

CITY OF WAUKON  
FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION

June 30, 2009

HAGEN & KALLEVANG, P.C.  
Certified Public Accountants

CITY OF WAUKON

## TABLE OF CONTENTS

		<u>Page No.</u>
OFFICIALS		1
INDEPENDENT AUDITOR'S REPORT		2-3
MANAGEMENT'S DISCUSSION AND ANALYSIS		4-11
BASIC FINANCIAL STATEMENTS	<u>Exhibit</u>	
Government-wide Financial Statement: Statement of Activities and Net Assets – Cash Basis	A	12
Governmental Fund Financial Statements: Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B	13-14
Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Cash Balances to the Statement of Activities and Net Assets	C	15
Proprietary Fund Financial Statements: Statement of Cash Receipts, Disbursements and Changes in Cash Balances	D	16
Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Cash Balances to the Statement of Activities and Net Assets	E	17
Notes to Financial Statements		18-26
REQUIRED SUPPLEMENTARY INFORMATION		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds		27
Notes to Required Supplementary Information – Budgetary Reporting		28
OTHER SUPPLEMENTARY INFORMATION	<u>Schedule</u>	
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances – Nonmajor Governmental Funds	1	29
Schedule of Indebtedness	2	30
Bond and Note Maturities	3	31
Schedule of Receipts by Source and Disbursements by Function - All Governmental Funds	4	32
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <u>GOVERNMENT AUDITING STANDARDS</u>		33-34
SCHEDULE OF FINDINGS		35-37

CITY OF WAUKON

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Keith Schroeder	Mayor	December 31, 2009
Rodney Peterson	Mayor Pro Tem	December 31, 2009
Dave Sanderson	Council Member	December 31, 2011
Steve Wiedner	Council Member	December 31, 2009
Joe Cunningham	Council Member	December 31, 2009
Trent Mitchell	Council Member	December 31, 2011
Diane Sweeney	Clerk/Treasurer	December 31, 2009
James Garrett	Attorney	December 31, 2009
Jeff Swartz	Assistant Attorney	December 31, 2009

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Waukon, Iowa, as of and for the year ended June 30, 2009, 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 Waukon'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 that our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

The financial statements referred to above include the primary government of the City of Waukon, which consists of all funds, organizations, institutions, agencies, departments and offices that comprise the City's legal entity. The financial statements do not include financial data for the City's legally separate component units, which U.S. generally accepted accounting principles require to be reported with the financial data of the City's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the cash basis financial position of the reporting entity of the City of Waukon as of June 30, 2009, and the changes in its cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information for the primary government of the City of Waukon as of June 30, 2009, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated February 16, 2010 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 11 and 27 and 28 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City'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 five years ended June 30, 2008 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. 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.

*Hagen & Kallewang, P.C.*

February 16, 2010

---

## MANAGEMENT'S DISCUSSION AND ANALYSIS

---

The City of Waukon 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, 2009. We encourage readers to consider this information in conjunction with the City's financial statements, which follows.

### 2009 FINANCIAL HIGHLIGHTS

Receipts of the City's governmental activities decreased 20.3%, or approximately \$850,000 from fiscal 2008 to fiscal 2009. The receipt sources with major changes from the prior year are as follows:

	Increase (Decrease)
Taxes	\$ 175,000
Grants and contributions	(960,000)
Local option sales tax	37,000
Charges for services	32,000
All others, net	(134,000)
	<u>\$ (850,000)</u>

Disbursements decreased, 46.7%, or \$2,817,000 in fiscal 2009 from fiscal 2008. The disbursements with major changes from the prior year are as follows:

Culture & recreation	\$ 109,000
Community and economic development	49,000
Debt service	(48,000)
Capital projects	(3,005,000)
All others, net	78,000
	<u>\$ (2,817,000)</u>

The City's total cash basis net assets increased 5.5%, or approximately \$194,000, from June 30, 2008 to June 30, 2009. Of this amount, the assets of the governmental activities increased approximately \$109,000 and the assets of the business type activities increased by approximately \$85,000.

## **USING THIS ANNUAL REPORT**

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

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

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

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

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

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

Other Supplementary Information provides detailed information about the nonmajor governmental funds and the indebtedness of the City.

### **Basis of Accounting**

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

## REPORTING THE CITY'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statement*

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

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

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

- Governmental Activities include public safety, public works, health and social service, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax, state and federal grants, and debt proceeds finance most of these activities.
- Business-Type Activities include the waterworks and the sanitary sewer system. 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, 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 two Enterprise Funds to provide separate information for the water and sewer 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.

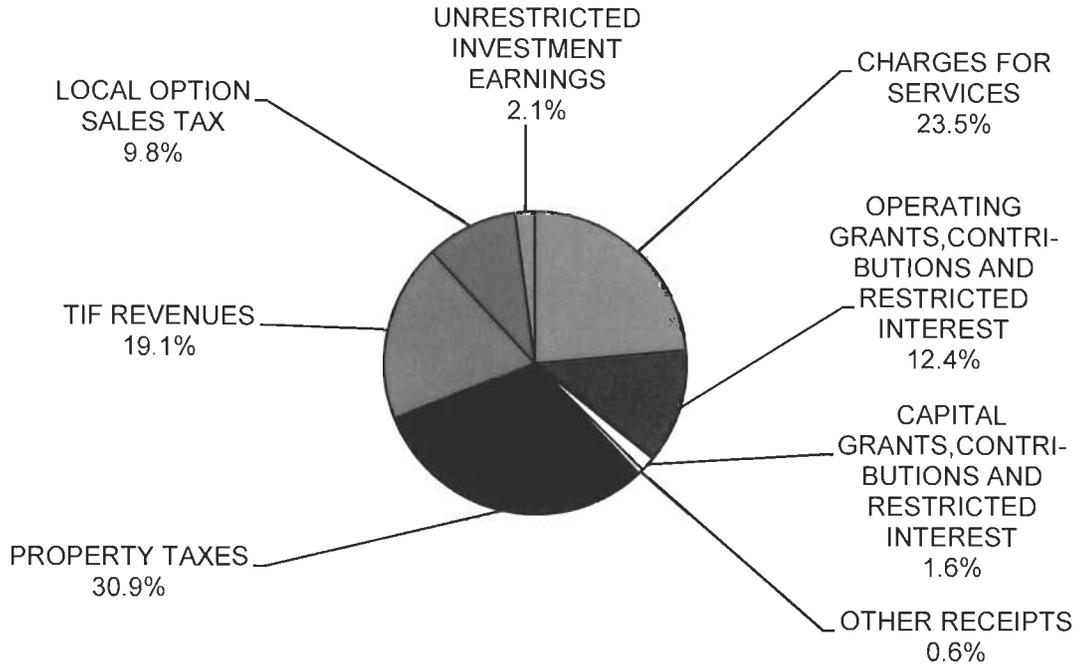
## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

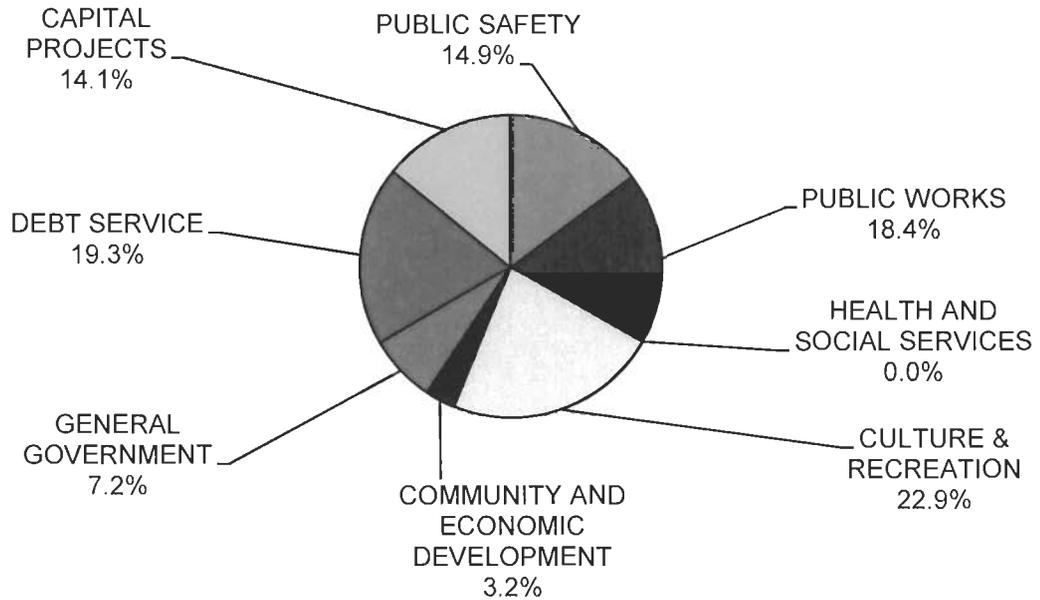
### Changes in Cash Basis Net Assets of Governmental Activities

	Year ended June 30,					
	2009	2008	2007	2006	2005	2004
Receipts:						
Program receipts:						
Charges for service	\$ 783,700	\$ 751,395	\$ 524,136	\$ 391,426	\$ 400,066	\$ 415,197
Operating grants, contributions and restricted interest	411,212	403,546	389,964	402,493	407,980	411,106
Capital grants, contributions and restricted interest	51,763	1,019,537	1,191,212	223,318	115,085	77,153
General receipts:						
Property tax	1,666,854	1,492,228	1,414,809	1,332,066	1,474,831	1,437,836
Local option sales tax	327,347	289,995	320,204	257,002	295,868	264,650
Grants and contributions not restricted to specific purposes	-	-	-	-	-	-
Unrestricted investment earnings	69,321	89,541	89,460	64,305	32,978	21,996
Loan proceeds	-	-	3,900,000	-	1,420,000	500,000
Other general receipts	18,880	132,704	-	7,500	27,866	27,545
Total receipts	<u>3,329,077</u>	<u>4,178,946</u>	<u>7,829,785</u>	<u>2,678,110</u>	<u>4,174,674</u>	<u>3,155,483</u>
Disbursements:						
Public safety	478,171	436,920	434,797	438,537	363,429	526,815
Public works	593,093	558,547	778,560	550,421	544,427	465,949
Health and social services	-	119	-	9,000	9,000	9,000
Culture and recreation	737,415	628,303	420,223	422,983	365,944	384,617
Community and economic development	103,857	54,665	49,349	44,269	44,704	60,595
General government	232,376	231,418	241,774	246,945	221,971	220,089
Debt service	620,567	668,463	452,906	377,036	275,081	737,950
Capital projects	454,702	3,459,224	3,206,539	1,607,830	1,470,751	709,056
Total disbursements	<u>3,220,181</u>	<u>6,037,659</u>	<u>5,584,148</u>	<u>3,697,021</u>	<u>3,295,307</u>	<u>3,114,071</u>
Change in cash basis net assets before transfers	108,896	(1,858,713)	2,245,637	(1,018,911)	879,367	41,412
Transfers, net	-	-	(7,751)	10,890	11,676	9,861
Change in cash basis net assets	108,896	(1,858,713)	2,237,886	(1,008,021)	891,043	51,273
Cash basis net assets beginning of year	2,028,585	3,887,298	1,649,412	2,657,433	1,766,390	1,715,117
Cash basis net assets end of year	<u>\$ 2,137,481</u>	<u>\$ 2,028,585</u>	<u>\$ 3,887,298</u>	<u>\$ 1,649,412</u>	<u>\$ 2,657,433</u>	<u>\$ 1,766,390</u>

### Receipts by Source



### Disbursements by Function



The City's total receipts for governmental activities decreased approximately \$850,000, which reflects a decrease in capital grants, contributions and restricted interest. The total cost of all programs and services decreased by approximately \$2,817,000. Both decreases reflect the completion of Wellness Center capital project.

Changes in Cash Basis Net Assets of Business Type Activities

	Year ended June 30,					
	2009	2008	2007	2006	2005	2004
Receipts:						
Program receipts:						
Charges for service						
Water	\$ 374,760	\$ 381,786	\$ 383,349	\$ 394,801	\$ 381,870	\$ 387,429
Sewer	384,046	382,038	377,679	390,595	355,316	346,257
General receipts:						
Unrestricted investment earnings	14,999	13,966	13,342	7,606	5,483	3,910
Other general receipts	-	-	-	-	46,165	67,154
Total receipts	<u>773,805</u>	<u>777,790</u>	<u>774,370</u>	<u>793,002</u>	<u>788,834</u>	<u>804,750</u>
Disbursements:						
Water	290,574	234,526	385,944	344,239	330,143	317,016
Sewer	398,219	367,264	282,891	320,619	393,527	274,449
Total disbursements	<u>688,793</u>	<u>601,790</u>	<u>668,835</u>	<u>664,858</u>	<u>723,670</u>	<u>591,465</u>
Change in cash basis net assets before transfers	85,012	176,000	105,535	128,144	65,164	213,285
Transfers, net	-	-	7,751	(10,890)	(11,676)	(9,861)
Change in cash basis net assets	<u>85,012</u>	<u>176,000</u>	<u>113,286</u>	<u>117,254</u>	<u>53,488</u>	<u>203,424</u>
Cash basis net assets beginning of year	1,505,072	1,329,072	1,215,786	1,098,532	1,045,044	841,620
Cash basis net assets end of year	<u>\$ 1,590,084</u>	<u>\$ 1,505,072</u>	<u>\$ 1,329,072</u>	<u>\$ 1,215,786</u>	<u>\$ 1,098,532</u>	<u>\$ 1,045,044</u>

Total business type activities receipts for the fiscal year were \$773,805 compared to \$777,790 last year. The decrease was due primarily to a decrease in consumption charges. The cash balance increased \$85,012. Total disbursements and transfers for the fiscal year increased by 14.5% to a total of \$688,793.

**INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of Waukon completed this year, its governmental funds reported a combined fund balance of \$2,137,481, an increase of \$108,896 from last year's total of \$2,028,585. 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 increased \$16,669 from the prior year of \$542,364. This was due to an increase of revenue in general property taxes and summer recreational fees and concessions, which will be used to offset increased General Fund costs. The cash balance at year end was \$559,033.
- The Road Use Tax Fund cash balance decreased \$66,785 from the prior year to \$74,954 due to increase in equipment repairs and maintenance costs.
- The Urban Renewal Tax Increment Fund cash balance increased by \$81,471 from the prior year to \$193,697. These funds were used for urban renewal tax increment debt payments and capital projects.
- The Local Option Sales Tax Fund was established upon approval of a referendum imposing a 1% local option sales and service tax for reconstruction/repair/replacement of existing streets and curbs, storm sewers, sanitary sewers, water mains and other structures that relate to streets. At the end of the fiscal year the cash balance was \$839,091. The city continues to use proceeds from this fund for street improvements each year. The City will expend approximately \$623,000 for a street improvement project to be completed in the next fiscal year.
- The Debt Service Fund cash balance at year end was \$14,825.

**INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

The Water Fund cash balance increased by \$92,970 to \$815,119 due to the annual operational costs were less than the total of operating receipts. Receipts totaling \$383,544 for 2009 which had decreased by \$5,182 compared to last year's total.

The Sewer Fund cash balance decreased by \$7,958 to \$774,965, due to expenditures were more than revenues this fiscal year.

**BUDGETARY HIGHLIGHTS**

The City of Waukon's 2009 amended budget for expenditures was \$4,910,117. The total capital project expenditures for the fiscal year included approximately \$221,270 for street improvements and manholes and \$233,430 for urban renewal tax increment capital project expenses. The capital project expenses were paid from the City's cash balances. The City stayed within its amended budget by approximately one million dollars.

**DEBT ADMINISTRATION**

At June 30, 2009, the City had approximately \$4,990,619 in bonds and other long term debt, compared to approximately \$5,367,229 from last year.

Outstanding Debt at Year-End

	Year ended June 30,					
	2009	2008	2007	2006	2005	2004
General obligation bonds	\$4,990,619	\$5,271,309	\$5,584,701	\$1,800,898	\$1,900,000	\$535,000
Revenue notes	-	-	-	100,000	190,000	275,000
Urban renewal tax increment financing revenue bonds	-	107,920	211,590	311,178	431,633	548,401
<b>Total</b>	<b>\$4,990,619</b>	<b>\$5,379,229</b>	<b>\$5,796,291</b>	<b>\$2,212,076</b>	<b>\$2,521,633</b>	<b>\$1,358,401</b>

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$4,990,619 is below its constitutional debt limit of \$8,629,408.

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

The City of Waukon budget for fiscal year 2010 of \$5,962,406 was amended by \$43,315 in November 2009 to include the purchase of a new police vehicle, computer equipment and park improvements.

The City is working on several urban renewal tax increment capital projects, which includes an airport runway reconstruction project at the Waukon Municipal Airport. This project will be financed 30% local and the balance with an Iowa DOT grant not to exceed \$228,638; additional construction and engineering costs of approximately \$122,380 for the Waukon Wellness Center south parking lot project and the SW utility improvements project.

The City street improvements project costs will be approximately \$623,000.

## **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 Diane Sweeney, City Clerk, City of Waukon, 101 Allamakee Street, Waukon, IA 52172 (563-568-3492).

## BASIC FINANCIAL STATEMENTS

CITY OF WAUKON

STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS

As of and for the year ended June 30, 2009

Functions/Programs	Disbursements	Program Receipts			Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
		Charges for Service	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions, and Restricted Interest	Governmental Activities	Business Type Activities	Total
<b>Governmental activities</b>							
Public safety	\$ (478,171)	\$ 17,819	\$ 14,590	\$ -	\$ (445,762)	\$ -	\$ (445,762)
Public works	(593,093)	203,635	347,554	2,497	(39,407)	-	(39,407)
Health and social services	-	-	-	-	-	-	-
Culture and recreation	(737,415)	394,717	49,068	9,067	(284,563)	-	(284,563)
Community and economic development	(103,857)	-	-	-	(103,857)	-	(103,857)
General government	(232,376)	55,834	-	-	(176,542)	-	(176,542)
Debt service	(620,567)	109,200	-	-	(511,367)	-	(511,367)
Capital projects	(454,702)	2,495	-	40,199	(412,008)	-	(412,008)
<b>Total governmental activities</b>	<b>(3,220,181)</b>	<b>783,700</b>	<b>411,212</b>	<b>51,763</b>	<b>(1,973,506)</b>	<b>-</b>	<b>(1,973,506)</b>
<b>Business type activities</b>							
Water	(290,574)	374,760	-	-	-	84,186	84,186
Sewer	(398,219)	384,046	-	-	-	(14,173)	(14,173)
<b>Total business type activities</b>	<b>(688,793)</b>	<b>758,806</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>70,013</b>	<b>70,013</b>
<b>Total</b>	<b>\$ (3,908,974)</b>	<b>\$ 1,542,506</b>	<b>\$ 411,212</b>	<b>\$ 51,763</b>	<b>(1,973,506)</b>	<b>70,013</b>	<b>(1,903,493)</b>
<b>General Receipts</b>							
Property and other city tax levied for							
General purposes					901,007	-	901,007
Debt service					129,155	-	129,155
Tax increment financing					636,692	-	636,692
Local option sales tax					327,347	-	327,347
Unrestricted interest on investments					69,321	14,999	84,320
Land sale proceeds					18,880	-	18,880
Transfers					-	-	-
<b>Total general receipts and transfers</b>					<b>2,082,402</b>	<b>14,999</b>	<b>2,097,401</b>
<b>Change in cash basis net assets</b>					<b>108,896</b>	<b>85,012</b>	<b>193,908</b>
<b>Cash basis net assets beginning of year</b>					<b>2,028,585</b>	<b>1,505,072</b>	<b>3,533,657</b>
<b>Cash basis net assets end of year</b>					<b>\$ 2,137,481</b>	<b>\$ 1,590,084</b>	<b>\$ 3,727,565</b>
<b>Cash Basis Net Assets</b>							
Restricted							
Streets					\$ 74,954	\$ -	\$ 74,954
Urban renewal purposes					193,697	-	193,697
Debt service					14,825	-	14,825
Other purposes					1,294,972	-	1,294,972
Unrestricted					559,033	1,590,084	2,149,117
<b>Total cash basis net assets</b>					<b>\$ 2,137,481</b>	<b>\$ 1,590,084</b>	<b>\$ 3,727,565</b>

CITY OF WAUKON

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN CASH BALANCES  
GOVERNMENTAL FUNDS

As of and for the year ended June 30, 2009

	Special Revenue							Total
	General	Road Use Tax	Urban Renewal Tax Increment	Local Option Sales Tax	Debt Service	Other Nonmajor Governmental Funds		
<b>Receipts</b>								
Property tax	\$ 739,640	-	\$ -	-	\$ 126,850	\$ 108,028	\$ 974,518	
Tax increment financing	-	-	636,692	-	-	-	636,692	
Other city tax	49,873	-	48	327,347	2,305	3,418	382,991	
Licenses and permits	10,979	-	-	-	-	-	10,979	
Use of money and property	98,710	-	-	-	109,200	10,537	218,447	
Intergovernmental	49,073	342,748	-	-	-	34,974	426,795	
Charges for service	275,273	-	-	-	-	233,372	508,645	
Special assessments	1,541	-	-	-	-	2,495	4,036	
Miscellaneous	95,117	-	-	-	-	51,977	147,094	
<b>Total receipts</b>	<b>1,320,206</b>	<b>342,748</b>	<b>636,740</b>	<b>327,347</b>	<b>238,355</b>	<b>444,801</b>	<b>3,310,197</b>	
<b>Disbursements</b>								
Operating								
Public safety	401,640	-	-	-	-	76,531	478,171	
Public works	185,180	407,913	-	-	-	-	593,093	
Health and social services	-	-	-	-	-	-	-	
Culture and recreation	446,399	-	-	-	-	291,016	737,415	
Community and economic development	51,817	-	50,592	-	-	1,448	103,857	
General government	217,633	-	-	-	-	14,743	232,376	
Debt service	-	-	382,739	-	237,828	-	620,567	
Capital projects	-	-	-	-	-	454,702	454,702	
<b>Total disbursements</b>	<b>1,302,669</b>	<b>407,913</b>	<b>433,331</b>	<b>-</b>	<b>237,828</b>	<b>838,440</b>	<b>3,220,181</b>	
<b>Excess of receipts over (under) disbursements</b>	<b>17,537</b>	<b>(65,165)</b>	<b>203,409</b>	<b>327,347</b>	<b>527</b>	<b>(393,639)</b>	<b>90,016</b>	
<b>Other financing sources (uses)</b>								
Land sale proceeds	18,880	-	-	-	-	-	18,880	
Operating transfers in	40,536	-	-	-	-	403,867	444,403	
Operating transfers out	(60,284)	(1,620)	(121,938)	(216,834)	-	(43,727)	(444,403)	
<b>Total other financing sources (uses)</b>	<b>(868)</b>	<b>(1,620)</b>	<b>(121,938)</b>	<b>(216,834)</b>	<b>-</b>	<b>360,140</b>	<b>18,880</b>	
<b>Net change in cash balances</b>	<b>16,669</b>	<b>(66,785)</b>	<b>81,471</b>	<b>110,513</b>	<b>527</b>	<b>(33,499)</b>	<b>108,896</b>	
Cash balances beginning of year	542,364	141,739	112,226	728,568	14,298	489,390	2,028,585	
<b>Cash balances end of year</b>	<b>\$ 559,033</b>	<b>\$ 74,954</b>	<b>\$ 193,697</b>	<b>\$ 839,081</b>	<b>\$ 14,825</b>	<b>\$ 455,891</b>	<b>\$ 2,137,481</b>	

CITY OF WAUKON

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN CASH BALANCES  
GOVERNMENTAL FUNDS

As of and for the year ended June 30, 2009

	Special Revenue						Other Nonmajor Governmental Funds	Total
	General	Road Use Tax	Tax Increment	Local Option Sales Tax	Debt Service			
Cash Basis Fund Balances								
Reserved	\$ -	\$ -	\$ -	\$ -	\$ 14,825	\$ -	\$ 14,825	
Debt service								
Unreserved	559,033	-	-	-	-	-	559,033	
General fund	-	74,954	193,697	839,081	-	329,095	1,436,827	
Special revenue funds								
Capital projects fund	-	-	-	-	-	126,796	126,796	
Total cash basis fund balances	\$ 559,033	\$ 74,954	\$ 193,697	\$ 839,081	\$ 14,825	\$ 455,891	\$ 2,137,481	

## CITY OF WAUKON

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, 2009

Total governmental funds cash balances (page 13)	\$ 2,137,481
Amounts reported for governmental activities in the Statement of Activities and Net Assets are different because:	
Not applicable	<u>-</u>
Cash basis net assets of governmental activities (page 12)	<u>\$ 2,137,481</u>
Net change in cash balances (page 13)	\$ 108,896
Amounts reported for governmental activities in the Statement of Activities and Net Assets are different because:	
Not applicable	<u>-</u>
Change in cash balance of governmental activities (page 12)	<u>\$ 108,896</u>

## CITY OF WAUKON

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN CASH BALANCES  
PROPRIETARY FUNDS

As of and for the year ended June 30, 2009

	Enterprise Funds		
	Water	Sewer	Total
Operating receipts:			
Charges for service	\$ 373,264	\$ 382,216	\$ 755,480
Miscellaneous	1,496	1,830	3,326
Total operating receipts	<u>374,760</u>	<u>384,046</u>	<u>758,806</u>
Operating disbursements:			
Business type activities	290,574	398,219	688,793
Total operating disbursements	<u>290,574</u>	<u>398,219</u>	<u>688,793</u>
Excess of operating receipts over (under) operating disbursements	<u>84,186</u>	<u>(14,173)</u>	<u>70,013</u>
Non-operating receipts (disbursements):			
Interest on investments	8,784	6,215	14,999
Debt service	-	-	-
Total non-operating receipts (disbursements)	<u>8,784</u>	<u>6,215</u>	<u>14,999</u>
Excess of receipts over (under) disbursements	92,970	(7,958)	85,012
Transfers			
Operating transfers in	58,000	54,000	112,000
Operating transfers out	(58,000)	(54,000)	(112,000)
Total transfers, net	<u>-</u>	<u>-</u>	<u>-</u>
Net change in cash balances	92,970	(7,958)	85,012
Cash balances beginning of year	722,149	782,923	1,505,072
Cash balances end of year	<u>\$ 815,119</u>	<u>\$ 774,965</u>	<u>\$ 1,590,084</u>
Cash Basis Fund Balances			
Reserved for debt service	\$ -	\$ -	\$ -
Unreserved	<u>815,119</u>	<u>774,965</u>	<u>1,590,084</u>
Total cash basis fund balances	<u>\$ 815,119</u>	<u>\$ 774,965</u>	<u>\$ 1,590,084</u>

See notes to financial statements.

CITY OF WAUKON

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, 2009

Total enterprise funds cash balances (page 16)	\$ 1,590,084
Amounts reported for business type activities in the Statement of Activities and Net Assets are different because:	
Not applicable	<u>-</u>
Cash basis net assets of business type activities (page 12)	<u>\$ 1,590,084</u>
Net change in cash balances (page 16)	\$ 85,012
Amounts reported for business type activities in the Statement of Activities and Net Assets are different because:	
Not applicable	<u>-</u>
Change in cash balance of business type activities (page 12)	<u>\$ 85,012</u>

CITY OF WAUKON

NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Waukon is a political subdivision of the State of Iowa located in Allamakee County. It was first incorporated in 1883 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 nonpartisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, except as noted below, City of Waukon 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 Waukon (the primary government) and excludes all component units. The component units discussed below are not included in the City's reporting entity for various reasons although the operational or financial relationship with the City may or may not be significant.

Excluded Component Units:

The Veterans Memorial Hospital was established under Chapter 392 of the Code of Iowa. The Hospital has the potential to provide specific benefits to, or impose specific burdens on the City. The Hospital is governed by an elected five-member board of trustees. The Hospital has been audited separately and the report is filed under separate cover. The financial statements can be obtained from the Hospital's administrative office.

The Waukon Economic Development Corporation and Waukon Trees Forever, are non-profit corporations but have the potential to provide specific benefits to, or impose specific burdens on the City.

Jointly Governed Organizations - The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Allamakee County Economic Development and Tourism Commission, Allamakee County Assessor's Conference Board, Upper Explorerland Regional Housing Authority, Allamakee County Joint E911 Service Board, and Waukon Area Fire Protection District (28E).

CITY OF WAUKON

NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation

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

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

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

*Unrestricted net assets* consist of net assets 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.

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.

CITY OF WAUKON  
NOTES TO FINANCIAL STATEMENTS  
Year ended June 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation (continued)

Special Revenue:

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

The Urban Renewal Tax Increment Fund is used to account for urban renewal projects financed by tax increment financing.

The Local Option Sales Tax Fund is used to account for the City's share of local option sales tax collected and disbursed by the State of Iowa.

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

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 waste water treatment and sanitary sewer system.

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

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

CITY OF WAUKON

NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus and Basis of Accounting (continued)

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, 2009, disbursements did not exceed the amounts budgeted.

NOTE 2 - CASH AND POOLED INVESTMENTS

The City's deposits in banks at June 30, 2009 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.

Even though allowed by statute, the City's investment policy only allows the following: interest bearing savings, money market, and checking accounts at any bank, savings and loan association or credit union in the State of Iowa. Obligations of the United States government, its agencies and instrumentalities and certificates of deposit and other evidence of deposit at federally insured Iowa depository institutions are also eligible.

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.

CITY OF WAUKON  
 NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2009

NOTE 3 – BONDS AND NOTES PAYABLE

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending June 30,	General Obligation Bonds	
	Principal	Interest
2010	\$ 303,098	\$ 213,811
2011	310,620	199,395
2012	323,264	184,229
2013	256,030	169,013
2014	263,930	157,338
2015 - 2019	1,358,192	610,894
2020 - 2024	1,569,360	320,200
2025 - 2026	606,125	33,731
	\$ 4,990,619	\$ 1,888,611

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

Urban Renewal Tax Increment Financing Revenue Bonds

The City issued \$500,000 of urban renewal tax increment financing (TIF) revenue bonds in June 2004 which was paid off during the year for the purpose of defraying a portion of the costs of carrying out an urban renewal project of the City. The bonds were payable solely from the TIF receipts generated by increased property values in the City's TIF district and credited to the Special Revenue, Urban Renewal Tax Increment Fund in accordance with Chapter 403.19 of the Code of Iowa. TIF receipts are generally projected to produce 100 percent of the debt service requirements over the life of the bonds. The proceeds of the urban renewal tax increment financing revenue bonds shall be expended only for purposes which are consistent with the plans of the City's urban renewal area. The bonds are not a general obligation of the City. However, the debt is subject to the constitutional debt limitation of the City. For the current year, interest paid and total TIF receipts were \$4,424 and \$636,692, respectively.

One general obligation bearer bond issued in 1976 in the amount of \$10,000 remains outstanding as of June 30, 2009. Efforts by the City to ascertain the identity of the bondholder have not been successful.

CITY OF WAUKON

NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2009

NOTE 4 - PENSION AND RETIREMENT BENEFITS

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

Most regular plan members are required to contribute 4.10% of their annual covered salary and the City is required to contribute 6.35% 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, 2009, 2008, and 2007 were \$64,485, \$55,824, and \$51,500, respectively, equal to the required contributions for each year.

NOTE 5 - COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and sick leave termination payments payable to employees at June 30, 2009, primarily relating to the General Fund, is as follows:

Vacation	\$ 48,333
Sick Leave	113,019
Total	<u>\$ 161,352</u>

Sick leave is forfeited if not used by the employee before termination. Upon retirement an employee is eligible for payment of 50% of the unused sick leave. This liability has been computed based on rates of pay in effect at June 30, 2009.

CITY OF WAUKON

NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2009

NOTE 6 - INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2009 is as follows:

	<u>Transfer In</u>		<u>Transfer Out</u>
Capital Projects-non major		General	
Airport Improvement	\$ 16,679	Airport Equipment	\$ 16,679
Special Revenue-non major			
Park Memorial	\$ 5,000	General	5,000
Wellness Center Operations	\$ 7,917	General	7,917
General			
Library	\$ 8,228		
Self Insurance	7,188	General	7,188
Ambulance	5,500	General	5,500
Capital Equipment	18,000	General	18,000
	<u>38,916</u>		<u>\$ 60,284</u>
		Special Revenue:	
Self Insurance	1,620	Road Use Tax	\$ 1,620
	<u>\$ 40,536</u>	Library Memorial	\$ 8,228
Capital Projects-non major			
C Mart	\$ 9,941	Urban Renewal Increment	\$ 9,941
Opera House Parking Lot	103,332	Urban Renewal Increment	103,332
Airport Improvement	8,665	Urban Renewal Increment	8,665
	<u>121,938</u>		<u>\$ 121,938</u>
Street Improvements	216,834	Local Option Sales Tax	\$ 216,834
	<u>\$ 338,772</u>		
Special Revenue-non major		Capital Projects-non major	
Wellness Center Trust	\$ 25,399	Wellness Center	\$ 25,399
		Special Revenue-non major	
Wellness Center Trust	10,100	Wellness Center Operations	\$ 10,100
	<u>\$ 35,499</u>		
Total Governmental	<u>\$ 444,403</u>	Total Governmental	<u>\$ 444,403</u>
Enterprise		Enterprise	
Water		Water	
O & M Maintenance	\$ 50,000	Water	\$ 50,000
Capital Equipment	8,000	Water	8,000
	<u>\$ 58,000</u>		<u>\$ 58,000</u>
Sewer		Sewer	
Second Street Sewer	\$ 31,000	Sewer	\$ 31,000
Capital Equipment	23,000	Sewer	23,000
	<u>\$ 54,000</u>		<u>\$ 54,000</u>
Total Enterprise	<u>\$ 112,000</u>	Total Enterprise	<u>\$ 112,000</u>

CITY OF WAUKON

NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2009

NOTE 6 - INTERFUND TRANSFERS (continued)

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

NOTE 7 - RELATED PARTY TRANSACTIONS

The City had business transactions between the City and City officials or employees totaling \$912 during the year ended June 30, 2009.

NOTE 8 - LEASES

The City leases real estate to a communications company for a communication tower. The lease agreement started March 2006 and is for five years with options to renew every five years for a maximum of thirty years. The rent will start at \$700 per month and may be adjusted at each renewal. The rent adjustment will be based on the change in the "Consumer Price Index". The City subleases space back from the communication company at \$150 per month. The net effect of the leases is the City has monthly income of \$550 or \$6,600 on an annual basis.

The City leases real estate to a medical clinic. The lease started in 2005 and is for 20 years. The City receives monthly payments of \$9,100. The lease payments are then used to pay the underlying debt on the property which has a balance outstanding of \$1,230,619 as of June 30, 2009.

The City in October 2002 entered into a 25 year agreement to allow a Company the right to maintain an antenna on the City's water tower and other equipment on City property. In exchange the City would receive free high speed internet connection e-mail for a certain number of computers located at City Hall.

The City entered into a lease agreement in June 2008 for the use of a copier. The lease is for five years with monthly payments of \$161.

Minimum lease payments are as follows:

Year Ending June 30,	As Lessor	As Lessee
2010	117,600	\$ 1,935
2011	117,600	1,935
2012	117,600	1,935
2013	117,600	1,935
2014	117,600	-
2015 - 2019	588,000	-
2020 - 2024	588,000	-
2025 - 2029	260,400	-
2030 - 2034	42,000	-
2035 - 2039	42,000	-
	2,108,400	7,740
Less sublease	(54,000)	-
	\$ 2,054,400	\$ 7,740

The City's non-cancelable lease expense for 2009 was \$1935.

CITY OF WAUKON

NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2009

NOTE 9 - SELF FUNDING

The City has established a partially self funded group medical plan. The plan allows the City lower monthly premiums for coverage in exchange for the potential of claims actually filed. If all the covered individuals submitted the maximum claim to be paid by the City, the total would be estimated at \$47,487.

NOTE 10 - RISK MANAGEMENT

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

NOTE 11 - LITIGATION

The City has been named on several claims concerning worker's compensation and falls on City property. The City attorney is of the opinion insurance coverage will cover the claims if needed except the deductible which would not materially affect the City.

NOTE 12 - CONTINGENCIES

The City participates in state and federal assisted grant programs. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at June 30, 2009.

NOTE 13 - GENERAL FUND BALANCE

The City has designated \$124,014 of the \$559,033 General Fund balance to be available for equipment replacement.

NOTE 14 - SUBSEQUENT EVENTS AND COMMITMENTS

The City has committed \$7,300 to a regional revolving loan fund. Cities and counties in the area and the federal government have committed a total of \$500,000. The funds will be used for economic development. After approval of an application the various governmental units will then submit their committed funds. As of June 30, 2009, no funds have been requested of the City.

The City has outstanding construction contracts of \$1,182,197 at June 30, 2009. The costs will be paid from various revenue sources available to the City.

Management has evaluated subsequent events through February 16, 2010, the date on which the financial statements were available to be issued.

Required Supplementary Information

CITY OF WAUKON

BUDGETARY COMPARISON SCHEDULE  
OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES -  
BUDGET AND ACTUAL (CASH BASIS) -  
ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS

REQUIRED SUPPLEMENTARY INFORMATION

As of and for the year ended June 30, 2009

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds Not Required to be Budgeted	Total	Budgeted Amounts		Final to Total Variance
					Original	Final	
Receipts							
Property tax	\$ 974,518	\$ -	\$ -	\$ 974,518	\$ 973,801	\$ 973,801	\$ 717
Tax increment financing	636,692	-	-	636,692	650,000	650,000	(13,308)
Other city tax	382,991	-	-	382,991	361,256	361,256	21,735
Licenses and permits	10,979	-	-	10,979	9,675	9,675	1,304
Use of money and property	218,447	14,999	-	233,446	73,450	73,450	159,996
Intergovernmental	426,795	-	-	426,795	559,235	560,235	(133,440)
Charges for service	508,645	755,480	-	1,264,125	1,245,608	1,245,608	18,517
Special assessments	4,036	-	-	4,036	1,400	1,400	2,636
Miscellaneous	147,094	3,326	-	150,420	175,982	175,982	(25,562)
Total receipts	3,310,197	773,805	-	4,084,002	4,050,407	4,051,407	32,595
Disbursements							
Public safety	478,171	-	-	478,171	605,550	605,550	(127,379)
Public works	593,093	-	-	593,093	629,114	629,114	(36,021)
Health and social services	-	-	-	-	500	500	(500)
Culture and recreation	737,415	-	-	737,415	746,839	770,923	(33,508)
Community and economic development	103,857	-	-	103,857	119,476	119,476	(15,619)
General government	232,376	-	-	232,376	357,331	357,331	(124,955)
Debt service	620,567	-	-	620,567	620,614	620,614	(47)
Capital projects	454,702	-	-	454,702	476,025	716,847	(262,145)
Business type activities	-	688,793	-	688,793	1,089,762	1,089,762	(400,969)
Total disbursements	3,220,181	688,793	-	3,908,974	4,645,211	4,910,117	(1,001,143)
Excess of receipts over (under) disbursements	90,016	85,012	-	175,028	(594,804)	(858,710)	1,033,738
Other financing sources, net	18,880	-	-	18,880	-	-	18,880
Excess of receipts and other financing sources over (under) disbursements and other financing uses	108,896	85,012	-	193,908	(594,804)	(858,710)	1,052,618
Balances beginning of year	2,028,585	1,505,072	-	3,533,657	2,961,540	2,961,540	572,117
Balances end of year	\$ 2,137,481	\$ 1,590,084	\$ -	\$ 3,727,565	\$ 2,366,736	\$ 2,102,830	\$ 1,624,735

See accompanying independent auditor's report.

CITY OF WAUKON

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION –  
BUDGETARY REPORTING

June 30, 2009

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

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds. The City had no Internal Services Funds for the year ended June 30, 2009. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, Permanent Fund, and Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, the budget was amended once to increase revenues by \$1,000 and disbursements by \$264,906. The budget amendments are reflected in the final budgeted amounts.

The City did not exceed amounts budgeted at year end.

## Other Supplementary Information

CITY OF WAUKON

SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN CASH BALANCES -  
NONMAJOR GOVERNMENTAL FUNDS

As of and for the year ended June 30, 2009

	Employee Benefits	Special Revenue			Wellness Center Operations	Trust	Capital Projects	Total
		Library Memorial	Park Memorial	Wellness Center				
<b>Receipts</b>								
Property tax	\$ 108,028	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 108,028
Other city tax	3,418	-	-	-	-	-	-	3,418
Use of money and property	-	3,409	307	5,523	167	1,131	1,131	10,537
Intergovernmental	-	-	-	24,539	-	10,435	10,435	34,974
Charges for services	-	-	-	233,372	-	-	-	233,372
Special assessments	-	-	-	-	-	2,495	2,495	2,495
Miscellaneous	-	5,634	3,980	11,046	2,684	28,633	28,633	51,977
Total receipts	111,446	9,043	4,287	274,480	2,851	42,694	42,694	444,801
<b>Disbursements</b>								
Operating								
Public safety	76,531	-	-	-	-	-	-	76,531
Culture and recreation	11,871	-	2,345	268,945	7,855	-	-	291,016
Community and economic development	1,448	-	-	-	-	-	-	1,448
General government	14,743	-	-	-	-	-	-	14,743
Capital projects	-	-	-	-	-	454,702	454,702	454,702
Total disbursements	104,593	-	2,345	268,945	7,855	454,702	454,702	838,440
Excess of receipts over (under) disbursements	6,853	9,043	1,942	5,535	(5,004)	(412,008)	(412,008)	(393,639)
<b>Other financing uses</b>								
Operating transfers in	-	-	5,000	7,917	35,499	355,451	355,451	403,867
Operating transfers out	-	(8,228)	-	(10,100)	-	(25,399)	(25,399)	(43,727)
Total other financing sources (uses)	-	(8,228)	5,000	(2,183)	35,499	330,052	330,052	360,140
<b>Net change in cash balances</b>	6,853	815	6,942	3,352	30,495	(81,956)	(81,956)	(33,499)
Cash balances beginning of year	31,781	163,145	12,805	72,907	-	208,752	208,752	489,390
Cash balances end of year	\$ 38,634	\$ 163,960	\$ 19,747	\$ 76,259	\$ 30,495	\$ 126,796	\$ 126,796	\$ 455,891
<b>Cash Basis Fund Balances</b>								
Unreserved								
Special revenue funds	\$ 38,634	\$ 163,960	\$ 19,747	\$ 76,259	\$ 30,495	\$ -	\$ -	\$ 329,095
Capital projects fund	-	-	-	-	-	126,796	126,796	126,796
Total cash basis fund balances	\$ 38,634	\$ 163,960	\$ 19,747	\$ 76,259	\$ 30,495	\$ 126,796	\$ 126,796	\$ 455,891

See accompanying independent auditor's report.

CITY OF WAUKON

SCHEDULE OF INDEBTEDNESS

Year ended June 30, 2009

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
General Obligation Bonds								
Hospital	Sept 1, 1976	5.00 - 6.25%	\$ 800,000	\$ 10,000	\$ -	\$ -	\$ 10,000	\$ -
Aquatic Center Bond	Dec 1, 1996	4.60 - 5.50	800,000	285,000	-	65,000	220,000	14,615
Medical Clinic	May 20, 2005	4.65	710,000	640,655	-	25,345	615,310	29,255
Medical Clinic	May 20, 2005	4.65	710,000	640,654	-	25,345	615,309	29,255
G.O. Urban Renewal								
Corporate Purpose	Oct 11, 2006	3.70 - 5.00	3,500,000	3,375,000	-	130,000	3,245,000	140,440
Corporate Purpose	June 1, 2007	4.15 - 4.50	400,000	320,000	-	35,000	285,000	14,012
				<u>\$ 5,271,309</u>	<u>\$ -</u>	<u>\$ 280,690</u>	<u>\$ 4,990,619</u>	<u>\$ 227,577</u>
Urban Renewal Tax Increment								
Financing (TIF) Revenue Bonds								
Series 2004	June 24, 2004	4.10%	\$ 250,000	\$ 53,960	\$ -	\$ 53,960	\$ -	\$ 2,212
Series 2004	June 24, 2004	4.10	250,000	53,960	-	53,960	-	2,212
				<u>\$ 107,920</u>	<u>\$ -</u>	<u>\$ 107,920</u>	<u>\$ -</u>	<u>\$ 4,424</u>

See accompanying independent auditor's report.

CITY OF WAUKON

BOND AND NOTE MATURITIES

June 30, 2009

GENERAL OBLIGATION BONDS

Year Ending June 30,	Hospital	Aquatic Center	Medical Clinic	Medical Clinic	G.O. Urban Renewal	Corporate Purpose	Total
	Issued Sept 1, 1976	Issued Dec 1, 1996	Issued May 20, 2005	Issued May 20, 2005	Issued Oct 11, 2006	Issued June 1, 2007	
	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2010	\$ 10,000	5.10%	\$ 26,549	4.62%	\$ 135,000	4.50%	\$ 303,098
2011	-	5.15	27,810	4.62	140,000	4.50	310,620
2012	-	5.20	29,132	4.62	150,000	4.50	323,264
2013	-	-	30,515	4.62	155,000	4.50	256,030
2014	-	-	31,965	4.62	160,000	4.15	263,930
2015	-	-	33,483	4.62	165,000	4.20	276,966
2016	-	-	35,074	4.62	175,000	4.25	290,148
2017	-	-	36,740	4.62	180,000	-	253,480
2018	-	-	38,485	4.62	185,000	-	261,970
2019	-	-	40,314	4.62	195,000	-	275,628
2020	-	-	42,229	4.62	205,000	-	289,458
2021	-	-	44,235	4.62	210,000	-	298,470
2022	-	-	46,336	4.62	220,000	-	312,672
2023	-	-	48,537	4.62	230,000	-	327,074
2024	-	-	50,843	4.62	240,000	-	341,686
2025	-	-	53,063	4.62	245,000	-	351,125
2026	-	-	-	-	255,000	-	255,000
	<u>\$ 10,000</u>		<u>\$ 615,310</u>		<u>\$ 3,245,000</u>		<u>\$ 4,990,619</u>
							<u>\$ 285,000</u>

## CITY OF WAUKON

SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION -  
ALL GOVERNMENTAL FUNDS

## FOR THE LAST SIX YEARS

	Years ended June 30,					
	2009	2008	2007	2006	2005	2004
<b>Receipts</b>						
Property tax	\$ 974,518	\$ 923,499	\$ 931,811	\$ 853,693	\$ 785,895	\$ 812,094
Tax increment financing	636,692	487,998	452,561	448,923	653,627	589,101
Other city tax	382,991	370,726	350,641	286,452	331,177	301,291
Licenses and permits	10,979	13,463	11,301	14,683	8,126	19,143
Use of money and property	218,447	255,387	312,123	82,703	41,479	29,745
Intergovernmental	426,795	1,216,107	1,451,962	394,135	399,854	472,624
Charges for service	508,645	467,718	285,540	289,470	294,924	291,507
Special assessments	4,036	3,727	3,463	5,464	5,830	15,192
Miscellaneous	147,094	307,617	130,383	295,087	210,022	124,786
<b>Total</b>	<b>\$ 3,310,197</b>	<b>\$ 4,046,242</b>	<b>\$ 3,929,785</b>	<b>\$ 2,670,610</b>	<b>\$ 2,730,934</b>	<b>\$ 2,655,483</b>
<b>Disbursements</b>						
Operating						
Public safety	\$ 478,171	\$ 436,920	\$ 434,797	\$ 438,537	\$ 363,429	\$ 526,815
Public works	593,093	558,547	778,560	550,421	544,427	465,949
Health and social services	-	119	-	9,000	9,000	9,000
Culture and recreation	737,415	628,303	420,223	422,983	365,944	384,617
Community and economic development	103,857	54,665	49,349	44,269	44,704	60,595
General government	232,376	231,418	241,774	246,945	221,971	220,089
Debt service	620,567	668,463	452,906	377,036	275,081	737,950
Capital projects	454,702	3,459,224	3,206,539	1,607,830	1,470,751	709,056
<b>Total</b>	<b>\$ 3,220,181</b>	<b>\$ 6,037,659</b>	<b>\$ 5,584,148</b>	<b>\$ 3,697,021</b>	<b>\$ 3,295,307</b>	<b>\$ 3,114,071</b>

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and  
Members of the City Council

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Waukon, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated February 16, 2010. Our report expressed an unqualified opinion on the financial statements which were prepared in conformity with another comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Waukon'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 the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Waukon's 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 the 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 control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of the City of Waukon's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiencies in internal control described in Part II 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 a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of the 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 the 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 items II-A-09 and II-B-09 are material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Waukon'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 or other matters that are described in Part III of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2009 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 Waukon's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City'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 Waukon, and other parties to whom the City of Waukon 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 City of Waukon 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.

*Hagen + Kallewang, P.C.*

February 16, 2010

CITY OF WAUKON  
SCHEDULE OF FINDINGS  
Year ended June 30, 2009

Part I: Summary of the Independent Auditor's Results

- a. Unqualified opinions were issued on the primary government financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- b. Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- c. The audit did not disclose any non-compliance which is material to the financial statements.
- d. A Single Audit was not necessary since Federal funds expended during the year were less than \$500,000.

Part II: Findings Related to the Financial Statements

Significant Deficiencies

II-A-09

Segregation of Duties - The City is not large enough to permit an adequate segregation of duties for an effective system of internal control. The concentration of closely related duties and responsibilities such as the handling of cash receipts and disbursements, recording of the cash transactions and preparing various reports by a small staff makes it impossible to establish an adequate system of automatic checks for good internal control. Also as a result, there is a higher risk that errors or irregularities could occur and not be detected within a timely period.

Recommendation - We realize this condition will be difficult to improve on. However, we do believe it is important that council be aware this condition does exist and make changes when appropriate and cost effective.

Response and Corrective Action Planned - The City continues to work on this.

Conclusion - Response accepted

II-B-09

Preparation of Financial Statements – Reporting financial data reliably in accordance with the Governmental Accounting Standards Board (GASB) and the cash basis of accounting requires management to possess expertise in preparing year-end financial statements, including footnote disclosures. As is common in small entities, management has the ability to review the financial statements and footnote disclosures for errors, but they presently lack the training to prepare the year-end financial statements and footnote disclosures on their own. As such, management requested us to prepare the financial statements and related disclosures.

CITY OF WAUKON  
SCHEDULE OF FINDINGS  
Year ended June 30, 2009

Recommendation - We realize that obtaining the expertise necessary to prepare the financial statements, including all necessary disclosures, in accordance with GASB and the cash basis of accounting can be considered costly and ineffective. However, obtaining additional GASB and the cash basis of accounting knowledge through reading relevant accounting literature and attending continuing education courses should help management improve in their ability to prepare internally and take responsibility for reliable GASB and the cash basis of accounting financial statements.

Response and Corrective Action Planned - The City of Waukon will continue to work on this.

Conclusion - Response accepted.

II-C-09

Timely Deposits - We noted funds received by various departments were not always deposited on a timely basis.

Recommendation - We recommend the funds be deposited more timely for better accountability and financial control.

Response - The City agrees with this recommendation and officials will continue to inform those departments of the need to do this.

Conclusion - Response accepted.

Instances of Non-Compliance

No matters were noted.

CITY OF WAUKON  
 SCHEDULE OF FINDINGS  
 Year ended June 30, 2009

Part III: Other Findings Related to Required Statutory Reporting

III-A-09

Certified Budget – The City approved a certified budget for the year ended June 30, 2009 and subsequently amended that budget. Even though they amended the budget, the original and the amended budget were not exceeded.

III-B-09

Questionable Disbursements - No disbursements that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

III-C-09

Travel Expense - No disbursements of money for travel expenses of spouses of officials or employees were noted.

III-D-09

Business Transactions - The following business transactions between the City and City officials or employees were noted:

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Diane Sweeney, City Clerk Husband owns Sweeney Oil	Fuel & Oil	\$ 787
Holly Callahan, Employee	Gym Equipment	125

In accordance with Chapter 362.5(10) of the Code of Iowa the transactions with the related parties do not appear to represent a conflict of interest since total transactions with each were less than \$1,500 during the fiscal year.

III-E-09

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.

III-F-09

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

III-G-09

Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted except one time certificate and interest was miscalculated by the bank.

Recommendation - Recommend the City contact the local bank and request the proper amount less what has already been received.

Response - The City contacted the bank and received the proper amount.

Conclusion - Response accepted.