OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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NEWS RELEASE

FOR RELEASE October 18, 2007

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 $6,189,962 for the year ended June 30, 2006, a 28 percent decrease from 2005. The receipts included $597,269 in property tax, $136,429 from tax increment financing, $1,278,855 from charges for service, $358,007 from operating grants, contributions and restricted interest, $2,104,947 from capital grants, contributions and restricted interest, $154,350 from local option sales tax, $26,327 from unrestricted interest on investments, $60,000 from bank loan proceeds, $1,185,000 from project anticipation note proceeds, $244,349 from the sale of capital assets and $44,429 from other general receipts.

Disbursements for the year totaled $6,668,150, a 41 percent decrease from the prior year, and included $4,055,279 for capital projects, $677,853 for general government and $352,049 for public works. Also, disbursements for business type activities totaled $838,750

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

A copy of the report is available for review in the City Clerk's office, in the Office of Auditor of State and on the Auditor of State's web site at http://auditor.iowa.gov/reports/reports.htm.

# # #

CITY OF POSTVILLE

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

JUNE 30, 2006

0620-0013-B00F

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City of Postville

Officials

Name	Title	Term Expires
(Before January 2006)		
John Hyman	Mayor	Jan 2006
Ron Taylor	Mayor Pro tem	Jan 2006
Virginia Medberry	Council Member	Jan 2006
Leigh Rekow	Council Member	Jan 2008
Marlys Sowers	Council Member	Jan 2008
Tracey Schager	Council Member	Jan 2008
Melissa Hammersland	Clerk	Indefinite
Cindy Converse	Treasurer	Indefinite
Matthew Erickson	Attorney	Indefinite
(After January 2006)		
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
Melissa Hammersland	Clerk	Resigned
Darcy Radloff (Appointed)	Clerk	Indefinite
Cindy Converse	Treasurer	Indefinite
Matthew Erickson	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, 2006, 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, 2006, 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, 2006, 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 June 19, 2007 on our consideration of the City of Postville's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts

and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 12 and 30 through 32 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Postville's basic financial statements. Other supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The financial statements for the four years ended June 30, 2005 (none of which are 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. The report of the other auditors stated the supplementary information for the four years ended June 20, 2005 was subjected to the auditing procedures applied in their audits of the financial statements and, in their opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

DAVID A. VAUDT, CPA
Auditor of State

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

June 19, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Postville provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2006 FINANCIAL HIGHLIGHTS

- Receipts and transfers of the City's governmental activities decreased 29%, or approximately $2,174,000, from fiscal 2005 to fiscal 2006. Property tax and tax increment financing decreased approximately $10,000 and operating and capital grants, contributions and restricted interest decreased approximately $1,844,000.

- Disbursements of the City's governmental activities decreased 44.5%, or approximately $4,682,000, in fiscal 2006 from fiscal 2005. Capital projects disbursements decreased approximately $4,799,000.

- The City's total cash basis net assets decreased 40.7%, or approximately $478,000, from June 30, 2005 to June 30, 2006. Of this amount, the assets of the governmental activities decreased approximately $467,000 and the assets of the business type activities decreased approximately $11,000.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the City.

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 storm water and the sanitary sewer systems. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

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

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

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

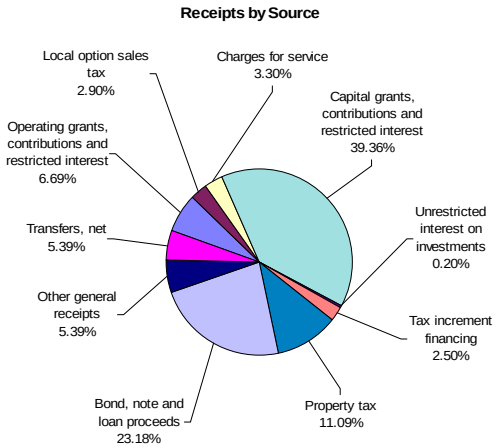
The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

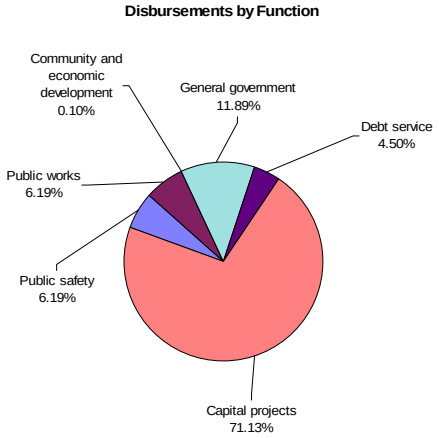
GOVERNMENT-WIDE FINANCIAL ANALYSIS

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 $457,750 to a deficit of $8,897. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities
(Expressed in Thousands)

	Year ended June 30,	
	2006	2005
Receipts and transfers:		
Program receipts:		
Charges for service	$ 179	481
Operating grants, contributions and restricted interest	358	204
Capital grants, contributions and restricted interest	2,105	4,103
General receipts:		
Property tax	597	743
Tax increment financing	136	-
Local option sales tax	154	152
Grants and contributions not restricted to specific purposes	-	7
Unrestricted interest on investments	9	7
Bond, note and loan proceeds	1,245	1,830
Other general receipts	290	40
Transfers, net	290	(30)
Total receipts and transfers	5,363	7,537
Disbursements:		
Public safety	351	344
Public works	352	367
Culture and recreation	133	135
Community and economic development	5	177
General government	678	383
Debt service	256	252
Capital projects	4,055	8,854
Total disbursements	5,830	10,512
Decrease in cash basis net assets	(467)	(2,975)
Cash basis net assets beginning of year	458	3,433
Cash basis net assets end of year	$ (9)	458





The City's total receipts and transfers for governmental activities decreased 29%, or approximately $2,174,000. The total cost of all programs and services decreased approximately $4,682,000, or 44.5%, with no new programs added this year. The significant decrease in receipts was primarily the result of capital grants received in the prior year of approximately $1,844,000 for the wastewater facility project.

The cost of all governmental activities this year was $5.8 million compared to $10.5 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 $3.19 million because some of the cost was paid by those directly benefited from the programs ($179,000) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest ($2,463,000). The City paid for the remaining "public benefit" portion of governmental activities with approximately $734,000 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,	
	2006	2005
Receipts:		
Program receipts:		
Charges for service:		
Water	$ 489	441
Sewer	385	347
Lagoon operations	225	113
General receipts:		
Unrestricted interests in investments	18	17
Other general receipts	-	92
Total receipts	1,117	1,010
Disbursements and transfers:		
Water	375	365
Sewer	291	324
Lagoon	173	176
Transfers	290	(30)
Total disbursements and transfers	1,129	835
Increase (decrease) in cash basis net assets	(12)	175
Cash basis net assets beginning of year	717	542
Cash basis net assets end of year	$ 705	717

Total business type activities receipts for the fiscal year were approximately $1,117,000 compared to approximately $1,010,000 last year. This increase was due primarily to the rate increases in 2006. The cash balance decreased approximately $12,000 from the prior year because the water costs in fiscal year 2006 were $10,000 more than those due in fiscal year 2005. Total disbursements for the fiscal year increased 4% to a total of $839,000.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Postville completed the year, its governmental funds reported a combined deficit balance of $8,897, a decrease of approximately $467,000 below last year's total of $457,750. 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 $72,742 from the prior year to $184,427. Total receipts decreased 11.2% and total disbursements increased 14.4%. Net transfers from other funds decreased approximately $6,000. Other factors include an increase in sale of capital assets of $244,000. Disbursements increased for the general government function by $288,499, primarily due to debt payments of $236,274.
- The Road Use Tax Fund cash balance increased $10,697 to $127,167 during the fiscal year with no significant changes.
- The Capital Projects Fund cash balance decreased $361,672 to a deficit of ($357,131) during the fiscal year. The decrease was due to the funding of the wastewater facility project and some of the grant reimbursements were not received as of June 30, 2006.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund was established to accumulate funds to be used for water management and capital projects. At the end of the fiscal year, the cash balance decreased $131,836 to $427,413. Transfers to other funds increased $159,298, primarily due to the funding of water projects.
- The Sewer Fund cash balance increased $67,830 to $287,609. An increase in sewer rental rates during the year resulted in a full year's collection at the new rate, amounting to $49,574.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget twice. The amendments were approved on May 27, 2006 and June 12, 2006 and resulted in an increase of $1,810,090 in disbursements related to operational costs and capital projects. The City received federal grants, bank loan and project anticipation note proceeds and had sufficient cash balances to absorb these additional costs.

The City's receipts were $306,987 less than budgeted. This was primarily due to the City receiving less in intergovernmental receipts than anticipated due to wastewater facility and other capital projects during the year.

With the amendments, total disbursements were $419,540 less than the amended budget. However, the actual disbursements for general government were more than the amended budget. The budget overage in the general government function was primarily due to debt payments that were not considered.

DEBT ADMINISTRATION

At June 30, 2006, the City had $9,389,452 in bonds, notes and other long-term debt outstanding, compared to $9,976,134 last year, as shown below.

Outstanding Debt at Year-End		
	June 30,	
	2006	2005
General obligation bonds	$ 1,495,000	1,600,000
General obligation notes	578,000	866,013
Child care facility revenue notes	297,006	300,000
Water revenue notes	1,700,000	1,700,000
Sewer revenue bonds	600,000	630,000
Street lighting lease purchase agreement	199,446	216,371
Bank loan	-	143,750
Project anticipation revenue notes	4,520,000	4,520,000
Total	$ 9,389,452	9,976,134

Debt decreased as a result of issuing less than was redeemed during the year.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all property within the City's corporate limits. The City's outstanding general obligation, TIF, LOST revenue and general obligation project anticipation debt of $2,272,446 is below its constitutional debt limit of $3,406,032.

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 2007 budget, tax rates and fees charged for various City activities. One of those factors is the economy. The City's growth is in an upward swing. Apartments and housing are being built and are in high demand. The largest drain on the City's budget has been ongoing legal fees for the waste water treatment plant. These factors were taken into account when adopting the budget for fiscal year 2007. Amounts appropriated in the operating budget are $3,005,430. This is a significant decrease due to the near completion of the mechanical treatment plant.

Increased inflation and rising energy costs were taken into account when adopting the budget for fiscal year 2007. The City's budgeted ending fund balance is expected to be approximately $450,000 as of June 30, 2007.

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, 2006

		Program Receipts		
	Disbursements	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	$ 350,573	3,675	23,168	-
Public works	352,049	104,290	194,590	-
Culture and recreation	132,571	33,767	17,843	-
Community and economic development	4,943	-	-	-
General government	677,853	37,171	114,728	-
Debt service	256,132	-	6,458	-
Capital projects	4,055,279	-	1,220	2,104,947
Total governmental activities	5,829,400	178,903	358,007	2,104,947
Business type activities:				
Water	375,144	489,085	-	-
Sewer	290,487	385,283	-	-
Lagoon operations	173,119	225,584	-	-
Total business type activities	838,750	1,099,952	-	-
Total	$ 6,668,150	1,278,855	358,007	2,104,947
General Receipts:				
Property and other city tax levied for:				
General purposes				
Tax increment financing				
Debt service				
Local option sales tax				
Utility franchise tax				
Unrestricted interest on investments				
Bank loan proceeds				
Project anticipation note proceeds				
Sale of capital assets				
Miscellaneous				
Transfers				
Total general receipts and transfers				
Change in cash basis net assets				
Cash basis net assets beginning of year				
Cash basis net assets end of year				
Cash Basis Net Assets				
Restricted:				
Streets				
Debt service				
Other purposes				
Unrestricted				
Total cash basis net assets				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
(323,730)	-	(323,730)
(53,169)	-	(53,169)
(80,961)	-	(80,961)
(4,943)	-	(4,943)
(525,954)	-	(525,954)
(249,674)	-	(249,674)
(1,949,112)	-	(1,949,112)
(3,187,543)	-	(3,187,543)
-	113,941	113,941
-	94,796	94,796
-	52,465	52,465
-	261,202	261,202
(3,187,543)	261,202	(2,926,341)
461,132	-	461,132
136,429	-	136,429
136,137	-	136,137
154,350	-	154,350
1,611	-	1,611
8,572	17,755	26,327
60,000	-	60,000
1,185,000	-	1,185,000
244,349	-	244,349
42,818	-	42,818
290,498	(290,498)	-
2,720,896	(272,743)	2,448,153
(466,647)	(11,541)	(478,188)
457,750	716,674	1,174,424
$ (8,897)	705,133	696,236
$ 127,167	-	127,167
17,100	239,100	256,200
40,860	-	40,860
(194,024)	466,033	272,009
$ (8,897)	705,133	696,236

City of Postville

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

As of and for the year ended June 30, 2006

	General	Special Revenue Road Use Tax
Receipts:		
Property tax	$ 334,704	-
Tax increment financing	-	-
Other city tax	2,074	-
Licenses and permits	7,607	-
Use of money and property	27,410	-
Intergovernmental	137,498	190,308
Charges for service	139,560	-
Special assessments	-	-
Miscellaneous	69,749	-
Total receipts	718,602	190,308
Disbursements:		
Operating:		
Public safety	185,039	-
Public works	131,546	161,791
Culture and recreation	128,935	-
Community and economic development	4,943	-
General government	653,125	-
Debt service	-	-
Capital projects	-	-
Total disbursements	1,103,588	161,791
Excess (deficiency) of receipts over (under) disbursements	(384,986)	28,517
Other financing sources (uses):		
Project anticipation note proceeds	-	-
Bank loan proceeds	60,000	-
Sale of capital assets	244,349	-
Operating transfers in	56,953	6,680
Operating transfers out	(49,058)	(24,500)
Total other financing sources (uses)	312,244	(17,820)
Net change in cash balances	(72,742)	10,697
Cash balances beginning of year	257,169	116,470
Cash balances end of year	$ 184,427	127,167
Cash Basis Fund Balances		
Reserved for debt service	$ 17,100	-
Unreserved:		
General fund	167,327	-
Special revenue funds	-	127,167
Capital projects fund	-	-
Total cash basis fund balances	$ 184,427	127,167

See notes to financial statements.

Capital Projects	Nonmajor	Total
-	262,102	596,806
-	136,429	136,429
-	154,350	156,424
-	-	7,607
1,220	1,197	29,827
1,788,441	6,458	2,122,705
-	-	139,560
-	7,293	7,293
316,506	-	386,255
2,106,167	567,829	3,582,906
-	165,534	350,573
-	58,712	352,049
-	3,636	132,571
-	-	4,943
-	24,728	677,853
-	256,132	256,132
4,055,279	-	4,055,279
4,055,279	508,742	5,829,400
(1,949,112)	59,087	(2,246,494)
1,185,000	-	1,185,000
-	-	60,000
-	-	244,349
402,440	129,592	595,665
-	(231,609)	(305,167)
1,587,440	(102,017)	1,779,847
(361,672)	(42,930)	(466,647)
4,541	79,570	457,750
(357,131)	36,640	(8,897)
-	-	17,100
-	-	167,327
-	36,640	163,807
(357,131)	-	(357,131)
(357,131)	36,640	(8,897)

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, 2006

	Enterprise			
			Nonmajor	
			Lagoon	
	Water	Sewer	Operations	Total
Operating receipts:				
Charges for service	$ 485,033	378,278	225,584	1,088,895
Miscellaneous	4,052	7,005	-	11,057
Total operating receipts	489,085	385,283	225,584	1,099,952
Operating disbursements:				
Business type activities	290,640	225,712	173,119	689,471
Excess of operating receipts over operating disbursements	198,445	159,571	52,465	410,481
Non-operating receipts (disbursements):				
Interest on investments	11,721	6,034	-	17,755
Debt service	(84,504)	(64,775)	-	(149,279)
Total non-operating receipts (disbursements)	(72,783)	(58,741)	-	(131,524)
Excess of receipts over disbursements	125,662	100,830	52,465	278,957
Operating transfers out	(257,498)	(33,000)	-	(290,498)
Net change in cash balances	(131,836)	67,830	52,465	(11,541)
Cash balances beginning of year	559,249	219,779	(62,354)	716,674
Cash balances end of year	$ 427,413	287,609	(9,889)	705,133
Cash Basis Fund Balances				
Reserved for debt service	$ 170,000	69,100	-	239,100
Unreserved	257,413	218,509	(9,889)	466,033
Total cash basis fund balances	$ 427,413	287,609	(9,889)	705,133

See notes to financial statements.

(1) Summary of Significant Accounting Policies

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

A. Reporting Entity

For financial reporting purposes, the City of Postville has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

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

Excluded Component Unit

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

Jointly Governed Organizations

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

B. Basis of Presentation

Government-wide Financial Statement - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. 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.

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

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 or the City's water system.

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

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, 2006, disbursements exceeded the amount budgeted in the general government function.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2006 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 and water revenue notes and sewer revenue notes are as follows:

Year Ending June 30,	General Obligation Bonds		General Obligation Notes		Revenue Notes: Child Care Facility		Revenue Notes: Water	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2007	$ 110,000	66,025	55,000	22,920	3,380	12,623	-	77,543
2008	115,000	61,735	60,000	20,610	3,537	12,479	-	77,543
2009	115,000	57,250	60,000	18,060	3,691	12,329	-	77,543
2010	120,000	52,650	65,000	15,480	3,851	12,172	100,000	77,543
2011	130,000	47,730	65,000	12,652	4,017	12,008	100,000	77,543
2012-2016	735,000	147,740	220,000	19,800	22,855	11,838	500,000	329,212
2017-2021	170,000	8,330	-	-	28,255	10,866	525,000	220,525
2022-2043	-	-	-	-	227,420	9,665	475,000	90,920
Total	$ 1,495,000	441,460	525,000	109,522	297,006	93,980	1,700,000	1,028,372

Year Ending June 30,	Sewer Revenue Bonds		Total	
	Principal	Interest	Principal	Interest
2007	$ 35,000	32,800	203,380	211,911
2008	35,000	30,962	213,537	203,329
2009	35,000	29,125	213,691	194,307
2010	40,000	27,288	328,851	185,133
2011	40,000	25,187	339,017	175,120
2012-2016	240,000	277,387	1,717,855	785,977
2017-2021	175,000	20,385	898,255	260,106
2022-2025	-	-	702,420	100,585
Total	$ 600,000	443,134	4,617,006	2,116,468

General Obligation Notes

On June 15, 2004, the City entered into an agreement with the Iowa Department of Transportation for $522,225 for Lawler/Green Street improvements. The loan is interest free and required 3 equal payment of $174,075 beginning June 2004. The City paid $121,075 in June 2006 and paid the remaining $53,000 in July 2006.

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

(a) The notes will only redeemed from the future earnings of the Child Care Facility and the note holders hold a lien on the future earnings of the facility.

(b) Sufficient monthly transfers shall be made to a Child Care Facility Revenue Note and Interest Sinking Fund (Sinking Fund) for the purpose of making the note principal and interest payments when due. The City has not established this fund as of June 30, 2006.

(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 General Fund. This account is restricted for the purpose of paying for principal and interest on the notes.

(d) A Child Care Facility Improvement Fund shall be established for the purpose of paying principal and interest when due and extraordinary maintenance and repairs as needed. As of June 30, 2006 this fund has not been established.

Water Revenue Notes – The resolution providing for the issuance of the water revenue notes includes the following provisions:

(a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.

(b) Sufficient monthly transfers shall be made to a water revenue note sinking account for the purpose of making the note principal and interest payments when due.

(c) A separate water revenue note reserve account shall be established. The City has funded the reserve at $170,000. The account is to be used solely for the purpose of paying principal and interest on the notes.

Sewer Revenue Bonds – The resolution providing for the issuance of the sewer revenue bonds includes the following provisions:

(a) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the funds.

(b) Sufficient monthly transfers shall be made to a sewer revenue bond sinking account for the purpose of making the bond principal and interest payments when due.

(c) A sewer reserve account shall be established with $69,100 in bond proceeds. This account is restricted for the purpose of paying for principal and interest when funds in the sinking account are inadequate.

Lease Purchase Agreement

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

Year Ending June 30,	Principal	Interest	Total
2007	$ 18,605	18,151	36,756
2008	20,451	16,305	36,756
2009	22,482	14,274	36,756
2010	24,712	12,044	36,756
2011	27,165	9,591	36,756
2012	29,861	6,895	36,756
2013	32,825	3,928	36,753
2014	23,345	2,317	25,662
Total	$ 199,446	83,505	282,951

Project Anticipation Revenue Note

On June 1, 2004, the City issued a $4,520,000 Sewer Revenue Capital Loan Note Anticipation Project Note to pay the costs of a wastewater treatment facility. The note bears interest at 4.50% per annum and matures on June 1, 2007. Interest of $203,400 was paid during the year ended June 30, 2006.

(4) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2006, 2005 and 2004 were $31,483, $30,124 and $28,921, 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, 2006, primarily relating to the General Fund, is as follows:

Vacation	$ 17,800
Personal leave	4,600
Sick leave	106,000
Total	$ 128,400

This liability has been computed based on rates of pay in effect at June 30, 2006.

(6) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2006 is as follows:

Transfer to	Transfer from	Amount
General	Enterprise:	
	Water	$ 30,000
	Sewer	3,000
	Special Revenue:	
	Tax Increment Financing	23,953
		56,953
Special Revenue:		
Health Care/Ambulance	General	5,957
Road Use Tax	Special Revenue:	
	Local Option Sales Tax	6,680
Local Option Sales Tax	General	11,159
Debt Service	Special Revenue:	
	Tax Increment Financing	112,476
Capital Projects:	Enterprise:	
	Water	227,498
	Sewer	30,000
	Special Revenue:	
	Road Use Tax	24,500
	Local Option Sales Tax	88,500
	General	31,942
		402,440
Total		$ 595,665

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 exposed to various risks of loss related to torts; theft, damages to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(8) Commitments

The City has entered into various construction contracts for water storage, wastewater treatment facility, street improvements and recreation trail improvements totaling $10,095,048. At June 30, 2006, $200,073 remains unpaid and will be paid as work on the projects progresses. The projects will be funded through bond/note proceeds, grants, donations and local sources, as necessary.

(9) Promissory Notes Receivable

The City entered into two promissory notes with the Postville Chamber of Commerce dated March 1, 2000 and August 14, 2000. These notes are for repayment of improvements made by the City to the industrial park, are interest free and are to be repaid to the City as lots are sold. The final payments are due in 10 years. The amounts due on these notes are as follows:

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

(10) Community Development Block Grant (CDBG)

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

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

(11) Deficit Balances

The Special Revenue, Employee Benefits Fund had a deficit balance of $4,220, the Capital Projects Fund had a deficit balance of $357,131 and the Enterprise, Lagoon Operations Fund had a deficit balance of $9,889. The Special Revenue, Employee Benefits Fund deficit will be eliminated by the City being more budget conscious in the future and by cutting spending. The Capital Projects Fund deficit will be eliminated by entering into long term debt. The Enterprise, Lagoon Operations Fund deficit will be eliminated through user fees charged.

(12) Subsequent Events

On July 10, 2006, the City approved the sale of $610,000 in general obligation capital loan notes.

On August 28, 2006, the City accepted a bid of $32,419 for sanitary sewer improvements.

On January 16, 2007, the City approved the sale of $640,000 in sewer revenue refunding capital loan notes, Series 2007.

On February 8, 2007, the City approved the sale of $4,520,000 in sewer revenue capital loan notes, Series 2007.

(13) Special Investigation

The City of Postville requested the Office of Auditor of State to perform a special investigation of the City as a result of concerns identified by City staff and officials regarding certain disbursements for excessive and/or unusable inventory, termination payments and travel payments. The special investigation is being performed for the period July 1, 2000 through June 30, 2006.

Copies of the special investigation report will be filed with the Allamakee and Clayton County Attorney's Offices, the Division of Crimination Investigation and the Attorney General's Office when completed.

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, 2006

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Property tax	$ 596,806	-
Tax increment financing	136,429	-
Other city tax	156,424	-
Licenses and permits	7,607	-
Use of money and property	29,827	17,755
Intergovernmental	2,122,705	-
Charges for service	139,560	1,088,895
Special assessments	7,293	-
Miscellaneous	386,255	11,057
Total receipts	3,582,906	1,117,707
Disbursements:		
Public safety	350,573	-
Public works	352,049	-
Culture and recreation	132,571	-
Community and economic development	4,943	-
General government	677,853	-
Debt service	256,132	-
Capital projects	4,055,279	-
Business type activities	-	838,750
Total disbursements	5,829,400	838,750
Excess (deficiency) of receipts over (under) disbursements	(2,246,494)	278,957
Other financing sources (uses), net	1,779,847	(290,498)
Deficiency of receipts and other financing sources under disbursements and other financing uses	(466,647)	(11,541)
Balances beginning of year	457,750	716,674
Balances end of year	$ (8,897)	705,133

See accompanying independent auditor's report.

Total	Budgeted Amounts Original	Budgeted Amounts Final	Final to Total Variance
596,806	594,461	594,461	2,345
136,429	150,000	150,000	(13,571)
156,424	167,699	167,699	(11,275)
7,607	5,550	5,550	2,057
47,582	30,710	30,910	16,672
2,122,705	2,159,960	2,253,960	(131,255)
1,228,455	1,103,320	1,267,320	(38,865)
7,293	17,700	8,800	(1,507)
397,312	207,200	528,900	(131,588)
4,700,613	4,436,600	5,007,600	(306,987)
350,573	348,670	364,880	14,307
352,049	336,200	355,400	3,351
132,571	161,030	161,830	29,259
4,943	13,000	127,000	122,057
677,853	198,400	590,780	(87,073)
256,132	256,200	256,200	68
4,055,279	3,157,000	4,322,000	266,721
838,750	807,100	909,600	70,850
6,668,150	5,277,600	7,087,690	419,540
(1,967,537)	(841,000)	(2,080,090)	112,553
1,489,349	550,000	1,728,857	(239,508)
(478,188)	(291,000)	(351,233)	(126,955)
1,174,424	1,085,189	1,174,421	3
696,236	794,189	823,188	(126,952)

City of Postville

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2006

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

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

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund and the Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments increased budgeted disbursements by $1,810,090. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2006, disbursements exceeded the amount budgeted in the general government function.

Other Supplementary Information

City of Postville

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

As of and for the year ended June 30, 2006

	Employees Benefits	Emergency	Special Local Option Sales Tax
Receipts:			
Property tax	$ 115,518	10,447	-
Tax increment financing	-	-	-
Other city tax	-	-	154,350
Use of money and property	-	-	-
Intergovernmental	-	-	-
Special assessments	-	-	7,293
Total receipts	115,518	10,447	161,643
Disbursements:			
Operating:			
Public safety	68,480	9,012	80,842
Public works	26,251	-	32,461
Culture and recreation	3,636	-	-
General government	24,728	-	-
Debt service	-	-	-
Total disbursements	123,095	9,012	113,303
Excess (deficiency) of receipts over (under) disbursements	(7,577)	1,435	48,340
Other financing sources (uses):			
Operating transfers in	-	-	11,159
Operating transfers out	-	-	(95,180)
Total other financing sources (uses)	-	-	(84,021)
Net change in cash balances	(7,577)	1,435	(35,681)
Cash balances beginning of year	3,357	2,998	72,108
Cash balances end of year	$ (4,220)	4,433	36,427
Cash Basis Fund Balances			
Unreserved:			
Special revenue funds	$ (4,220)	4,433	36,427

See accompanying independent auditor's report.

Revenue			
Tax Increment Financing	Health Care / Ambulance	Debt Service	Total
-	-	136,137	262,102
136,429	-	-	136,429
-	-	-	154,350
-	1,197	-	1,197
-	-	6,458	6,458
-	-	-	7,293
136,429	1,197	142,595	567,829
-	7,200	-	165,534
-	-	-	58,712
-	-	-	3,636
-	-	-	24,728
-	-	256,132	256,132
-	7,200	256,132	508,742
136,429	(6,003)	(113,537)	59,087
-	5,957	112,476	129,592
(136,429)	-	-	(231,609)
(136,429)	5,957	112,476	(102,017)
-	(46)	(1,061)	(42,930)
-	46	1,061	79,570
-	-	-	36,640
-	-	-	36,640

City of Postville

Schedule of Indebtedness

Year ended June 30, 2006

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
West Tilden street project	May 15, 2004	-		335,813
Lawler/Green streets project	Jun 15, 2004	-		522,225
Total				
Revenue notes:				
Child care facility	Apr 14, 2003	4.25%	$	300,000
Water	May 1, 2005	3.70-5.10		1,700,000
Total				
Revenue bonds:				
Sewer	Aug 1, 1999	5.25-5.75%	$	770,000
Lease purchase agreement:				
Street lighting	Dec 20, 2003	9.75%	$	242,000
Bank loan:				
City hall	Apr 1, 2005	5.75%	$	250,000
Project anticipation revenue notes:				
Sewer	Jun 1, 2004	4.50%	$	4,520,000
Sewer	Feb 2, 2006	6.00		1,185,000
Total				

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Principal due and unpaid	Interest Paid
1,600,000	-	105,000	1,495,000	-	70,120
580,000	-	55,000	525,000	-	25,202
111,938	-	111,938	-	-	-
174,075	-	121,075	53,000	53,000	-
$ 866,013	-	288,013	578,000	53,000	25,202
300,000	-	2,994	297,006	-	24,376
1,700,000	-	-	1,700,000	-	84,004
$ 2,000,000	-	2,994	1,997,006	-	108,380
630,000	-	30,000	600,000	-	34,375
216,371	-	16,925	199,446	-	19,831
143,750	60,000	203,750	-	-	5,155
4,520,000	-	-	4,520,000	-	203,400
-	1,185,000	1,185,000	-	-	8,097
$ 4,520,000	1,185,000	1,185,000	4,520,000	-	211,497

City of Postville

Bond and Note Maturities

June 30, 2006

Year Ending June 30,	General Obligation Bonds Refunding Issued Jun 1, 2002 Interest Rates	Amount	General Obligation Notes Refunding Issued Dec 1, 1998 Interest Rates	Amount	Revenue Child Care Facility Issued Apr 14, 2003 Interest Rates	Amount
2007	3.90%	$ 110,000	4.20%	$ 55,000	4.25%	$ 3,390
2008	3.90	115,000	4.25	60,000	4.25	3,537
2009	4.00	115,000	4.30	60,000	4.25	3,691
2010	4.10	120,000	4.35	65,000	4.25	3,851
2011	4.25	130,000	4.40	65,000	4.25	4,017
2012	4.40	135,000	4.40	70,000	4.25	4,192
2013	4.50	140,000	4.45	75,000	4.25	4,373
2014	4.60	145,000	4.50	75,000	4.25	4,563
2015	4.70	155,000		-	4.25	4,760
2016	4.80	160,000		-	4.25	4,967
2017	4.90	170,000		-	4.25	5,182
2018		-		-	4.25	5,407
2019		-		-	4.25	5,641
2020		-		-	4.25	5,885
2021		-		-	4.25	6,140
2022		-		-	4.25	6,406
2023		-		-	4.25	6,684
2024		-		-	4.25	6,974
2025		-		-	4.25	207,346
Total		$ 1,495,000		$ 525,000		$ 297,006

See accompanying independent auditor's report.

Notes			Revenue Bonds	
Water			Sewer	
Issued May 1, 2005			Issued Aug 1, 1999	
Interest Rates	Amount	Total	Interest Rates	Amount
	$ -	3,390	5.25%	$ 35,000
	-	3,537	5.25	35,000
	-	3,691	5.25	35,000
3.70%	100,000	103,851	5.25	40,000
3.90	100,000	104,017	5.25	40,000
4.00	100,000	104,192	5.30	45,000
4.10	100,000	104,373	5.35	45,000
4.20	100,000	104,563	5.40	45,000
4.30	100,000	104,760	5.50	50,000
4.50	100,000	104,967	5.60	55,000
4.60	100,000	105,182	5.70	55,000
4.70	100,000	105,407	5.75	60,000
4.75	105,000	110,641	5.75	60,000
4.80	110,000	115,885		-
4.90	110,000	116,140		-
4.95	110,000	116,406		-
5.00	115,000	121,684		-
5.05	120,000	126,974		-
5.10	130,000	337,346		-
	$ 1,700,000	1,997,006		$ 600,000

City of Postville

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

For the Last Five Years

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

See accompanying independent auditor's report.

City of Postville

Schedule of Expenditures of Federal Awards

Year ended June 30, 2006

Grantor/Program	CFDA Number	Agency Pass-through Number	Program Expenditures
Direct:			
U.S. Department of Commerece:			
Economic Adjustment Assistance	11.307	05-01-03716	$ 1,337,660
U.S. Environmental Protection Agency:			
Surveys, Studies, Investigations and Special Purpose Grants	66.606	XP-98748901	433,500
U.S. Department of Justice:			
Bulletproof Vest Participation Program	16.607		658
Total direct			1,771,818
Indirect:			
U.S. Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
Community Development Block Grants/State's Program	14.228		120,711
U.S. Department of Transportation:			
Iowa Department of Public Safety:			
Governor's Traffic Safety Bureau:			
Safety Incentive Grants for Use of Seat Belts	20.604		2,268
Total indirect			122,979
Total			$ 1,894,797

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

See accompanying independent auditor's report.

City of Postville

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

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

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Postville, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated June 19, 2007. Our report expressed an unqualified opinion on the primary government financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Postville's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Postville's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item II-A-06 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 an instance of non-compliance or other matters that is required to be reported under Government Auditing Standards and is described in the accompanying Schedule of Findings. We also noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2006 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.

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, including federal awarding agencies and pass-through entities. 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

June 19, 2007

Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

City of Postville

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

To the Honorable Mayor and
Members of the City Council:

Compliance

We have audited the compliance of the City of Postville, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal programs for the year ended June 30, 2006. The City of Postville's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal programs is the responsibility of the City of Postville's management. Our responsibility is to express an opinion on the City of Postville's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Postville's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Postville's compliance with those requirements.

In our opinion, the City of Postville complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of the City of Postville is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered the City of Postville's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

DAVID A. VAUDT, CPA
Auditor of State

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

June 19, 2007

City of Postville

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

Part I: Summary of the Independent Auditor's Results:

(a) Unqualified opinions were issued on the financial statements which 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.

(b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.

(c) The audit did not disclose any non-compliance which is material to the financial statements.

(d) No material weaknesses in internal control over the major programs were noted.

(e) An unqualified opinion was issued on compliance with requirements applicable to the major programs.

(f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).

(g) Major program were as follows:

- CFDA Number 11.307 – Economic Adjustment Assistance
- CFDA Number 66.606 – Surveys, Studies, Investigations and Special Purpose Grants

(h) The dollar threshold used to distinguish between Type A and Type B programs was $300,000.

(i) The City of Postville did not qualify as a low-risk auditee.

Part II: Findings Related to the Financial Statements:

REPORTABLE CONDITIONS:

II-A-06 Reconciliation of Utility Billings, Collections and Delinquencies – Utility billings, collections and delinquencies were not reconciled throughout the year.

Recommendation – Procedures should be established to reconcile utility billings, collections and delinquencies each month. The City Council should review the reconciliations and monitor delinquencies.

Response – The City Clerk's staff has developed and implemented a reconciliation report reconciling utility billing, receipts and delinquencies. The reconciliation report and the list of delinquencies will be reviewed by the finance committee each month.

Conclusion – Response accepted.

II-B-06 Disbursements – Prior to January 1, 2006, City checks were signed/countersigned with a signature stamp controlled by the City Clerk. The stamp included signatures of both the City Clerk and the Mayor.

Recommendation – Signature stamps should be controlled by each individual separately to provide control over disbursements and provide a check and balance over the disbursement function.

Response – The City no longer uses signature stamps.

Conclusion – Response accepted.

II-C-06 Disbursement Supporting Documentation – Supporting documentation was not always available for travel reimbursements and termination payouts.

Recommendation – The City should establish policies and procedures for travel reimbursements and termination payouts. Supporting documentation for travel reimbursements should include original invoices and other documentation in support of travel. Supporting documentation for termination payouts should comply with the written termination policies. Also, all supporting documentation should be retained.

Response – City has taken the steps to improve the policies and procedures for travel reimbursements and termination payouts.

Conclusion – Response accepted.

II-D-06 Written Policies – The City does not have written policies and procedures for:

The City's computer based systems:

- Use of the internet.
- Prohibiting the use of software not licensed to the City.
- Storage of backup tape/discs off-site.
- Time out/log off requirement for unattended terminals.
- Disaster recovery plan.

Cell phone usage.

Travel reimbursements.

Personnel policies for non-union employees, including retirement, vacation, compensatory time, personal leave and sick leave payout procedures.

Recommendation – The City should develop written policies addressing the above items to improve the City's computer based systems, cell phone usage, supporting documentation for travel reimbursements and personnel policies for non-union employees.

Response – The City now has implemented written policies and procedures for internet, prohibited software, off site back up, log off function, disaster recovery plan, cell phone usage, travel and required supporting documentation, and payroll payout procedures.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

A special investigation of the City is being performed by the Office of Auditor of State covering the period July 1, 2000 through June 30, 2006 relating to excessive and/or unusable inventory, termination payments and travel payments.

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

No material weaknesses in internal control over the major programs were noted.

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-06 Certified Budget – Disbursements during the year ended June 30, 2006 exceeded the amount budgeted in the general government function. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

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

Response – The City will amend before disbursements are allowed.

Conclusion – Response accepted.

IV-B-06 Questionable Disbursements – Certain disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented were noted. These disbursements will be identified in a special investigation report which will be issued by the Office of Auditor of State.

IV-C-06 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted. Although the City Council approved certain travel disbursements, supporting documentation was not available. These disbursements will be identified in a special investigation report which will be issued by the Office of Auditor of State.

IV-D-06 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
John Hyman, Mayor, Owner of Hyman Construction	City Hall remodeling	$ 2,499

In accordance with Chapter 362.5(11) of the Code of Iowa, the transaction with the Mayor does not appear to represent a conflict of interest since the transaction was less than $2,500 during the fiscal year.

IV-E-06 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.

IV-F-06 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

IV-G-06 Deposits and Investments – The City has not approved an investment policy as required by Chapter 12B.10B of the Code of Iowa.

Recommendation – The City should approve a written investment policy as required by Chapter 12B.10B of the Code of Iowa.

Response – The City Council has recently approved a written investment policy.

Conclusion – Response accepted.

IV-H-06 Revenue Bonds and Notes – No instances of non-compliance with provisions of the revenue bond and note resolutions were noted, except as follows:

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

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

Response – The City will review resolution No. 814 and establish the required funds.

Conclusion – Response accepted.

IV-I-06 Financial Condition – The Special Revenue, Employee Benefits Fund, the Capital Projects Fund and the Enterprise, Lagoon Operations Fund had deficits at June 30, 2006 of $4,220, $357,131 and $9,889, respectively.

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

Response – The City has bonded for deficits from ongoing legal litigation which has improved the balances in Capital Projects Fund. The City has been more budget conscious on improving other deficit balances by cutting spending.

Conclusion – Response accepted.

IV-J-06 Urban Renewal Tax Increment Financing (TIF) Disbursements – During the year ended June 30, 2006, the City transferred $23,953 from the Special Revenue, Tax Increment Financing Fund to the General Fund. Also, the City transferred $13,863 in May 2004 from the Special Revenue, Tax Increment Financing Fund to the General Fund. The City did not have supporting documentation showing these transfers were to reimburse the General Fund for internal debt for tax-increment financing purposes. It appears these transfers were for General Fund operations, which appears to violate Chapter 403 of the Code of Iowa.

Recommendation – The City should make a corrective transfer of $37,816 from the General Fund to the Special Revenue, Tax Increment Financing Fund.

Response – The City will make a corrective transfer from the General Fund to Special Revenue, Tax Increment Financing Fund of $37,816.

Conclusion – Response accepted.

IV-K-06 Local Option Sales Tax – The ballot for the local option sales tax authorizes the City to collect the tax and to allocate it 50% for public safety and 50% for street repairs, replacement and improvements. The City does not maintain adequate records to document the proper disbursement of local option sales tax for the authorized uses.

Recommendation – The City should establish procedures to accumulate and document local option sales tax disbursements to demonstrate compliance with ballot requirements.

Response – The City will establish two funds – LOST Safety and LOST Streets to properly track disbursements from each fund.

Conclusion – Response accepted.

City of Postville

Staff

This audit was performed by:

K. David Voy, CPA, Manager
John G. Vanis, CGFM, Senior Auditor
Bradley A. Meisterling, Staff Auditor

Andrew E. Nielsen, CPA
Deputy Auditor of State