

**CITY OF SANBORN, IOWA**

**INDEPENDENT AUDITORS' REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTAL INFORMATION  
SCHEDULE OF FINDINGS**

**JUNE 30, 2009**

**T. P. ANDERSON & COMPANY, P.C.  
Certified Public Accountants**

## Table of Contents

		<u>Page</u>
Officials		1
Independent Auditors' Report		2-3
Management's Discussion and Analysis		4-9
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statement:		
Statement of Activities and Net Assets – Cash Basis	A	10
Governmental Fund Financial Statements:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B	11
Proprietary Fund Financial Statements:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	C	12
Notes to Financial Statements		13-21
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds		22
Notes to Required Supplementary Information – Budgetary Reporting		23
Other Supplementary Information:	<u>Schedule</u>	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances – Nonmajor Governmental Funds	1	24
Schedule of Indebtedness	2	25
Bond and Note Maturities	3	26
Schedule of Receipts by Source and Disbursements by Function – All Governmental Funds	4	27
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		28-29
Schedule of Findings		30-33

CITY OF SANBORN, IOWA

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Thomas Ginger	Mayor	January 2010
Duane Van Veldhuizen	Mayor Pro-tem	January 2012
Aaron Alons	Council Member	January 2012
Tim Devitt	Council Member	January 2012
Ron Schott	Council Member	January 2010
Kelly O'Brien	Council Member	January 2010
Jim Zeutenhorst	City Administrator	Appointed
Becki Hurtig	Clerk	Appointed
Candice Lyman	Deputy Clerk/Accountant	Appointed
Daniel DeKoter	Attorney	Appointed



T.P. ANDERSON & COMPANY, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

---

### 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 Sanborn, 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 Sanborn'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.

As described in Note 7, the City has chosen to present condensed financial information for its discretely presented component unit since complete financial statements for the component unit for the year ended December 31, 2008, which was also audited by us, is available. The report, dated September 2, 2009, expressed an unqualified opinion on the financial statements.

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 information of the City of Sanborn 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 January 22, 2010 on our consideration of the City of Sanborn'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 9 and 22 through 23 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 inquires 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 conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Sanborn's basic financial statements. The primary government financial statements for the four years ended June 30, 2008 (none of which are presented herein) were audited by other auditors. Those audit reports expressed unqualified opinions on the primary government financial statements for the four years ended June 30, 2008. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the primary government's basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the aforementioned primary government financial statements and, in our opinion, is fairly stated in all material respects in relation to the aforementioned primary government financial statements taken as a whole.

*T.P. Anderson & Company, P.C.*

January 22, 2010

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

The City of Sanborn, Iowa provides this Management's Discussion and Analysis of its primary government 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**

- Receipts of the City's governmental activities increased 3%, or approximately \$41,000, from fiscal 2008 to fiscal 2009. Charges for service increased approximately \$47,000 and miscellaneous earnings increased by \$169,000, while capital grants decreased by approximately \$130,000.
- Disbursements decreased 16%, or approximately \$314,000, in fiscal 2009 from fiscal 2008. Capital projects disbursements decreased from \$416,000 in 2008 to \$240,000 in 2009 and debt service decreased from \$266,000 to \$259,000.
- The City's total cash basis net assets increased \$47,550 from June 30, 2008 to June 30, 2009. Of this amount, the assets of the governmental activities decreased \$43,606 and the assets of the business type activities increased by approximately \$91,156.

### **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 – Cash Basis. This statement provides information about the activities of the City as a whole and presents an overview of the City's finances.

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

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

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

Other Supplementary Information provides detailed information about the nonmajor governmental funds.

### **Basis of Accounting**

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

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

### *Government-wide Financial Statement*

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

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

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

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the water, gas, sewer rental and solid waste collection 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 service. 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, Urban Renewal Tax Increment and Local Option Sales Tax, and 3) the Debt Service 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.

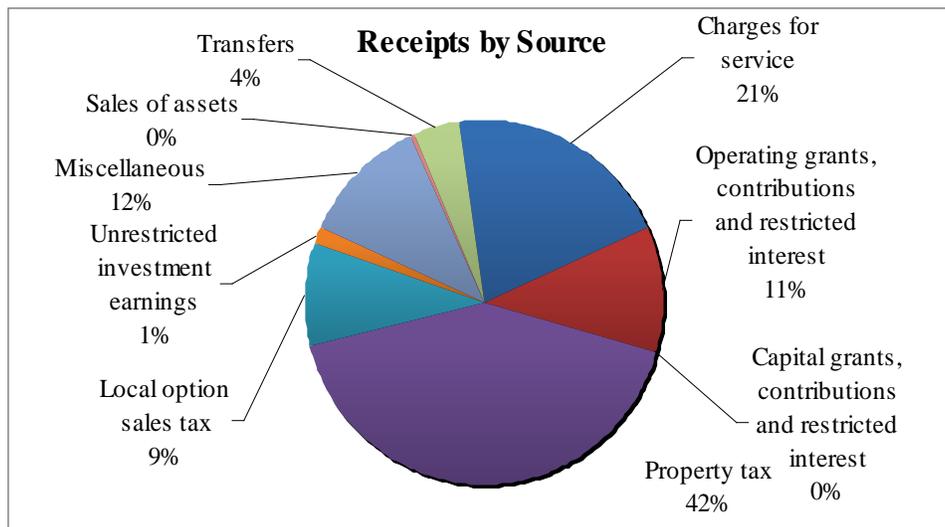
2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains four Enterprise Funds to provide separate information for the water, gas, sewer rental and solid waste collection funds.

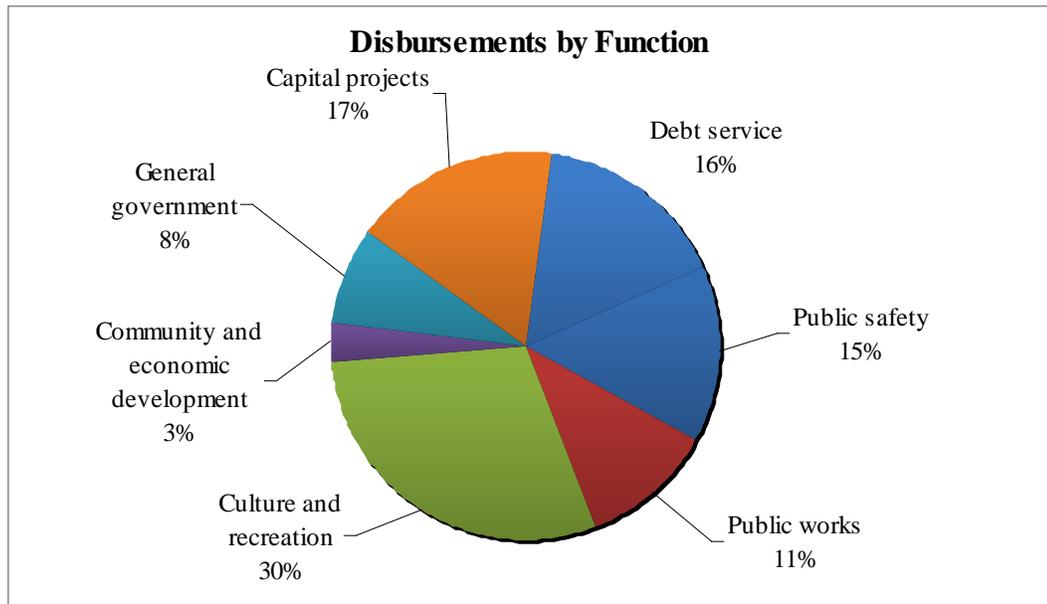
The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased approximately \$44,000 from a year ago. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2009	2008
<b>Receipts and transfers:</b>		
Program receipts:		
Charges for service	\$ 321	\$ 270
Operating grants, contributions and restricted interest	171	103
Capital grants, contributions and restricted interest	0	130
General receipts:		
Property tax	650	637
Local option sales tax	144	120
Grants and contributions not restricted to specific purposes	0	64
Unrestricted investment earnings	22	45
Miscellaneous	182	13
Sales of assets	2	26
Transfers, net	66	109
Total receipts and transfers	<u>1,558</u>	<u>1,517</u>
<b>Disbursements:</b>		
Public safety	237	206
Public works	178	174
Culture and recreation	471	564
Community and economic development	53	175
General government	130	115
Debt service	259	266
Capital projects	274	416
Total disbursements	<u>1,602</u>	<u>1,916</u>
(Decrease) in cash basis net assets	(44)	(399)
Cash basis net assets beginning of year	961	1,360
Cash basis net assets end of year	<u>\$ 917</u>	<u>\$ 961</u>





The City's total receipts for governmental activities decreased by 3%, or approximately \$41,000. The total cost of all programs and services increased by approximately \$314,000, or 16%, with no new programs added this year.

Changes in Cash Basis Net Assets of Business Type Activities (Expressed in Thousands)		
	Year ended June 30,	
	2009	2008
Receipts:		
Charges for service:		
Water	\$ 195	\$ 213
Gas	1,647	1,691
Sewer rental	471	457
Solid waste collection	98	95
Unrestricted interest on investments	22	41
Total receipts	<u>2,433</u>	<u>2,497</u>
Disbursements and transfers:		
Water	\$ 271	\$ 214
Gas	1,433	1,574
Sewer rental	469	378
Solid waste collection	103	94
Transfers	66	109
Total disbursements and transfers	<u>2,342</u>	<u>2,369</u>
Increase in cash balance	91	128
Cash basis net assets beginning of year	<u>1,294</u>	<u>1,166</u>
Cash basis net assets end of year	<u>\$ 1,385</u>	<u>\$ 1,294</u>

Total business type activities receipts for the fiscal year decreased approximately \$64,000 from last year, from approximately \$2.497 million to \$2.433 million. Total disbursements and transfers were approximately \$2.342 million compared to \$2.369 million last year.

**INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As The City of Sanborn completed the year, its governmental funds reported a combined fund balance of \$917,629, a decrease of \$43,606 from last year’s total of \$961,235. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund decreased by \$50,713 during the year. This decrease was mainly the result of the operations at the Sanborn Golf and Country Club.
- The TIF Fund decreased by \$137,500 due mainly to construction costs incurred in the urban renewal area.
- The Development Fund increased \$61,912 due to good lot sales during the year.

**INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

- The Water Fund decreased \$72,856 due mainly to capital purchases made during the year and large repairs expenditures incurred.
- The Gas Fund increased \$163,338 in accordance with budgeted expectations for the utility.
- The Sewer Fund increased \$5,002 in accordance with budgeted expectations for the utility.

**BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget once. The budget amendment was approved on May 26, 2009 resulting in an increase in revenues related to charges for service and an increase in operating disbursements for culture and recreation. The City did overexpend the budget in the Culture and Recreation function area for the year.

**DEBT ADMINISTRATION**

At June 30, 2009, the City had approximately \$1,829,000 in bonds and other long-term debt, compared to approximately \$2,126,000 last year, as shown below.

	Outstanding Debt at Year-End (Expressed in Thousands)	
	Year ended June 30,	
	2009	2008
General obligation bonds and notes	\$ 635	\$ 860
Revenue bonds and notes	1,194	1,266
Total	\$ 1,829	\$ 2,126

Debt decreased as a result of paying outstanding bond obligations as scheduled in the bond amortization schedules.

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 \$635,000 is significantly below its constitutional debt limit of \$2,516,041.

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

In completing the FY 2010 budget the elected and appointed officials of Sanborn considered many factors. Those factors included the economy, employment rates, operating expenses, capital projects, and other government mandates.

These factors resulted in budgeted revenues of \$5,985,480 and budgeted disbursements of \$6,331,583. These levels are 50% and 5% higher than their respective budgeted levels for FY 2009.

## **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 any questions about this report or need additional financial information, contact the City Clerk, 102 Main St., Sanborn, Iowa.

## **Basic Financial Statements**

CITY OF SANBORN, IOWA

STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2009

Functions/Programs	Disbursements	Program Receipts		
		Charges for Service	Operating Grants Contributions and Restricted Interest	Capital Grants Contributions and Restricted Interest
<b>Governmental activities:</b>				
Public safety	237,193	\$ 4,596	\$ -	\$ -
Public works	178,391	-	112,258	-
Culture and recreation	470,737	291,084	7,894	-
Community and economic development	53,122	-	-	-
General government	129,655	25,802	51,000	-
Debt service	258,958	-	-	-
Capital project	274,250	-	-	-
<b>Total government activities</b>	<b>1,602,306</b>	<b>321,482</b>	<b>171,152</b>	<b>-</b>
<b>Business type activities:</b>				
Water	270,913	195,121	-	-
Gas	1,432,573	1,647,179	-	-
Sewer rental	469,981	471,353	-	-
Solid waste collection	102,750	98,132	-	-
<b>Total business type activities</b>	<b>2,276,217</b>	<b>2,411,785</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>\$ 3,878,523</b>	<b>\$ 2,733,267</b>	<b>\$ 171,152</b>	<b>\$ -</b>

**General Receipts**

Property tax levied for:
General purposes
Tax increment financing
Debt service
Employee benefits
Local option sales tax
Unrestricted interest on investments
Miscellaneous
Sales of assets
Transfers in (out)
<b>Total general receipts and transfers</b>
 Change in cash basis net assets
 Cash beginning of year
 Cash end of year

**Cash Basis Net Assets**

Restricted
Streets
Urban renewal purposes
Debt service
Other purposes
Unrestricted

See notes to financial statements

Exhibit A

<u>Net (Disbursements) Receipts and Changes in Cash</u>		
<u>Governmental</u>	<u>Business Type</u>	
<u>Activities</u>	<u>Activities</u>	<u>Total</u>
\$ (232,597)	\$ -	\$ (232,597)
(66,133)	-	(66,133)
(171,759)	-	(171,759)
(53,122)	-	(53,122)
(52,853)	-	(52,853)
(258,958)	-	(258,958)
(274,250)	-	(274,250)
<u>(1,109,672)</u>	<u>-</u>	<u>(1,109,672)</u>
-	(75,792)	(75,792)
-	214,606	214,606
-	1,372	1,372
-	(4,618)	(4,618)
<u>-</u>	<u>135,568</u>	<u>135,568</u>
<u>(1,109,672)</u>	<u>135,568</u>	<u>(974,104)</u>
182,618	-	182,618
316,767	-	316,767
85,112	-	85,112
65,689	-	65,689
144,174	-	144,174
21,627	21,588	43,215
181,604	-	181,604
2,475	-	2,475
66,000	(66,000)	-
<u>1,066,066</u>	<u>(44,412)</u>	<u>1,021,654</u>
(43,606)	91,156	47,550
<u>961,235</u>	<u>1,294,023</u>	<u>2,255,258</u>
<u>\$ 917,629</u>	<u>\$ 1,385,179</u>	<u>\$ 2,302,808</u>
\$ 22,351	\$ -	\$ 22,351
151,446	-	151,446
21,473	1,263,438	1,284,911
5,975	-	5,975
716,384	121,741	838,125
<u>\$ 917,629</u>	<u>\$ 1,385,179</u>	<u>\$ 2,302,808</u>

CITY OF SANBORN, IOWA

Exhibit B

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND  
CHANGES IN CASH BALANCES  
GOVERNMENTAL FUNDS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2009

	Special Revenue			Nonmajor Governmental Funds	Total
	General	Urban Renewal Tax Increment	Development		
Receipts:					
Property tax	\$ 182,618	\$ -	\$ -	\$ 150,801	\$ 333,419
Tax increment financing	-	316,767	-	-	316,767
Other city tax	16,119	-	-	144,174	160,293
Licenses and permits	2,006	-	-	-	2,006
Use of money and property	11,285	3,683	7,169	2,316	24,453
Intergovernmental	58,894	-	-	112,258	171,152
Charges for service	321,482	-	-	-	321,482
Miscellaneous	82,463	-	74,110	4,080	160,653
	<u>674,867</u>	<u>320,450</u>	<u>81,279</u>	<u>413,629</u>	<u>1,490,225</u>
Disbursements:					
Public safety	201,194	-	-	35,999	237,193
Public works	36,000	-	-	142,391	178,391
Culture and recreation	457,008	-	-	13,729	470,737
Community and economic development	-	-	19,367	33,755	53,122
General government	124,853	-	-	4,802	129,655
Debt service	-	-	-	258,958	258,958
Capital projects	-	274,250	-	-	274,250
	<u>819,055</u>	<u>274,250</u>	<u>19,367</u>	<u>489,634</u>	<u>1,602,306</u>
Excess (deficiency) of receipts over (under) disbursements	(144,188)	46,200	61,912	(76,005)	(112,081)
Other financing sources (uses):					
Sales of assets	2,475	-	-	-	2,475
Operating transfers in	91,000	-	-	158,700	249,700
Operating transfers out	-	(183,700)	-	-	(183,700)
	<u>93,475</u>	<u>(183,700)</u>	<u>-</u>	<u>158,700</u>	<u>68,475</u>
Net change in cash balances	(50,713)	(137,500)	61,912	82,695	(43,606)
Balance beginning of year	234,654	288,946	269,694	167,941	961,235
Balance end of year	<u>\$ 183,941</u>	<u>\$ 151,446</u>	<u>\$ 331,606</u>	<u>\$ 250,636</u>	<u>\$ 917,629</u>
Cash Basis Fund Balance					
Reserved					
Debt Service	\$ -	\$ -	\$ -	\$ 21,473	\$ 21,473
Unreserved					
General Fund	183,941	-	-	-	183,941
Special Revenue Funds	-	151,446	331,606	229,163	712,215
Total cash basis fund balances	<u>\$ 183,941</u>	<u>\$ 151,446</u>	<u>\$ 331,606</u>	<u>\$ 250,636</u>	<u>\$ 917,629</u>

See notes to financial statements

## CITY OF SANBORN, IOWA

Exhibit C

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES  
IN CASH BALANCES  
PROPRIETARY FUNDS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2009

	Water	Gas	Sewer Rental	Solid Waste Collection	Total
<b>Receipts</b>					
Use of money and property	\$ -	\$ 1,210	\$ -	\$ -	\$ 1,210
Charges for service	195,121	1,645,969	471,353	98,132	2,410,575
	195,121	1,647,179	471,353	98,132	2,411,785
<b>Disbursements</b>					
Total operating disbursements	149,619	1,432,573	406,623	102,750	2,091,565
	149,619	1,432,573	406,623	102,750	2,091,565
Excess (deficiency) of operating receipts over (under) operating disbursements	45,502	214,606	64,730	(4,618)	320,220
<b>Non-operating receipts (disbursements):</b>					
Interest on investments	2,936	14,732	3,630	290	21,588
Debt service	(56,818)	-	(63,358)	-	(120,176)
Capital projects	(64,476)	-	-	-	(64,476)
Excess (deficiency) of receipts over (under) disbursements	(72,856)	229,338	5,002	(4,328)	157,156
<b>Other financing sources (uses):</b>					
Operating transfers out	-	(66,000)	-	-	(66,000)
	-	(66,000)	-	-	(66,000)
Net change in cash balances	(72,856)	163,338	5,002	(4,328)	91,156
Balance beginning of year	215,645	808,659	238,080	31,639	1,294,023
Balance end of year	\$ 142,789	\$ 971,997	243,082	27,311	\$ 1,385,179
<b>Cash Basis Fund Balances</b>					
Reserved for debt service	\$ 71,827	\$ -	\$ 49,914	\$ -	\$ 121,741
Unreserved	70,962	971,997	193,168	27,311	1,263,438
	\$ 142,789	\$ 971,997	\$ 243,082	\$ 27,311	\$ 1,385,179

See notes to financial statements

CITY OF SANBORN, IOWA

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

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

The City of Sanborn is a political subdivision of the State of Iowa located in O'Brien 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, gas, sewer rental and solid waste collection services to its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Sanborn 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 (GASB) 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.

Discretely Presented Component Unit

The Sanborn Electric and Telecommunications Utility, established under Chapter 388 of the Code of Iowa, is legally separate from the City, but has the potential to provide specific benefits to or impose specific burdens on the City. The Municipal Utilities is governed by a Board of Trustees appointed by the Mayor and approved by the City Council to six-year terms. The Utility provides electric service to the residents and businesses of the City of Sanborn. Cable television, internet and telephone service is provided through the Utility's involvement with the Community Cable Television Agency of O'Brien County. In accordance with the criteria set by the Governmental Accounting Standards Board, the Utility meets the definition of a component unit which should be discretely presented. Condensed financial statements presented in Note 7 were prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles. Complete financial statements for the year ended December 31, 2008, can be obtained from the Municipal Utilities administration office, 102 State Street, Sanborn, Iowa.

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

CITY OF SANBORN, IOWA

NOTES TO FINANCIAL STATEMENTS

(1) **Summary of Significant Accounting Policies – continued**

following boards and commissions: Northwest Iowa Landfill Association, E-911 Board, Northwest Iowa League of Cities Board, Northern Municipal Distributors Group, O'Brien County Economic Development Board, Vector Safety Board and the Northwest Iowa Planning Commission.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Activities and Net Assets – Cash Basis reports information on all 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.

This Statement of Activities and Net Assets - Cash Basis also presents the City's nonfiduciary net assets. Net assets are reported in two categories:

*Restricted net assets* result when constraints placed on net assets 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 – Cash Basis 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 SANBORN, IOWA

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

(1) **Summary of Significant Accounting Policies - continued**

Special Revenue:

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

The Development Fund is used to account for lot sales in the City's housing development.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

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

The Sewer Rental Fund accounts for operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Solid Waste Collection Fund accounts for the operation and maintenance of the City's solid waste collection activities.

C. Measurement Focus and Basis of Accounting

The City of Sanborn 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 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 SANBORN, IOWA

NOTES TO FINANCIAL STATEMENTS

(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 exceeded the amounts budgeted in the culture and recreation function.

(2) **Cash and Investments**

The City's deposits in banks at June 30, 2009 (which include certificates of deposit totaling \$998,987) 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; and certain joint investment trusts and warrants or improvement certificates of a drainage district.

At June 30, 2009, the City had the following investments:

Type	Carrying Amount	Fair Value
United States Savings Bonds Series EE	<u>\$ 13,738</u>	<u>\$ 13,738</u>

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) to 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.

(3) **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.

CITY OF SANBORN, IOWA

NOTES TO FINANCIAL STATEMENTS

**(3) Pension and Retirement Benefits - continued**

Most regular plan members are required to contribute 4.10% of their annual salary and the City is required to contribute 6.35% of annual covered payroll. Certain employees in special risk occupations and the City contribute an actuarially determined 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 \$32,639, \$32,288 and \$30,748 respectively, equal to the required contributions for each year.

**(4) Bonds and Notes Payable**

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

Year Ending June 30.	General Obligation Notes		Revenue Bonds		Total	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
	2010	\$ 235,000	\$ 24,890	\$ 73,000	\$ 43,307	\$ 308,000
2011	130,000	16,077	75,000	40,768	205,000	56,845
2012	40,000	10,983	76,000	38,098	116,000	49,081
2013	40,000	9,422	82,000	35,327	122,000	44,749
2014	45,000	7,843	83,000	32,247	128,000	40,090
2015	45,000	6,020	89,000	29,078	134,000	35,098
2016	50,000	4,175	91,000	25,575	141,000	29,750
2017	50,000	2,100	92,000	21,945	142,000	24,045
2018	-	-	99,000	18,240	99,000	18,240
2019	-	-	100,000	14,170	100,000	14,170
2020	-	-	52,000	10,020	52,000	10,020
2021	-	-	53,000	8,460	53,000	8,460
2022	-	-	55,000	6,870	55,000	6,870
2023	-	-	56,000	5,220	56,000	5,220
2024	-	-	58,000	3,540	58,000	3,540
2025	-	-	60,000	1,800	60,000	1,800
	<u>\$ 635,000</u>	<u>\$ 81,510</u>	<u>\$ 1,194,000</u>	<u>\$ 334,665</u>	<u>\$ 1,829,000</u>	<u>\$ 416,175</u>

Revenue Notes

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$575,000 in water revenue notes issued in June 2004. Proceeds from the notes provided financing for the construction of water improvements and extensions. The notes are payable solely from water customer net receipts and are payable through 2019. The total principal and interest remaining to be paid on the notes is \$542,745. For the current year, principal and interest paid and total customer net receipts were \$56,418 and

CITY OF SANBORN, IOWA

NOTES TO FINANCIAL STATEMENTS

**(4) Bonds and Notes Payable - continued**

\$45,502 respectively.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$916,000 in sewer revenue notes issued in June 2004. Proceeds from the notes provided financing for the construction of sewer improvements and extensions. The notes are payable solely from sewer customer net receipts and are payable through 2025. The total principal and interest remaining to be paid on the notes is \$985,920. For the current year, principal and interest paid and total customer net receipts were \$63,358 and \$64,730 respectively.

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

- (a) The notes and bonds will only be redeemed from the future earnings of the enterprise activity and the note and bond holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to a separate water revenue note and sewer revenue bond sinking accounts within the Enterprise Funds for the purpose of making the note principal and interest payments when due.
- (c) A deposit in the amount of \$56,978 shall be made to a water revenue note reserve account within the Enterprise Funds upon the delivery of the water revenue notes.
- (d) Additional monthly transfers of \$1,000 to a water improvement account shall be made until a balance of \$25,000 is accumulated. This account is restricted for the purpose of covering any deficiencies in the sinking or reserve accounts, or paying for improvements and extensions of the water utility.
- (e) The Sewer Bonds require the system generate net revenues sufficient to pay 110% of the highest annual principal and interest installments due to maturity.

A summary of changes in long-term debt for the year ended June 30, 2009 is as follows:

	G.O. Bonds	Revenue Bonds	Total
Balance, beginning of year	860,000	1,266,000	2,126,000
Additions	-	-	-
Decreases	225,000	72,000	297,000
Balance, end of year	<u>635,000</u>	<u>1,194,000</u>	<u>1,829,000</u>

CITY OF SANBORN, IOWA

NOTES TO FINANCIAL STATEMENTS

**(4) Bonds and Notes Payable - continued**

Interest rates on the general obligation bonds range from 3.75-4.20%. Interest rates on the revenue bonds range from 3.00-5.30%.

**(5) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon retirement, termination or death. Earned but unused sick leave hours are for subsequent use only. These accumulations are not recognized as expenditures by the City until they are used or paid. The City's approximate liability for earned vacation at June 30, 2009 was \$27,145. This liability has been computed based on rates of pay in effect at June 30, 2009.

**(6) Economic Dependency**

The Water, Sewer and Gas enterprise funds of the City of Sanborn derived the following receipts from Associated Milk Producers, Inc. for the fiscal year ended June 30, 2009:

	<u>Amount</u>	<u>% of Total</u>
Sale of Water	\$ 61,427	31%
Sale of Gas	\$856,539	52%
Sewer Rental Fees and Assessments	\$335,608	71%

**(7) Risk Management**

The City of Sanborn 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 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.

**(8) Property Tax**

Property taxes are recognized as income when received in accordance with the cash basis of accounting. The property tax calendar is as follows for the City of Sanborn. Property tax becomes a lien on property as of July 1, 2008 and is payable in September 2008 and March 2009 of the fiscal year. The valuation for the taxes was based on January 1, 2007 assessed property valuations, and are based on a certified budget from March of 2008.

CITY OF SANBORN, IOWA

NOTES TO FINANCIAL STATEMENTS

**(9) Interfund Transfers**

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

Transfer In	Transfer From	Amount
General	Special Revenue Fund	
	Local Option Sales Tax	\$ 25,000
	Enterprise Fund	
	Gas	66,000
		91,000
Debt Service	Tax Increment Financing	183,700
		\$ 274,700

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

**(10) Sanborn Electric and Telecommunications Utilities**

The Sanborn Electric and Telecommunications Utilities (Utility) provides electric and telecommunication services for the City of Sanborn, Iowa. As permitted by GASB Statement No. 34, the City has opted to present condensed financial information for its discretely presented component unit. Following is the condensed financial information for the Utility for the year ended December 31, 2008.

Condensed Statement of Net Assets	
<b>Assets:</b>	
Current assets	\$ 2,074,454
Capital assets, net of accumulated depreciation	4,712,826
Other	1,346,249
<b>Total assets</b>	<b>8,133,529</b>
<b>Liabilities:</b>	
Long-term debt outstanding	4,300,000
Other liabilities	563,917
<b>Total liabilities</b>	<b>4,863,917</b>
<b>Net Assets:</b>	
Invested in capital assets, net of related debt	282,826
Restricted - expendable	712,267
Unrestricted	2,274,519
<b>Total net assets</b>	<b>\$ 3,269,612</b>
Total Liabilities and Net Assets	<b>\$ 8,133,529</b>

CITY OF SANBORN, IOWA

NOTES TO FINANCIAL STATEMENTS

(10) Sanborn Electric and Telecommunications Utilities - continued

Condensed Statement of Revenue, Expenses and Changes in Net Assets	
<b>Operating revenues:</b>	
Electric energy sales	\$ 1,655,574
Other sales	4,192
Total operating revenues	1,659,766
<b>Operating expenses:</b>	
Power production	950,087
Distribution	94,431
Commercial	46,863
Sales	20
General and administrative	294,978
Total operating expenses	1,386,379
Operating income	273,387
Non-operating revenues (expenses):	
Interest and dividend income	\$ 64,419
Joint venture net income	230,395
Interest expense	(90,308)
Total non-operating revenues	204,506
Net income before transfers	477,893
Transfers to City	(75,255)
Increase in Net Assets	402,638
Net assets beginning of year	2,866,974
Net assets end of year	\$ 3,269,612

(11) Contracts

The City has entered into contracts to replace an Ambulance and to make improvements to Walker Street. These contracts were for \$138,285 and \$299,986 respectively.

**Required Supplementary Information**

CITY OF SANBORN, IOWA  
 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	Net
Receipts:			
Property tax	\$ 333,419	-	333,419
Tax Increment Financing Collections	316,767	-	316,767
Other city taxes	160,293	-	160,293
Licenses and permits	2,006	-	2,006
Use of money and property	24,453	22,798	47,251
Intergovernmental	171,152	-	171,152
Charges for service	321,482	2,410,575	2,732,057
Special assessments	-	-	-
Miscellaneous	160,653	-	160,653
	<u>1,490,225</u>	<u>2,433,373</u>	<u>3,923,598</u>
Disbursements:			
Program			
Public safety	237,193	-	237,193
Public works	178,391	-	178,391
Health and social services	-	-	-
Culture and recreation	470,737	-	470,737
Community and economic development	53,122	-	53,122
General government	129,655	-	129,655
Debt service	258,958	-	258,958
Capital projects	274,250	-	274,250
Business type activities	-	2,276,217	2,276,217
	<u>1,602,306</u>	<u>2,276,217</u>	<u>3,878,523</u>
Excess (deficiency) of receipts over disbursements	(112,081)	157,156	45,075
Other financing sources	68,475	(66,000)	2,475
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(43,606)	91,156	47,550
Balance beginning of year	961,235	1,294,023	2,255,258
Balance end of year	<u>\$ 917,629</u>	<u>1,385,179</u>	<u>2,302,808</u>

See accompanying independent auditors' report

Budgeted Amounts		Final to Net Variance
Original	Final	
321,118	321,118	12,301
309,000	309,000	7,767
106,503	106,503	53,790
3,575	3,575	(1,569)
42,000	42,000	5,251
637,283	637,283	(466,131)
2,227,215	2,527,215	204,842
12,500	12,500	(12,500)
29,100	29,100	131,553
<u>3,688,294</u>	<u>3,988,294</u>	<u>(64,696)</u>
338,950	338,950	101,757
181,600	181,600	3,209
-	-	-
302,750	422,750	(47,987)
750,550	750,550	697,428
133,014	133,014	3,359
259,408	259,408	450
1,500,000	1,500,000	1,225,750
2,174,495	2,424,495	148,278
<u>5,640,767</u>	<u>6,010,767</u>	<u>2,132,244</u>
(1,952,473)	(2,022,473)	2,067,548
<u>1,545,000</u>	<u>1,545,000</u>	<u>(1,542,525)</u>
(407,473)	(477,473)	525,023
<u>1,999,161</u>	<u>1,999,161</u>	<u>256,097</u>
<u><u>1,591,688</u></u>	<u><u>1,521,688</u></u>	<u><u>781,120</u></u>

CITY OF SANBORN, IOWA

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 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 ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. 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, a budget amendment increased budgeted receipts by \$300,000 and budgeted disbursements by \$370,000. The budget amendment is reflected in the final budgeted amounts.

The City exceeded the budgeted disbursements in the Culture and Recreation function for fiscal year 2009.

## **Other Supplementary Information**

CITY OF SANBORN, IOWA

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		
	Low-Moderate Housing	Road Use Tax	Local Option Sales Tax
Receipts:			
Property tax	\$ -	\$ -	\$ -
Other city tax	-	-	144,174
Use of money and property	176	-	1,721
Intergovernmental	-	112,258	-
Miscellaneous	4,080	-	-
	<u>4,256</u>	<u>112,258</u>	<u>145,895</u>
Disbursements:			
Public safety	-	-	-
Public works	-	118,744	-
Culture and recreation	-	-	-
Community and economic development	-	-	33,755
General government	-	-	-
Debt Service	-	-	-
	<u>-</u>	<u>118,744</u>	<u>33,755</u>
Excess (deficiency) of receipts over (under) disbursements	4,256	(6,486)	112,140
Other financing sources (uses):			
Operating transfers out	-	-	(25,000)
Net change in cash balances:	4,256	(6,486)	87,140
Balance beginning of year	<u>13,100</u>	<u>28,837</u>	<u>96,341</u>
Balance end of year	<u>\$ 17,356</u>	<u>\$ 22,351</u>	<u>\$ 183,481</u>
Cash basis fund balance			
Reserved			
Debt Service	\$ -	\$ -	\$ -
Unreserved			
Special Revenue Funds	<u>17,356</u>	<u>22,351</u>	<u>183,481</u>
	<u>\$ 17,356</u>	<u>\$ 22,351</u>	<u>\$ 183,481</u>

See accompanying independent auditors' report

Schedule 1

Employees Benefits	Debt Service	Total
\$ 65,689	\$ 85,112	\$ 150,801
-	-	144,174
-	419	2,316
-	-	112,258
-	-	4,080
<u>65,689</u>	<u>85,531</u>	<u>413,629</u>
35,999	-	35,999
16,853	6,794	142,391
13,729	-	13,729
-	-	33,755
4,802	-	4,802
-	258,958	258,958
<u>71,383</u>	<u>265,752</u>	<u>489,634</u>
(5,694)	(180,221)	(76,005)
-	183,700	158,700
(5,694)	3,479	82,695
<u>11,669</u>	<u>17,994</u>	<u>167,941</u>
<u>\$ 5,975</u>	<u>\$ 21,473</u>	<u>\$ 250,636</u>
\$ -	\$ 21,473	\$ 21,473
5,975	-	229,163
<u>\$ 5,975</u>	<u>\$ 21,473</u>	<u>\$ 250,636</u>

CITY OF SANBORN, IOWA  
 SCHEDULE OF INDEBTEDNESS  
 YEAR ENDED JUNE 30, 2009

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation notes and bonds:			
Street and Utility Improvements	June 15, 2004	3.55 - 3.95 %	\$ 585,000
Street and Utility Improvements and Refunding of Notes	June 15, 2007	3.75 - 4.20 %	735,000
Revenue notes and bonds:			
Sewer Revenue Bond	June 9, 2004	3.00 %	\$ 916,000
Water Revenue Bond	June 15, 2004	4.00 - 5.30%	575,000

See accompanying independent auditors' report

	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
\$	265,000	-	85,000	180,000	9,948	-
	595,000	-	140,000	455,000	23,210	-
	860,000	-	225,000	635,000	33,158	-
\$	811,000	-	37,000	774,000	24,330	-
	455,000	-	35,000	420,000	21,418	-
	1,266,000	-	72,000	1,194,000	45,748	-

CITY OF SANBORN, IOWA

Schedule 3

BOND AND NOTE MATURITIES

JUNE 30, 2009

General Obligation Notes and Bonds for Street and Utility Improvements and Refunding of Notes					
<u>Issued June 15, 2004</u>			<u>Issued June 15, 2007</u>		<b>Total General Obligation Notes and Bonds</b>
Year Ending June 30,	Interest Rates	Amount	Interest Rates	Amount	
2010	3.75%	90,000	3.75%	145,000	235,000
2011	3.95%	90,000	3.85%	40,000	130,000
2012		-	3.90%	40,000	40,000
2013		-	3.95%	40,000	40,000
2014		-	4.05%	45,000	45,000
2015		-	4.10%	45,000	45,000
2016		-	4.15%	50,000	50,000
2017		-	4.20%	50,000	50,000
		<u>\$ 180,000</u>		<u>\$ 455,000</u>	<u>\$ 635,000</u>

<u>Revenue Bond - Water Issued June 15, 2004</u>			<u>Revenue Bond - Sewer Issued June 9, 2004</u>		<b>Total Revenue Notes and Bonds</b>
Year Ending June 30,	Interest Rates	Amount	Interest Rates	Amount	
2010	4.00%	35,000	3.00%	38,000	73,000
2011	4.20%	35,000	3.00%	40,000	75,000
2012	4.40%	35,000	3.00%	41,000	76,000
2013	4.55%	40,000	3.00%	42,000	82,000
2014	4.70%	40,000	3.00%	43,000	83,000
2015	4.85%	45,000	3.00%	44,000	89,000
2016	5.00%	45,000	3.00%	46,000	91,000
2017	5.10%	45,000	3.00%	47,000	92,000
2018	5.20%	50,000	3.00%	49,000	99,000
2019	5.30%	50,000	3.00%	50,000	100,000
2020			3.00%	52,000	52,000
2021			3.00%	53,000	53,000
2022			3.00%	55,000	55,000
2023			3.00%	56,000	56,000
2024			3.00%	58,000	58,000
2025			3.00%	60,000	60,000
		<u>\$ 420,000</u>		<u>\$ 774,000</u>	<u>\$ 1,194,000</u>

See accompanying independent auditors' report

CITY OF SANBORN, IOWA

Schedule 4

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

FOR THE FIVE YEARS ENDED JUNE 30:

	2009	2008	2007	2006	2005
<b>Receipts</b>					
Property tax	\$ 333,419	\$ 314,787	\$ 300,436	\$ 307,930	\$ 310,156
Tax increment financing collections	316,767	322,536	300,923	274,714	268,794
Other city tax	160,293	119,993	110,846	86,993	86,705
Licenses and permits	2,006	3,309	2,025	2,640	2,295
Use of money and property	24,453	91,992	101,889	85,642	65,244
Intergovernmental	171,152	205,972	339,906	270,420	410,820
Charges for service	321,482	211,599	147,033	140,143	136,521
Special assessments	-	14,245	13,242	19,142	24,963
Miscellaneous	160,653	123,736	95,980	255,115	370,801
	<u>\$ 1,490,225</u>	<u>\$ 1,408,169</u>	<u>\$ 1,412,280</u>	<u>\$ 1,442,739</u>	<u>\$ 1,676,299</u>
<b>Disbursements:</b>					
<b>Operating:</b>					
Public safety	\$ 237,193	\$ 206,137	\$ 325,424	\$ 156,047	\$ 205,530
Public works	178,391	173,930	193,169	158,089	163,125
Culture and recreation	470,737	563,835	662,809	263,336	286,071
Community and economic development	53,122	174,789	110,066	115,815	302,720
General government	129,655	114,919	116,409	109,260	131,803
Debt service	258,958	266,006	522,856	213,768	208,664
Capital projects	274,250	416,338	26,337	430,159	21,103
	<u>\$ 1,602,306</u>	<u>\$ 1,915,954</u>	<u>\$ 1,957,070</u>	<u>\$ 1,446,474</u>	<u>\$ 1,319,016</u>

See accompanying independent auditor's report



T.P. ANDERSON & COMPANY, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

---

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

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Sanborn, 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 January 22, 2010. 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 Sanborn'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 of Sanborn's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City'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 financing 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 Sanborn'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, we believe the significant deficiencies, items II-A-09, II-B-09, and II-C-09, are material weakness. Prior year reportable conditions have been resolved except for II-A-09 and II-B-09.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Sanborn's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part III of the accompanying Schedule of Findings. Prior year compliance matters have been resolved.

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.

The City of Sanborn's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses we did not audit the City of Sanborn'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 Sanborn and other parties to whom the City 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 Sanborn 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.

*T.P. Anderson & Company, P.C.*

January 22, 2010

CITY OF SANBORN, IOWA

SCHEDULE OF FINDINGS

June 30, 2009

**Part I: Summary of the Independent Auditor's Results:**

- (a) Unqualified opinions were issued on the basic 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 material to the financial statements.

CITY OF SANBORN, IOWA

SCHEDULE OF FINDINGS

June 30, 2009

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**SIGNIFICANT DEFICIENCIES:**

II-A-09      Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts function and the recording of the cash receipts is on occasion performed by the same person.

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

Response - We will review our operating procedures and to the extent possible segregate duties among our staff.

Conclusion – Response accepted.

II-B-09      Record of Accounts – Sanborn Golf & Country Club – The golf course maintained a separate savings account not subject to the regular accounting and oversight of the Sanborn City Council.

Recommendation – Chapter 384.20 of the Code of Iowa requires that a “city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose”. We would recommend therefore, that the savings account for the Sanborn Golf & Country Club be accounted for in a manner similar to all other city accounts.

Response – The City will take steps to include the Sanborn Golf & Country Club savings account in all accounting reports going forward.

Conclusion – Response accepted.

II-C-09      Credit Cards – The City has credit cards available for use by employees while on City business. The City has not adopted a formal policy to regulate the use of credit cards and to establish procedures for the proper accounting of credit card charges. Additionally, supporting documentation was not always available to support credit card charges.

CITY OF SANBORN, IOWA

SCHEDULE OF FINDINGS

June 30, 2009

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

Recommendation – The City should adopt a formal written policy regulating the use of City credit cards. The policy should address who controls credit cards, who is authorized to use credit cards and for what purposes, as specify the types of supporting documentation required to substantiate charges.

Response – Although we have not established a formal written policy detailing specifics on the use of City credit cards, we have unwritten guidelines. We will review procedures and guidelines and establish a written policy.

Conclusion – Response accepted.

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

III-A-09 Certified Budget - Disbursements during the year ended June 30, 2009 exceeded the amounts budgeted in the culture and recreation function. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

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

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

Conclusion – Response accepted.

III-B-09 Questionable Disbursement - We noted no questionable disbursements in regard to the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

III-C-09 Travel Expense - No disbursements of City money for travel expense of spouses of City officials or employees were noted.

III-D-09 Business Transactions - No business transactions between the City and its officials or employees were noted.

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.

CITY OF SANBORN, IOWA

SCHEDULE OF FINDINGS

June 30, 2009

**Part III: Other Findings Related to Statutory Reporting – continued:**

- III-G-09    Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.
  
- III-H-09    Revenue Bonds and Notes – The city has complied with all revenue bond and note resolutions.