

**CITY OF WOODBINE**  
**INDEPENDENT AUDITORS' REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**JUNE 30, 2006**

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**City of Woodbine**

**Officials**

<u>Name</u>	<u>Title</u> <b>(Before January 2006)</b>	<u>Term Expires</u>
William Hutcheson	Mayor	January 2006
James Andersen	Council Member	January 2006
Deb Jochims	Council Member	January 2006
Nancy Yarbrough	Council Member	January 2006
Norma Heistand	Council Member	January 2008
Noel Sherer	Council Member	January 2008

<u>Name</u>	<u>Title</u> <b>(After January 2006)</b>	<u>Term Expires</u>
William Hutcheson	Mayor	January 2008
Norma Heistand	Council Member	January 2008
Noel Sherer	Council Member	January 2008
James Andersen	Council Member	January 2010
Deb Jochims	Council Member	January 2010
Nancy Yarbrough	Council Member	January 2010

Bob Sullivan	City Clerk/Treasurer	July 2007
Joseph Lauterbach	Attorney	Indefinite

**City of Woodbine**

August 16, 2006

Independent Auditors' Report

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Woodbine, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Woodbine's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2005.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2005, 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 Woodbine as of June 30, 2006, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

Continued...

Independent Auditors' Report  
City of Woodbine

In accordance with *Government Auditing Standards*, we have also issued our report dated August 16, 2006 on our consideration of the City of Woodbine's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 12 and 32 through 34 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Woodbine's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the years ended June 30, 2004 and June 30, 2003, (none of which are presented herein) and expressed qualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. We did not audit the financial statements for the year ended June 30, 2005 and did not express an opinion on those financial statements.

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

The financial statements of the City's component unit, the Woodbine Municipal Light and Power, are issued under separate cover. Please refer to those financial statements for additional information.

### 2006 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased \$255,450 from fiscal 2005 to fiscal 2006. Intergovernmental receipts increased approximately \$143,000 and miscellaneous receipts increased approximately \$102,000.
- Disbursements decreased \$18,642 in fiscal 2006 from fiscal 2005. Public works, general government and capital projects disbursements decreased approximately \$56,000, \$55,000 and \$87,000, respectively. Culture and recreation and community and economic development increased approximately \$96,000 and \$86,000, respectively.
- The City's total cash basis net assets decreased \$541,688 from June 30, 2005 to June 30, 2006. Of this amount, the assets of the governmental activities decreased \$384,589 and the assets of the business type activities decreased by \$157,119.

### USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

## **Basis of Accounting**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statement*

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

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

The Statement of Activities and Net Assets is divided into two kinds of activities:

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

### *Fund Financial Statements*

The City has two kinds of funds:

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

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

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, decreasing from \$1,426,000 to \$1,041,000. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities (Expressed in Thousands)		
	2006	2005
Receipts		
Property tax	\$ 512	\$ 510
Tax increment financing collections	92	93
Other city tax	78	79
Licenses and permits	5	3
Use of money and property	28	23
Intergovernmental	294	151
Charges for service	55	52
Miscellaneous	116	14
Total receipts	<u>1,180</u>	<u>925</u>
Disbursements		
Operating:		
Public safety	222	220
Public works	206	262
Health and social services	3	3
Culture and recreation	297	201
Community and economic development	229	143
General government	76	131
Debt service	193	198
Capital projects	379	465
Total disbursements	<u>1605</u>	<u>1623</u>
Deficiency of receipts under disbursements	(425)	(698)
Other financing sources (uses):		
Sale of capital assets	-	201
Operating transfers in	411	43
Operating transfers out	(371)	-
Total other financing sources	<u>40</u>	<u>244</u>
Net change in cash balances	(385)	(454)
Cash balances beginning of year	<u>1,426</u>	<u>1,880</u>
Cash balances end of year	<u>\$ 1,041</u>	<u>\$ 1,426</u>

The City's total receipts and other financing sources for governmental activities increased approximately \$255,000. The significant increase in receipts was housing rehabilitation, grant revenue, and playground grants and donations.

The cost of all programs decreased approximately \$18,000.

According to the Statement of Activities on pages 14 and 15, the cost of all governmental activities were subsidized by charges, restricted grants and contributions totaling \$470,142. The remaining portion of \$1,134,494 was financed with general receipts, which includes property taxes, unrestricted grants and bond proceeds.

Changes in Cash Basis Net Assets of Business Type Activities (Expressed in Thousands)		
	2006	2005
Operating receipts:		
Charges for service	\$ 1,015	\$ 919
Operating disbursements:		
Business type activities	<u>1,190</u>	<u>939</u>
Deficiency of operating receipts under operating disbursements	(175)	(20)
Non-operating receipts:		
Interest on investments	27	22
Miscellaneous	<u>30</u>	<u>20</u>
Total non-operating receipts	<u>57</u>	<u>42</u>
Excess (deficiency) of receipts over (under) disbursements	(118)	22
Other financing sources (uses):		
Operating transfers in	2	-
Operating transfers out	<u>(42)</u>	<u>(43)</u>
Total financing uses	<u>(40)</u>	<u>(43)</u>
Net change in cash balances	(158)	(21)
Cash balances beginning of year	<u>691</u>	<u>712</u>
Cash balances end of year	<u>\$ 533</u>	<u>\$ 691</u>

Total business type activities receipts and transfers in for the fiscal year were \$1,074,000 compared to \$961,000 last year. The cash balance decreased by approximately \$158,000 from the prior year. Total disbursements and transfers out for the fiscal year were \$1,232,000 compared to \$981,000 last year.

**INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As City of Woodbine completed the year, its governmental funds reported a combined fund balance of \$1,041,097, a decrease of more than \$384,000 under last year's total of \$1,425,666. 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 by \$247,019 from the prior year to \$579,419. The decrease was primarily due to the purchase of playground equipment and cost of street operations including increase in fuel costs.
- The Road Use Tax Fund cash balance decreased by \$67,239 from prior year to zero. The decrease was primarily due to cost of street construction projects.
- The Housing Rehab Fund cash balance decreased by \$15,496 from prior year to (\$15,496). The decrease was due to payments to the housing contractors made before state reimbursement was received.
- The Capital Projects Fund cash balance decreased by \$66,063 from the prior year to \$553,645. The decrease was primarily due to road construction costs.
- The Debt Service Fund cash balance increased by \$6,028 from the prior year to \$45,693.

**INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

- The Water Fund cash balance decreased by \$98,279 to \$204,173 because of construction costs to extend this utility into newly annexed areas.
- The Sewer Fund cash balance decreased by \$54,437 to \$64,288 because of construction costs to extend this utility into newly annexed areas.
- The Gas Fund cash balance decreased \$4,403 to \$265,227.

**BUDGETARY HIGHLIGHTS**

The City exceeded the amounts budgeted in the culture and recreation and debt service functions. The overages were due to unbudgeted playground equipment costs and misclassified debt service costs paid by utilities.

**DEBT ADMINISTRATION**

At June 30, 2006, the City had approximately \$1,400,000 in bond debt, compared to \$1,535,000 last year, as shown below.

	Outstanding Debt at Year-End (Expressed in Thousands)	
	June 30,	
	2006	2005
General obligation bonds	\$ 1,400	\$ 1,535

The City's outstanding general obligation debt of \$1,400,000 is below its constitutional debt limit of \$2,800,000.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The Woodbine City's elected and appointed officials and citizens considered many factors when setting the fiscal year 2007 budget, tax rates, and fees charged for various City activities. These include the following:

- a. Small street projects totaling approximately \$377,000.
- b. Street asphalt reconstruction project totaling \$150,000.
- c. Considered purchase of an existing building in the downtown area for approximately \$600,000 for the fire department.
- d. Rising costs of healthcare for employees.
- e. Fee increases to cover costs of service for the gas department.
- f. Considered increases in landfill rates to cover the increase in landfill assessment costs.
- g. Considered purchase of a new street sweeper.
- h. Considered grant applications for the Lincoln Way Rehabilitation/Restoration Phase III.
- i. Considered grant applications for housing rehabilitation.
- j. Considered grant applications for water treatment improvements to remove nitrates.

### **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 Bob Sullivan, City Clerk, 517 Walker, Woodbine, Iowa.

**City of Woodbine**  
**Basic Financial Statements**

City of Woodbine  
Statement of Activities and Net Assets – Cash Basis  
As of and for the year ended June 30, 2006

	Disbursements	Charges for Service	Program Receipts Operating Grants Contributions and Restricted Interest
<b>Primary Government</b>			
Functions/Programs:			
Primary Government:			
Governmental activities:			
Public safety	\$ 222,218	224	7,500
Public works	205,790	36,405	130,946
Health and social services	3,000	-	-
Culture and recreation	297,457	18,403	83,891
Community and economic development	228,960	-	161,618
General government	75,558	5,558	16,532
Debt service	192,803	-	-
Capital projects	378,850	-	-
Total governmental activities	1,604,636	60,590	400,487
Business type activities:			
Water	256,394	179,524	-
Sewer	137,606	97,022	-
Gas	795,932	738,826	-
Total business type activities	1,189,932	1,015,372	-
Total	\$ 2,794,568	1,075,962	400,487
<b>Component Unit:</b>			
Electric utility	\$ 838,068	817,097	16,500

**General Receipts:**

Property tax levied for:  
General purposes  
Debt service  
Employee benefits  
Tax increment financing  
Local option sales tax  
Grants and contributions not restricted  
to specific purpose  
Unrestricted interest on investments  
Miscellaneous  
Transfers  
Total general receipts and transfers

Change in cash basis net assets

Cash basis net assets beginning of year

Cash basis net assets end of year

**Cash Basis Net Assets**

Restricted:  
Capital projects  
Debt service  
Unrestricted

Total cash basis net assets

See notes to financial statements

Capital Grants Contributions and Restricted Interest	Net (Disbursement) Receipts and Changes in Cash Basis Net Assets			
	Governmental Activities	Business Type Activities	Primary Government	Component Unit
			Total	Electric Utility
-	(214,494)	-	(214,494)	-
-	(38,439)	-	(38,439)	-
-	(3,000)	-	(3,000)	-
-	(195,163)	-	(195,163)	-
-	(67,342)	-	(67,342)	-
-	(53,468)	-	(53,468)	-
-	(192,803)	-	(192,803)	-
9,065	(369,785)	-	(369,785)	-
9,065	(1,134,494)	-	(1,134,494)	-
-	-	(76,870)	(76,870)	-
-	-	(40,584)	(40,584)	-
-	-	(57,106)	(57,106)	-
-	-	(174,560)	(2,443,548)	-
9,065	(1,134,494)	(174,560)	(1,309,054)	-
-	-	-	-	(4,471)
\$	300,889	-	300,889	-
	157,729	-	157,729	-
	54,383	-	54,383	-
	91,647	-	91,647	-
	74,246	-	74,246	-
	3,948	-	3,948	-
	27,482	26,928	54,410	30,345
	-	30,114	30,114	8,929
	39,601	(39,601)	-	-
	749,925	17,441	767,366	39,274
	(384,569)	(157,119)	(541,688)	34,803
	1,425,666	690,807	2,116,473	699,463
\$	1,041,097	533,688	1,574,785	734,266
\$	553,645	-	553,645	-
	45,693	-	45,693	30,826
	441,759	533,688	975,447	703,400
\$	1,041,097	533,688	1,574,785	734,226

City of Woodbine  
Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances - Governmental Funds  
As of and for the year ended June 30, 2006

	<u>General</u>	<u>Road Use Tax</u>	<u>Housing Rehab</u>	<u>Capital Projects</u>
Receipts				
Property tax	\$ 300,849	-	-	-
Tax increment financing collections	-	-	-	-
Other city tax	3,370	-	-	-
Licenses and permits	5,558	-	-	-
Use of money and property	27,691	-	-	-
Intergovernmental	5,876	130,946	148,078	9,065
Charges for service	54,918	-	-	-
Miscellaneous	116,110	-	-	-
Total receipts	<u>514,372</u>	<u>130,946</u>	<u>148,078</u>	<u>9,065</u>
Disbursements				
Operating:				
Public safety	222,218	-	-	-
Public works	205,790	-	-	-
Health and social services	3,000	-	-	-
Culture and recreation	297,457	-	-	-
Community and economic development	8,958	-	176,922	-
General government	75,558	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	378,850
Total disbursements	<u>812,981</u>	<u>-</u>	<u>176,922</u>	<u>378,850</u>
Excess (deficiency) of receipts over (under) disbursements	(298,609)	130,946	(28,844)	(369,785)
Other financing sources (uses):				
Operating transfers in	64,938	-	13,348	303,722
Operating transfers out	(13,348)	(198,185)	-	-
Total other financing sources (uses)	<u>51,590</u>	<u>(198,185)</u>	<u>13,348</u>	<u>303,722</u>
Net change in cash balances	(247,019)	(67,239)	(15,496)	(66,063)
Cash balances beginning of year	<u>826,438</u>	<u>67,239</u>	<u>-</u>	<u>619,708</u>
Cash balances end of year	<u>\$ 579,419</u>	<u>-</u>	<u>(15,496)</u>	<u>553,645</u>
<b>Cash Basis Fund Balances</b>				
Reserved:				
Debt service	\$ -	-	-	-
Unreserved:				
General fund	579,419	-	-	-
Special revenue funds	-	-	(15,496)	-
Capital projects fund	-	-	-	553,645
Total cash basis fund balances	<u>\$ 579,419</u>	<u>-</u>	<u>(15,496)</u>	<u>553,645</u>

See notes to financial statements

**Exhibit B**

Debt Service	Other Nonmajor Governmental Funds	Total
157,710	54,376	512,935
-	91,647	91,647
19	74,253	77,642
-	-	5,558
-	-	27,691
-	-	293,965
-	-	54,918
-	-	116,110
157,729	220,276	1,180,466
-	-	222,218
-	-	205,790
-	-	3,000
-	-	297,457
-	43,080	228,960
-	-	75,558
192,803	-	192,803
-	-	378,850
192,803	43,080	1,604,636
(35,074)	177,196	(424,170)
29,046	-	411,054
-	(159,920)	(371,453)
29,046	(159,920)	39,601
(6,028)	17,276	(384,569)
51,721	(139,440)	1,425,666
45,693	(122,164)	1,041,097
45,693	-	45,693
-	-	579,419
-	(122,164)	(137,660)
-	-	553,645
45,693	(122,164)	1,041,097

City of Woodbine  
 Reconciliation of the Statement of Cash  
 Receipts, Disbursements and Changes in Cash Balances  
 to the Statement of Activities and Net Assets -  
 Governmental Funds  
 As of and for the year ended June 30, 2006

<b>Total governmental funds cash balances</b>	\$	1,041,097
 <i>Amounts reported for governmental activities in the Statement of Activities and Net Assets are different because:</i>		
None		-
		<hr style="width: 100%;"/>
<b>Cash basis net assets of governmental activities</b>	\$	<u>1,041,097</u>
<b>Net change in cash balances</b>	\$	(384,569)
 <i>Amounts reported for governmental activities in the Statement of Activities and Net Assets are different because:</i>		
None		-
		<hr style="width: 100%;"/>
<b>Change in cash balance of governmental activities</b>	\$	<u>(384,569)</u>

See notes to financial statements

City of Woodbine  
Statement of Cash Receipts, Disbursements and Changes in Cash Balances  
Proprietary Funds  
As of and for the year ended June 30, 2006

	Enterprise Funds			
	Water	Sewer	Gas	Total
Operating receipts:				
Charges for service	\$ 179,524	97,022	738,826	1,015,372
Operating disbursements:				
Business type activities	<u>256,394</u>	<u>137,606</u>	<u>795,932</u>	<u>1,189,932</u>
Deficiency of operating receipts Under operating disbursements	(76,870)	(40,584)	(57,106)	(174,560)
Non-operating receipts:				
Interest on investments	2,691	2,691	21,546	26,928
Miscellaneous	-	1,252	28,862	30,114
Total non-operating receipts	<u>2,691</u>	<u>3,943</u>	<u>50,408</u>	<u>57,042</u>
Deficiency of receipts Under disbursements	(74,179)	(36,641)	(6,698)	(117,518)
Other financing sources (uses):				
Operating transfers in	-	-	2,295	2,295
Operating transfers out	<u>(24,100)</u>	<u>(17,796)</u>	-	<u>(41,896)</u>
Total financing sources (uses)	<u>(24,100)</u>	<u>(17,796)</u>	<u>2,295</u>	<u>(39,601)</u>
Net change in cash balances	(98,279)	(54,437)	(4,403)	(157,119)
Cash balances beginning of year	<u>302,452</u>	<u>118,725</u>	<u>269,630</u>	<u>690,807</u>
Cash balances end of year	<u>\$ 204,173</u>	<u>64,288</u>	<u>265,227</u>	<u>533,688</u>
 <b>Cash Basis Fund Balances</b>				
Unreserved	<u>\$ 204,173</u>	<u>64,288</u>	<u>265,227</u>	<u>533,688</u>

See notes to financial statements

City of Woodbine  
 Reconciliation of the Statement of Cash Receipts, Disbursements  
 and Changes in Cash Balances  
 to the Statement of Activities and Net Assets –  
 Proprietary Funds  
 As of and for the year ended June 30, 2006

<b>Total enterprise funds cash balances</b>	\$	533,688
 <i>Amounts reported for business type activities in the Statement of Activities and Net Assets are different because:</i>		
None		-
<b>Cash basis net assets of business type activities</b>	\$	533,688
<b>Net change in cash balances</b>	\$	(157,119)
 <i>Amounts reported for business type activities in the Statement of Activities and Net Assets are different because:</i>		
None		-
<b>Change in cash balance of business type activities</b>	\$	(157,119)

**City of Woodbine**

City of Woodbine  
Notes to Financial Statements  
June 30, 2006

**NOTE (1) Summary of Significant Accounting Policies**

The City of Woodbine is a political subdivision of the State of Iowa located in Harrison County. It was first incorporated in 1867 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, sewer and gas utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Woodbine 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 Woodbine (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City. Certain disclosures about the discretely presented component unit are not included because the component unit has been audited separately and a report has been issued under separate cover. The audited financial statements are available at the City Clerk's office.

Discrete Component Unit

Woodbine Municipal Light and Power is presented in a separate column to emphasize that it is legally separate from the city, but is financially accountable to the City, or whose relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. The Utility is governed by a three member board appointed by the City Council and its operating budget is subject to the approval of the City Council.

City of Woodbine  
Notes to Financial Statements  
June 30, 2006

**NOTE (1) Summary of Significant Accounting Policies – Continued**

Jointly Governed Organizations

The City participates in jointly governed organizations for which the City is not financially accountable or that the nature and significance of the relationship with the City are such that exclusion does not cause the City's financial statements to be misleading or incomplete. City representatives are members of the following commissions: Harrison County Landfill Commission and Harrison County Emergency Management Commission.

**B. Basis of Presentation**

Government-wide Financial Statements - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

City of Woodbine  
Notes to Financial Statements  
June 30, 2006

**NOTE (1) Summary of Significant Accounting Policies - Continued**

B. Basis of Presentation - Continued

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 that are not paid from other funds.

Special Revenue:

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

The Housing Rehab Fund is used to account for receipts used for housing rehabilitation projects.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long term debt.

The Capital Projects Fund is used to account for all resources used in the construction of capital facilities with the exception of those that are 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 sanitary sewer system.

The Gas Fund accounts for the operation and maintenance of the City's gas system.

C. Measurement Focus and Basis of Accounting

The City of Woodbine 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.

City of Woodbine  
Notes to Financial Statements  
June 30, 2006

**NOTE (1) Summary of Significant Accounting Policies - Continued**

C. Measurement Focus and Basis of Accounting - Continued

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, disbursements exceeded the amounts budgeted in the culture and recreation and debt service functions.

E. Property Tax Calendar

The City's property tax rates were extended against the assessed valuation of the City as of January 1, 2004, to compute the amounts which became liens on property on July 1, 2005. These taxes were due and payable in two installments on September 30, 2005 and March 31, 2006, at the Harrison County Treasurer's Office. These taxes are recognized as income to the City when they are received from the county.

**NOTE (2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2006 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

City of Woodbine  
Notes to Financial Statements  
June 30, 2006

**NOTE (2) Cash and Pooled Investments - Continued**

The City's cash, which consists of cash in bank and certificates of deposit, totaled \$1,574,785.

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

**NOTE (3) Notes Receivable**

The City of Woodbine approved consumer financing for gas efficient furnaces, water heaters, gas log fireplaces, and gas dryers for 90% of cost, up to \$2,000. Consumers repay the loans over a 5 year period at zero interest rates through a monthly charge included on their utility billings. Financing transactions during the current fiscal year are as follows:

Beginning balance	\$	50,030
Amounts financed		15,262
Payments received		<u>(20,542)</u>
Ending balance	\$	<u>44,750</u>

**NOTE (4) Bonds and Notes Payable**

Annual debt service requirements to maturity of general obligation notes are as follows:

Year Ended June 30,	General Obligation Notes	
	Principal	Interest
2007	\$ 145,000	\$ 52,040
2008	95,000	46,515
2009	100,000	43,665
2010	100,000	40,665
2011	105,000	37,465
2012-2016	585,000	126,755
2017-2018	<u>270,000</u>	<u>17,230</u>
Total	<u>\$ 1,400,000</u>	<u>\$ 364,335</u>

Interest costs paid during the year ended June 30, 2006 totaled \$57,103.

The Code of Iowa requires that principal and interest on general obligation bonds be paid from the Debt Service Fund.

The City has a general obligation debt limit of approximately \$2,800,000 which was not exceeded during the year ended June 30, 2006.

City of Woodbine  
Notes to Financial Statements  
June 30, 2006

**NOTE (5) Pension and Retirement Benefits**

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

Most regular plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$21,664, \$22,407 and \$21,220, respectively, equal to the required contributions for each year.

**NOTE (6) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation and comp time 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 benefits payable to employees at June 30, 2006, primarily relating to the General Fund, is \$10,685. This liability is computed based on rates of pay as of June 30, 2006.

City of Woodbine  
Notes to Financial Statements  
June 30, 2006

**NOTE (7) Interfund Transfers**

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

Transfer to	Transfer from	Amount
General:	Special Revenue:	
	Employee Benefits	\$ 54,383
	Enterprise:	
	Water	7,282
	Sewer	3,273
		<u>10,555</u>
		64,938
Special Revenue:	General	13,348
Housing Rehab		
Capital Projects:	Special Revenue:	
	Road Use	198,185
	Local Option Sales Tax	105,537
		<u>303,722</u>
Debt Service:	Enterprise:	
	Water	14,523
	Sewer	14,523
		<u>29,046</u>
Enterprise:	Enterprise:	
Gas	Water	2,295
		<u>2,295</u>
		<u>\$ 413,349</u>

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

**NOTE (8) Risk Management**

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

City of Woodbine  
Notes to Financial Statements  
June 30, 2006

**NOTE (9) Lease Agreements**

The City leased a lot under a cancelable lease arrangement. Rental expense for the year ended June 30, 2006 was \$400. There are no minimum required annual lease payments.

**NOTE (10) Urban Renewal Tax Increment Financing Development Agreements**

Brookview Development Agreement

In March 2000, the City entered into an agreement with Brookview Development. The developer agrees to provide improvements to certain property within the City's Urban Renewal Area for the purpose of constructing housing units. In exchange, the City agrees to make urban renewal increment tax payments to the Developer semi-annually of eligible costs of approximately \$184,044. If tax increment financing collections are available, these payments will be made December 1 and June 1 of each fiscal year, beginning December 1, 2002 and continue for nine fiscal years or until the total has been paid. The City shall retain 37.29% of the urban renewal tax increment revenue for the purpose of providing assistance to low and moderate income (LMI) families, and pay the remaining 62.71% to the developer. The City paid the developer \$6,085 during the year.

410 Walker LLC Development Agreement

In March 2002, the City entered into an agreement with 410 Walker LLC. The developer agrees to provide improvements to certain property within the City's Urban Renewal Area for the purpose of constructing a building which includes commercial space and affordable housing units. In exchange, the City agrees to make urban renewal increment tax payments to the Developer semi-annually of eligible costs of approximately \$85,000. If tax increment financing collections are available, these payments will be made December 1 and June 1 of each fiscal year, beginning December 1, 2004 and continue for nine fiscal years or until the total has been paid. The City paid the developer \$16,832 during the year. In addition, from January to June 2002, the City loaned the developer a non interest bearing note of \$50,000 to be repaid with urban renewal LMI tax increment funds retained by the City on the Brookview Development agreement, and any other eligible Harrison County urban renewal areas supporting residential development. The balance on the note was \$31,500 at June 30, 2006.

**NOTE (11) Related Party Transactions**

The City of Woodbine has an urban renewal development agreement with an official of the Municipal Utility (a component unit of the City). The City paid the developer \$6,085 during the year.

City of Woodbine  
Notes to Financial Statements  
June 30, 2006

**NOTE (12) Deficit Fund Balances**

The Special Revenue Fund, Urban Renewal Tax Increment Account and Housing Rehab had deficit balances of \$122,164 and \$15,496, respectively, at June 30, 2006. The City intends to eliminate the deficit through tax increment financing collections and grant receipts.

**NOTE (132) Pending Litigation**

The City is subject to pending litigation filed by a drainage district. The probability of loss, if any, is undeterminable.

**NOTE (14) Subsequent Events**

In July, 2006, the City was awarded a \$175,000 grant for the next phase of the Lincoln Way road construction project.

**Required Supplementary Information**

City of Woodbine  
 Budgetary Comparison Schedule  
 of Receipts, Disbursements, and Changes in Balances -  
 Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds  
 Required Supplementary Information  
 Year ended June 30, 2006

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	<u>Actual</u>
Receipts			
Property tax	\$ 512,935	-	512,935
Tax increment financing collections	91,647	-	91,647
Other city tax	77,642	-	77,642
Licenses and permits	5,558	-	5,558
Use of money and property	27,691	26,928	54,619
Intergovernmental	293,965	-	293,965
Charges for service	54,918	1,015,372	1,070,290
Miscellaneous	116,110	30,114	146,224
Total receipts	<u>1,180,466</u>	<u>1,072,414</u>	<u>2,252,880</u>
Disbursements			
Public safety	222,218	-	222,218
Public works	205,790	-	205,790
Health and social services	3,000	-	3,000
Culture and recreation	297,457	-	297,457
Community and economic development	228,960	-	228,960
General government	75,558	-	75,558
Debt service	192,803	-	192,803
Capital projects	378,850	-	378,850
Business type activities	-	1,189,932	1,189,932
Total disbursements	<u>1,604,636</u>	<u>1,189,932</u>	<u>2,794,568</u>
Excess (deficiency) of receipts over (under) disbursements	(424,170)	(117,518)	(541,688)
Other financing sources, net	<u>39,601</u>	<u>(39,601)</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(384,569)	(157,119)	(541,688)
Balances beginning of year	<u>1,425,666</u>	<u>690,807</u>	<u>2,116,473</u>
Balances end of year	<u>\$ 1,041,097</u>	<u>533,688</u>	<u>1,574,785</u>

See accompanying independent auditor's report

Original Budgeted Amounts	Budget to Actual Variance
510,611	2,324
70,000	21,647
65,000	12,642
2,500	3,058
7,000	47,619
883,947	(589,982)
1,295,721	(225,431)
534,998	(388,774)
3,369,777	(1,116,897)
239,500	17,282
375,850	170,060
5,000	2,000
282,080	(15,377)
337,500	108,540
586,898	511,340
157,111	(35,692)
1,283,000	904,150
1,240,807	50,875
4,507,746	1,713,178
(1,137,969)	596,281
200,000	(200,000)
(937,969)	396,281
1,703,889	412,584
765,920	808,865

City of Woodbine  
Notes to Required Supplementary Information – Budgetary Reporting  
June 30, 2006

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board (GASB) 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 Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon major classes of disbursements known as functions, not by fund or fund type. These 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, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and 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 ended June 30, 2006, disbursements exceeded the amounts budgeted in the culture and recreation and debt service functions.

**Other Supplementary Information**

City of Woodbine  
Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Governmental Funds  
As of and for the year ended June 30, 2006

	<u>Special Revenue Funds</u>			<u>Total</u>
	<u>Employee Benefits</u>	<u>Urban Renewal Tax Increment</u>	<u>Local Option Sales Tax</u>	
Receipts:				
Property tax	\$ 54,376	-	-	54,376
Tax increment financing collections	-	91,647	-	91,647
Other city tax	7	-	74,246	74,253
Total receipts	<u>54,383</u>	<u>91,647</u>	<u>74,246</u>	<u>220,276</u>
Disbursements:				
Operating:				
Community and economic development	-	43,080	-	43,080
Total disbursements	<u>-</u>	<u>43,080</u>	<u>-</u>	<u>43,080</u>
Excess of receipts over disbursements	54,383	48,567	74,246	177,196
Other financing uses:				
Operating transfers out	<u>(54,383)</u>	<u>-</u>	<u>(105,537)</u>	<u>(159,920)</u>
Net change in cash balances	-	48,567	(31,291)	17,276
Cash balances beginning of year	<u>-</u>	<u>(170,731)</u>	<u>31,291</u>	<u>(139,440)</u>
Cash balances end of year	<u>\$ -</u>	<u>(122,164)</u>	<u>-</u>	<u>(122,164)</u>
 <b>Cash Basis Fund Balances</b>				
Unreserved:				
Special revenue funds	<u>\$ -</u>	<u>(122,164)</u>	<u>-</u>	<u>(122,164)</u>

See accompanying independent auditor's report

City of Woodbine  
Schedule of Indebtedness  
Year ended June 30, 2006

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation notes:			
Street improvement	Dec 1, 1996	5.15 - 5.35 %	\$ 400,000
Street improvement	Aug 1, 2003	3.00 - 4.25 %	1,530,000
Total			

See accompanying independent auditor's report

**Schedule 2**

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
\$ 95,000	-	45,000	50,000	5,038	-
<u>1,440,000</u>	<u>-</u>	<u>90,000</u>	<u>1,350,000</u>	<u>52,065</u>	<u>-</u>
<u>\$ 1,535,000</u>	<u>-</u>	<u>135,000</u>	<u>1,400,000</u>	<u>57,103</u>	<u>-</u>

City of Woodbine  
Bond and Note Maturities  
June 30, 2006

Year Ending June 30,	<b>General Obligation Notes</b>				
	Street Improvement Issued Dec 1, 1996		Street Improvement Issued Aug 1, 2003		Total
	Interest Rate	Amount	Interest Rate	Amount	
2007	5.35 %	\$ 45,000	3.00 %	\$ 95,000	\$ 140,000
2008	-	-	3.00 %	95,000	95,000
2009	-	-	3.00 %	100,000	100,000
2010	-	-	3.20 %	100,000	100,000
2011	-	-	3.40 %	105,000	105,000
2012	-	-	3.60 %	110,000	110,000
2013	-	-	3.80 %	115,000	115,000
2014	-	-	3.90 %	115,000	115,000
2015	-	-	4.00 %	120,000	120,000
2016	-	-	4.00 %	125,000	125,000
2017	-	-	4.10 %	130,000	130,000
2018	-	-	4.25 %	140,000	140,000
Total		\$ 45,000		\$ 1,350,000	\$ 1,395,000

See accompanying independent auditor's report.

City of Woodbine  
 Schedule of Receipts By Source and Disbursements By Function -  
 All Governmental Funds  
 For the Last Four Years

	<u>2006</u>	Unaudited <u>2005</u>	<u>2004</u>	<u>2003</u>
Receipts				
Property tax	\$ 512,935	510,194	508,147	409,468
Tax increment financing collections	91,647	93,420	70,218	49,816
Other city tax	77,642	78,683	95,156	89,270
Licenses and permits	5,558	3,021	3,614	965
Use of money and property	27,691	22,480	16,637	19,746
Intergovernmental	293,965	150,975	1,288,577	274,575
Charges for service	54,918	52,330	51,099	50,117
Special assessments	-	191	302	-
Miscellaneous	116,110	13,722	8,347	50,596
	<u>\$ 1,180,466</u>	<u>925,016</u>	<u>2,042,097</u>	<u>944,553</u>
Disbursements				
Operating:				
Public safety	\$ 222,218	220,719	306,343	182,109
Public works	205,790	262,084	175,194	191,610
Health and social services	3,000	3,000	3,000	3,000
Culture and recreation	297,457	200,741	186,360	168,934
Community and economic development	228,960	143,232	21,690	13,433
General government	75,558	130,682	80,858	100,381
Debt service	192,803	197,820	100,838	51,950
Capital projects	378,850	465,000	1,358,507	582,830
	<u>\$ 1,604,636</u>	<u>1,623,278</u>	<u>2,232,790</u>	<u>1,294,247</u>

See accompanying independent auditor's report

**City of Woodbine**

August 16, 2006

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

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Woodbine, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated August 16, 2006. Our report expressed a qualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting as we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2005. Except as noted in the Independent Auditors' Report, we conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Continued...

City of Woodbine  
Report on Internal Control

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is also a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Woodbine'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 that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Woodbine 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.

City of Woodbine  
Schedule of Findings  
Year Ended June 30, 2006

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**REPORTABLE CONDITIONS:**

I-A-06      Segregation of Duties

Comment – One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that one of the City's employees has control over payroll preparing and distributing.

One person has control over depositing; warrant writing, posting, and reconciling for the Library.

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

Response – We will investigate alternative procedures.

Conclusion – Response accepted.

City of Woodbine  
Schedule of Findings  
Year Ended June 30, 2006

**Part II: Other Findings Related to Statutory Reporting:**

II-A-06      Certified Budget

Comment – Disbursements during the year ended June 30, 2006 exceeded the amounts budgeted in the culture and recreation and debt service functions. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

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

Response – The budget will be amended in the future, if applicable.

Conclusion – Response accepted.

II-B-06      Entertainment Expense – We noted no disbursements for parties, banquets, or other entertainment for employees that we believe may constitute an unlawful expenditure from public funds as defined in an Attorney General’s opinion dated April 25, 1979.

II-C-06      Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-06      Business Transactions – No business transactions were noted between the City and City officials or employees. However, the City paid an official of the Municipal Utility (a component unit of the City) \$6,085 pursuant to an urban renewal tax increment financing development agreement. Per the City Attorney, the transactions do not appear to represent a conflict of interest.

II-E-06      Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

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

II-G-06      Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy.

II-H-06      Revenue Notes - The City had no revenue debt.

City of Woodbine  
Schedule of Findings  
Year Ended June 30, 2006

**Part II: Other Findings Related to Statutory Reporting:**

II-I-06      Financial Condition

Comment – The Special Revenue Fund, Urban Renewal Tax Increment Account and Housing Rehab Account had deficit balances at June 30, 2006.

Recommendation – The City should monitor activity in this fund in order to return these accounts to a sound financial position.

Response – The City intends to eliminate the deficit through tax increment financing collections.

Conclusion – Response accepted.

# NEWS RELEASE

Schroer & Associates, P.C. today released an audit report on the City of Woodbine, Iowa.

The City has implemented new reporting standards for the year ended June 30, 2006, with significant changes in content and structure of the financial statements. The new financial statements now include a Statement of Activities and Net Assets which provides information about the activities of the City as a whole. Also included is Management's Discussion and Analysis of the City's financial statements.

The City's receipts totaled \$2,252,880 for the year ended June 30, 2006. The receipts included \$513,001 in property tax, \$91,647 from tax increment financing collections, \$1,075,962 from charges for service, \$400,487 from operating grants, contributions and restricted interest, \$9,065 for capital grants, contributions and restricted interest, \$74,246 from local option sales tax, \$54,410 from unrestricted investment earnings, and \$34,062 from other general receipts.

Disbursements for the year totaled \$2,794,568, and included \$378,850 for capital projects, \$297,457 for culture and recreation and \$228,960 for community and economic development. Also, disbursements for business type activities totaled \$1,189,932.

The significant increase in receipts and disbursements is due primarily to a capital project financed with bond proceeds and federal grant monies.

A copy of the audit report is available for review in the Office of Auditor of State and the City Clerk's office.

August 16, 2006

To the Honorable Mayor and  
Members of the City Council  
City of Woodbine  
517 Walker Street  
Woodbine, IA 51579

We have compiled the annual financial report of the City of Woodbine for the year ended June 30, 2006, included in the accompanying prescribed form in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

Our compilation was limited to presenting in the form prescribed by the State of Iowa information that is the representation of management. We have not audited or reviewed the financial statements referred to above, and accordingly, do not express an opinion or any other form of assurance on them. These financial statements were compiled by us from financial statements for that same purpose that we previously audited, as indicated in our report dated August 16, 2006.

These financial statements are presented in accordance with the requirements of the State of Iowa, which differ from generally accepted accounting principles. Accordingly, these financial statements are not designed for those who are not informed about such differences.

November 9, 2006

Bob Sullivan  
City of Woodbine  
517 Walker  
Woodbine, IA 51579

Dear Bob:

Enclosed are draft copies of the audit for the City of Woodbine. Please review and let me know if we need to make any changes.

Also, enclosed are copies of the City of Woodbine's Annual Report for publication.

Please sign and forward to the State Auditor in the envelope provided.

Sincerely,

SCHROER & ASSOCIATES, P.C.

Diane McGrain  
Shareholder

DM/sh  
Enc.

November 15, 2006

David Vaudt  
Office of State Auditor  
State Capitol Building  
Des Moines, IA 50319

Dear Sir:

We have enclosed for your records the following information regarding the audit of the City of Woodbine, Iowa for the year ended June 30, 2006.

- 2 copies of the audit report
- 1 copy of the news release
- 1 copy of the number of hours worked
- 1 copy of the invoice

Sincerely,

SCHROER & ASSOCIATES, P.C.

Diane McGrain  
Shareholder

DM/sh  
Enc.

City of Woodbine

Hours Worked: 51

November 15, 2006

Bob Sullivan  
City of Woodbine  
517 Walker  
Woodbine, IA 51579

Dear Bob:

We have filed the required copies of your audit report with the Office of Auditor of State. A filing fee is required to be paid based on your final amended budget, according to the following schedule:

<u>Budgeted Expenditures (in millions of dollars)</u>	<u>Fee Amount</u>
Under 1	\$100.00
At least 1, but less than 3	\$175.00
At least 3, but less than 5	\$250.00
At least 5, but less than 10	\$425.00
At least 10, but less than 25	\$625.00
25 and over	\$850.00

You are required to send the appropriate filing fee. The check should be made payable to "Auditor of State" and mailed to Office of Auditor of State, Capitol Building, Des Moines, IA 50319-0004.

If you have any questions, please do not hesitate to call me at 712-322-8734.

Sincerely,

SCHROER & ASSOCIATES, P.C.

Diane McGrain  
Shareholder

DM/sh

