

**CITY OF POSTVILLE**

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

**JUNE 30, 2015**



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City of Postville

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Leigh Rekow	Mayor	Dec 2017
Ross Malcom	Mayor Pro term	Dec 2015
Mary Straate	Council Member	Dec 2015
Larry Moore	Council Member	Dec 2015
Don Miller	Council Member	Dec 2017
Mary Engstrom	Council Member	Dec 2017
Darcy Radloff	Clerk	Indefinite
Kevin Cronk	Treasurer	Indefinite
Anne Loomis	Attorney	Indefinite
Michael Halse	Police Chief	Indefinite

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**City of Postville**

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## 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, 2015, 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.

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, 2015, 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.

### Basis of Accounting

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

### Emphasis of a Matter

As disclosed in Note 4 to the financial statements, City of Postville adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions. Our opinions are 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, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The financial statements for the nine years ending June 30, 2014 (which are not presented herein), were audited by other auditors whose reports expressed unqualified opinions on financial statements from 2005-2014 which were prepared on the basis of cash receipts and disbursements. The 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.

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 basic financial statements taken as a whole.

The other information, the City's Management's Discussion and Analysis, the budgetary comparison information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 4 through 9 and 27 through 32 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 15, 2015 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.

  
Murphy, Smith & Co. PLLC  
Certified Public Accountant  
Osage, Iowa  
December 15, 2015

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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The City of Postville provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### 2015 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased 7.4%, or approximately \$139,000, from fiscal year 2014 to fiscal year 2015. Operating grants, contributions and restricted interest increased approximately \$75,000. Capital grants, contributions, and restricted interest increased approximately \$28,000 and property tax decreased approximately \$155,000 due to collections on delinquent accounts and an increase on a tax levy.
- Disbursements of the City's governmental activities decreased 2.5%, or approximately \$48,000 in fiscal year 2015 from fiscal year 2014. Public works decreased approximately \$172,000, Culture and Recreation increased approximately \$20,000, and Community and economic development increased approximately \$98,000.
- The City's total cash basis net position decreased 2.8%, or approximately \$85,938 from June 30, 2014 to June 30, 2015. Of this amount, the cash basis net position of the governmental activities increased approximately \$144,571 and the cash basis net position of the business type activities decreased approximately \$230,509.

### 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 and the City's proportionate share of the net pension liability and related contributions.

Supplementary Information provides detailed information about the nonmajor governmental and proprietary funds and the City's indebtedness. 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 Cash Basis 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 are divided into two kinds of activities:

- Governmental Activities include public safety, public works, health and social, 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, 4) the Capital Projects Fund and 5) the Permanent 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.

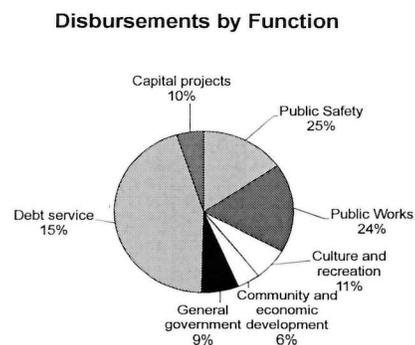
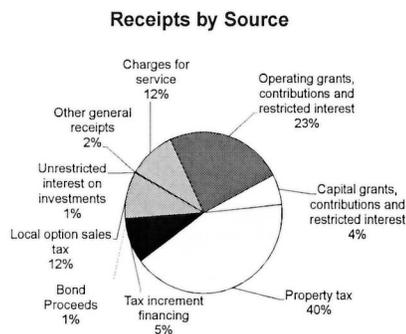
The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

Reconciliations between the government-wide financial statement and the fund financial statements follow the fund financial statements.

## 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 \$199,529 to \$344,100. 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,	
	2015	2014
<b>Receipts</b>		
Program receipts:		
Charges for service	\$ 212	\$ 268
Operating grants, contributions and restricted interest	386	311
Capital grants, contributions and restricted interest	70	42
General receipts:		
Property tax	701	856
Tax increment financing	89	185
Local option sales tax	214	200
Bond Proceeds	29	-
Unrestricted interest on investments	4	4
Other general receipts	36	14
Total receipts	1,741	1,880
<b>Disbursements</b>		
Public safety	481	451
Public works	455	627
Culture and recreation	205	185
Community and economic development	114	16
General government	169	171
Debt service	279	341
Capital projects	193	153
Total disbursements	1,896	1,944
Changes in cash basis net position before transfers	(155)	(64)
Transfers, net	300	80
Change in cash basis net position	145	16
Cash basis net position beginning of year	199	183
Cash basis net position end of year	\$ 344	\$ 199



The City's total receipts for governmental activities decreased 7.4%, or approximately \$139,000. The total cost of all programs and services decreased approximately \$48,000, or 2.5%. The decrease was primarily due to the completion of the First Time Homebuyer Grant funded projects.

Changes in Cash Basis Net Position of Business Type Activities (Expressed in Thousands)		
	Year ended June 30,	
	2015	2014
Receipts		
Program receipts:		
Charges for service		
Water	\$ 521	\$ 500
Sewer	802	795
Storm water utility	34	35
General receipts:		
Unrestricted interests in investments	5	5
Total receipts	1,362	1,335
Disbursements		
Water	559	533
Sewer	693	667
Storm water utility	40	24
Total disbursements	1,292	1,224
Changes in cash basis net position before transfers	70	111
Transfers, net	(300)	(80)
Changes in cash basis net position	(230)	31
Cash basis net position beginning of year	2,773	2,742
Cash basis net position end of year	\$ 2,543	\$ 2,773

Total business type activities receipts for fiscal year 2015 were approximately \$1,362,000 compared to approximately \$1,335,000 last year. This increase was due primarily to the City collection on utility accounts from the prior year. The cash balance decreased approximately \$230,000 from the prior year, primarily due to active collections on delinquent accounts with the City. Total disbursements for the fiscal year increased approximately \$68,000 to a total of approximately \$1,292,000.

#### **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of Postville completed the year, its governmental funds reported a combined fund balance of \$344,100, an increase of \$144,571 from last year's total of \$199,529. 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 \$313,636 from the prior year to a balance of \$7,982. Total receipts increased 2% and total disbursements increased 6%. Property tax receipts decreased \$125,193, intergovernmental receipts increased \$50,321 and miscellaneous receipts increased \$49,516. Culture and recreation disbursements increased \$19,964 and Community and economic development disbursements increased \$98,571.
- The Special Revenue, Road Use Tax Fund cash balance decreased \$5,361 to a deficit balance of \$1,252. The decrease in fund balances was primarily due to a decrease in spending

- The Special Revenue, Local Option Sales Tax Fund cash balance decreased \$8,582 to \$193,274. The decreased fund balance was primarily due to increases in public safety and street improvements.
- The Special Revenue, Tax Increment Financing Fund cash balance increased \$274 to \$274. Debt payments remained the same, as no new debt was incurred.
- The Debt Service Fund cash balance decreased \$94,547 during the fiscal year to a deficit balance of \$202,136. The decrease was primarily due to the decline in TIF revenue due to a reduction in property valuations in the TIF district.
- The Capital Projects Fund cash balance decreased \$104,820 to \$210,055. The increase was primarily due to savings for future capital projects.

**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 decreased \$34,294 to \$1,036,772. The decrease was primarily due to increase in project expenditures in the water fund.
- The Sewer Fund cash balance decreased \$140,369 to \$1,335,594. The decrease is primarily due to engineering & capital project expense on the sewer lining & waste water treatment project upgrade.

**BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget two times. The amendment was approved on December 8, 2014 and March 9, 2015 and resulted in an increase in total of disbursements of \$932,950 related to operational costs and capital projects. The city had sufficient cash to absorb these additional costs.

For the year ended June 30, 2015, the City did not exceed the amounts budgeted for expenditures.

**DEBT ADMINISTRATION**

At June 30, 2015, the City had \$5,347,046 in bonds, notes and other long-term debt outstanding, compared to \$5,930,173 last year, as shown below.

	Outstanding Debt at Year-End	
	June 30,	
	2015	2014
General obligation notes	725,000	970,000
Child care facility revenue notes	260,634	265,394
Water revenue notes	1,100,000	1,200,000
Sewer revenue notes	3,232,946	3,494,779
State revolving fund	28,466	-
Total	<u>\$ 5,347,046</u>	<u>\$ 5,930,173</u>

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 \$725,000 is below its constitutional debt limit of \$3,588,766. 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 2016 budget. The tax levy rate for fiscal year 2016 will be increased to 15.90119 from 15.70358. Infrastructure remains as a top priority with storm sewer repairs, and sewer lining projects. Work continues to move forward on the Waste Water Treatment facility upgrade. Amounts appropriated in the operating budget are \$8,682,431.

### **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.

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**Basic Financial Statements**

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**City of Postville**

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2015

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>				
Governmental activities:				
Public safety	\$ 480,883	14,256	15,972	-
Public works	455,140	144,579	231,569	-
Culture and recreation	205,198	30,956	46,329	-
Community and economic development	114,408	-	-	69,824
General government	168,583	21,916	7,925	-
Debt service	278,527	-	-	-
Capital projects	192,805	-	84,519	-
Total governmental activities	1,895,544	211,707	386,314	69,824
Business type activities:				
Water	558,839	521,114	-	-
Sewer	693,519	801,587	-	-
Storm water utility	40,000	34,084	-	-
Total business type activities	1,292,358	1,356,785	-	-
Total	\$ 3,187,902	1,568,492	386,314	69,824
<b>General Receipts:</b>				
Property and other city tax levied for:				
General purposes				
Debt service				
Tax increment financing				
Local option sales tax				
Grants and Contributions not restricted to specific purposes				
Unrestricted interest on investments				
Bond Proceeds				
Miscellaneous				
Sale of Capital Assets				
Transfers				
Total general receipts				
Change in cash basis net position				
Cash basis net position beginning of year				
Cash basis net position end of year				
<b>Cash Basis Net Position:</b>				
Restricted:				
Expendable:				
Streets				
Safety				
Debt service				
Other purposes				
Unrestricted				
<b>Total cash basis net Position</b>				

See notes to financial statements

**Exhibit A**

<u>Net (Disbursements) Receipts and</u> <u>Changes in Cash Basis Net Position</u>		
<u>Governmental</u> <u>Activities</u>	<u>Business Type</u> <u>Activities</u>	<u>Total</u>
(450,655)	-	\$ (450,655)
(78,992)	-	(78,992)
(127,913)	-	(127,913)
(44,584)	-	(44,584)
(138,742)	-	(138,742)
(278,527)	-	(278,527)
(108,287)	-	(108,287)
<u>(1,227,700)</u>	<u>-</u>	<u>(1,227,700)</u>
-	(37,725)	(37,725)
-	108,068	108,068
-	(5,916)	(5,916)
-	64,427	64,427
<u>(1,227,700)</u>	<u>64,427</u>	<u>\$ (1,163,273)</u>
\$ 606,590	-	\$ 606,590
94,724	-	94,724
88,552	-	88,552
213,630	-	213,630
-	-	-
4,072	4,994	9,066
28,466	-	28,466
36,307	-	36,307
-	-	-
299,930	(299,930)	-
<u>1,372,271</u>	<u>(294,936)</u>	<u>1,077,335</u>
144,571	(230,509)	(85,938)
<u>199,529</u>	<u>2,773,171</u>	<u>2,972,700</u>
<u>\$ 344,100</u>	<u>2,542,662</u>	<u>\$ 2,886,762</u>
\$ 95,385	-	\$ 95,385
96,637	-	96,637
(184,762)	-	(184,762)
192,955	-	192,955
<u>143,885</u>	<u>2,542,662</u>	<u>2,686,547</u>
<u>\$ 344,100</u>	<u>2,542,662</u>	<u>\$ 2,886,762</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, 2015

	Special Revenue			
	General	Road Use Tax	Local Option Sales Tax	Tax Increment Financing
<b>Receipts:</b>				
Property tax	\$ 408,707	-	-	978
Tax increment financing	-	-	-	88,552
Local option sales tax	-	-	213,630	-
Other city tax	1,116	-	-	-
Licenses and permits	5,970	-	-	-
Use of money and property	4,473	-	-	-
Intergovernmental	85,541	231,569	-	-
Charges for service	181,554	-	-	-
Special assessments	-	-	2,145	-
Miscellaneous	96,408	-	-	-
<b>Total receipts</b>	<b>783,769</b>	<b>231,569</b>	<b>215,775</b>	<b>89,530</b>
<b>Disbursements:</b>				
<b>Operating:</b>				
Public safety	222,367	-	125,596	-
Public works	104,376	226,208	98,761	-
Culture and recreation	198,508	-	-	-
Community and economic development	114,408	-	-	-
General government	138,004	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
<b>Total disbursements</b>	<b>777,663</b>	<b>226,208</b>	<b>224,357</b>	<b>-</b>
<b>Excess (deficiency) of receipts over (under) disbursements</b>	<b>6,106</b>	<b>5,361</b>	<b>(8,582)</b>	<b>89,530</b>
<b>Other financing sources (uses):</b>				
Note Proceeds	-	-	-	-
Operating transfers in	399,930	-	-	-
Operating transfers out	(92,400)	-	-	(89,256)
<b>Total other financing sources (uses)</b>	<b>307,530</b>	<b>-</b>	<b>-</b>	<b>(89,256)</b>
<b>Net change in cash balances</b>	<b>313,636</b>	<b>5,361</b>	<b>(8,582)</b>	<b>274</b>
<b>Cash balances beginning of year, as restated</b>	<b>(305,654)</b>	<b>(6,613)</b>	<b>201,856</b>	<b>-</b>
<b>Cash balances end of year</b>	<b>\$ 7,982</b>	<b>(1,252)</b>	<b>193,274</b>	<b>274</b>
<b>Cash Basis Fund Balances</b>				
<b>Restricted for:</b>				
Streets	\$ -	(1,252)	96,637	-
Safety	-	-	96,637	-
Debt Service	-	-	-	274
Other Purposes	-	-	-	-
<b>Unassigned</b>	<b>7,982</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>\$ 7,982</b>	<b>(1,252)</b>	<b>193,274</b>	<b>274</b>

See notes to financial statements

**Exhibit B**

Debt Service	Capital Projects	Nonmajor	Total
94,724	29,668	195,788	\$ 729,865
-	-	-	88,552
-	-	-	213,630
-	-	-	1,116
-	-	-	5,970
-	-	799	5,272
-	-	-	317,110
-	-	-	181,554
-	-	-	2,145
-	54,851	15,246	166,505
94,724	84,519	211,833	1,711,719
-	-	132,920	480,883
-	-	25,795	455,140
-	-	6,690	205,198
-	-	-	114,408
-	-	30,579	168,583
278,527	-	-	278,527
-	192,805	-	192,805
278,527	192,805	195,984	1,895,544
(183,803)	(108,286)	15,849	(183,825)
-	28,466	-	28,466
89,256	250,000	17,400	756,586
-	(275,000)	-	(456,656)
89,256	3,466	17,400	328,396
(94,547)	(104,820)	33,249	144,571
(107,589)	314,875	102,654	199,529
(202,136)	210,055	135,903	\$ 344,100
-	-	-	\$ 95,385
-	-	-	96,637
(202,136)	17,100	-	(184,762)
-	192,955	-	192,955
-	-	135,903	143,885
(202,136)	210,055	135,903	\$ 344,100

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**City of Postville**

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City of Postville

Statement of Cash Receipts, Disbursements  
And Changes in Cash Balances  
Proprietary Funds  
As of and for the year ended June 30, 2015

	Enterprise			
	Water	Sewer	Nonmajor	Total
Operating receipts:				
Charges for service	\$ 510,552	479,664	34,084	\$ 1,024,300
Miscellaneous	10,562	321,923	-	332,485
Total operating receipts	521,114	801,587	34,084	1,356,785
Operating disbursements:				
Business type activities	558,839	693,519	40,000	1,292,358
Excess of operating receipts over operating disbursements	(37,725)	108,068	(5,916)	64,427
Non-operating receipts (disbursements)				
Interest on investments	3,431	1,563	-	4,994
Debt Service	-	-	-	-
Total non-operating receipts (disbursements)	3,431	1,563	-	4,994
Excess (Deficiency) of receipts over (under) disbursements	(34,294)	109,631	(5,916)	69,421
Other financing sources (Uses)				
Operating Transfers In	-	-	-	-
Operating Transfers Out	-	(250,000)	(49,930)	(299,930)
Total other financing sources (Uses)	-	(250,000)	(49,930)	(299,930)
Net change in cash balances	(34,294)	(140,369)	(55,846)	(230,509)
Cash balances beginning of year	1,071,066	1,475,963	226,142	2,773,171
Cash balances end of year	\$ 1,036,772	\$ 1,335,594	\$ 170,296	\$ 2,542,662
<b>Cash Basis Fund Balances</b>				
Restricted for debt service	\$ -	-	-	\$ -
Unrestricted	1,036,772	1,335,594	170,296	2,542,662
Total cash basis fund balances	\$ 1,036,772	\$ 1,335,594	\$ 170,296	\$ 2,542,662

See notes to financial statements.

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**City of Postville**

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City of Postville

Notes to Financial Statements

June 30, 2015

**(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 Rural 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.

**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. Enabling legislation did not result in any restricted net position.

Unrestricted net positions consist of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints 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, 2015, disbursements did not exceed the amount budgeted.

**(2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2015 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		General		Revenue Notes		Total	
	Obligation Bonds		Obligation Notes					
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2016	200,000	3,812	45,000	21,950	422,633	180,636	667,633	206,398
2017	205,000	1,281	50,000	18,935	392,464	175,259	647,464	195,475
2018	-	-	50,000	15,585	412,053	158,461	462,053	174,046
2019	-	-	55,000	12,135	427,036	140,698	482,036	152,833
2020	-	-	60,000	8,340	372,431	122,200	432,431	130,540
2021-2024	-	-	60,000	4,170	2,068,722	357,578	2,128,722	361,748
2025-2029	-	-	-	-	367,995	45,873	367,995	45,873
2030-2034	-	-	-	-	50,875	28,865	50,875	28,865
2035-2039	-	-	-	-	63,018	16,722	63,018	16,722
2040-2043	-	-	-	-	44,819	3,025	44,819	3,025
Total	\$ 405,000	\$ 5,093	320,000	81,115	4,622,046	1,229,317	\$ 5,347,046	\$ 1,315,525

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, 2015, principal payments to the USDA totaled \$4,760, leaving a principal balance at June 30, 2015 of \$260,634.

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 \$1,411,445. 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 \$157,643 and \$(37,725), 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, 2015, the City paid principal of \$206,833 to the USDA, leaving a balance due at June 30, 2015 of \$2,972,946.

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

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

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay the \$640,000 of sewer revenue refunding notes and the \$4,520,000 sewer revenue note. The notes are payable solely from sewer customer net receipts and are payable through 2027. The total principal and interest remaining to be paid on the notes is \$3,964,908. 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 \$402,843 and \$108,068, respectively.

#### **(4) Pension and Retirement Benefits**

Plan Description – IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general information purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the City contributed 8.93 percent for a total rate of 14.88 percent.

The City's contributions to IPERS for the year ended June 30, 2015 were \$50,663.

Collective Net Pension Liabilities, Collective Pension Expense, and Collective Deferred Outflows of Resources and Collective Deferred Inflows of Resources Related to Pensions – At June 30, 2015, the City's liability for its proportionate share of the collective net pension liability totaled \$198,599. The collective net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the collective net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the City's proportion was 0.003744 percent, which was an decrease of 0.001351 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015 the City's collective pension expense, collective deferred outflows and collective deferred inflows totaled \$19,455, \$64,817 and \$26,472 respectively.

Actuarial Assumptions – The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation (Effective June 30, 2014)	3.00 percent per annum
Rate of salary increase (Effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group
Long-term Investment Rate of Return (Effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of returns for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	<u>1</u>	(0.69)
Total	<u>100%</u>	

Discount Rate – The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City’s proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1%	Discount	1%
	Decrease	Rate	Increase
	<u>(6.5%)</u>	<u>(7.5%)</u>	<u>(8.5%)</u>
City’s proportionate share of the net pension liability	\$428,094	\$148,471	(\$87,409)

Pension Plan Fiduciary Net Position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS’ website at [www.ipers.org](http://www.ipers.org).

**(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 10 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 \$369 for single coverage, \$700 for employee/dependent coverage, \$755 for employee/spouse coverage and \$1,144 for family coverage. For the year ended June 30, 2015, the City contributed 100% of the plan membership cost of \$111,696.

**(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, 2015, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 23,996
Sick leave	<u>186,827</u>
Total	<u>\$ 210,823</u>

This liability has been computed based on rates of pay in effect at June 30, 2015.

**(7) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

Transfer to	Transfer from	Amount
General	Ind WW Capital	\$275,000
	Lagoon	49,930
Wwtp/Sewer	Sewer	250,000
Library	General	47,000
Emergency		10,000
Swim Pool		28,000
Health Care		7,400
Debt Service	TIF	<u>89,255</u>
Total		<u>\$ 756,585</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, 2015 were \$56,876.

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, 2015, 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
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>\$ 159,333</u>	<u>17,718</u>	<u>\$ 177,051</u>

**(10) Deficit Balances**

The Road Use Tax, Debt Service, and Emergency Funds had deficit balances of, \$1,252, \$202,136, and \$36,078 respectively, at June 30, 2015. The City will continue to monitor and reduce disbursements as possible to return the funds to a positive account balance.

**(11) Litigation**

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

**(12) Waste Management**

During the year ended June 30, 2015, the City of Postville paid Town & Country \$94,722. The sanitation company is then responsible for paying all landfill fees.

**(13) Commitments**

As of June 30, 2015 the City had the following commitment with respect to the following project:

	<u>Remaining Commitment</u>	<u>Expected Date of Completion</u>
A & S Lawn Care	\$ 1,418	October 2015
Total	<u>\$ 1,418</u>	

**(14) Partial Self Funded Insurance**

The City will pay up to \$500 for a single and up to \$1,000 for a family for each employee's deductible on his or her health insurance plan. For the period ending June 30, 2015 the City had ten employees on the partial self funded insurance plan with a maximum liability of \$27,600 and expenditures of \$17,149 leaving a remaining liability of \$10,451 thru the end of December 2015.

**(15) Subsequent Events**

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through December 15, 2015.

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**City of Postville**

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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, 2015

	Governmental Funds Actual	Proprietary Funds Actual	Total
Receipts:			
Property tax	\$ 729,865	-	\$ 729,865
Tax increment financing	88,552	-	88,552
Other city tax	214,746	-	214,746
Licenses and permits	5,970	-	5,970
Use of money and property	5,272	4,994	10,266
Intergovernmental	317,110	-	317,110
Charges for service	181,554	1,024,300	1,205,854
Special assessments	2,145	-	2,145
Miscellaneous	166,505	332,485	498,990
Total receipts	<u>1,711,719</u>	<u>1,361,779</u>	<u>3,073,498</u>
Disbursements:			
Public safety	480,883	-	480,883
Public works	455,140	-	455,140
Culture and recreation	205,198	-	205,198
Community and economic development	114,408	-	114,408
General government	168,583	-	168,583
Debt service	278,527	-	278,527
Capital projects	192,805	-	192,805
Business type activities	-	1,292,358	1,292,358
Total disbursements	<u>1,895,544</u>	<u>1,292,358</u>	<u>3,187,902</u>
Excess (deficiency) of receipts over (under) disbursements	(183,825)	69,421	(114,404)
Other net financing sources, net	328,396	(299,930)	28,466
Excess of receipts and other financing sources over disbursements and other financing uses	144,571	(230,509)	(85,938)
Balances beginning of year	<u>199,529</u>	<u>2,773,171</u>	<u>2,972,700</u>
Balances end of year	<u>\$ 344,100</u>	<u>\$ 2,542,662</u>	<u>\$ 2,886,762</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Total
		Variance
\$ 688,925	\$ 688,925	\$ 40,940
239,000	239,000	(150,448)
241,596	241,596	(26,850)
9,150	9,150	(3,180)
12,200	13,200	(2,934)
482,000	482,000	(164,890)
1,464,700	1,504,700	(298,846)
3,500	3,500	(1,355)
463,200	477,550	21,440
<u>3,604,271</u>	<u>3,659,621</u>	<u>(586,123)</u>
497,350	511,450	30,567
538,650	538,450	83,310
221,730	236,730	31,532
254,000	204,000	89,592
213,600	212,100	43,517
280,500	285,500	6,973
500	860,000	667,195
1,396,778	1,487,828	195,470
<u>3,403,108</u>	<u>4,336,058</u>	<u>1,148,156</u>
201,163	(676,437)	562,033
-	608,200	(579,734)
201,163	(68,237)	(17,701)
<u>2,956,955</u>	<u>2,956,955</u>	<u>15,745</u>
<u>\$ 3,158,118</u>	<u>\$ 2,888,718</u>	<u>\$ (1,956)</u>

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**Other Information**

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City of Postville

Notes to Other Information – Budgetary Reporting

June 30, 2015

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 amended.

During the year ended June 30, 2015, disbursements did not exceed the amount budgeted.

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**Supplementary Information**

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City of Postville  
Schedule of the City's Proportionate Share of the Net Position Liability

Iowa Public Employees' Retirement System  
June 30, 2015  
(In Thousands)

Other Information

	<u>2015</u>
City's proportion of the Net Pension Liability.	0.003744
City's proportionate share of the Net Pension Liability	\$148
City's covered-employee payroll	\$573
City's proportionate share of the Net Pension Liability as a percentage of its covered-employee payroll.	25.83%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

- The amounts presented for each fiscal year were determined as of June 30.

See accompanying independent auditor's report.

**Note:** GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

Iowa Public Employees' Retirement System  
June 30, 2015  
(In Thousands)

Other Information

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Statutorily required contribution	\$ 51	\$ 50	\$ 49	\$ 48
Contributions in relation to the statutorily required contribution	<u>\$ (51)</u>	<u>\$ (50)</u>	<u>\$ (49)</u>	<u>\$ (48)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 573	\$ 584	\$ 540	\$ 567
Contributions as a percentage of covered-employee payroll	8.90%	8.56%	9.07%	8.47%

See accompanying independent auditor's report.

**Note:** GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

	<u>2011</u>
Statutorily required contribution	\$ 40
Contributions in relation to the statutorily required contribution	<u>\$ (40)</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>
City's covered-employee payroll	\$ 547
Contributions as a percentage of covered-employee payroll	7.31%

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**City of Postville**

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City of Postville

Notes to Other Information – Pension Liability

Year ended June 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits were lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent.
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate close 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study.

- Adjusted retiree monthly assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

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, 2015

	Special Revenue			Total
	Employee Benefits	Emergency	Health Care/ Ambulance	
Receipts:				
Property tax	\$ 183,583	12,205	-	\$ 195,788
Use of money and property	-	4	795	799
Miscellaneous	-	15,246	-	15,246
Total receipts	<u>183,583</u>	<u>27,455</u>	<u>795</u>	<u>211,833</u>
Disbursements:				
Operating:				
Public safety	87,746	36,774	8,400	132,920
Public works	25,795	-	-	25,795
Culture and recreation	6,690	-	-	6,690
General government	30,579	-	-	30,579
Total disbursements	<u>150,810</u>	<u>36,774</u>	<u>8,400</u>	<u>195,984</u>
Deficiency of receipts under disbursements	32,773	(9,319)	(7,605)	15,849
Other financing sources:				
Operating transfers in	-	10,000	7,400	17,400
Net change in cash balances	32,773	681	(205)	33,249
Cash balances beginning of year	<u>138,573</u>	<u>(36,759)</u>	<u>840</u>	<u>102,654</u>
Cash balances end of year	<u>\$ 171,346</u>	<u>\$ (36,078)</u>	<u>\$ 635</u>	<u>\$ 135,903</u>
<b>Cash Basis Fund Balances</b>				
Unassigned	<u>\$ 171,346</u>	<u>(36,078)</u>	<u>635</u>	<u>\$ 135,903</u>
	<u>\$ 171,346</u>	<u>(36,078)</u>	<u>635</u>	<u>\$ 135,903</u>

See accompanying independent auditor's report.

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**City of Postville**

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**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, 2015

	<u>Enterprise</u>		
	<u>Storm Water</u>		
	<u>Lagoon</u>	<u>Utility</u>	<u>Total</u>
Operating receipts:			
Charges for Service	\$ -	34,084	\$ 34,084
Operating disbursements:			
Business type activities	\$ 49,930.00	40,000	89,930
Excess of operating receipts over Operating disbursements	\$ (49,930.00)	(5,916)	(55,846)
Cash balances beginning of year	\$ 49,930	176,212	226,142
Cash balances end of year	\$ -	170,296	\$ 170,296
<b>Cash Basis Fund Balances</b>			
Unrestricted	\$ -	170,296	\$ 170,296
	\$ -	170,296	170,296

See accompanying independent auditor's report.

City of Postville  
Schedule of Indebtedness  
Year ended June 30, 2015

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation notes:			
Capital loan 2006	Aug 1, 2006	6.40-6.95%	610,000
Capital loan 2012	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	3.90-5.10%	1,700,000
Sewer refunding	Feb 1, 2007	4.05-4.45%	640,000
Sewer	Feb 8, 2007	4.125%	4,520,000
State Revolving Fund	Sept 19, 2014	1.750%	28,466
Total			

See accompanying independent auditor's report

**Schedule 3**

Balance Beginning of Year	Additions During Year	Redeemed During Year	Balance End of Year	Interest Paid
365,000	-	45,000	320,000	24,965
605,000	-	200,000	405,000	7,563
970,000	-	245,000	\$ 725,000	\$ 32,528
265,394	-	4,760	260,634	\$ 11,188
1,200,000	-	100,000	1,100,000	57,642
315,000	-	55,000	260,000	13,723
3,179,779	-	206,833	2,972,946	127,287
-	28,466	-	28,466	
4,960,173	28,466	366,593	\$ 4,622,046	\$ 209,840

City of Postville  
Bond and Note Maturities  
June 30, 2015

Year Ending June 30,	General Obligation					Total
	Refunding BondC		apital Loan			
	Issued Aug 29, 2013		Issued Aug 1, 2006			
	Interest Rates	Amount	Interest Rates	Amount		
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>405,000</u>		<u>320,000</u>	<u>\$ 725,000</u>	

See accompanying independent auditor's report.

**Schedule 4**

Revenue Notes										
Child Care Facility		Water		Sewer Refunding		Sewer		State Revolving Fund		
Issued July 28, 2003		Issued May 1, 2005		Issued Feb 1, 2007		Issued Feb 8, 2007		Issued Sept 9, 2014		
Interest		Interest		Interest		Interest		Interest		
Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount	Total
4.25	5,833	4.50	100,000	4.30	60,000	4.125	228,334	1.750	28,466	422,633
4.25	5,120	4.60	100,000	4.35	60,000	4.125	227,345	-	-	392,465
4.25	5,344	4.70	100,000	4.40	70,000	4.125	236,709	-	-	412,053
4.25	5,577	4.75	105,000	4.45	70,000	4.125	246,458	-	-	427,035
4.25	5,821	4.80	110,000	-	-	4.125	256,610	-	-	372,431
4.25	6,076	4.90	110,000	-	-	4.125	267,179	-	-	383,255
4.25	6,342	4.95	110,000	-	-	4.125	278,183	-	-	394,525
4.25	6,619	5.00	115,000	-	-	4.125	289,641	-	-	411,260
4.25	6,909	5.05	120,000	-	-	4.125	301,571	-	-	428,480
4.25	7,211	5.10	130,000	-	-	4.125	313,992	-	-	451,203
4.25	7,526	-	-	-	-	4.125	326,924	-	-	334,450
4.25	7,856	-	-	-	-	-	-	-	-	7,856
4.25	8,199	-	-	-	-	-	-	-	-	8,199
4.25	8,558	-	-	-	-	-	-	-	-	8,558
4.25	8,932	-	-	-	-	-	-	-	-	8,932
4.25	9,323	-	-	-	-	-	-	-	-	9,323
4.25	9,731	-	-	-	-	-	-	-	-	9,731
4.25	10,156	-	-	-	-	-	-	-	-	10,156
4.25	10,601	-	-	-	-	-	-	-	-	10,601
4.25	11,064	-	-	-	-	-	-	-	-	11,064
4.25	11,548	-	-	-	-	-	-	-	-	11,548
4.25	12,053	-	-	-	-	-	-	-	-	12,053
4.25	12,581	-	-	-	-	-	-	-	-	12,581
4.25	13,131	-	-	-	-	-	-	-	-	13,131
4.25	13,705	-	-	-	-	-	-	-	-	13,705
4.25	14,305	-	-	-	-	-	-	-	-	14,305
4.25	14,930	-	-	-	-	-	-	-	-	14,930
4.25	15,583	-	-	-	-	-	-	-	-	15,583
	<u>\$ 260,634</u>		<u>1,100,000</u>		<u>260,000</u>		<u>2,972,946</u>		<u>28,466</u>	<u>\$ 4,622,046</u>

City of Postville

Schedule of Receipts by Source and Disbursement by Function

All Governmental Funds

For the Last Ten Years

	2015	2014	2013	2012
<b>Receipts:</b>				
Property tax	\$ 729,865	\$ 855,058	\$ 827,506	\$ 757,826
Local option sales tax	88,552	184,655	183,355	280,992
Tax increment financing	213,630	200,337	187,164	162,619
Other city tax	1,116	1,153	1,326	1,452
Licenses and permits	5,970	4,985	6,298	5,471
Use of money and property	5,272	5,464	703	4,390
Intergovernmental	317,110	266,588	337,621	538,507
Charges for service	181,554	242,467	170,970	173,350
Special assessments	2,145	2,774	2,855	3,276
Miscellaneous	166,505	116,990	97,012	131,253
<b>Total</b>	<b>\$ 1,711,719</b>	<b>\$ 1,880,471</b>	<b>\$ 1,814,810</b>	<b>\$ 2,059,136</b>
<b>Disbursements:</b>				
<b>Operating:</b>				
Public safety	\$ 480,883	\$ 450,757	\$ 430,030	\$ 448,676
Public works	455,140	626,643	495,675	412,474
Culture and recreation	205,198	185,234	180,411	167,412
Community and economic development	114,408	15,837	115,926	204,273
General government	168,583	171,501	187,174	207,019
Debt service	278,527	340,700	1,253,162	325,897
Capital projects	192,805	152,836	135,677	5,883
<b>Total</b>	<b>\$ 1,895,544</b>	<b>\$ 1,943,508</b>	<b>\$ 2,798,055</b>	<b>\$ 1,771,634</b>

See accompanying independent auditor's report.

**Schedule 5**

2011	2010	2009	2008	2007	2006
\$ 705,368	\$ 660,250	\$ 494,150	\$ 640,224	\$ 622,672	\$ 596,806
273,883	199,031	182,194	162,448	180,431	154,350
236,815	177,075	110,338	260,799	253,785	136,429
1,612	1,691	1,476	1,545	1,553	2,074
9,091	10,230	5,375	6,868	10,960	7,607
10,878	10,294	12,909	22,953	16,179	29,827
424,786	440,793	1,021,131	201,426	392,657	2,122,705
192,012	191,402	162,911	170,731	145,263	139,560
3,034	6,036	3,250	12,278	6,175	7,293
231,054	164,383	74,159	188,508	103,163	386,255
<u>\$ 2,088,533</u>	<u>\$ 1,861,185</u>	<u>\$ 2,067,893</u>	<u>\$ 1,667,780</u>	<u>\$ 1,732,838</u>	<u>\$ 3,582,906</u>
\$ 445,643	\$ 391,235	\$ 412,223	\$ 396,159	\$ 356,384	\$ 350,573
600,668	426,324	411,805	392,742	400,510	352,049
359,710	191,113	155,681	160,046	201,829	132,571
386,886	269,140	631,627	9,493	86,651	4,943
255,255	206,772	235,478	262,795	263,622	677,853
326,297	325,830	320,115	328,905	288,444	256,132
27,354	24,622	92,064	223,704	4,904,965	4,055,279
<u>\$ 2,401,813</u>	<u>\$ 1,835,036</u>	<u>\$ 2,258,993</u>	<u>\$ 1,773,844</u>	<u>\$ 6,502,405</u>	<u>\$ 5,829,400</u>

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**City of Postville**

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# MURPHY, SMITH & Co. PLLC

CERTIFIED PUBLIC ACCOUNTANTS

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

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information for the primary government of the City of Postville, Iowa, as of and for the year ended June 30, 2015, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated December 15, 2015. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with another 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 the 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-15, and II-B-15 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-15 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, 2015 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.

  
Murphy, Smith & Co. PLLC  
Certified Public Accountant  
Osage, Iowa  
December 15, 2015

City of Postville  
Schedule of Findings  
Year ended June 30, 2015

**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 are 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, 2015

**Part II: Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

II-A-15 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-15 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-15 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.

II-D-15 Payments - \$250 fee paid in June, but was not recorded on books until July.

Recommendation – The City should record fees immediately.

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, 2015

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

III-A-15 Certified Budget – Disbursements during the year ended June 30, 2015 did not exceed the amount budgeted.

III-B-15 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-15 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

III-D-15 Business Transactions – No business transactions between the City and City officials or employees were noted.

III-E-15 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-15 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-G-15 Council Minutes – Invoices 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. The City should also approve invoices in the council minutes.

Response – The City will maintain and publish the required information for the Library along with the City’s posted minutes and approve the invoices in the Board Minutes.

III-H-15 Financial Condition – At June 30, 2015, the Road Use Tax, Debt Service, and Emergency Funds had deficit balances of \$1,252, \$202,136 and \$36,078 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.