

CITY OF AUDUBON
INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2009

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City of Audubon

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Clark Kauffman	Mayor	January 2012
Bruce Christensen	Council Member	January 2010
Andy Griffith	Council Member	January 2010
Delyte Borkowski	Council Member	January 2010
Kathleen Cramer	Council Member	January 2012
Robert Jacobsen	Council Member	January 2012
Lora Hansen	City Clerk	Indefinite
Lance Levis	Attorney	Indefinite

City of Audubon



Marilyn Schroer, CPA
Diane McGrain, CPA
Barbara Mass, CPA

November 10, 2009

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 Audubon, 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 Audubon's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Audubon 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.

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Independent Auditors' Report
City of Audubon

In accordance with *Government Auditing Standards*, we have also issued our reports dated November 10, 2009 on our consideration of the City of Audubon'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 the 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 7 through 10 and 30 through 32 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. 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 Audubon'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 four years ended June 30, 2008 (none of which are presented herein) and expressed unqualified 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.

Schnoor & Associates, P. C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Audubon 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 follow.

2009 FINANCIAL HIGHLIGHTS

- Revenues of the City's governmental activities decreased \$52,312 from fiscal year 2008 to fiscal year 2009. Property tax collections increased \$88,895. Tax increment financing collections decreased \$53,212. Intergovernmental receipts decreased \$37,717.
- Disbursements decreased \$784,321 in fiscal year 2009 from fiscal year 2008. Capital projects decreased \$745,294 and public works increased \$118,432.
- The City's total cash basis net assets decreased \$587,828, from June 30, 2008 to June 30, 2009. Of this amount, the assets of the governmental activities decreased \$571,216 and the assets of the business type activities decreased by \$16,612.

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 non-major governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the City.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable, and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principals. 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, health and social services, 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 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: General Fund, Special Revenue Funds, (such as Road Use Tax and Local Option Sales Tax), Debt Service Fund and 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 and for the Internal Service Fund. 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. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.

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 following table shows the changes in cash balances for governmental activities.

RECEIPTS	<u>FY 2009</u>	<u>FY 2008</u>
Property taxes	591287	502392
Tax increment financing	31636	84848
Other City tax	219178	204702
Licenses & Permits	466	508
Use of Money & Property	38248	84618
Intergovernmental	562377	600094
Charges for Services	209538	196688
Special Assessments	4260	20706
Miscellaneous	106178	120924
Other Financing Sources	51150	1716600
TOTALS	1814318	\$3532080
DISBURSEMENTS		
Public safety	345091	487808
Public works	1031742	913310
Health & social services	0	1000
Culture & recreation	260750	265913
Community & economic development	33881	166893
General government	87854	89177
Debt service	240332	114576
Capital projects	361926	1107220
TOTALS	\$2361576	\$3145897
Net change in cash balances	(547258)	386183
Cash balance beginning of year	1418713	1032530
Cash balance end of year	871455	1418713

The City's total receipts for governmental activities decreased approximately \$1,717,762. The total cost of all programs and services decreased approximately \$784,321. Both decreases can be attributed to the completion of the downtown streetscape project which inflated last year's numbers.

Property tax collections increased by \$88,895 from FY08 to FY09.

The following table shows the changes in cash balances for business-type activities.

RECEIPTS	<u>FY 2009</u>	<u>FY 2008</u>
Charges for services	556322	584033
Use of money & property	3054	5836
Miscellaneous	32337	31642
TOTALS	\$591713	\$621511
DISBURSEMENTS	<u>FY 2009</u>	<u>FY 2008</u>
Water	188691	188270
Sewer	368717	391707
Transfers out	50000	50000
TOTALS	\$607408	\$629977
Net change in cash balance	(15695)	(8466)
Case balance beginning of year	229688	238154
Cash balance end of year	213993	229688

The business-type activities receipts fell by \$29,798. Expenditures decreased by \$15,695.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Audubon completed the year, its governmental funds reported a combined fund balance of \$871,455, a decrease of \$547,258 from last year. 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 \$27758 from the prior year to \$340885.
- The Road Use Tax fund cash balance decreased by \$63310 to \$52804 during the fiscal year.
- The Local Option Sales Tax Fund cash balance decreased \$32320 to \$320777. The City intends to use this fund for future street construction projects.
- The Capital Projects Fund decreased \$357166 to \$177798 due to the nearly completed Streetscape Project.
- The Cemetery Trust Funds increased by \$6380 to \$92790.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

The Water Fund cash balance increased by \$14531 and the Sewer Fund decreased by \$30226.

BUDGETARY HIGHLIGHTS

The City amended its budget once during the year, in May, 2009. The expenditure budget was increased by \$1,565,019 and the receipt budget was decreased by \$103,807. The expenditures increase was caused by the Streetscape Project not being as complete as projected and the revenue decrease was caused by lower than projected TIF collections and utility (propriety funds) receipts.

DEBT ADMINISTRATION

On June 30, 2009, the City had \$3,890,000 in bonds and other long-term debt, compared to \$4,167,000 last year, as shown below.

	6-30-09	6-30-08
General obligation bonds & notes	1590000	375000
TIF revenue bonds	335000	395000
Sewer revenue notes	1965000	2077000
Project anticipation notes	0	1320000
TOTALS	\$3,890,000	\$4,167,000

Long-term debt of \$1,947,000 was redeemed and \$1,670,000 was issued during the year.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed valuation of taxable property. The City's outstanding general obligation debt (general obligation plus TIF) of \$1,925,000 is well below the constitutional debt limit of \$3,473,862.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's officials consider local needs and wants, and the overall economy when setting the budget and tax rates for 2010.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional information, contact Lora Hansen, City Clerk, 410 North Park Place, Audubon, Iowa 50025.

City of Audubon
Basic Financial Statements

City of Audubon
Statement of Activities and Net Assets – Cash Basis
As of and for the year ended June 30, 2009

	Disbursements	Charges for Service	Program Operating Grants Contributions and Restricted Interest
Functions/Programs:			
Governmental activities:			
Public safety	\$ 353,196	2,958	19,902
Public works	1,038,681	177,179	512,940
Culture and recreation	260,750	54,619	96,416
Community and economic development	33,881	-	-
General government	96,768	466	39,215
Debt service	240,332	-	-
Capital projects	361,926	-	-
Total governmental activities	<u>2,385,534</u>	<u>235,222</u>	<u>668,473</u>
Business type activities:			
Water	189,012	226,429	-
Sewer	369,313	329,893	-
Total business type activities	<u>558,325</u>	<u>556,322</u>	<u>-</u>
Total	<u>\$ 2,943,859</u>	<u>791,544</u>	<u>668,473</u>

General Receipts:

Property tax levied for:
General purposes
Employee benefits
Debt service
Tax increment financing
Local option sales tax
Grants and contributions not restricted to specific purpose
Unrestricted interest on investments
Miscellaneous
Sale of assets
General obligation note proceeds
Anticipatory note redeemed
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:

Streets
Street construction and repair
Capital projects
Cemetery trust
Debt services

Unrestricted

Total cash basis net assets

See notes to financial statements.

Receipts	Net (Disbursement) Receipts and Changes in Cash Basis Net Assets		
	Governmental Activities	Business Type Activities	Total
Capital Grants, Contributions and Restricted Interest			
-	(330,336)	-	(330,336)
-	(348,562)	-	(348,562)
-	(109,715)	-	(109,715)
-	(33,881)	-	(33,881)
-	(57,087)	-	(57,087)
-	(240,332)	-	(240,332)
4,760	(357,166)	-	(357,166)
<u>4,760</u>	<u>(1,477,079)</u>	-	<u>(1,477,079)</u>
-	-	37,417	37,417
-	-	(39,420)	(39,420)
-	-	(2,003)	(2,003)
<u>4,760</u>	<u>(1,477,079)</u>	<u>(2,003)</u>	<u>(1,479,082)</u>
\$	426,882	-	426,882
	137,002	-	137,002
	90,490	-	90,490
	31,636	-	31,636
	156,091	-	156,091
	2,160	-	2,160
	7,932	3,054	10,986
	2,520	32,337	34,857
	1,150	-	1,150
	1,320,000	-	1,320,000
	(1,320,000)	-	(1,320,000)
	50,000	(50,000)	-
	<u>905,863</u>	<u>(14,609)</u>	<u>891,254</u>
	(571,216)	(16,612)	(587,828)
	<u>1,440,880</u>	<u>239,826</u>	<u>1,680,706</u>
\$	<u>869,664</u>	<u>223,214</u>	<u>1,092,878</u>
\$	52,804	-	52,804
	320,777	-	320,777
	177,798	-	177,798
	92,790	-	92,790
	45,840	54,708	100,548
	<u>179,655</u>	<u>168,506</u>	<u>348,161</u>
\$	<u>869,664</u>	<u>223,214</u>	<u>1,092,878</u>

City of Audubon
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances - Governmental Funds
As of and for the year ended June 30, 2009

	General	Special Revenue		Capital Projects
		Road Use Tax	Local Option Sales Tax	
Receipts				
Property tax	\$ 377,441	-	-	-
Tax increment financing collections	-	-	-	-
Other city tax	49,441	-	156,091	-
Licenses and permits	466	-	-	-
Use of money and property	33,488	-	-	4,760
Intergovernmental	52,745	197,635	311,997	-
Charges for service	209,538	-	-	-
Special assessments	114	-	-	-
Miscellaneous	96,731	185	-	-
Total receipts	<u>819,964</u>	<u>197,820</u>	<u>468,088</u>	<u>4,760</u>
Disbursements				
Operating:				
Public safety	277,251	-	-	-
Public works	201,684	261,130	500,408	-
Culture and recreation	258,132	-	-	-
Community and economic development	29,155	-	-	-
General government	77,134	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	361,926
Total disbursements	<u>843,356</u>	<u>261,130</u>	<u>500,408</u>	<u>361,926</u>
Excess (deficiency) of receipts over (under) disbursements	(23,392)	(63,310)	(32,320)	(357,166)
Other financing sources:				
General obligation note proceeds	-	-	-	(1,320,000)
Anticipatory notes redeemed	-	-	-	1,320,000
Sale of general fixed assets	1,150	-	-	-
Operating transfers in	50,000	-	-	-
Total other financing sources	<u>51,150</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in cash balances	27,758	(63,310)	(32,320)	(357,166)
Cash balances beginning of year	<u>313,127</u>	<u>116,114</u>	<u>353,097</u>	<u>534,964</u>
Cash balances end of year	\$ <u>340,885</u>	<u>52,804</u>	<u>320,777</u>	<u>177,798</u>
Cash Basis Fund Balances				
Reserved:				
Debt service	\$ -	-	-	-
Unreserved:				
General fund	340,885	-	-	-
Special revenue funds	-	52,804	320,777	-
Capital projects fund	-	-	-	177,798
Permanent fund	-	-	-	-
Total cash basis fund balances	\$ <u>340,885</u>	<u>52,804</u>	<u>320,777</u>	<u>177,798</u>

See notes to financial statement

<u>Permanent</u>	<u>Other</u>	
<u>Cemetery</u>	<u>Nonmajor</u>	
<u>Trust</u>	<u>Governmental</u>	<u>Total</u>
	<u>Funds</u>	
-	213,846	591,287
-	31,636	31,636
-	13,646	219,178
-	-	466
-	-	38,248
-	-	562,377
-	-	209,538
-	4,146	4,260
6,380	2,882	106,178
<u>6,380</u>	<u>266,156</u>	<u>1,763,168</u>
-	67,840	345,091
-	68,520	1,031,742
-	2,618	260,750
-	4,726	33,881
-	10,720	87,854
-	240,332	240,332
-	-	361,926
-	<u>394,756</u>	<u>2,361,576</u>
6,380	(128,600)	(598,408)
-	-	1,320,000
-	-	(1,320,000)
-	-	1,150
-	-	50,000
-	-	<u>51,150</u>
6,380	(128,600)	(547,258)
<u>86,410</u>	<u>15,001</u>	<u>1,418,713</u>
<u>92,790</u>	<u>(113,599)</u>	<u>871,455</u>
-	(29,532)	(29,532)
-	-	340,885
-	(84,067)	289,514
-	-	177,798
92,790	-	92,790
<u>92,790</u>	<u>(113,599)</u>	<u>871,455</u>

City of Audubon
 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	\$	871,455
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Amounts reported for governmental activities in the Statement of Activities and Net Assets are different because:

The Internal Service Fund is used by management to charge the cost of partial self funding of the City's health insurance benefit plan to individual funds. The assets of the Internal Service Fund are included in governmental activities in the Statement of Net Assets.

(1,791)

Cash basis net assets of governmental activities	\$	<u>869,664</u>
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Net change in cash balances	\$	(547,258)
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Amounts reported for governmental activities in the Statement of Activities and Net Assets are different because:

The Internal Service Fund is used by management to charge the cost of employee health benefits to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities.

(23,958)

Change in cash balance of governmental activities	\$	<u>(571,216)</u>
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See notes to financial statements

City of Audubon
 Statement of Cash Receipts, Disbursements and Changes in Cash Balances
 Proprietary Funds
 As of and for the year ended June 30, 2009

	Enterprise Funds			Internal Service Fund
	Water	Sewer	Total	Employee Health
Operating receipts:				
Use of money and property	\$ -	-	-	19
Charges for service	226,118	328,166	554,284	75,924
Special assessments	311	1,727	2,038	-
Total operating receipts	<u>226,429</u>	<u>329,893</u>	<u>556,322</u>	<u>75,943</u>
Operating disbursements:				
Governmental activities:				
Public safety	-	-	-	32,849
Public works	-	-	-	28,125
General government	-	-	-	36,125
Business type activities	188,691	194,407	383,098	3,719
Total operating disbursements	<u>188,691</u>	<u>194,407</u>	<u>383,098</u>	<u>100,818</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	37,738	135,486	173,224	(24,875)
Non-operating receipts:				
Interest on investments	603	2,451	3,054	-
Miscellaneous	26,190	6,147	32,337	-
Debt service	-	(174,310)	(174,310)	-
Total non-operating receipts	<u>26,793</u>	<u>(165,712)</u>	<u>(138,919)</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	64,531	(30,226)	34,305	(24,875)
Other financing sources (uses):				
Operating transfers out	(50,000)	-	(50,000)	-
Net change in cash balances	14,531	(30,226)	(15,695)	(24,875)
Cash balances beginning of year	172,221	57,467	229,688	32,305
Cash balances end of year	<u>\$ 186,752</u>	<u>27,241</u>	<u>213,993</u>	<u>7,430</u>
 Cash Basis Fund Balances				
Reserved for debt service	\$ -	54,708	54,708	-
Unreserved	186,752	(27,467)	159,285	7,430
	<u>\$ 186,752</u>	<u>27,241</u>	<u>213,993</u>	<u>7,430</u>

See notes to financial statements

City of Audubon
 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	\$ 213,993
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Amounts reported for business type activities in the Statement of Activities and Net Assets are different because:

The Internal Service Fund is used by management to charge the cost of partial self funding of the City's health insurance benefit plan to individual funds. The assets of the Internal Service Fund are included in business type activities in the Statement of Net Assets.

9,221

Cash basis net assets of business type activities	\$ <u>223,214</u>
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Net change in cash balances	\$ (15,695)
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Amounts reported for business type activities in the Statement of Activities and Net Assets are different because:

The Internal Service Fund is used by management to charge the cost of employee health benefits to individual funds. The change in net assets of the Internal Service Fund is reported with business type activities.

(917)

Change in cash balance of business type activities	\$ <u>(16,612)</u>
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City of Audubon

City of Audubon
Notes to Financial Statements
June 30, 2009

NOTE (1) Summary of Significant Accounting Policies

The City of Audubon is a political subdivision of the State of Iowa located in Audubon County. It was first incorporated in 1878 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Audubon 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. The City has no component units which meet the Governmental Accounting Standards Board criteria.

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 boards and commissions: Audubon County Assessor's Conference Board, Audubon County Emergency Management Commission, Audubon County E911 Board, Audubon County Solid Waste Management Commission and Audubon County Airport 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.

City of Audubon
Notes to Financial Statements
June 30, 2009

NOTE (1) Summary of Significant Accounting Policies - Continued

B. Basis of Presentation - Continued

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.

Special Revenue:

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

The Local Option Sales Tax Fund is used to account for the receipts from the tax authorized by referendum and used for street construction and repairs.

City of Audubon
Notes to Financial Statements
June 30, 2009

NOTE (1) Summary of Significant Accounting Policies - Continued

B. Basis of Presentation - Continued

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through the Enterprise Funds.

The Permanent Fund – Cemetery Trust is used to report the resources that are legally restricted to the extent that only earnings and not the principal may be used to provide for care of the cemetery.

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 City also reports the following additional proprietary fund:

An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the City, and provided to other departments or agencies on a cost reimbursement basis.

C. Measurement Focus and Basis of Accounting

The City of Audubon 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.

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.

City of Audubon
Notes to Financial Statements
June 30, 2009

NOTE (1) Summary of Significant Accounting Policies - Continued

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.

E. Property Tax Calendar

The City's property tax rates were extended against the assessed valuation of the City as of January 1, 2007, to compute the amounts which became liens on property on July 1, 2008. These taxes were due and payable in two installments on September 30, 2008 and March 31, 2009, at the Audubon 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, 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.

The City's cash, which consists of cash in bank and certificates of deposit, totaled \$1,092,878.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board (GASB) 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.

City of Audubon
Notes to Financial Statements
June 30, 2009

NOTE (3) Bonds and Notes Payable

Annual debt service requirements to maturity of general obligation bonds and notes, urban renewal tax increment financing revenue bonds, and revenue notes are as follows:

Year Ended June 30,	General Obligation Bonds	Urban Renewal Tax Increment Financing (TIF) Revenue Bonds	Revenue Notes	Total
	Principal	Principal	Principal	Principal
2010	\$ 105,000	\$ 65,000	\$ 115,000	\$ 285,000
2011	110,000	65,000	119,000	294,000
2012	115,000	65,000	122,000	302,000
2013	120,000	70,000	125,000	315,000
2014	125,000	70,000	129,000	324,000
2015-2019	565,000	-	709,000	1,274,000
2020-2023	450,000	-	646,000	1,096,000
Total	\$ <u>1,590,000</u>	\$ <u>335,000</u>	\$ <u>1,965,000</u>	\$ <u>3,890,000</u>
Year Ended June 30,	Interest	Interest	Interest	Interest
2010	\$ 71,475	\$ 12,550	\$ 58,950	\$ 142,975
2011	66,341	10,340	55,500	132,181
2012	61,064	8,000	51,930	120,994
2013	55,675	5,530	48,270	109,475
2014	50,151	2,800	44,520	97,471
2015-2019	167,193	-	161,970	329,163
2020-2023	51,202	-	49,200	100,402
Total	\$ <u>523,101</u>	\$ <u>39,220</u>	\$ <u>470,340</u>	\$ <u>1,032,661</u>

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

City of Audubon
Notes to Financial Statements
June 30, 2009

NOTE (3) Bonds and Notes Payable - Continued

Urban Renewal Tax Increment Financing Revenue Bonds

The City issued \$620,000 of urban renewal tax increment financing revenue bonds in January 2004 for the purpose of defraying a portion of the costs of various construction and refurbishing projects within the urban renewal district. The bonds are 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 the 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. Total principal and interest remaining on the bonds is \$374,220, payable through June 2014. For the current year, principal and interest paid and total TIF receipts were \$74,470 and \$31,636, respectively.

The City has a general obligation debt limit of approximately \$3,500,000 which was not exceeded during the year ended June 30, 2009.

Revenue Notes

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$2,066,000 in sewer revenue notes issued in September 2002, and \$600,000 in sewer revenue notes issued in December 2003. Proceeds from the notes provided financing for the construction of improvements to the sewer treatment plant. The notes are payable solely from sewer customer net receipts and are payable through 2023. Annual principal and interest payments on the notes were more than 125 percent of the net receipts. The total principal and interest remaining to be paid on the notes is \$2,435,340. For the current year, principal and interest paid and total customer net receipts were \$174,310 and \$135,486, respectively.

The resolutions providing for the issuance of the revenue notes include the following provisions:

- a) The notes will only be redeemed from the future earnings of the sewer enterprise activity, and the note holders hold a lien on the future earnings of the fund.
- b) Sufficient monthly transfers shall be made to the sewer revenue note sinking account for the purpose of making the note principal and interest payments when due.

City of Audubon
Notes to Financial Statements
June 30, 2009

NOTE (3) Bonds and Notes Payable - Continued

The resolution providing for the issuance of the \$600,000 revenue note includes the additional provision:

- c) Additional monthly transfers of 25% of the amount required to be deposited in the sewer sinking account shall be made to the sewer reserve account until a specific minimum balance has been accumulated. The account is reserved for payment of principal and interest should the sinking account have insufficient money available.

Although the City has complied with above provisions, net sewer receipts were insufficient to service operations and debt service requirements.

NOTE (4) Anticipation Projects Notes

During the year, the City redeemed during the year, \$1,320,000 in anticipation project notes issued for a streetscape project, leaving no unpaid balance at June 30, 2009.

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.

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 contribution to IPERS for the years ended June 30, 2009, 2008, and 2007, were \$30,720, \$29,573, and \$30,669, respectively, equal to the required contributions for each year.

NOTE (6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation 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 compensated absences payable to employees at June 30, 2009, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 12,934

The liability has been computed based on rates of pay as of June 30, 2009.

City of Audubon
Notes to Financial Statements
June 30, 2009

NOTE (7) Interfund Transfers

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

Transfer to	Transfer from	Amount
General	Enterprise: Water	\$ <u>50,000</u>

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

NOTE (8) Commitments

Cemetery Contracts – The City has contracted for the upkeep of one cemetery through March 2010, for an annual cost of \$8,589, and mowing of another cemetery through March 2010, for an annual cost of \$13,296.

City Mowing Contract – The City has contracted for the upkeep of City grounds through February 2010, for an annual cost of \$8,400.

Water and Wastewater Operation Contract – The City has contracted for operations of the waterworks and wastewater treatment facilities through December 31, 2012 for an approximate annual cost of \$146,123, to be adjusted each April for inflation.

NOTE (9) Risk Management

The City of Audubon 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.

NOTE (10) Deficit Fund Balance

The Special Revenue Fund, Urban Renewal Tax Increment Account had a deficit balance of \$138,509 at June 30, 2009. The deficit will be eliminated with tax increment financing collections.

The Debt Service Fund had a deficit balance of \$29,532. The deficit will be eliminated with the levy of taxes.

City of Audubon
Notes to Financial Statements
June 30, 2009

NOTE (11) Self Insurance Program

The City has established a self insurance medical program which is accounted for in the Insurance Fund (an internal service fund). This program provides employees health benefit coverage up to a maximum of \$30,000 per employee per year. The City purchases commercial insurance for claims in excess of this coverage and all other risks of loss. Settled claims have not exceeded the commercial coverage in any of the past three fiscal years.

All funds of the City participate in the program and make payments to the Insurance Fund based on actuarial estimates of the amounts needed to pay prior and current year claims. Claims are not recognized by the City until paid. The unpaid claims liability of \$9,845 is based on Government Accounting Standards Board Statement No. 10, which requires that a liability has been incurred at the date of the financial statements and the amount of loss can be reasonably estimated. Change in the Fund's claims liability amount is shown below.

Unpaid claims and claims adjustment expenses, beginning of year	\$	5,750
Incurred claims and claim adjustment expenses		104,912
Payments		<u>100,817</u>
Unpaid claims and claims adjustment expenses, end of year	\$	<u>9,845</u>

NOTE (12) Construction Commitments

At June 30, 2009, the City had the following construction commitments:

	Estimated Contract Amounts	Paid to Date	Remaining Commitment	Retainage Payable
Bridge Replacement				
Engineering	\$ 87,099	81,411	5,688	-
Construction	473,702	327,529	146,173	10,130

The City has been awarded \$465,107 from the federal Highway Bridge Program to fund the bridge replacement project.

NOTE (13) Subsequent Events

In September 2009, the City signed a contract for solid waste disposal and recyclable pickup within the City for a monthly cost of \$10,600 through December 2010.

In September 2009, the City signed a contract for a street improvement project for \$74,575.

Required Supplementary Information

City of Audubon
 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, 2009

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts			
Property tax	\$ 591,287	-	-
Tax increment financing collections	31,636	-	-
Other city tax	219,178	-	-
Licenses and permits	466	-	-
Use of money and property	38,248	3,073	19
Intergovernmental	562,377	-	-
Charges for service	209,538	630,208	75,924
Special assessments	4,260	2,038	-
Miscellaneous	106,178	32,337	-
Total receipts	<u>1,763,168</u>	<u>667,656</u>	<u>75,943</u>
Disbursements			
Public safety	345,091	32,849	32,849
Public works	1,031,742	28,125	28,125
Health and social services	-	-	-
Culture and recreation	260,750	-	-
Community and economic development	33,881	-	-
General government	87,854	36,125	36,125
Debt service	240,332	-	-
Capital projects	361,926	-	-
Business type activities	-	561,127	3,719
Total disbursements	<u>2,361,576</u>	<u>658,226</u>	<u>100,818</u>
Excess (deficiency) of receipts over (under) disbursements	(598,408)	9,430	(24,875)
Other financing sources, net	<u>51,150</u>	<u>(50,000)</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) Disbursements and other financing uses	(547,258)	(40,570)	(24,875)
Balances beginning of year	<u>1,418,713</u>	<u>261,993</u>	<u>32,305</u>
Balances end of year	<u>\$ 871,455</u>	<u>221,423</u>	<u>7,430</u>

See accompanying independent auditors' report

Net	Budgeted Amounts		Final To Net Variance
	Original	Final	
591,287	591,183	640,312	(49,025)
31,636	85,000	35,000	(3,364)
219,178	178,478	140,000	79,178
466	5,200	4,700	(4,234)
41,302	62,800	38,272	3,030
562,377	220,800	220,800	341,577
763,822	785,500	720,500	43,322
6,298	-	4,000	2,298
138,515	239,630	261,200	(122,685)
<u>2,354,881</u>	<u>2,168,591</u>	<u>2,064,784</u>	<u>290,097</u>
345,091	317,980	369,280	24,189
1,031,742	666,064	1,100,664	68,922
-	1,000	1,000	1,000
260,750	308,125	264,875	4,125
33,881	79,155	39,155	5,274
87,854	127,250	140,600	52,746
240,332	166,199	1,506,218	1,265,886
361,926	500,000	400,000	38,074
557,408	723,510	632,510	75,102
<u>2,918,984</u>	<u>2,889,283</u>	<u>4,454,302</u>	<u>1,535,318</u>
(564,103)	(720,692)	(2,389,518)	1,825,415
<u>1,150</u>	<u>-</u>	<u>1,318,245</u>	<u>(1,317,095)</u>
(562,953)	(720,692)	(1,071,273)	508,320
<u>1,648,401</u>	<u>1,518,698</u>	<u>1,594,296</u>	<u>54,105</u>
<u>1,085,448</u>	<u>798,006</u>	<u>523,023</u>	<u>562,425</u>

City of Audubon
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 (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, one budget amendment increased budgeted disbursements by \$1,565,019. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2009, disbursements did not exceed the amended budgeted amounts.

Other Supplementary Information

City of Audubon
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds
As of and for the year ended June 30, 2009

	Special Revenue		
	Employee Benefits	Urban Renewal Tax Increment	Cemetery Trust
Receipts:			
Property tax	\$ 128,740	-	-
Tax increment financing collections	-	31,636	-
Other city tax	8,262	-	-
Special assessments	-	4,146	-
Miscellaneous	182	-	2,700
Total receipts	<u>137,184</u>	<u>35,782</u>	<u>2,700</u>
Disbursements:			
Operating:			
Public safety	67,840	-	-
Public works	68,520	-	-
Culture and recreation	2,618	-	-
Community and economic development	-	4,726	-
General government	10,720	-	-
Debt service	-	74,470	-
Total disbursements	<u>149,698</u>	<u>79,196</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	(12,514)	(43,414)	2,700
Cash balances beginning of year	<u>29,522</u>	<u>(95,095)</u>	<u>34,734</u>
Cash balances end of year	<u>\$ 17,008</u>	<u>(138,509)</u>	<u>37,434</u>
 Cash Basis Fund Balances			
Reserved:			
Debt service fund	\$ -	-	-
Unreserved:			
Special revenue funds	<u>17,008</u>	<u>(138,509)</u>	<u>34,734</u>
Total cash basis fund balances	<u>\$ 17,008</u>	<u>(138,509)</u>	<u>34,734</u>

See accompanying independent auditors' report

<u>Debt Service General Obligation Debt</u>	<u>Total</u>
85,106	213,846
-	31,636
5,384	13,646
-	4,146
-	2,882
<u>90,490</u>	<u>266,156</u>
-	67,480
-	68,520
-	2,618
-	4,726
-	10,720
<u>165,862</u>	<u>240,332</u>
<u>165,862</u>	<u>394,396</u>
(75,372)	(128,600)
<u>45,840</u>	<u>15,001</u>
<u>(29,532)</u>	<u>(113,599)</u>
(29,532)	(29,532)
-	(84,067)
<u>(29,532)</u>	<u>(113,599)</u>

City of Audubon
 Schedule of Indebtedness
 Year ended June 30, 2009

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds and notes:			
Sewer improvements	Apr 1, 1999	4.60 – 4.70 %	\$ 200,000
Equipment	Sept 26, 2007	3.85 – 4.30 %	350,000
Streetscape	Sept 11, 2008	4.10 – 5.75 %	1,320,000
Total			
Urban renewal tax increment financing (TIF) revenue bonds:			
	Jan 1, 2004	3.20 – 4.00 %	\$ 620,000
Revenue notes:			
Sewer	Sep 15, 2002	3.00 %	\$ 2,066,000
Sewer	Dec 12, 2003	3.00 %	600,000
Total			
Anticipation Project Notes:			
Streetscape project	Jul 12, 2007	4.00 %	\$ 1,320,000

See accompanying independent auditors' report

<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>
25,000	-	25,000	-	1,175	-
350,000	-	40,000	310,000	14,373	-
<u>-</u>	<u>1,320,000</u>	<u>40,000</u>	<u>1,280,000</u>	<u>44,014</u>	<u>-</u>
<u>375,000</u>	<u>1,320,000</u>	<u>105,000</u>	<u>1,590,000</u>	<u>59,562</u>	<u>-</u>
<u>395,000</u>	<u>-</u>	<u>60,000</u>	<u>335,000</u>	<u>14,470</u>	<u>-</u>
1,657,000	-	89,000	1,568,000	49,710	-
420,000	-	23,000	397,000	12,600	-
<u>2,077,000</u>	<u>-</u>	<u>112,000</u>	<u>1,965,000</u>	<u>62,310</u>	<u>-</u>
<u>1,320,000</u>	<u>-</u>	<u>1,320,000</u>	<u>-</u>	<u>35,200</u>	<u>-</u>

City of Audubon
Bond and Note Maturities
June 30, 2009

General Obligation Bonds and Notes					
Year Ending June 30,	Equipment		Streetscape		Total
	Issued Sept 26, 2007		Issued Sept 11, 2008		
	Interest Rate	Amount	Interest Rate	Amount	
2010	3.90 %	\$ 40,000	5.50 %	\$ 65,000	\$ 105,000
2011	4.00 %	40,000	5.25 %	70,000	110,000
2012	4.10 %	40,000	5.00 %	75,000	115,000
2013	4.15 %	45,000	4.88 %	75,000	120,000
2014	1.20 %	45,000	4.88 %	80,000	125,000
2015	4.25 %	50,000	4.88 %	85,000	135,000
2016	4.30 %	50,000	4.10 %	90,000	140,000
2017	-	-	4.20 %	95,000	95,000
2018	-	-	4.25 %	95,000	95,000
2019	-	-	4.30 %	100,000	100,000
2020	-	-	4.35 %	105,000	105,000
2021	-	-	4.40 %	110,000	110,000
2022	-	-	4.45 %	115,000	115,000
2023	-	-	4.50 %	120,000	120,000
Total		\$ 310,000		\$ 1,280,000	\$ 1,590,000

Revenue Notes					
Year Ending June 30,	Sewer		Sewer		Total
	Issued Oct. 15, 1999		Issued Feb. 28, 2003		
	Interest Rate	Amount	Interest Rate	Amount	
2010	3.00 %	\$ 23,000	3.00 %	\$ 92,000	\$ 115,000
2011	3.00 %	24,000	3.00 %	95,000	119,000
2012	3.00 %	25,000	3.00 %	97,000	122,000
2013	3.00 %	25,000	3.00 %	100,000	125,000
2014	3.00 %	26,000	3.00 %	103,000	129,000
2015	3.00 %	27,000	3.00 %	106,000	133,000
2016	3.00 %	28,000	3.00 %	110,000	138,000
2017	3.00 %	29,000	3.00 %	113,000	142,000
2018	3.00 %	30,000	3.00 %	116,000	146,000
2019	3.00 %	30,000	3.00 %	120,000	150,000
2020	3.00 %	31,000	3.00 %	123,000	154,000
2021	3.00 %	32,000	3.00 %	127,000	159,000
2022	3.00 %	33,000	3.00 %	131,000	164,000
2023	3.00 %	34,000	3.00 %	135,000	169,000
Total		\$ 397,000		\$ 1,568,000	\$ 1,965,000

See accompanying independent auditors' report

Urban Renewal Tax Increment Financing (TIF) Revenue Bonds		
Issued Jan 1, 2004		
<u>Interest Rate</u>		<u>Amount</u>
3.40 %	\$	65,000
3.60 %		65,000
3.80 %		65,000
3.90 %		70,000
4.00 %		70,000
-		-
-		-
-		-
-		-
-		-
-		-
-		-
-		-
-		-
	\$	<u>335,000</u>

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

	2009	2008	2007	2006	2005
Receipts					
Property tax	\$ 591,287	502,392	450,807	567,388	533,115
Tax increment financing collections	31,636	84,848	144,011	33,901	150,445
Other city tax	219,178	204,702	175,273	180,157	224,224
Licenses and permits	466	508	1,583	3,307	2,203
Use of money and property	38,248	84,618	58,501	47,753	20,597
Intergovernmental	562,377	600,094	254,803	247,524	265,004
Charges for service	209,538	196,688	202,272	198,176	196,781
Special assessments	4,260	20,706	31,377	12,686	11,118
Miscellaneous	106,178	120,924	165,709	93,564	247,728
Total	\$ 1,763,168	1,815,480	1,484,336	1,384,456	1,651,215
Disbursements					
Operating:					
Public safety	\$ 345,091	487,808	350,862	296,651	343,759
Public works	1,031,742	913,310	606,413	553,816	579,262
Health and social services	-	1,000	1,000	1,000	1,000
Culture and recreation	260,750	265,913	264,595	326,173	289,370
Community and economic development	33,881	166,893	159,517	41,794	32,098
General government	87,854	89,177	137,370	86,480	108,560
Debt service	240,332	114,576	23,635	204,845	207,450
Capital projects	361,926	1,107,220	-	-	65,281
Total	\$ 2,361,576	3,145,897	1,543,392	1,510,759	1,626,780

See accompanying independent auditors' report

City of Audubon



Marilyn Schroer, CPA
Diane McGrain, CPA
Barbara Mass, CPA

November 10, 2009

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

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the remaining fund information of the City of Audubon, 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 November 10, 2009. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Audubon'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 Audubon's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of City of Audubon'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 a control deficiency in internal control over financial reporting that we consider to be a significant deficiency, including a deficiency we consider to be material weakness.

Continued...

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City of Audubon
Independent Auditors' Report on
Internal Control and Compliance

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 City of Audubon'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 City of Audubon's financial statements that is more than inconsequential will not be prevented or detected by City of Audubon's internal control. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings to be a significant deficiency 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 City of Audubon'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, we believe the significant deficiency described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Audubon'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, 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 Audubon'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 Audubon's responses and, accordingly, we express no opinion on them.

Continued...

City of Audubon
Independent Auditors' Report on
Internal Control and Compliance

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 Audubon and other parties to whom the City of Audubon 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 Audubon 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.

Schroer & Associates, P.C.

City of Audubon
Schedule of Findings
Year Ended June 30, 2009

Part I: Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

I-A-09 Segregation of Duties

Comment – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The same person does the utility billing, cash receipts listing, bank deposits and posting of cash receipts to utility accounts. Controls over cash receipts at the swimming pool are minimal.

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

Response – We will consider this. Utility customers pay mostly by check and will question if a payment is not correctly posted to their account.

Conclusion – Response acknowledged. The City should segregate duties to the extent possible with existing personnel.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Audubon
Schedule of Findings
Year Ended June 30, 2009

Part II: Other Findings Related to Statutory Reporting:

II-A-09 Certified Budget

Disbursements during the year ended June 30, 2009, did not exceed the amended budgeted amounts.

II-B-09 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-09 Travel Expense

No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-09 Business Transactions

No business transactions were noted between the City and City officials or employees.

II-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.

II-F-09 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.

City of Audubon
Schedule of Findings
Year Ended June 30, 2009

Part II: Other Findings Related to Statutory Reporting Continued:

II-G-09 Deposits and Investments

Comment – The City has approved official depositories. However, the maximum amount stated in the resolution was exceeded.

Recommendation – The City should amend the maximum authorized amount allowed in its depositories, as required by Chapter 12C of the Code of Iowa.

Response – We will do this.

Conclusion – Response accepted.

II-H-09 Enterprise Debt

Comment – Although, the City has made the necessary transfers per the sewer bond resolution and has serviced the debt, net receipts were insufficient to service operations and debt service requirements, resulting in a negative unreserved fund balance.

Recommendation – The City should consider raising sewer rates in order to maintain the fund in sound financial condition.

Response – We will review this further.

Conclusion – Response accepted.

II-I-09 Financial Condition

Comment – The Special Revenue, Urban Renewal Tax Increment Account had a deficit balance of \$138,509, and the Debt Service Fund had a deficit balance of \$29,532 at June 30, 2009.

Recommendation – The City should monitor the activity in these funds in order to eliminate the deficits.

Response – We will eliminate the deficits with tax increment financing collections and property tax receipts.

Conclusion – Response accepted.

City of Audubon
Schedule of Findings
Year Ended June 30, 2009

Part II: Other Findings Related to Statutory Reporting Continued:

II-J-09 Funding – Self Insurance Fund

Comment – The balance in the self insurance fund at June 30, 2009 was insufficient to cover the incurred and unpaid claims on that date.

Recommendation – Monthly funding transfers should be established at a satisfactory level to provide funds to cover all claims, reserves and expenses to operate the plan as required by Iowa Administrative Code 191-35.20.

Response – We will do this.

Conclusion – Response accepted.

II-K-09 Outstanding Checks

Comment – Unclaimed property per Chapter 556.1(10) of the Code of Iowa has not been reported to the State Treasurer as required.

Recommendation – The city should comply with Chapter 556.1(10) of the Code of Iowa.

Response – We will do so.

Conclusion – Response accepted.