

NEWS RELEASE

FOR RELEASE: December 31, 2013

Lou Ann Murphy & Company, P.L.L.C., of Osage today released an audit report on the City of Postville, Iowa.

The City's receipts totaled \$4,246,610 for the year ended June 30, 2013, a 22.0 percent increase from the prior year. The receipts included \$1,517,066 from charges for services, \$1,929,953 from property tax, \$294,795 from operating grants, contributions and restricted interest, \$120,167 from capital grants, contributions and restricted interest, \$183,355 from tax increment financing, \$187,164 from local option sales tax, \$10,795 from unrestricted interest on investments and \$3,315 from other general receipts.

Disbursements for the year totaled \$3,947,303, a 34.1 percent increase from the prior year, and included \$430,030 for public safety, \$495,675, for public works and \$1,253,162 for debt service. Also, disbursements for business type activities totaled \$1,149,248.

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.html>.

CITY OF POSTVILLE

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

JUNE 30, 2013

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City of Postville

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Leigh Rekow	Mayor	Jan 2014
Ross Malcom	Mayor Pro term	Jan 2016
Dawn Hernandez	Council Member	Jan 2014
Larry Moore	Council Member	Jan 2016
Robert Fadness	Council Member	Jan 2014
Mary Engstrom	Council Member	Jan 2014
Darcy Radloff	Clerk	Indefinite
Kevin Cronk	Treasurer	Indefinite
Anne Loomis	Attorney	Indefinite

City of Postville

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risks assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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, 2013, 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.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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 of the City of Postville as of June 30, 2013, 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.

The City's General Fund deficit decreased to \$448,809 at June 30, 2013, a decrease of \$10,841 during the year ended June 30, 2013. The deficit is approximately 53% of the City's recurring General Fund receipts of \$847,948 during the year ended June 30, 2013. The City will continue to monitor and reduce disbursements as possible to return the fund to a positive account balance.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary and Other Information

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 third paragraph of this report, the financial statements for the two years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The financial statements for the seven years ending June 30, 2010 (which are not presented herein), were audited by other auditors whose reports expressed unqualified opinions on financial statements from 2003-2010 which were prepared on the basis of cash receipts and disbursements. The 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.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the primary government financial statements taken as a whole.

The other information, Management's Discussion and Analysis and the budgetary comparison information on pages 4 through 9 and 25 through 27 has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 17, 2013 on our consideration of the City of Postville's internal control over financial reporting and on 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 on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Postville's internal control over financial reporting and compliance.



Lou Ann Murphy & Company, P.L.L.C.

Certified Public Accountant

Osage, Iowa

December 17, 2013

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, 2013. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2013 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased 41.6%, or approximately \$857,000, from fiscal year 2012 to fiscal year 2013. Operating grants, contributions and restricted interest decreased approximately \$32,000. Capital grants, contributions, and restricted interest decreased approximately \$204,000 and property tax increased approximately \$1,171,000 due to collections on delinquent accounts and an increase on a tax levy.
- Disbursements of the City's governmental activities increased 57.9%, or approximately \$1,026,000 in fiscal year 2013 from fiscal year 2012. Public works increased approximately \$83,000, Culture and Recreation increased approximately \$13,000, and Community and economic development decreased approximately \$88,000.
- The City's total cash basis net position increased 11.5%, or approximately \$299,000 from June 30, 2012 to June 30, 2013. Of this amount, the cash basis net position of the governmental activities increased approximately \$118,000 and the cash basis net position of the business type activities increased approximately \$181,000.

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 Cash Basis Statement of Activities and Net Position. 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.

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

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 Position reports information which helps answer this question.

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

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

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

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax, Local Option Sales Tax, and Tax Increment, 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.

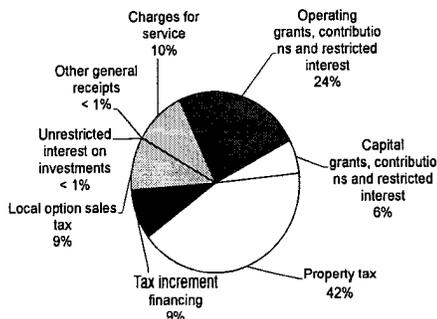
The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

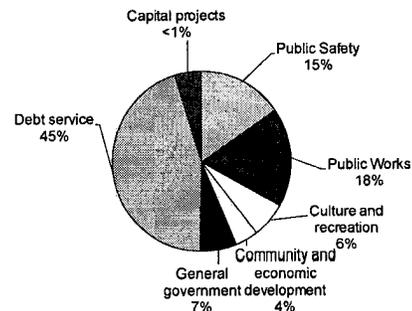
Net positions may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, increasing from \$47,329 to \$165,204. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2013	2012
Receipts		
Program receipts:		
Charges for service	\$ 194	\$ 196
Operating grants, contributions and restricted interest	294	328
Capital grants, contributions and restricted interest	120	324
General receipts:		
Property tax	1,930	759
Tax increment financing	183	281
Local option sales tax	187	163
Unrestricted interest on investments	3	4
Other general receipts	3	4
Total receipts	<u>2,914</u>	<u>2,059</u>
Disbursements		
Public safety	430	449
Public works	496	413
Culture and recreation	180	167
Community and economic development	116	204
General government	187	207
Debt service	1,253	326
Capital projects	136	6
Total disbursements	<u>2,798</u>	<u>1,772</u>
Changes in cash basis net position	116	287
Cash basis net position beginning of year	47	(240)
Cash basis net position end of year	<u>\$ 163</u>	<u>\$ 47</u>

Receipts by Source



Disbursements by Function



The City's total receipts for governmental activities increased 41.5%, or approximately \$855,000. The total cost of all programs and services increased approximately \$1,026,000, or 57.9%. The significant increase was the result of having grant reimbursements.

Changes in Cash Basis Net Position of Business Type Activities (Expressed in Thousands)		
	Year ended June 30,	
	2013	2012
Receipts		
Program receipts:		
Charges for service		
Water	\$ 530	\$ 549
Sewer	758	829
Storm water utility	35	35
General receipts:		
Unrestricted interests in investments	7	9
Total receipts	1,330	1,422
Disbursements		
Water	481	534
Sewer	661	625
Storm water utility	7	11
Total disbursements	1,149	1,170
Changes in cash basis net position	181	252
Cash basis net position beginning of year	2,561	2,309
Cash basis net position end of year	\$ 2,742	\$ 2,561

Total business type activities receipts for fiscal year 2013 were approximately \$1,330,000 compared to approximately \$1,422,000 last year. This decrease was due primarily to the City collection on utility assessments from the prior year. The cash balance increased approximately \$181,000 from the prior year, primarily due to decreases in delinquent accounts with the City. Total disbursements for the fiscal year decreased approximately \$21,000 to a total of approximately \$1,149,000.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Postville completed the year, its governmental funds reported a combined fund balance of \$165,204, an increase of \$117,875 from last year's total of \$47,329. 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 \$10,841 from the prior year to a deficit balance of \$448,809. Total receipts decreased 18% and total disbursements decreased 11%. Property tax receipts increased \$34,946, intergovernmental receipts decreased \$202,744 and miscellaneous receipts decreased \$25,316. Culture and recreation disbursements increased \$12,493 and Community and economic development disbursements decreased \$97,412.
- The Special Revenue, Road Use Tax Fund cash balance decreased \$13,146 to \$139,865. The decrease was due primarily to an increase in public works disbursements.
- The Special Revenue, Local Option Sales Tax Fund cash balance increased \$23,279

to \$238,038. The increase was primarily due to increases in public works disbursements.

- The Special Revenue, Tax Increment Financing Fund cash balance decreased \$45,722 to a balance of \$0. This decrease was due primarily to payment on debt.
- The Debt Service Fund cash balance decreased \$93,125 during the fiscal year to a deficit balance of \$71,050.
- The Capital Projects Fund cash balance increased \$99,883 to \$284,041.

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 \$54,162 to \$1,100,453. The increase is primarily due to collection of delinquent utility charges.
- The Sewer Fund cash balance increased \$99,179 to \$1,426,222. The increase is primarily due to an increase in miscellaneous receipts and receipts on delinquent accounts.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on April 8, 2013 and resulted in a net decrease in operating disbursements of \$13,700 due to completion of grant and project schedules. The City had sufficient cash balances to absorb these additional costs.

For the year ended June 30, 2013, the City did not exceed the amounts budgeted for expenditures.

DEBT ADMINISTRATION

At June 30, 2013, the City had \$6,620,251 in bonds, notes and other long-term debt outstanding, compared to \$7,090,039 last year, as shown below.

	Outstanding Debt at Year-End	
	June 30,	
	2013	2012
General obligation refunding bonds	\$ -	\$ 770,000
General obligation notes	1,275,000	595,000
Child care facility revenue notes	269,957	274,329
Water revenue notes	1,300,000	1,400,000
Sewer revenue notes	3,743,267	3,983,748
Street lighting lease purchase agreement	32,027	66,962
Total	\$ 6,620,251	\$ 7,090,039

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all property within the City's corporate limits. The City's outstanding general obligation debt of \$1,307,027 is below its constitutional debt limit of \$3,571,314. Additional information about the City's long-term debt is presented in Note 3 to the financial statements.

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 2014 budget, tax rates and fees that will be charged for various City activities. The City property tax levy rate for fiscal year 2014 will be increased to 15.0871 from 14.58619. The rate change was due primarily to refinancing of debt. Taking advantage of lower interest rates and shorter loan note terms will result in a cash savings to the citizens. A capital improvement plan has been prepared by the elected officials and will be on the November ballot. Infrastructure still remains a top priority with the street, storm repairs and sewer lining on aging lines. Planning on the Post Design work continues on the city wastewater treatment facility.

Postville continues to be impacted by the state and national economic issues. Local employment remains stable, home foreclosures are fewer than the past. The City was awarded two grant opportunities to assist with the housing stock in Postville. First Time Homebuyer and Owner Occupied grant assistance is available for FY 2014. Amounts appropriated in the operating budget are \$4,038,803.

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

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2013

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 430,030	13,977	13,571	-
Public works	495,675	133,023	213,271	-
Culture and recreation	180,411	23,618	12,227	-
Community and economic development	115,926	-	-	120,167
General government	187,174	23,359	9,314	-
Debt service	1,253,162	-	-	-
Capital projects	135,677	-	46,412	-
Total governmental activities	2,798,055	193,977	294,795	120,167
Business type activities:				
Water	481,438	530,389	-	-
Sewer	661,278	758,077	-	-
Storm water utility	6,532	34,623	-	-
Total business type activities	1,149,248	1,323,089	-	-
Total	\$ 3,947,303	1,517,066	294,795	120,167

General Receipts:

Property and other city tax levied for:

- General purposes
- Debt service

Tax increment financing

Local option sales tax

Unrestricted interest on investments

Miscellaneous

Total general receipts

Change in cash basis net position

Cash basis net position beginning of year

Cash basis net position end of year

Cash Basis Net Position:

Restricted:

- Expendable:
 - Streets
 - Safety
 - Debt service
 - Other purposes

Unrestricted

Total cash basis net Position

See notes to financial statements

Exhibit A

Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
Governmental Activities	Business Type Activities	Total
(402,482)	-	\$ (402,482)
(149,381)	-	(149,381)
(144,566)	-	(144,566)
4,241	-	4,241
(154,501)	-	(154,501)
(1,253,162)	-	(1,253,162)
(89,265)	-	(89,265)
<u>(2,189,116)</u>	<u>-</u>	<u>(2,189,116)</u>
-	48,951	48,951
-	96,799	96,799
-	28,091	28,091
-	<u>173,841</u>	<u>173,841</u>
<u>(2,189,116)</u>	<u>173,841</u>	<u>\$ (2,015,275)</u>
\$ 743,484	-	\$ 743,484
1,186,469	-	1,186,469
183,355	-	183,355
187,164	-	187,164
3,204	7,591	10,795
3,315	-	3,315
<u>2,306,991</u>	<u>7,591</u>	<u>2,314,582</u>
117,875	181,432	299,307
<u>47,329</u>	<u>2,561,044</u>	<u>2,608,373</u>
<u>\$ 165,204</u>	<u>2,742,476</u>	<u>\$ 2,907,680</u>
\$ 258,884	-	\$ 258,884
119,019	-	119,019
(53,950)	-	(53,950)
266,941	573,641	840,582
(425,690)	2,168,835	1,743,145
<u>\$ 165,204</u>	<u>2,742,476</u>	<u>\$ 2,907,680</u>

City of Postville

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

As of and for the year ended June 30, 2013

	Special Revenue			
	General	Road Use Tax	Local Option Sales Tax	Tax Increment Financing
Receipts:				
Property tax	\$ 494,564	-	-	-
Tax increment financing	-	-	-	183,355
Local option sales tax	-	-	187,164	-
Other city tax	1,326	-	-	-
Licenses and permits	6,298	-	-	-
Use of money and property	(160)	-	-	-
Intergovernmental	124,350	213,271	-	-
Charges for service	170,970	-	-	-
Special assessments	-	-	2,855	-
Miscellaneous	50,600	-	-	-
Total receipts	847,948	213,271	190,019	183,355
Disbursements:				
Operating:				
Public safety	201,100	-	109,910	-
Public works	183,503	226,417	56,830	-
Culture and recreation	173,792	-	-	-
Community and economic development	106,861	-	-	9,065
General government	154,385	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total disbursements	819,641	226,417	166,740	9,065
Excess (deficiency) of receipts over (under) disbursements	28,307	(13,146)	23,279	174,290
Other financing sources (uses):				
Note Proceeds	-	-	-	-
Operating transfers in	50,000	-	-	-
Operating transfers out	(89,148)	-	-	(128,568)
Total other financing sources (uses)	(39,148)	-	-	(128,568)
Net change in cash balances	(10,841)	(13,146)	23,279	45,722
Cash balances beginning of year	(437,968)	153,011	214,759	(45,722)
Cash balances end of year	\$ (448,809)	139,865	238,038	-
Cash Basis Fund Balances				
Restricted for:				
Streets	\$ -	139,865	119,019	-
Safety	-	-	119,019	-
Debt Service	-	-	-	-
Other Purposes	-	-	-	-
Unassigned	(448,809)	-	-	-
	\$ (448,809)	139,865	238,038	-

See notes to financial statements

Exhibit B

Debt Service	Capital Projects	Nonmajor	Total
85,349	-	247,593	\$ 827,506
-	-	-	183,355
-	-	-	187,164
-	-	-	1,326
-	-	-	6,298
-	-	863	703
-	-	-	337,621
-	-	-	170,970
-	-	-	2,855
-	46,412	-	97,012
85,349	46,412	248,456	1,814,810
-	-	119,020	430,030
-	-	28,925	495,675
-	-	6,619	180,411
-	-	-	115,926
-	-	32,789	187,174
1,253,162	-	-	1,253,162
-	135,677	-	135,677
1,253,162	135,677	187,353	2,798,055
(1,167,813)	(89,265)	61,103	(983,245)
1,101,120	-	-	1,101,120
128,568	189,148	5,000	372,716
(155,000)	-	-	(372,716)
1,074,688	189,148	5,000	1,101,120
(93,125)	99,883	66,103	117,875
22,075	184,158	(42,984)	47,329
(71,050)	284,041	23,119	\$ 165,204
-	-	-	\$ 258,884
-	-	-	119,019
(71,050)	17,100	-	(53,950)
-	266,941	-	266,941
-	-	23,119	(425,690)
(71,050)	284,041	23,119	\$ 165,204

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, 2013

	Enterprise			
	Water	Sewer	Nonmajor	Total
Operating receipts:				
Charges for service	\$ 517,218	485,680	34,623	\$ 1,037,521
Miscellaneous	13,171	272,397	-	285,568
Total operating receipts	530,389	758,077	34,623	1,323,089
Operating disbursements:				
Business type activities	304,778	258,752	6,532	570,062
Excess of operating receipts over operating disbursements	225,611	499,325	28,091	753,027
Non-operating receipts (disbursements)				
Interest on investments	5,211	2,380	-	7,591
Debt Service	(176,660)	(402,526)	-	(579,186)
Total non-operating receipts (disbursements)	(171,449)	(400,146)	-	(571,595)
Net change in cash balances	54,162	99,179	28,091	181,432
Cash balances beginning of year	1,046,291	1,327,043	187,710	2,561,044
Cash balances end of year	\$ 1,100,453	\$ 1,426,222	\$ 215,801	\$ 2,742,476
Cash Basis Fund Balances				
Restricted for debt service	\$ 170,035	403,606	-	\$ 573,641
Unrestricted	930,418	1,022,616	215,801	2,168,835
Total cash basis fund balances	\$ 1,100,453	\$ 1,426,222	\$ 215,801	\$ 2,742,476

See notes to financial statements.

City of Postville

City of Postville

Notes to Financial Statements

June 30, 2013

(1) Summary of Significant Accounting Policies

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

A. Reporting Entity

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

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

Excluded Component Unit

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

Jointly Governed Organizations

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

B. Basis of Presentation

Government-wide Financial Statement - The Cash Basis Statement of Activities and Net Position 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 Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net positions. Net positions are reported in the following categories/components:

Nonexpendable restricted net positions are subject to externally imposed stipulations which require them to be maintained permanently by the City, including the City's Permanent Fund.

Expendable restricted net positions result when constraints placed on net positions use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

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

The Cash Basis Statement of Activities and Net Positions 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 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.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursements toward restricted fund balance and then to less-restrictive classifications – committed, assigned, and then unassigned fund balances.

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. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the City Council intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2013, disbursements did not exceed the amount budgeted.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2013 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

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

(3) Bonds and Notes Payable

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

Year Ending June 30,	General Obligation Bonds		General Obligation Notes		Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2014	265,000	9,219	40,000	27,525	353,060	224,681	658,060	261,425
2015	200,000	6,313	45,000	24,965	366,601	209,840	611,601	241,118
2016	200,000	3,812	45,000	21,950	380,312	194,491	625,312	220,253
2017	205,000	1,281	50,000	18,935	389,954	177,769	644,954	197,985
2018	-	-	50,000	15,585	409,444	161,070	459,444	176,655
2019-2023	-	-	175,000	24,645	1,977,037	542,156	2,152,037	566,801
2024-2028	-	-	-	-	1,260,434	126,398	1,260,434	126,398
2029-2033	-	-	-	-	46,941	32,799	46,941	32,799
2034-2038	-	-	-	-	58,021	21,719	58,021	21,719
2039-2043	-	-	-	-	71,419	8,319	71,419	8,319
Total	\$ 870,000	\$ 20,625	405,000	133,605	5,313,223	1,699,242	\$ 6,588,223	\$ 1,853,472

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

Pursuant to the amended resolution, the Notes are payable to the U.S. Department of Agriculture (USDA) in monthly installments of \$1,329, including interest at 4.25% per annum. During the year ended June 30, 2013, principal payments to the USDA totaled \$4,372, leaving a principal balance at June 30, 2013 of \$269,957.

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

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

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

Water Revenue Notes – The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$1,700,000 of water revenue notes issued in May 2005. Proceeds from the notes provided financing for the construction of improvements to the municipal water utility. The notes are payable solely from water customer net receipts and are payable through 2025. The total principal and interest remaining to be paid on the notes is \$1,730,930. Annual principal and interest payments on the water revenue notes are expected to require 71% of net receipts. For the current year, principal and interest paid and total customer net receipts were \$165,943 and \$225,611, respectively.

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

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

Sewer Revenue Refunding Notes

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

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

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

USDA Rural Development Sewer Revenue Note – The City issued a sewer revenue note totaling \$4,520,000 on February 8, 2007 to defray a portion of the cost of constructing a sewer treatment plant. The note is payable to the U.S. Department of Agriculture (USDA) in semi-annual installments of \$167,060, including interest at 4.125% per annum, due on June 1 and December 1 of each year. During the year ended June 30, 2013, the City paid principal of \$190,481 to the USDA, leaving a balance due at June 30, 2013 of \$3,378,267.

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

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay the \$640,000 of sewer revenue refunding notes and the \$4,520,000 sewer revenue note. The notes are payable solely from sewer customer net receipts and are payable through 2027. The total principal and interest remaining to be paid on the notes is \$4,803,098. Annual principal and interest payments on the sewer revenue notes are expected to require 66 percent of net receipts. For the current year, principal and interest paid and total customer net receipts were \$402,526 and \$499,325, respectively.

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
2014	32,027	2,450	34,477
Total	\$ 32,027	2,450	\$34,477

(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 5.38% of their annual covered salary and the City is required to contribute 8.07% 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, 2013, 2012 and 2011 were \$48,643, \$48,382 and \$40,355, respectively, equal to the required contributions for each year.

(5) Other Post Employment Benefits (OPEB)

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

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

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$365 for single coverage, \$747 for employee/dependent coverage, \$693 for employee/spouse coverage and \$1,827 for family coverage. For the year ended June 30, 2013, the City contributed 100% of the plan membership cost of \$112,436.

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation, personal leave and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation, personal leave and sick leave payable to employees at June 30, 2013, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 23,493
Sick leave	171,123
Total	<u>\$ 194,616</u>

This liability has been computed based on rates of pay in effect at June 30, 2013.

(7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

Transfer to	Transfer from	Amount
Special Revenue:		
Capital Projects	General	34,148
	Debit Service	155,000
Debt Service	TIF	<u>128,568</u>
Total		<u>\$ 317,716</u>

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

(8) Risk Management

The City is a member of 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 663 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 150% 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, 2013 were \$54,952.

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. For members requiring specific coverage from \$3,000,000 to \$12,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by the Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-

sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2013, 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.

(9) Lease Purchase Agreement Receivable

On May 1, 2002, the City entered into a lease purchase agreement with AgriProcessors, Inc. for exclusive use of the City's lagoons. The lease was for \$500,000 that will amortize over a fifteen year period, at which time the lease concludes, the City will convey all rights, titles and interests of the Lagoon System to AgriProcessors. SHF Industries, LLC has purchased selected assets of AgriProcessors. SHF has assumed the agreements between the City and AgriProcessors. The City agreed to establish an annual depreciation reserve amount of \$20,483. The City's annual receivables from SHF are as follows:

Year Ending June 30,	Principal	Interest	Total
2014	37,452	13,180	50,632
2015	39,761	10,870	50,631
2016	42,214	8,418	50,632
2017	44,817	5,814	50,631
2018	47,582	3,049	50,631
2019	24,720	437	25,157
Total	<u>\$ 236,546</u>	<u>41,768</u>	<u>\$ 278,314</u>

(10) Community Economic Betterment Account (CEBA)

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

As of June 30, 2013, the local business is in compliance with the job creation/retention requirement.

(11) Deficit Balances

The General Fund, Debt Service, Emergency and Health Care/Ambulance Funds had deficit balances of, \$448,809, \$71,050, \$28,032 and \$5,343 respectively, at June 30, 2013. The City will continue to monitor and reduce disbursements as possible to return the funds to a positive account balance.

(12) Litigation

The City is not subject to any pending litigation at this time.

(13) Waste Management

During the year ended June 30, 2013, the City of Postville paid Waste Management \$145,749. The sanitation company is then responsible for paying all landfill fees.

(14) Commitments

As of June 30, 2013 the City had the following commitment with respect to the following project:

	<u>Remaining Commitment</u>	<u>Expected Date of Completion</u>
Street Resurfacing Projects FY 13/14	\$ 97,352	October 2013
Total	<u>\$ 97,352</u>	

(15) Subsequent Events

On August 26, 2013 the City entered into a contract with Tschiggfrie Excavating, Inc. for the Tilden Street Alley Sanitary Sewer Treatment project in the amount of \$145,580.63.

On September 9, 2013 the City entered into two contracts with UERPC, \$36,000 for technical services and \$23,040 for general administrative services.

On October 14, 2013 the City approved change order # 1 for the Tschiggfrie Excavating contract in the amount of \$9,519.

City of Postville

City of Postville
 Budgetary Comparison Schedule
 of Receipts, Disbursements and Changes in Balances-
 Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds
 Other Information
 Year ended June 30, 2013

	Governmental Funds Actual	Proprietary Funds Actual	Total
Receipts:			
Property tax	\$ 827,506	-	\$ 827,506
Tax increment financing	183,355	-	183,355
Other city tax	188,490	-	188,490
Licenses and permits	6,298	-	6,298
Use of money and property	704	7,591	8,295
Intergovernmental	337,621	-	337,621
Charges for service	170,969	1,037,521	1,208,490
Special assessments	2,855	-	2,855
Miscellaneous	97,012	285,568	382,580
Total receipts	<u>1,814,810</u>	<u>1,330,680</u>	<u>3,145,490</u>
Disbursements:			
Public safety	430,031	-	430,031
Public works	495,674	-	495,674
Culture and recreation	180,411	-	180,411
Community and economic development	115,926	-	115,926
General government	187,174	-	187,174
Debt service	1,253,162	-	1,253,162
Capital projects	135,677	-	135,677
Business type activities	-	1,149,248	1,149,248
Total disbursements	<u>2,798,055</u>	<u>1,149,248</u>	<u>3,947,303</u>
Excess (deficiency) of receipts over (under) disbursements	(983,245)	181,432	(801,813)
Other net financing sources, net	1,101,120	-	1,101,120
Excess of receipts and other financing sources over disbursements and other financing uses	117,875	181,432	299,307
Balances beginning of year	<u>47,329</u>	<u>2,561,044</u>	<u>2,608,373</u>
Balances end of year	<u>\$ 165,204</u>	<u>\$ 2,742,476</u>	<u>\$ 2,907,680</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Total
		Variance
\$ 753,078	\$ 753,078	\$ 74,428
335,000	335,000	(151,645)
233,853	233,853	(45,363)
9,150	9,150	(2,852)
16,700	16,700	(8,405)
625,714	413,214	(75,593)
1,479,100	2,584,220	(1,375,730)
3,500	3,500	(645)
541,400	541,400	(158,820)
<u>3,997,495</u>	<u>4,890,115</u>	<u>(1,744,625)</u>
500,900	501,100	71,069
617,750	622,650	126,976
231,385	248,885	68,474
419,500	171,800	55,874
250,000	265,300	78,126
325,200	1,410,500	157,338
1,000	156,000	20,323
<u>1,334,828</u>	<u>1,345,528</u>	<u>196,280</u>
<u>3,680,563</u>	<u>4,721,763</u>	<u>774,460</u>
316,932	168,352	(970,165)
-	160,200	940,920
316,932	328,552	(29,245)
<u>2,298,419</u>	<u>2,298,419</u>	<u>309,954</u>
<u>\$ 2,615,351</u>	<u>\$ 2,626,971</u>	<u>\$ 280,709</u>

Other Information

City of Postville

Notes to Other Information – Budgetary Reporting

June 30, 2013

The budgetary comparison is presented 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, the budget was not amended.

During the year ended June 30, 2013, disbursements did not exceed the amount budgeted.

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, 2013

	Special Revenue			
	Employee Benefits	Emergency	Health Care/Ambulance	Total
Receipts:				
Property tax	\$ 232,893	14,700	-	\$ 247,593
Use of money and property	-	6	857	863
Total receipts	<u>232,893</u>	<u>14,706</u>	<u>857</u>	<u>248,456</u>
Disbursements:				
Operating:				
Public safety	89,306	21,914	7,800	119,020
Public works	28,925	-	-	28,925
Culture and recreation	6,619	-	-	6,619
General government	32,789	-	-	32,789
Total disbursements	<u>157,639</u>	<u>21,914</u>	<u>7,800</u>	<u>187,353</u>
Deficiency of receipts under disbursements	75,254	(7,208)	(6,943)	61,103
Other financing sources:				
Operating transfers in	-	-	5,000	5,000
Net change in cash balances	75,254	(7,208)	(1,943)	66,103
Cash balances beginning of year	<u>(18,760)</u>	<u>(20,824)</u>	<u>(3,400)</u>	<u>(42,984)</u>
Cash balances end of year	<u>\$ 56,494</u>	<u>\$ (28,032)</u>	<u>\$ (5,343)</u>	<u>\$ 23,119</u>
Cash Basis Fund Balances				
Unassigned	<u>\$ 56,494</u>	<u>(28,032)</u>	<u>(5,343)</u>	<u>\$ 23,119</u>
	<u>\$ 56,494</u>	<u>(28,032)</u>	<u>(5,343)</u>	<u>\$ 23,119</u>

See accompanying independent auditor's report.

Supplementary Information

Schedule 2

City of Postville

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

As of and for the year ended June 30, 2013

	Enterprise		
	Storm Water		
	Lagoon	Utility	Total
Operating receipts:			
Charges for Service	\$ -	34,623	\$ 34,623
Operating disbursements:			
Business type activities	-	6,532	6,532
Excess of operating receipts over Operating disbursements	-	28,091	28,091
Cash balances beginning of year	49,930	137,780	187,710
Cash balances end of year	\$ 49,930	165,871	\$ 215,801
Cash Basis Fund Balances			
Unrestricted	\$ 49,930	165,871	\$ 215,801
	49,930	165,871	215,801

See accompanying independent auditor's report.

City of Postville
Schedule of Indebtedness
Year ended June 30, 2013

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 2006	Aug 1, 2006	6.10-6.95%	610,000
Capital loan 2013	Aug 29, 2012	1.25%	1,110,000
Total			
Revenue notes:			
Child care facility	July 28, 2003	4.25%	\$ 300,000
Water	May 1, 2005	3.70-5.10%	1,700,000
Sewer refunding	Feb 1, 2007	3.90-4.45%	640,000
Sewer	Feb 8, 2007	4.125%	4,520,000
Total			
Lease purchase agreement:			
Street lighting	Dec 20, 2002	9.75%	\$ 242,000

See accompanying independent auditor's report

Schedule 3

Balance Beginning of Year	Additions During Year	Redeemed During Year	Balance End of Year	Interest Paid
770,000	-	770,000	\$ -	\$ 9,341
150,000	-	150,000	-	1,953
445,000	-	40,000	405,000	30,685
-	1,110,000	240,000	870,000	11,183
595,000	1,110,000	430,000	\$ 1,275,000	\$ 43,821
274,329	-	4,372	269,957	\$ 11,757
1,400,000	-	100,000	1,300,000	66,443
415,000	-	50,000	365,000	18,398
3,568,748	-	190,481	3,378,267	143,647
5,658,077	-	344,853	\$ 5,313,224	\$ 240,244
66,962	-	34,935	\$ 32,027	\$ 2,676

City of Postville
Bond and Note Maturities
June 30, 2013

Year Ending June 30,	General Obligation					Total
	Refunding Bond		Capital Loan			
	Issued Aug 29, 2013		Issued Aug 1, 2006			
	Interest		Interest			
Rates	Amount	Rates	Amount			
2014	1.25	265,000	6.40	40,000	305,000	
2015	1.25	200,000	6.70	45,000	245,000	
2016	1.25	200,000	6.70	45,000	245,000	
2017	1.25	205,000	6.70	50,000	255,000	
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>870,000</u>		<u>405,000</u>	<u>\$ 1,275,000</u>	

See accompanying independent auditor's report.

Schedule 4

Revenue Notes								
Child Care Facility Issued July 28, 2003		Water Issued May 1, 2005		Sewer Refunding Issued Feb 1, 2007		Sewer Issued Feb 8, 2007		Total
Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
4.25	4,561	4.20	100,000	4.20	50,000	4.125%	198,498	353,059
4.25	4,759	4.30	100,000	4.25	55,000	4.125%	206,843	366,602
4.25	4,964	4.50	100,000	4.30	60,000	4.125%	215,348	380,312
4.25	5,179	4.60	100,000	4.35	60,000	4.125%	224,775	389,954
4.25	5,403	4.70	100,000	4.40	70,000	4.125%	234,041	409,444
4.25	5,636	4.75	105,000	4.45	70,000	4.125%	243,879	424,515
4.25	5,881	4.80	110,000	-	-	4.125%	254,004	369,885
4.25	6,135	4.90	110,000	-	-	4.125%	264,928	381,063
4.25	6,401	4.95	110,000	-	-	4.125%	275,947	392,348
4.25	6,677	5.00	115,000	-	-	4.125%	287,548	409,225
4.25	6,966	5.05	120,000	-	-	4.125%	299,583	426,549
4.25	7,268	5.10	130,000	-	-	4.125%	312,271	449,539
4.25	7,582	-	-	-	-	4.125%	360,363	367,945
4.25	7,910	-	-	-	-	-	-	7,910
4.25	8,253	-	-	-	-	-	-	8,253
4.25	8,610	-	-	-	-	-	-	8,610
4.25	8,983	-	-	-	-	-	-	8,983
4.25	9,372	-	-	-	-	-	-	9,372
4.25	9,777	-	-	-	-	-	-	9,777
4.25	10,200	-	-	-	-	-	-	10,200
4.25	10,642	-	-	-	-	-	-	10,642
4.25	11,103	-	-	-	-	-	-	11,103
4.25	11,584	-	-	-	-	-	-	11,584
4.25	12,085	-	-	-	-	-	-	12,085
4.25	12,608	-	-	-	-	-	-	12,608
4.25	13,154	-	-	-	-	-	-	13,154
4.25	13,723	-	-	-	-	-	-	13,723
4.25	14,318	-	-	-	-	-	-	14,318
4.25	14,938	-	-	-	-	-	-	14,938
4.25	15,286	-	-	-	-	-	-	15,286
	<u>\$ 269,958</u>		<u>1,300,000</u>		<u>365,000</u>		<u>3,378,028</u>	<u>\$ 5,312,986</u>

City of Postville

Schedule of Receipts by Source and Disbursement by Function

All Governmental Funds

For the Last Ten Years

	2013	2012	2011	2010
Receipts:				
Property tax	\$ 827,506	\$ 757,826	\$ 705,368	\$ 660,250
Local option sales tax	183,355	280,992	273,883	199,031
Tax increment financing	187,164	162,619	236,815	177,075
Other city tax	1,326	1,452	1,612	1,691
Licenses and permits	6,298	5,471	9,091	10,230
Use of money and property	703	4,390	10,878	10,294
Intergovernmental	337,621	538,507	424,786	440,793
Charges for service	170,970	173,350	192,012	191,402
Special assessments	2,855	3,276	3,034	6,036
Miscellaneous	97,012	131,253	231,054	164,383
Total	\$ 1,814,810	\$ 2,059,136	\$ 2,088,533	\$ 1,861,185
Disbursements:				
Operating:				
Public safety	\$ 430,030	\$ 448,676	\$ 445,643	\$ 391,235
Public works	495,675	412,474	600,668	426,324
Culture and recreation	180,411	167,412	359,710	191,113
Community and economic development	115,926	204,273	386,886	269,140
General government	187,174	207,019	255,255	206,772
Debt service	1,253,162	325,897	326,297	325,830
Capital projects	135,677	5,883	27,354	24,622
Total	\$ 2,798,055	\$ 1,771,634	\$ 2,401,813	\$ 1,835,036

See accompanying independent auditor's report.

Schedule 5

2009	2008	2007	2006	2005	2004
\$ 494,150	\$ 640,224	\$ 622,672	\$ 596,806	\$ 601,959	\$ 591,367
182,194	162,448	180,431	154,350	152,472	136,362
110,338	260,799	253,785	136,429	140,963	38,406
1,476	1,545	1,553	2,074	2,095	1,921
5,375	6,868	10,960	7,607	6,190	7,117
12,909	22,953	16,179	29,827	33,549	42,937
1,021,131	201,426	392,657	2,122,705	4,313,858	618,058
162,911	170,731	145,263	139,560	143,301	130,927
3,250	12,278	6,175	7,293	73,973	15,702
74,159	188,508	103,163	386,255	253,278	154,350
<u>\$ 2,067,893</u>	<u>\$ 1,667,780</u>	<u>\$ 1,732,838</u>	<u>\$ 3,582,906</u>	<u>\$ 5,721,638</u>	<u>\$ 1,737,147</u>
\$ 412,223	\$ 396,159	\$ 356,384	\$ 350,573	\$ 343,843	\$ 311,710
411,805	392,742	400,510	352,049	367,570	388,450
155,681	160,046	201,829	132,571	134,690	127,302
631,627	9,493	86,651	4,943	176,964	183,221
235,478	262,795	263,622	677,853	383,205	371,080
320,115	328,905	288,444	256,132	251,572	153,698
92,064	223,704	4,904,965	4,055,279	8,854,246	976,055
<u>\$ 2,258,993</u>	<u>\$ 1,773,844</u>	<u>\$ 6,502,405</u>	<u>\$ 5,829,400</u>	<u>\$ 10,512,090</u>	<u>\$ 2,511,516</u>

City of Postville

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

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information for the primary government of the City of Postville, Iowa, as of and for the year ended June 30, 2013, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated December 17, 2013. 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

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of City of Postville's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings as items II-A-13, and II-B-13 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings as item II-C-13 to be a significant deficiency.

Compliance and Other Matters

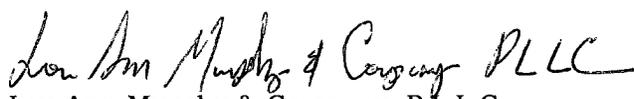
As part of obtaining reasonable assurance about whether the City of Postville's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

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



Lou Ann Murphy & Company, P.L.L.C.
Certified Public Accountant

Osage, Iowa

December 17, 2013

City of Postville
Schedule of Findings
Year ended June 30, 2013

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) Material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

City of Postville

Schedule of Findings

Year ended June 30, 2013

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-13 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Bank deposits and the posting of the cash receipts to the cash receipts journal are all done by the same person. Further, there are also inadequate segregation of duties over the Pool.

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

We also recommend the following changes be implemented at the Pool. All receipts should be run through the cash register and the register should be reconciled monthly to the total deposits made for the month. Receipts should be counted by two employees, the amount should be compared to the register tape and both employees should initial the deposit ticket and register tape. Deposits should always be counted on the pool premises and then go directly to the bank. Supplies should be paid for with a check rather than undeposited funds.

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

Conclusion – Response accepted.

II-B-13 Petty Cash – The City has a petty cash drawer that was not recorded on the books. Petty cash is used for making change when customers pay their bills in cash and for the payment of minor supplies such as postage.

Recommendation – The City should maintain a designated balance in petty cash and record that on the books.

Response – We will do so.

Conclusion – Response accepted.

II C-13 Invoices – Invoices were not properly cancelled to prevent use.

Recommendation – Checks should be prepared only from invoices. The invoices should then be marked “paid” to prevent making duplicate payments.

Response – We will do so in the future.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Postville

Schedule of Findings

Year ended June 30, 2013

Part III: Other Findings Related to Required Statutory Reporting:

- III-A-13 Certified Budget – Disbursements during the year ended June 30, 2013 did not exceed the amount budgeted.
- III-B-13 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.
- III-C-13 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- III-D-13 Business Transactions – No business transactions between the City and City officials or employees were noted.
- III-E-13 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.
- III-F-13 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not. The City's minutes were published in accordance with Chapter 372.13(6) of the Code of Iowa, however, the minutes kept for the Library do not show approval of expenditures, and therefore were not published in accordance with the Code of Iowa.
Recommendation – The City should maintain a list of expenditures for the Library in the minutes, as well as publishing the expenditures as required by the Code of Iowa.
Response – The City will maintain and publish the required information for the Library along with the City's posted minutes.
Conclusion – Response accepted.
- III-G-13 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.
- III-H-13 Financial Condition – At June 30, 2013, the General Fund, Debt Service, Emergency, and Health Care/Ambulance Funds had deficit balances of \$448,809, \$71,050, \$28,032 and \$5,343 respectively.
Recommendation – The City should investigate alternatives to eliminate these deficits and return these funds to a sound financial position.
Response – The deficit balances reflected are due to unpaid property tax owed to the City. The Council will continue to monitor and reduce disbursements as possible to return the funds to a positive account balance.
Conclusion – Response accepted.

City of Postville
Schedule of Findings

Year ended June 30, 2013

III-I-13 Bank Statements – The bank is sending statements as of June 25, 2013 instead of June 30, 2013. Although the reconciliations prove accurate, it would be more accurate if the bank would send the bank statements as of the end of the month.

Recommendation – The City should check with the bank to see if there is a solution to this issue.

Response – We will contact the bank.

Conclusion – Response accepted.