |
| Non-operating receipts (disbursements):                   |            |           |          |           |
| Interest on investments                                   | 22,116     | 9,487     | -        | 31,603    |
| Debt service  | (77,942)   | (405,486) | -        | (483,428) |
| Total non-operating receipts (disbursements)              | (55,826)   | (395,999) | -        | (451,825) |
| Excess of receipts over disbursements                     | 146,201    | 119,264   | 4,196    | 269,661   |
| Cash balances beginning of year                           | 572,389    | 501,543   | 58,092   | 1,132,024 |
| Cash balances end of year                                 | \$ 718,590 | 620,807   | 62,288   | 1,401,685 |
| <b>Cash Basis Fund Balances</b>                           |            |           |          |           |
| Reserved for debt service                                 | \$ 173,682 | 378,848   | -        | 552,530   |
| Unreserved  | 544,908    | 241,959   | 62,288   | 849,155   |
| Total cash basis fund balances                            | \$ 718,590 | 620,807   | 62,288   | 1,401,685 |

See notes to financial statements.

City of Postville

Notes to Financial Statements

June 30, 2008

**(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 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 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 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, 2008, disbursements did not exceed the amounts budgeted.

**(2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2008 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<br>Ending<br>June 30, | General<br>Obligation Bonds |                | General<br>Obligation Notes |                | Revenue Notes    |                  |
|----------------------------|-----------------------------|----------------|-----------------------------|----------------|------------------|------------------|
|                            | Principal                   | Interest       | Principal                   | Interest       | Principal        | Interest         |
| 2009                       | \$ 115,000                  | 57,250         | 90,000                      | 56,590         | 210,319          | 287,847          |
| 2010                       | 120,000                     | 52,650         | 100,000                     | 52,180         | 322,274          | 279,115          |
| 2011                       | 130,000                     | 47,730         | 100,000                     | 47,218         | 324,520          | 266,168          |
| 2012                       | 135,000                     | 42,205         | 105,000                     | 42,117         | 337,072          | 252,893          |
| 2013                       | 140,000                     | 36,265         | 115,000                     | 36,797         | 344,942          | 238,974          |
| 2014-2018                  | 630,000                     | 77,600         | 305,000                     | 112,335        | 1,899,841        | 967,376          |
| 2019-2023                  | -                           | -              | 175,000                     | 24,645         | 1,977,632        | 541,560          |
| 2024-2028                  | -                           | -              | -                           | -              | 1,257,503        | 125,020          |
| 2029-2033                  | -                           | -              | -                           | -              | 47,010           | 32,730           |
| 2034-2038                  | -                           | -              | -                           | -              | 58,119           | 21,621           |
| 2039-2043                  | -                           | -              | -                           | -              | 71,172           | 7,885            |
| <b>Total</b>               | <b>\$ 1,270,000</b>         | <b>313,700</b> | <b>990,000</b>              | <b>371,882</b> | <b>6,850,404</b> | <b>3,021,189</b> |

| Year<br>Ending<br>June 30, | Total               |                  |
|----------------------------|---------------------|------------------|
|                            | Principal           | Interest         |
| 2009                       | \$ 415,319          | 401,687          |
| 2010                       | 542,274             | 383,945          |
| 2011                       | 554,520             | 361,116          |
| 2012                       | 577,072             | 337,215          |
| 2013                       | 599,942             | 312,036          |
| 2014-2018                  | 2,834,841           | 1,157,311        |
| 2019-2023                  | 2,152,632           | 566,205          |
| 2024-2028                  | 1,257,503           | 125,020          |
| 2029-2033                  | 47,010              | 32,730           |
| 2034-2038                  | 58,119              | 21,621           |
| 2039-2043                  | 71,172              | 7,885            |
| <b>Total</b>               | <b>\$ 9,110,404</b> | <b>3,706,771</b> |

USDA Child Care Facility Revenue Capital Loan Notes – The City issued \$300,000 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, 2008, principal payments to the USDA totaled \$3,537, leaving a principal balance at June 30, 2008 of \$290,078.

The resolutions providing for the issuance of the revenue notes include the following provisions:

- (a) The notes will only 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. The City and PCCS do not appear to be in compliance with certain terms and conditions of the resolutions providing for the Notes. According to the Management Agreement with the City and PCCS, which operates the Child Care Facility, PCCS is responsible for the pledged receipts and maintaining sufficient receipts to pay disbursements and principal and interest.

Water Revenue Notes – The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$1,700,000 in revenue capital loan 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 \$2,495,743. For the current year, principal and interest paid and total customer net receipts were \$77,542 and \$202,027, respectively.

Annual principal and interest payments on the water revenue notes are expected to require 88 percent of net receipts.

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 notes include the following provisions:

- (a) The notes will only 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 \$64,000. 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, 2008, the City paid principal of \$147,164 to the USDA, leaving a balance due at June 30, 2008 of \$4,255,326.

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 and the \$4,520,000 of sewer revenue notes. 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 \$6,954,344. For the current year, principal and interest paid and total customer net receipts were \$405,011 and \$515,263, respectively.

Annual principal and interest payments on the sewer revenue notes are expected to require 79 percent of net receipts.

### 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:

| <u>Year</u><br><u>Ending</u><br><u>June 30,</u> | <u>Principal</u>  | <u>Interest</u> | <u>Total</u>   |
|---|-------------------|-----------------|----------------|
| 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   | <u>\$ 160,390</u> | <u>49,049</u>   | <u>209,439</u> |

#### **(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 3.90% of their annual covered salary and the City is required to contribute 6.05% 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, 2008, 2007 and 2006 were \$33,486, \$30,851 and \$31,483, 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, 2008, primarily relating to the General Fund, is as follows:

| <u>Type of Benefit</u> | <u>Amount</u>     |
|------------------------|-------------------|
| Vacation               | \$ 13,100         |
| Personal leave         | 1,300             |
| Sick leave             | 103,000           |
| Total                  | <u>\$ 117,400</u> |

This liability has been computed based on rates of pay in effect at June 30, 2008.

**(6) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

| <u>Transfer to</u>      | <u>Transfer from</u>    | <u>Amount</u>     |
|-------------------------|-------------------------|-------------------|
| Capital Projects        | Special Revenue:        |                   |
|                         | Road Use Tax            | \$ 30,000         |
|                         | Tax Increment Financing | 92,000            |
|                         |                         | <u>30,000</u>     |
| Special Revenue:        |                         |                   |
| Tax Increment Financing | General                 | 37,816            |
| Special Revenue:        |                         |                   |
| Health Care/Ambulance   | General                 | 4,000             |
| Debt Service            | Special Revenue:        |                   |
|                         | Tax Increment Financing | 247,000           |
|                         |                         | <u>247,000</u>    |
| Total                   |                         | <u>\$ 318,816</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 563 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, 2008 were \$48,885.

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 \$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 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, 2008, 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 three fiscal years.

**(8) Commitments**

The City has entered into a street improvement project totaling \$208,182. At June 30, 2008, \$28,071 remains unpaid and will be paid as work on the project progresses.

**(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. A 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 did not meet the obligations set forth in the agreement. No funds were drawn by the City.

**(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 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.

**(12) Deficit Balances**

The General and Capital Projects Funds had deficit balances of \$103,193 and \$48,655, respectively, at June 30, 2008. The City is currently investigating alternatives to eliminate the deficit in the General Fund by cutting expenses. The Capital Projects Fund deficit will be eliminated when all receipts have been received for the project.

**(13) Subsequent Event**

In November 2008, the City received \$698,000 from a federal grant to help with rental assistance.

**(14) Litigation**

The City and AgriProcessors have entered into agreements which concern the wastewater treatment plant owned by the City which has been treating AgriProcessors wastewater. The plant is financed by a loan from the USDA. Pursuant to agreements with the City, AgriProcessors has been making most of the payments on the USDA loan as well as making other payments to the City for rental of the City's old treatment lagoons and utility service. AgriProcessors filed a voluntary Chapter 11 Bankruptcy Petition in New York on November 4, 2008. The case was transferred to the Northern District of Iowa on December 12, 2008 and is currently pending. 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, 2008

|   | Governmental<br>Funds<br>Actual | Proprietary<br>Funds<br>Actual |
|---|---------------------------------|--------------------------------|
| Receipts:   |                                 |                                |
| Property tax  | \$ 640,224                      |                                |
| Tax increment financing   | 260,799                         | -                              |
| Other city tax  | 163,993                         | -                              |
| Licenses and permits  | 6,868                           | -                              |
| Use of money and property   | 22,953                          | 31,603                         |
| Intergovernmental   | 201,426                         | -                              |
| Charges for service   | 170,731                         | 1,019,766                      |
| Special assessments   | 12,278                          | -                              |
| Miscellaneous   | 188,508                         | 327,427                        |
| Total receipts  | <u>1,667,780</u>                | <u>1,378,796</u>               |
| Disbursements:  |                                 |                                |
| Public safety   | 396,159                         | -                              |
| Public works  | 392,742                         | -                              |
| Culture and recreation  | 160,046                         | -                              |
| Community and economic development  | 9,493                           | -                              |
| General government  | 262,795                         | -                              |
| Debt service  | 328,905                         | -                              |
| Capital projects  | 223,704                         | -                              |
| Business type activities  | -                               | 1,109,135                      |
| Total disbursements   | <u>1,773,844</u>                | <u>1,109,135</u>               |
| Excess (deficiency) of receipts<br>over (under) disbursements   | (106,064)                       | 269,661                        |
| Other financing sources (uses), net   | -                               | -                              |
| Excess (deficiency) of receipts and other financing<br>sources over (under) disbursements and<br>other financing uses | (106,064)                       | 269,661                        |
| Balances beginning of year  | <u>344,122</u>                  | <u>1,132,024</u>               |
| Balances end of year  | <u>\$ 238,058</u>               | <u>1,401,685</u>               |

See accompanying independent auditor's report.

| Total            | Budgeted Amounts |                  | Final to<br>Total<br>Variance |
|------------------|------------------|------------------|-------------------------------|
|                  | Original         | Final            |                               |
| 640,224          | 609,558          | 609,558          | 30,666                        |
| 260,799          | 247,000          | 247,000          | 13,799                        |
| 163,993          | 157,781          | 157,781          | 6,212                         |
| 6,868            | 9,550            | 9,550            | (2,682)                       |
| 54,556           | 22,850           | 26,350           | 28,206                        |
| 201,426          | 346,600          | 345,900          | (144,474)                     |
| 1,190,497        | 1,309,042        | 1,788,492        | (597,995)                     |
| 12,278           | 8,000            | 13,000           | (722)                         |
| 515,935          | 566,550          | 573,450          | (57,515)                      |
| <u>3,046,576</u> | <u>3,276,931</u> | <u>3,771,081</u> | <u>(724,505)</u>              |
| 396,159          | 409,350          | 430,350          | 34,191                        |
| 392,742          | 490,400          | 504,550          | 111,808                       |
| 160,046          | 171,316          | 172,216          | 12,170                        |
| 9,493            | 83,000           | 84,500           | 75,007                        |
| 262,795          | 246,550          | 286,750          | 23,955                        |
| 328,905          | 331,222          | 331,222          | 2,317                         |
| 223,704          | 837,500          | 533,500          | 309,796                       |
| 1,109,135        | 1,410,428        | 1,474,228        | 365,093                       |
| <u>2,882,979</u> | <u>3,979,766</u> | <u>3,817,316</u> | <u>934,337</u>                |
| 163,597          | (702,835)        | (46,235)         | 209,832                       |
| -                | -                | 100              | (100)                         |
| 163,597          | (702,835)        | (46,135)         | 209,732                       |
| <u>1,476,146</u> | <u>2,455,702</u> | <u>2,455,702</u> | <u>(979,556)</u>              |
| <u>1,639,743</u> | <u>1,752,867</u> | <u>2,409,567</u> | <u>(769,824)</u>              |

City of Postville

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2008

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 decreased budgeted disbursements by \$162,450. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2008, disbursements did not exceed the amounts budgeted.

**Other Supplementary Information**

**Schedule 1**

## 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, 2008

|  | Special Revenue       |               |                              |                |
|--|-----------------------|---------------|------------------------------|----------------|
|  | Employees<br>Benefits | Emergency     | Health<br>Care/<br>Ambulance | Total          |
| Receipts:  |                       |               |                              |                |
| Property tax   | \$ 143,963            | 10,563        | -                            | 154,526        |
| Use of money and property                                  | -                     | 45            | 4,182                        | 4,227          |
| Total receipts   | <u>143,963</u>        | <u>10,608</u> | <u>4,182</u>                 | <u>158,753</u> |
| Disbursements:   |                       |               |                              |                |
| Operating:   |                       |               |                              |                |
| Public safety  | 65,583                | 10,447        | 7,800                        | 83,830         |
| Public works   | 19,955                | -             | -                            | 19,955         |
| Culture and recreation                                     | 4,179                 | -             | -                            | 4,179          |
| General government   | 30,051                | -             | -                            | 30,051         |
| Total disbursements  | <u>119,768</u>        | <u>10,447</u> | <u>7,800</u>                 | <u>138,015</u> |
| Excess (deficiency) of receipts over (under) disbursements | 24,195                | 161           | (3,618)                      | 20,738         |
| Other financing sources:                                   |                       |               |                              |                |
| Operating transfers in                                     | -                     | -             | 4,000                        | 4,000          |
| Net change in cash balances                                | 24,195                | 161           | 382                          | 24,738         |
| Cash balances beginning of year                            | 1,034                 | 3,884         | 60                           | 4,978          |
| Cash balances end of year                                  | <u>\$ 25,229</u>      | <u>4,045</u>  | <u>442</u>                   | <u>29,716</u>  |
| <b>Cash Basis Fund Balances</b>                            |                       |               |                              |                |
| Unreserved:  |                       |               |                              |                |
| Special revenue funds                                      | <u>\$ 25,229</u>      | <u>4,045</u>  | <u>442</u>                   | <u>29,716</u>  |

See accompanying independent auditor's report.

## 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, 2008

|   | Enterprise           |                        |        |
|---|----------------------|------------------------|--------|
|   | Lagoon<br>Operations | Storm Water<br>Utility | Total  |
| Operating receipts:   |                      |                        |        |
| Charges for service   | \$ 13,163            | 14,458                 | 27,621 |
| Operating disbursements:  |                      |                        |        |
| Business type activities  | 23,425               | -                      | 23,425 |
| Excess (deficiency) of operating receipts over<br>(under) operating disbursements | (10,262)             | 14,458                 | 4,196  |
| Cash balances beginning of year   | 58,092               | -                      | 58,092 |
| Cash balances end of year   | \$ 47,830            | 14,458                 | 62,288 |
| <b>Cash Basis Fund Balances</b>   |                      |                        |        |
| Unreserved  | \$ 47,830            | 14,458                 | 62,288 |

See accompanying independent auditor's report.

City of Postville  
Schedule of Indebtedness  
Year ended June 30, 2008

| 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, 2003  | 9.75%          | \$ 242,000               |

See accompanying independent auditor's report.



| Balance<br>Beginning<br>of Year | Issued<br>During<br>Year | Redeemed<br>During<br>Year | Balance<br>End of<br>Year | Interest<br>Paid |
|---------------------------------|--------------------------|----------------------------|---------------------------|------------------|
| 1,385,000                       | -                        | 115,000                    | 1,270,000                 | 61,735           |
| 470,000                         | -                        | 60,000                     | 410,000                   | 20,610           |
| 610,000                         | -                        | 30,000                     | 580,000                   | 40,360           |
| \$ 1,080,000                    | -                        | 90,000                     | 990,000                   | 60,970           |
| 293,615                         | -                        | 3,537                      | 290,078                   | 12,411           |
| 1,700,000                       | -                        | -                          | 1,700,000                 | 77,542           |
| 640,000                         | -                        | 35,000                     | 605,000                   | 35,883           |
| 4,402,490                       | -                        | 147,164                    | 4,255,326                 | 186,964          |
| \$ 7,036,105                    | -                        | 185,701                    | 6,850,404                 | 312,800          |
| 182,391                         | -                        | 22,001                     | 160,390                   | 17,818           |

City of Postville  
Bond and Note Maturities  
June 30, 2008

| Year<br>Ending<br>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<br>Rates        | Amount              | Interest<br>Rates        | Amount            | Interest<br>Rate   | Amount            |                |       |
| 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                       | -                        | -                   | -                        | -                 | -                  | -                 | -              |       |
| 2026                       | -                        | -                   | -                        | -                 | -                  | -                 | -              |       |
| 2027                       | -                        | -                   | -                        | -                 | -                  | -                 | -              |       |
| 2028                       | -                        | -                   | -                        | -                 | -                  | -                 | -              |       |
| 2029                       | -                        | -                   | -                        | -                 | -                  | -                 | -              |       |
| 2030                       | -                        | -                   | -                        | -                 | -                  | -                 | -              |       |
| 2031                       | -                        | -                   | -                        | -                 | -                  | -                 | -              |       |
| 2032                       | -                        | -                   | -                        | -                 | -                  | -                 | -              |       |
| 2033                       | -                        | -                   | -                        | -                 | -                  | -                 | -              |       |
| 2034                       | -                        | -                   | -                        | -                 | -                  | -                 | -              |       |
| 2035                       | -                        | -                   | -                        | -                 | -                  | -                 | -              |       |
| 2036                       | -                        | -                   | -                        | -                 | -                  | -                 | -              |       |
| 2037                       | -                        | -                   | -                        | -                 | -                  | -                 | -              |       |
| 2038                       | -                        | -                   | -                        | -                 | -                  | -                 | -              |       |
| 2039                       | -                        | -                   | -                        | -                 | -                  | -                 | -              |       |
| 2040                       | -                        | -                   | -                        | -                 | -                  | -                 | -              |       |
| 2041                       | -                        | -                   | -                        | -                 | -                  | -                 | -              |       |
| 2042                       | -                        | -                   | -                        | -                 | -                  | -                 | -              |       |
| 2043                       | -                        | -                   | -                        | -                 | -                  | -                 | -              |       |
| Total                      |                          | <u>\$ 1,270,000</u> |                          | <u>\$ 410,000</u> |                    | <u>\$ 580,000</u> | <u>990,000</u> |       |

See accompanying independent auditor's report.

| Revenue Notes       |                   |                    |                     |                    |                   |                    |                    |                  |
|---------------------|-------------------|--------------------|---------------------|--------------------|-------------------|--------------------|--------------------|------------------|
| Child Care Facility |                   | Water              |                     | Sewer Refunding    |                   | Sewer              |                    | Total            |
| 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             |                  |
| 4.25%               | \$ 3,691          | -                  | \$ -                | 3.95%              | \$ 45,000         | 4.125%             | \$ 161,628         | 210,319          |
| 4.25                | 3,851             | 3.70%              | 100,000             | 4.00               | 50,000            | 4.125              | 168,423            | 322,274          |
| 4.25                | 4,017             | 3.90               | 100,000             | 4.05               | 45,000            | 4.125              | 175,503            | 324,520          |
| 4.25                | 4,191             | 4.00               | 100,000             | 4.10               | 50,000            | 4.125              | 182,881            | 337,072          |
| 4.25                | 4,373             | 4.10               | 100,000             | 4.15               | 50,000            | 4.125              | 190,569            | 344,942          |
| 4.25                | 4,563             | 4.20               | 100,000             | 4.20               | 50,000            | 4.125              | 198,581            | 353,144          |
| 4.25                | 4,760             | 4.30               | 100,000             | 4.25               | 55,000            | 4.125              | 206,929            | 366,689          |
| 4.25                | 4,961             | 4.50               | 100,000             | 4.30               | 60,000            | 4.125              | 215,628            | 380,589          |
| 4.25                | 5,182             | 4.60               | 100,000             | 4.35               | 60,000            | 4.125              | 224,692            | 389,874          |
| 4.25                | 5,407             | 4.70               | 100,000             | 4.40               | 70,000            | 4.125              | 234,138            | 409,545          |
| 4.25                | 5,641             | 4.75               | 105,000             | 4.45               | 70,000            | 4.125              | 243,981            | 424,622          |
| 4.25                | 5,885             | 4.80               | 110,000             | -                  | -                 | 4.125              | 254,238            | 370,123          |
| 4.25                | 6,140             | 4.90               | 110,000             | -                  | -                 | 4.125              | 264,926            | 381,066          |
| 4.25                | 6,406             | 4.95               | 110,000             | -                  | -                 | 4.125              | 276,063            | 392,469          |
| 4.25                | 6,684             | 5.00               | 115,000             | -                  | -                 | 4.125              | 287,668            | 409,352          |
| 4.25                | 6,974             | 5.05               | 120,000             | -                  | -                 | 4.125              | 299,762            | 426,736          |
| 4.25                | 7,276             | 5.10               | 130,000             | -                  | -                 | 4.125              | 312,363            | 449,639          |
| 4.25                | 7,591             | -                  | -                   | -                  | -                 | 4.125              | 325,495            | 333,086          |
| 4.25                | 7,920             | -                  | -                   | -                  | -                 | 4.125              | 31,858             | 39,778           |
| 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                | 14,934            | -                  | -                   | -                  | -                 | -                  | -                  | 14,934           |
|                     | <u>\$ 290,078</u> |                    | <u>\$ 1,700,000</u> |                    | <u>\$ 605,000</u> |                    | <u>\$4,255,326</u> | <u>6,850,404</u> |

**Schedule 5**

## City of Postville

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

For the Last Seven Years

|                                    | 2008                | 2007             | 2006             | 2005              | 2004             | 2003             | 2002             |
|------------------------------------|---------------------|------------------|------------------|-------------------|------------------|------------------|------------------|
| <b>Receipts:</b>                   |                     |                  |                  |                   |                  |                  |                  |
| Property tax                       | \$ 640,224          | 622,672          | 596,806          | 601,959           | 591,367          | 503,421          | 513,060          |
| Tax increment financing            | 260,799             | 253,785          | 136,429          | 140,963           | 38,406           | 69,220           | 12,201           |
| Other city tax                     | 163,993             | 181,984          | 156,424          | 154,567           | 138,283          | 143,186          | 135,644          |
| Licenses and permits               | 6,868               | 10,960           | 7,607            | 6,190             | 7,117            | 10,130           | 6,396            |
| Use of money and property          | 22,953              | 16,179           | 29,827           | 33,549            | 42,937           | 34,417           | 36,567           |
| Intergovernmental                  | 201,426             | 392,657          | 2,122,705        | 4,313,858         | 618,058          | 679,959          | 290,484          |
| Charges for service                | 170,731             | 145,263          | 139,560          | 143,301           | 130,927          | 109,517          | 104,557          |
| Special assessments                | 12,278              | 6,175            | 7,293            | 73,973            | 15,702           | 8,440            | 7,611            |
| Miscellaneous                      | 188,508             | 103,163          | 386,255          | 253,278           | 154,350          | 187,864          | 519,968          |
| <b>Total</b>                       | <b>\$ 1,667,780</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                      | \$ 396,159          | 356,384          | 350,573          | 343,843           | 311,710          | 292,179          | 280,242          |
| Public works                       | 392,742             | 400,510          | 352,049          | 367,570           | 388,450          | 352,294          | 428,369          |
| Culture and recreation             | 160,046             | 201,829          | 132,571          | 134,690           | 127,302          | 137,258          | 146,965          |
| Community and economic development | 9,493               | 86,651           | 4,943            | 176,964           | 183,221          | 57,486           | 106,388          |
| General government                 | 262,795             | 263,622          | 677,853          | 383,205           | 371,080          | 200,384          | 196,662          |
| Debt service                       | 328,905             | 288,444          | 256,132          | 251,572           | 153,698          | 150,698          | 83,651           |
| Capital projects                   | 223,704             | 4,904,965        | 4,055,279        | 8,854,246         | 976,055          | 2,377,674        | 1,209,380        |
| <b>Total</b>                       | <b>\$ 1,773,844</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, 2008, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated March 31, 2009. 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 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 certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, including a deficiency we consider to be a material weakness.

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 deficiencies in internal control described in the accompanying Schedule of Findings to be significant deficiencies 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 the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item (A) 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, 2008 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.

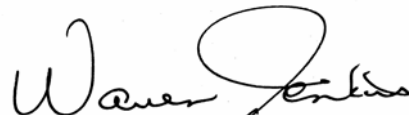
The City of Postville's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City of Postville's responses and, accordingly, we express no opinion on them.

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 31, 2009



City of Postville

Schedule of Findings

Year ended June 30, 2008

**Findings Related to the Financial Statements:**

**SIGNIFICANT 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 are prepared and cash receipts are posted to the cash receipts journal by the same person.

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.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We understand the potential weakness, however, it is difficult to segregate duties with a limited number of employees. We will monitor procedures to try obtain the maximum internal control with current staff.

Conclusion – Response accepted.

- (B) Annual Financial Report – The City's annual financial report was prepared and filed timely for the year ended June 30, 2008. However, the report contained material errors and amounts which could not be substantiated.

Recommendation – The annual financial report should be amended to correct material errors and the amounts reported should be substantiated.

Response – The Annual report for FY2007 had an error in the column for proprietary fund. However, the ending balances remain the same. The FY2008 report has been corrected and a copy of the amended report will be filed with the State Auditor's Office.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

City of Postville

Schedule of Findings

Year ended June 30, 2008

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

- (1) Certified Budget – Disbursements during the year ended June 30, 2008 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 – 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 City has not complied with certain terms and conditions of the resolutions providing for the \$300,000 USDA Child Care Facility Revenue Capital Loan Notes (Notes), including certain audit requirements and covenants pertaining to charges for the use of and service rendered by the Child Care Facility (Facility).

The City’s bond counsel contacted USDA and obtained a verbal waiver regarding the audit requirements. However, pursuant to Section 12 of the resolution, “The Issuer (City) covenants and agrees that it will maintain just and equitable rates or charges for the use of and service rendered by said Facility in each year for the payment of the proper and reasonable expenses of operation and maintenance of said Facility and for the establishment of a sufficient sinking fund to meet the principal of and interest on this Note, and other Obligations ranking on a parity therewith, as the same become due.”

The City established ordinance Chapter 28 “Community Child Care Facilities” dated May 2003 which includes provisions for rates and services. Chapter 28.03 states, in part, “User (Postville Child Care Services, Inc. (PCCS)) shall pay to the City the monthly service charge of \$1,377 in payment for use of the facilities in accordance with the terms of the Agreement (Management Agreement).” The Management Agreement also states, in part, Postville Child Care Services, Inc. covenants it will “make Use Payments to the City in accordance with Rate Ordinance adopted by City.” PCCS is not making these payments to the City.

City of Postville

Schedule of Findings

Year ended June 30, 2008

Pursuant to the City's amended resolution, the Notes are payable to the U.S. Department of Agriculture (USDA) in monthly installments of \$1,329. However, the City did not amend Ordinance Chapter 28 or the Management Agreement to revise the monthly rate from \$1,377 to \$1,329.

Recommendation - The City should review and revise these conflicting provisions and consult bond counsel and the USDA regarding compliance and written waivers from the USDA, as deemed necessary and appropriate.

Response - The City will review the ordinance and amend it accordingly. Will meet with the PCCS Board to amend agreements and request payment on the note.

Conclusion - Response acknowledged. In addition, the City should obtain written waivers regarding the audit and compliance requirements.

- (9) Financial Condition - The General and Capital Projects Funds had deficit balances of \$103,193 and \$48,655, respectively, at June 30, 2008.

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

Response - The City is currently investigating alternatives to eliminate the deficit in the General Fund by cutting expenses. The Capital Projects Fund will be eliminated when all receipts have been received for the project.

Conclusion - Response accepted.

- (10) Tax Increment Financing (TIF) - The City's TIF Indebtedness Certification dated November 21, 2006 included \$430,655 for USDA sewer revenue notes.

At June 30, 2008, the Special Revenue, Tax Increment Financing Fund had a cash balance of \$100,400.

Recommendation - The City should complete and file Form 3 of the TIF Indebtedness Certification with the County Auditor to reduce the TIF indebtedness outstanding of \$430,655 for the USDA sewer revenue notes because these revenue notes are required to be repaid with sewer revenue.

The City should complete and file Form 3 of the TIF Indebtedness Certification with the County Auditor to reduce the outstanding TIF indebtedness certified by the amount of cash on hand at June 30, 2008 in the Special Revenue, Tax Increment Financing Fund.

Response - The City will review the TIF certification with our financial consultant and correct amounts previously certified to the County Auditor.

Conclusion - Response accepted.

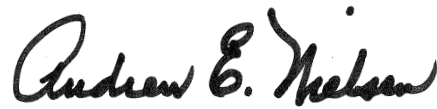
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City of Postville

Staff

This audit was performed by:

K. David Voy, CPA, Manager  
Billie Jo Heth, Senior Auditor II  
Aaron P. Wagner, CPA, Staff Auditor  
Adam D. Steffensmeier, Staff Auditor  
Samantha J. Brincks, Assistant Auditor

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

Andrew E. Nielsen, CPA  
Deputy Auditor of State