

**CITY OF WOODBINE**  
**INDEPENDENT AUDITORS' REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**JUNE 30, 2008**

## Table of Contents

		<u>Page</u>
Officials		3
Independent Auditors' Report		5-6
Management's Discussion and Analysis		7-12
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statement:		
Statement of Activities and Net Assets – Cash Basis	A	14-15
Governmental Fund Financial Statements:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B	16-17
Proprietary Fund Financial Statements:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	C	18
Notes to Financial Statements		20-28
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds		30-31
Notes to Required Supplementary Information – Budgetary Reporting		32
Other Supplementary Information:	<u>Schedule</u>	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Governmental Funds	1	34
Schedule of Indebtedness	2	35-36
Bond and Note Maturities	3	37
Schedule of Receipts By Source and Disbursements By Function - All Governmental Funds – For the Last Four Years	4	38
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		42-43
Schedule of Findings		44

**City of Woodbine**

**Officials**

<u>Name</u>	<u>Title</u> <b>(Before January 2008)</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

<u>Name</u>	<u>Title</u> <b>(After January 2008)</b>	<u>Term Expires</u>
William Hutcheson	Mayor	January 2010
James Andersen	Council Member	January 2010
Deb Jochims	Council Member	January 2010
Nancy Yarbrough	Council Member	January 2010
Noel Sherer	Council Member	January 2012
Robert Stephany	Council Member	January 2012

Bob Sullivan	City Clerk/Treasurer	July 2008
Joseph Lauterbach	Attorney	Indefinite

**City of Woodbine**

October 20, 2008

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, 2008, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Woodbine's management. Our responsibility is to express opinions on these financial statements based on our audit.

The financial statements of the discretely presented component unit were audited by another auditor who expressed an unqualified opinion on those financial statements in his report dated August 15, 2008.

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, 2007.

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, 2007, 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, 2008, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1. The financial statements of the discretely presented component unit were audited by an other auditor who expressed an unqualified opinion on those financial statements in his report dated August 15, 2008.

Independent Auditors' Report  
City of Woodbine

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2008 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 year ended June 30, 2006, (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 years ended June 30, 2007 and 2005, and did not express an opinion on those financial statements.

---

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

---

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, 2008. 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.

### **2008 FINANCIAL HIGHLIGHTS**

- Receipts of the City's governmental activities increased \$94,00 from fiscal 2007 to fiscal 2008. Intergovernmental receipts increased approximately \$166,000 and property taxes decreased approximately \$42,000.
- Disbursements increased \$924,000 in fiscal 2008 from fiscal 2007. Capital projects disbursements increased approximately \$942,000.
- The City's total cash basis net assets decreased \$757,781 from June 30, 2007 to June 30, 2008. Of this amount, the assets of the governmental activities decreased \$723,550 and the assets of the business type activities decreased by \$34,231.

### **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.

## **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.

## 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 \$1,134,000 to \$410,000. 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)		
	2008	2007
Receipts		
Property tax	\$ 485	\$ 527
Tax increment financing collections	105	103
Other city tax	82	79
Licenses and permits	2	7
Use of money and property	23	41
Intergovernmental	467	301
Charges for service	62	60
Miscellaneous	39	53
Total receipts	<u>1265</u>	<u>1171</u>
Disbursements		
Operating:		
Public safety	234	235
Public works	312	171
Health and social services	3	3
Culture and recreation	253	206
Community and economic development	30	193
General government	59	46
Debt service	142	197
Capital projects	988	46
Total disbursements	<u>2021</u>	<u>1097</u>
Deficiency of receipts under disbursements	(756)	74
Other financing sources (uses):		
Sale of capital assets	-	13
Note proceeds	8	-
Operating transfers in	486	79
Operating transfers out	(462)	(73)
Total other financing sources	<u>32</u>	<u>19</u>
Net change in cash balances	(724)	93
Cash balances beginning of year	<u>1,134</u>	<u>1,041</u>
Cash balances end of year	<u>\$ 410</u>	<u>\$ 1,134</u>

The City's total receipts governmental activities increased approximately \$94,000. The significant increase in receipts was grant revenue for a street project.

The cost of all programs increased approximately \$924,000 due to street projects.

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 \$1,610,190. The remaining portion of \$1,454,958 was financed with general receipts, which includes property taxes, unrestricted grants and note proceeds.

Changes in Cash Basis Net Assets of Business Type Activities (Expressed in Thousands)		
	2008	2007
Operating receipts:		
Charges for service	\$ 1,044	\$ 1,037
Operating disbursements:		
Business type activities	<u>1,104</u>	<u>1,057</u>
Deficiency of operating receipts under operating disbursements	(60)	(20)
Non-operating receipts:		
Interest on investments	24	39
Miscellaneous	<u>26</u>	<u>26</u>
Total non-operating receipts	<u>50</u>	<u>65</u>
Excess (deficiency) of receipts over (under) disbursements	(10)	45
Other financing uses:		
Operating transfers out	<u>(24)</u>	<u>(6)</u>
Net change in cash balances	(34)	39
Cash balances beginning of year	<u>572</u>	<u>533</u>
Cash balances end of year	<u>\$ 538</u>	<u>\$ 572</u>

Total business type activities receipts for the fiscal year were \$1,094,000 compared to \$1,102,000 last year. The cash balance decreased by approximately \$34,000 from the prior year. Total disbursements and transfers out for the fiscal year were \$1,128,000 compared to \$1,063,000 last year.

**INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As City of Woodbine completed the year, its governmental funds reported a combined fund balance of \$410,721, a decrease of more than \$723,000 under last year's total of \$1,134,271. 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 \$272,365 from the prior year to \$307,922. The decrease was primarily due to the purchase of a street sweeper, park and pool improvements and a transfer to the capital projects fund.
- The Road Use Tax Fund cash balance decreased by \$3,319 from prior year to zero.
- The Capital Projects Fund cash balance decreased by \$405,237 from the prior year to \$102,799. The decrease was primarily due to road construction costs.
- The Debt Service Fund cash balance decreased by \$10,853 from the prior year to \$0.

**INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

- The Water Fund cash balance decreased by \$51,019 to \$164,624 due to costs incurred for testing and design for nitrate removal with an ecologically friendly system.
- The Sewer Fund cash balance decreased by \$419 to \$34,357.
- The Gas Fund cash balance decreased \$17,207 to \$339,204.

**BUDGETARY HIGHLIGHTS**

The City did not exceed the amounts budgeted. Receipts were \$720,000 less than budgeted. Miscellaneous income was less than anticipated.

**DEBT ADMINISTRATION**

At June 30, 2008, the City had \$1,400,000 in general obligation debt, compared to \$1,255,000 last year, as shown below.

	Outstanding Debt at Year-End (Expressed in Thousands)	
	June 30,	
	2008	2007
General obligation bonds and notes	\$ 1,239	\$ 1,255

The City's outstanding general obligation debt of \$1,239,000 is below its constitutional debt limit of \$2,900,000.

## **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 2009 budget, tax rates, and fees charged for various City activities. These include the following:

- a. Small street projects totaling approximately \$200,000.
- b. Additional personnel training for the replacement of retiring staff.
- c. New technology updates.
- d. New chemicals for snow and ice removal to supplement sand/salt program.
- e. Fee increases to cover costs of service for the gas department.
- f. Considered incremental increases in water rates in anticipation of capital improvements. The last increase was ten years ago.
- g. Considered purchase of a new rescue unit.
- h. Considered costs for the completion of the Lincoln Way Rehabilitation/Restoration Phase III.
- i. Considered grant applications for housing rehabilitation.
- j. Considered grant applications and interim financing for water treatment improvements and design 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, 2008

	Disbursements	Charges for Service	Program Receipts Operating Grants Contributions and Restricted Interest
<b>Primary Government</b>			
Functions/Programs:			
Primary Government:			
Governmental activities:			
Public safety	\$ 234,034	155	15,000
Public works	312,591	41,944	142,872
Health and social services	3,200	-	-
Culture and recreation	252,723	19,852	8,139
Community and economic development	29,767	-	-
General government	59,180	2,625	14,406
Debt service	141,915	-	-
Capital projects	988,112	-	-
Total governmental activities	2,021,522	64,576	180,417
Business type activities:			
Water	212,149	170,977	-
Sewer	89,928	92,327	-
Gas	801,660	780,322	-
Total business type activities	1,103,737	1,043,626	-
Total	\$ 3,125,259	1,108,202	180,417
<b>Component Unit:</b>			
Electric utility	\$ 987,896	991,016	16,500

**General Receipts:**

Property tax levied for:  
General purposes  
Debt service  
Tax increment financing  
Local option sales tax  
Grants and contributions not restricted  
to specific purpose  
Unrestricted interest on investments  
Anticipatory warrants issued  
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
-	(218,879)	-	(218,879)	-
-	(127,775)	-	(127,775)	-
-	(3,200)	-	(3,200)	-
-	(224,732)	-	(224,732)	-
-	(29,767)	-	(29,767)	-
-	(42,149)	-	(42,149)	-
-	(141,915)	-	(141,915)	-
321,571	(666,541)	-	(666,541)	-
<u>321,571</u>	<u>(1,454,958)</u>	<u>-</u>	<u>(1,454,958)</u>	<u>-</u>
-	-	(41,172)	(41,172)	-
-	-	2,399	2,399	-
-	-	(21,338)	(21,338)	-
-	-	(60,111)	(60,111)	-
<u>321,571</u>	<u>(1,454,958)</u>	<u>(60,111)</u>	<u>(1,515,069)</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,620</u>
\$	382,397	-	382,397	-
	106,728	-	106,728	-
	104,907	-	104,907	-
	77,898	-	77,898	-
	1,493	-	1,493	-
	23,075	24,266	47,341	43,737
	8,300	-	8,300	-
	2,276	25,948	28,224	8,203
	24,334	(24,334)	-	-
	<u>731,408</u>	<u>25,880</u>	<u>757,288</u>	<u>51,940</u>
	(723,550)	(34,231)	(757,781)	71,560
	<u>1,134,271</u>	<u>572,416</u>	<u>1,706,687</u>	<u>797,873</u>
\$	<u>410,721</u>	<u>538,185</u>	<u>948,906</u>	<u>869,433</u>
\$	102,799	-	102,799	-
	-	-	-	42,703
	<u>307,922</u>	<u>538,185</u>	<u>846,107</u>	<u>826,730</u>
\$	<u>410,721</u>	<u>538,185</u>	<u>948,906</u>	<u>869,433</u>

City of Woodbine  
Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances - Governmental Funds  
As of and for the year ended June 30, 2008

	General	Road Use Tax	Capital Projects	Debt Service
<b>Receipts</b>				
Property tax	\$ 308,495	-	-	106,728
Tax increment financing collections	-	-	-	-
Other city tax	4,278	-	-	-
Licenses and permits	2,545	-	-	-
Use of money and property	23,354	-	-	-
Intergovernmental	11,199	133,992	321,571	-
Charges for service	61,479	-	-	-
Special assessments	417	-	-	-
Miscellaneous	38,851	-	-	-
Total receipts	<u>450,618</u>	<u>133,992</u>	<u>321,571</u>	<u>106,728</u>
<b>Disbursements</b>				
Operating:				
Public safety	234,034	-	-	-
Public works	237,877	-	74,714	-
Health and social services	3,200	-	-	-
Culture and recreation	226,204	-	26,519	-
Community and economic development	6,743	-	-	-
General government	59,180	-	-	-
Debt service	-	-	-	141,915
Capital projects	-	-	988,112	-
Total disbursements	<u>767,238</u>	<u>-</u>	<u>1,089,345</u>	<u>141,915</u>
Excess (deficiency) of receipts over (under) disbursements	(316,620)	133,992	(767,774)	(35,187)
<b>Other financing sources (uses):</b>				
Note proceeds	-	-	8,300	-
Operating transfers in	107,476	-	354,237	24,334
Operating transfers out	(63,221)	(137,311)	-	-
Total other financing sources (uses)	<u>44,255</u>	<u>(137,311)</u>	<u>362,537</u>	<u>24,334</u>
Net change in cash balances	(272,365)	(3,319)	(405,237)	(10,853)
Cash balances beginning of year	<u>580,287</u>	<u>3,319</u>	<u>508,036</u>	<u>10,853</u>
Cash balances end of year	<u>\$ 307,922</u>	<u>-</u>	<u>102,799</u>	<u>-</u>
<b>Cash Basis Fund Balances</b>				
Unreserved:				
General fund	\$ 307,922	-	-	-
Capital projects fund	-	-	102,799	-
Total cash basis fund balances	<u>\$ 307,922</u>	<u>-</u>	<u>102,799</u>	<u>-</u>

See notes to financial statements

Other Nonmajor Governmental Funds	Total
69,624	484,847
104,907	104,907
77,898	82,176
-	2,545
-	23,354
-	466,762
-	61,479
-	417
-	38,851
<u>252,429</u>	<u>1,265,338</u>
-	234,034
-	312,591
-	3,200
-	252,723
23,024	29,767
-	59,180
-	141,915
-	988,112
<u>23,024</u>	<u>2,021,522</u>
229,405	(756,184)
-	8,300
-	486,047
<u>(261,181)</u>	<u>(461,713)</u>
<u>(261,181)</u>	<u>32,634</u>
(31,776)	(723,550)
<u>31,776</u>	<u>1,134,271</u>
<u>-</u>	<u>410,721</u>
-	307,922
-	102,799
<u>-</u>	<u>410,721</u>

City of Woodbine  
Statement of Cash Receipts, Disbursements and Changes in Cash Balances  
Proprietary Funds  
As of and for the year ended June 30, 2008

	Enterprise Funds			
	Water	Sewer	Gas	Total
Operating receipts:				
Charges for service	\$ 170,977	92,327	780,322	1,043,626
Operating disbursements:				
Business type activities	<u>212,149</u>	<u>89,928</u>	<u>801,660</u>	<u>1,103,737</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	(41,172)	2,399	(21,338)	(60,111)
Non-operating receipts:				
Interest on investments	2,189	4,564	17,513	24,266
Miscellaneous	<u>131</u>	<u>4,785</u>	<u>21,032</u>	<u>25,948</u>
Total non-operating receipts	<u>2,320</u>	<u>9,349</u>	<u>38,545</u>	<u>50,214</u>
Excess (deficiency) of receipts over (under) disbursements	(38,852)	11,748	17,207	(9,897)
Other financing sources (uses):				
Operating transfers out	<u>(12,167)</u>	<u>(12,167)</u>	-	<u>(24,334)</u>
Net change in cash balances	(51,019)	(419)	17,207	(34,231)
Cash balances beginning of year	<u>215,643</u>	<u>34,776</u>	<u>321,997</u>	<u>572,416</u>
Cash balances end of year	<u>\$ 164,624</u>	<u>34,357</u>	<u>339,204</u>	<u>538,185</u>
 <b>Cash Basis Fund Balances</b>				
Unreserved	<u>\$ 164,624</u>	<u>34,357</u>	<u>339,204</u>	<u>538,185</u>

See notes to financial statements

**City of Woodbine**

City of Woodbine  
Notes to Financial Statements  
June 30, 2008

**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, 2008

**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, Harrison County Emergency Management Commission, and the Public Energy Facilities Authority.

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, 2008

**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 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, 2008

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

E. Property Tax Calendar

The City's property tax rates were extended against the assessed valuation of the City as of January 1, 2006, to compute the amounts which became liens on property on July 1, 2007. These taxes were due and payable in two installments on September 30, 2007 and March 31, 2008, 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, 2008 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

City of Woodbine  
Notes to Financial Statements  
June 30, 2008

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

The City's cash, which consists of cash in bank and certificates of deposit, totaled \$948,906.

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

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	\$	45,827
Amounts financed		21,288
Payments received		<u>(19,126)</u>
Ending balance	\$	<u>47,989</u>

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

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

Year Ended June 30,	<b>General Obligation Bonds and Notes</b>	
	Principal	Interest
2009	\$ 132,837	\$ 46,480
2010	134,311	42,005
2011	116,749	37,573
2012	110,000	33,895
2013	115,000	29,935
2014-2018	<u>630,000</u>	<u>80,155</u>
Total	\$ <u>1,238,897</u>	\$ <u>270,043</u>

Interest costs paid during the year ended June 30, 2008 totaled \$49,204.

City of Woodbine  
Notes to Financial Statements  
June 30, 2008

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

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 \$2,900,000 which was not exceeded during the year ended June 30, 2008.

The City of Woodbine was approved for \$90,000 in interim project financing from the Iowa Finance Authority for the purpose of paying authorized costs in connection with the planning and designing of improvements to the municipal water works system. The note is due February 2011 at 0% interest, to be paid from the issuance of water revenue bonds. The City has drawn down \$8,300 of the note proceeds as of June 30, 2008.

**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 3.90% of their annual covered salary and the City is required to contribute 6.05% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contribution to IPERS for the year ended June 30, 2008 was \$24,596, equal to the required contribution for the 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, 2008, primarily relating to the General Fund, is \$10,806. This liability is computed based on rates of pay as of June 30, 2008.

City of Woodbine  
Notes to Financial Statements  
June 30, 2008

**NOTE (7) Interfund Transfers**

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

Transfer to	Transfer from	Amount
General:	Special Revenue:	
	Employee Benefits	\$ 69,624
	Urban Renewal Tax Increment	<u>37,852</u>
		107,476
Capital Projects:	General	63,221
	Special Revenue:	
	Road Use	137,311
	Local Option Sales Tax	<u>153,705</u>
		354,237
Debt Service:	Enterprise:	
	Water	12,167
	Sewer	<u>12,167</u>
		24,334
		<u>\$ 486,047</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, 2008

**NOTE (9) Urban Renewal Tax Increment Financing Development Agreements**

Brookview Development Agreement

In March 2000, the City entered into an agreement with Brookview Development. The developer agreed to provide improvements to certain property within the City's Urban Renewal Area for the purpose of constructing housing units. In exchange, the City agreed 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 \$7,700 during the year.

410 Walker LLC Development Agreement

In March 2002, the City entered into an agreement with 410 Walker LLC. The developer agreed 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 agreed 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 \$15,138 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 \$22,667 at June 30, 2008.

**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 \$7,700 during the year.

City of Woodbine  
Notes to Financial Statements  
June 30, 2008

**NOTE (12) CONSTRUCTION COMMITMENTS**

The City has the following commitments on construction projects at June 30, 2008:

	<u>Estimated Contract</u>	<u>Paid to Date</u>	<u>Balance Remaining</u>	<u>Retainage Due</u>
Lincoln Way: Construction	\$ 405,936	\$ 388,202	\$ 17,734	\$ 12,006
Bus Brown Drive: Water improvements	104,158	102,879	1,279	-

In April 2008, the City was awarded a CDBG grant of \$250,000 for a drinking water treatment plant and a CDBG grant of \$327,500 for the housing rehabilitation program.

In June 2008, the city signed a contract for \$39,135 for a reverse osmosis pilot study.

**NOTE (13) NONCASH TRANSACTIONS**

The City purchased a street sweeper during the year ended June 30, 2008 with proceeds of an \$100,000 lease purchase agreement.

**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, 2008

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	<u>Actual</u>
<b>Receipts</b>			
Property tax	\$ 484,847	-	484,847
Tax increment financing collections	104,907	-	104,907
Other city tax	82,176	-	82,176
Licenses and permits	2,545	-	2,545
Use of money and property	23,354	24,266	47,620
Intergovernmental	466,762	-	466,762
Charges for service	61,479	1,043,626	1,105,105
Special assessments	417	-	417
Miscellaneous	38,851	25,948	64,799
Total receipts	<u>1,265,338</u>	<u>1,093,840</u>	<u>2,359,178</u>
<b>Disbursements</b>			
Public safety	234,034	-	234,034
Public works	312,591	-	312,591
Health and social services	3,200	-	3,200
Culture and recreation	252,723	-	252,723
Community and economic development	29,767	-	29,767
General government	59,180	-	59,180
Debt service	141,915	-	141,915
Capital projects	988,112	-	988,112
Business type activities	-	1,103,737	1,103,737
Total disbursements	<u>2,021,522</u>	<u>1,103,737</u>	<u>3,125,259</u>
Excess (deficiency) of receipts over (under) disbursements	(756,184)	(9,897)	(766,081)
Other financing sources, net	<u>32,634</u>	<u>(24,334)</u>	<u>8,300</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(723,550)	(34,231)	(757,781)
Balances beginning of year	<u>1,134,271</u>	<u>572,416</u>	<u>1,706,687</u>
Balances end of year	<u>\$ 410,721</u>	<u>538,185</u>	<u>948,906</u>

See accompanying independent auditor's report

Original Budgeted Amounts	Budget to Actual Variance
485,906	(1,059)
90,000	14,907
50,000	32,176
2,500	45
10,000	37,620
517,300	(50,538)
1,396,000	(290,895)
-	417
<u>527,964</u>	<u>(463,165)</u>
<u>3,079,670</u>	<u>(720,492)</u>
262,472	28,438
403,390	90,799
5,000	1,800
267,890	15,167
194,000	164,233
420,514	361,334
141,915	-
1,000,000	11,888
<u>1,259,370</u>	<u>155,633</u>
<u>3,954,551</u>	<u>829,292</u>
(874,881)	108,800
<u>800,000</u>	<u>(791,700)</u>
(74,881)	(682,900)
<u>477,329</u>	<u>1,229,358</u>
<u><u>402,448</u></u>	<u><u>546,458</u></u>

City of Woodbine  
Notes to Required Supplementary Information – Budgetary Reporting  
June 30, 2008

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board (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, 2008, disbursements did not exceed the amounts budgeted.

**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, 2008

	Special Revenue Funds			
	Employee Benefits	Urban Renewal Tax Increment	Local Option Sales Tax	Total
Receipts:				
Property tax	\$ 69,624	-	-	69,624
Tax increment financing collections	-	104,907	-	104,907
Other city tax	-	-	77,898	77,898
Total receipts	69,624	104,907	77,898	252,429
Disbursements:				
Operating:				
Community and economic development	-	23,024	-	23,024
Total disbursements	-	23,024	-	23,024
Excess of receipts over disbursements	69,624	81,883	77,898	229,405
Other financing uses:				
Operating transfers out	(69,624)	(37,852)	(153,705)	(261,181)
Net change in cash balances	-	44,031	(75,807)	(31,776)
Cash balances beginning of year	-	(44,031)	75,807	31,776
Cash balances end of year	\$ -	-	-	-
 <b>Cash Basis Fund Balances</b>				
Unreserved:				
Special revenue funds	\$ -	-	-	-

See accompanying independent auditor's report

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

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation notes:			
Street improvement	Aug 1, 2003	3.00 - 4.25 %	\$ 1,530,000
Equipment	Aug 30, 2007	4.40 %	100,000
Total			
Interim revenue debt financing:			
Water improvements	June 7, 2008	0 %	\$ 90,000

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>
\$	1,255,000	-	95,000	1,160,000	46,515	-
	<u>-</u>	<u>100,000</u>	<u>21,103</u>	<u>78,897</u>	<u>2,689</u>	<u>-</u>
\$	<u>1,255,000</u>	<u>100,000</u>	<u>116,103</u>	<u>1,238,897</u>	<u>49,204</u>	<u>-</u>
\$	<u>-</u>	<u>8,300</u>	<u>-</u>	<u>8,300</u>	<u>-</u>	<u>-</u>

City of Woodbine  
Bond and Note Maturities  
June 30, 2008

Year Ending June 30,	<b>General Obligation Notes</b>					
	Street Improvement Issued Aug 1, 2003			Street Improvement		
	Interest Rate	Amount	Interest Rate	Amount	Total	
2009	3.00 %	\$ 100,000	4.40 %	\$ 32,837	\$ 132,837	
2010	3.20 %	100,000	4.40 %	34,311	134,311	
2011	3.40 %	105,000	4.40 %	11,749	116,749	
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		\$ <u>1,160,000</u>		\$ <u>78,897</u>	\$ <u>1,238,897</u>	

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>2008</u>	<u>Unaudited 2007</u>	<u>2006</u>	<u>Unaudited 2005</u>
Receipts				
Property tax	\$ 484,847	526,641	512,935	510,194
Tax increment financing collections	104,907	103,411	91,647	93,420
Other city tax	82,176	79,456	77,642	78,683
Licenses and permits	2,545	7,269	5,558	3,021
Use of money and property	23,354	40,824	27,691	22,480
Intergovernmental	466,762	301,814	293,965	150,975
Charges for service	61,479	60,518	54,918	52,330
Special assessments	417	-	-	191
Miscellaneous	38,851	53,050	116,110	13,722
	<u>\$ 1,265,338</u>	<u>1,172,983</u>	<u>1,180,466</u>	<u>925,016</u>
Disbursements				
Operating:				
Public safety	\$ 234,034	235,141	222,218	220,719
Public works	312,591	171,426	205,790	262,084
Health and social services	3,200	3,200	3,000	3,000
Culture and recreation	252,723	206,271	297,457	200,741
Community and economic development	29,767	193,876	228,960	143,232
General government	59,180	45,984	75,558	130,682
Debt service	141,915	197,740	192,803	197,820
Capital projects	988,112	45,609	378,850	465,000
	<u>\$ 2,021,522</u>	<u>1,099,247</u>	<u>1,604,636</u>	<u>1,623,278</u>

See accompanying independent auditor's report

**City of Woodbine**

October 20, 2008

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

To the Honorable Mayor and  
Members of the City Council:

We have audited the financial statements of the governmental activities, the business type activities, each major fund of the City of Woodbine, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated October 20, 2008. 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, 2007. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of City of Woodbine's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of City of Woodbine's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of significant deficiencies, that adversely affects the City of Woodbine's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of

Continued...

City of Woodbine  
Independent Auditor's Report on  
Internal Control and Compliance

Woodbine's financial statements that is more than inconsequential will not be prevented or detected by the City of Woodbine's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Woodbine's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe all of the above items are material weaknesses.

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, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Woodbine'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 City of Woodbine'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 Woodbine and other parties to whom the City of Woodbine may report including federal awarding agencies and pass through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of 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, 2008

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

**SIGNIFICANT DEFICIENCIES:**

I-A-08      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 preparation and distribution.

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 acknowledged.

I-B-08      Financial Reporting

Comment – During the audit, we identified a material amount of automatic bank withdrawals not posted to the general ledger. Adjustments were made to properly report the amounts in the City's financial statements.

Recommendation – The City should implement procedures to ensure all transactions are properly recorded in the City's financial statements.

Response – We have implemented procedures as suggested.

Conclusion – Response accepted.

City of Woodbine  
Schedule of Findings  
Year Ended June 30, 2008

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

**SIGNIFICANT DEFICIENCIES**

I-C-08      Separate Board

Comment – The library board maintains the accounting records pertaining to the operations of the library. These transactions and the resulting balances are not recorded in the Clerk’s records as required by Code of Iowa Chapter 384.20.

Recommendation – Chapter 384.20 of the Code of Iowa states in part that, “a city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purposes.” An accounting system for each board which will provide the necessary and required financial information should be implemented to comply with this code requirement. For better accountability, financial and budgetary control, the financial activity and balances of all city accounts should be reviewed at the transaction level and recorded in the Clerk’s records.

Response – The City shall request from the library board to submit monthly, or at a minimum, quarterly reports to the City so that the financial activity of each board can be recorded in the Clerk’s records.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

City of Woodbine  
Schedule of Findings  
Year Ended June 30, 2008

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

- II-A-08     Certified Budget  
Disbursements during the year ended June 30, 2008 did not exceed the amounts budgeted.
- II-B-08     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-08     Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- II-D-08     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) \$7,700 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-08     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-08     Council Minutes  
Comment – No transactions were found that we believe should have been approved in the Council minutes but were not. Although minutes of Council proceedings were published, they were not always published (or posted) within 15 days of the meeting, as required by Chapter 372.13(6) of the Code of Iowa.  
Recommendation – The City should publish the information timely.  
Response – We will make publications as required.  
Conclusion – Response accepted.
- II-G-08     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-08     Revenue Notes - The City has complied with provisions of the interim revenue debt financing.

# NEWS RELEASE

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

The City's receipts totaled \$2,367,478 for the year ended June 30, 2008. The receipts included \$489,125 in property tax, \$104,907 from tax increment financing collections, \$1,108,202 from charges for service, \$180,417 from operating grants, contributions and restricted interest, \$321,571 for capital grants, contributions and restricted interest, \$77,898 from local option sales tax, \$47,341 from unrestricted investment earnings, and \$38,017 from other general receipts.

Disbursements for the year totaled \$3,125,259, and included \$988,112 for capital projects, \$312,591 for public works and \$252,723 for culture and recreation. Also, disbursements for business type activities totaled \$1,103,737.

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.

October 20, 2008

To the Honorable Mayor and  
Members of the City Council:

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Woodbine, Iowa, as of and for the year ended June 30, 2008, and have issued our report thereon dated October 20, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards and *Government Auditing Standards*

As stated in our engagement letter dated April 30, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of the City of Woodbine. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of City of Woodbine's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on August 18, 2008.

Continued...

City of Woodbine  
Communication with Those Charged with Governance

Significant Audit Findings

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Woodbine are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

There were no significant accounting estimates since the financial statements were prepared on the cash basis of accounting. Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events.

The disclosures in the financial statements are neutral, consistent, and clear.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

*Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or to the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated October 20, 2008.

Continued...

City of Woodbine  
Communication with Those Charged with Governance

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the governmental unit’s financial statements or a determination of the type of auditors’ opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultation has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to the retention as the governmental unit’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the City Council and management of the City of Woodbine, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

SCHROER & ASSOCIATES, P.C.

October 20, 2008

To 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, 2008, 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 period that we previously audited, as indicated in our report dated October 20, 2008.

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 11, 2008

Bob Sullivan  
City of Woodbine  
517 Walker  
Woodbine, IA 51579

Dear Bob:

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.

December 9, 2008

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, 2008.

- 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: 63.25

December 9, 2008

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

December 9, 2008

Bob Sullivan  
City of Woodbine  
517 Walker  
Woodbine, IA 51579

Dear Bob:

Enclosed is a draft copy of the City of Woodbine's audit for 2008. We still need to complete parts of the Management Discussion and Analysis when you are ready. Please review for any needed changes and let us know as to how many copies are needed.

Also enclosed is the management representation letter needed for our file. Please sign and have the mayor sign and return to me in the envelope provided.

Sincerely,

SCHROER & ASSOCIATES, P.C.

Diane McGrain  
Shareholder

DM/jb  
Enc.