



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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NEWS RELEASE

FOR RELEASE _____ October 29, 2010 _____

Contact: Andy Nielsen
515/281-5834

Auditor of State David A. Vaudt today released an audit report on the City of Auburn, Iowa.

The City's receipts totaled \$908,418 for the year ended June 30, 2009. The receipts included \$48,258 in property tax, \$335,135 from charges for service, \$504,715 from operating grants, contributions and restricted interest, \$17,631 from local option sales tax and \$2,679 from other general receipts.

Disbursements for the year totaled \$810,425, and included \$241,995 for public safety, \$197,810 for community and economic development and \$48,231 for culture and recreation. Also, disbursements for business type activities totaled \$288,108.

A copy of the audit report is available for review in the City Clerk's Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/0922-0761-B00F.pdf>.

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CITY OF AUBURN

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS**

JUNE 30, 2009

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City of Auburn

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Linda Beidler	Mayor	Jan 2012
Todd Partridge	Council Member	Jan 2010
Justin Potthoff	Council Member	Jan 2010
Annette Vanderheiden	Council Member	Jan 2010
Dustin Mead	Council Member	Jan 2012
Janelle King	Council Member	Jan 2012
Nancy Janssen	Clerk	Indefinite
Robert T. Gaffney	Attorney	Indefinite

City of Auburn



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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Auburn, 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 Auburn's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2008.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2008, as discussed in the preceding paragraph, 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 Auburn 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 October 11, 2010 on our consideration of the City of Auburn'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 on 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 11 and 24 through 26 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Auburn's basic financial statements. Other supplementary information included in Schedules 1 through 3 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, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2008, as discussed in the third paragraph, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

October 11, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Auburn 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

- The cash basis net assets of the City's governmental activities increased 469%, or \$92,984, due primarily to receipts for the streetscape project exceeding disbursements.
- The cash basis net assets of the City's business type activities increased 2.5%, or approximately \$5,000.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

Other Supplementary Information provides detailed information about the nonmajor governmental and proprietary funds and the City's indebtedness.

BASIS OF ACCOUNTING

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

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

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

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

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

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government and debt service. 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: 1) the General Fund and 2) the Special Revenue Funds, such as Road Use Tax and Firefighter's Association. 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 statement for governmental funds is a statement of cash receipts, disbursements and changes in cash balances.

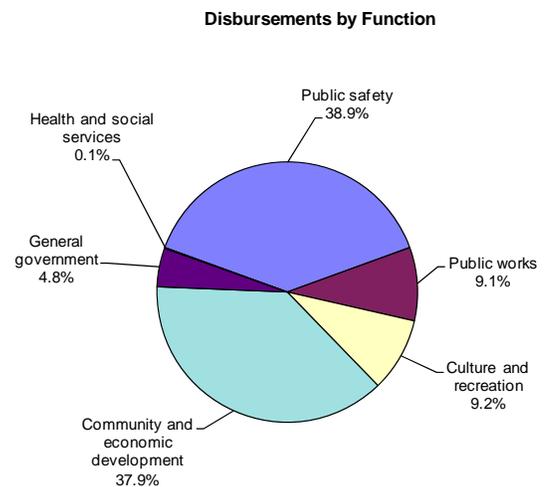
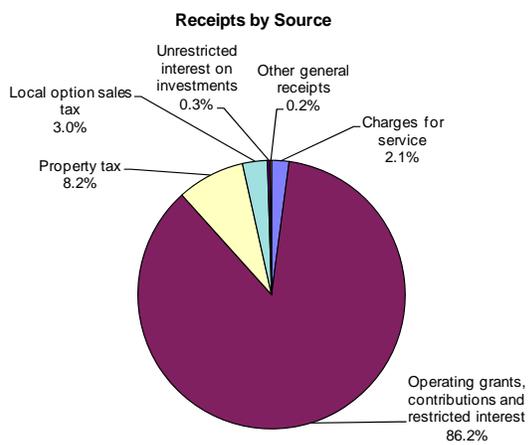
2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains four Enterprise Funds to provide separate information for the Water, Electric, Sewer and Sanitation Funds.

The required financial statement for proprietary funds is 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 increased from a year ago, increasing from \$(19,829) to \$73,155. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities	
	Year ended June 30, 2009
Receipts:	
Program receipts:	
Charges for service	\$ 12,018
Operating grants, contributions and restricted interest	504,715
General receipts:	
Property tax	48,258
Local option sales tax	17,631
Unrestricted interest on investments	1,557
Other general receipts	1,122
Total receipts	<u>585,301</u>
Disbursements:	
Public safety	202,689
Public works	47,558
Health and social services	775
Culture and recreation	48,231
Community and economic development	197,810
General government	25,254
Total disbursements	<u>522,317</u>
Change in cash basis net assets before transfers	62,984
Transfers, net	<u>30,000</u>
Change in cash basis net assets	92,984
Cash basis net assets beginning of year	<u>(19,829)</u>
Cash basis net assets end of year	<u>\$ 73,155</u>



The cash basis net assets of the City's governmental activities increased 469%, or approximately \$93,000, due primarily to funding received for the streetscape project exceeding disbursements to date.

<u>Changes in Cash Basis Net Assets of Business Type Activities</u>	
	<u>Year ended June 30, 2009</u>
Receipts:	
Program receipts:	
Charges for service:	
Water	\$ 63,611
Electric	212,880
Sewer	26,925
Sanitation	19,701
Total receipts	<u>323,117</u>
Disbursements:	
Water	61,621
Electric	179,803
Sewer	28,540
Sanitation	18,144
Total disbursements	<u>288,108</u>
Change in cash basis net assets before transfers	35,009
Transfers, net	<u>(30,000)</u>
Change in cash basis net assets	5,009
Cash basis net assets beginning of year	<u>198,248</u>
Cash basis net assets end of year	<u><u>\$ 203,257</u></u>

The cash basis net assets of the City's business type activities increased 2.5%, or approximately \$5,000.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Auburn completed the year, its governmental funds reported a combined fund balance of \$73,155, an increase of \$92,984 over last year's total of \$(19,829). 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 \$107,807 from the prior year to \$45,110. The increase in fund balance was due primarily to receipts for the streetscape project exceeding disbursements.
- The Special Revenue, Firefighters Association Fund cash balance decreased \$195, or 1.7%, from the prior year to \$10,993.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance increased \$1,990 to \$(21,917).
- The Electric Fund cash balance increased \$8,077 to \$215,133. Disbursements increased due to an investment of approximately \$10,000 in electric transmission and wind energy projects.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget three times. The first amendment was approved on September 8, 2008 and the second amendment was approved on December 8, 2008. Both amendments increased disbursements related to the streetscape project. The third amendment was approved on February 9, 2009 to provide for additional disbursements in certain City departments and to increase disbursements related to the streetscape project.

The City's receipts were \$288,131 more than budgeted. This was primarily due to the City receiving \$294,000 for the streetscape project that was not budgeted.

Total disbursements were \$90,251 less than the amount budgeted. This was due, in part, to the streetscape project being in progress at June 30, 2009.

DEBT ADMINISTRATION

At June 30, 2009, the City had \$72,000 in sewer revenue bonds outstanding.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The fiscal year 2010 budget contains total receipts of \$1,452,000 and disbursements of \$1,627,000. This budget is higher than the fiscal year 2009 budget which contained total receipts of \$756,466 and disbursements of \$736,930. The fiscal year 2010 budget includes significant changes from the prior year due to increases in economic development.

If these estimates are realized, the City's budgeted cash balance is expected to decrease approximately \$175,300.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Clerk, 209 Pine Street, Auburn, Iowa 51433.

City of Auburn

Basic Financial Statements

City of Auburn

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2009

	Disbursements	Program Receipts	
		Charges for Service	Operating Grants, Contributions and Restricted Interest
Functions/Programs:			
Governmental activities:			
Public safety	\$ 202,689	555	165,662
Public works	47,558	210	24,559
Health and social services	775	-	-
Culture and recreation	48,231	9,429	20,012
Community and economic development	197,810	-	294,232
General government	25,254	1,824	250
Total governmental activities	522,317	12,018	504,715
Business type activities:			
Water	61,621	63,611	-
Electric	179,803	212,880	-
Sewer	28,540	26,925	-
Sanitation	18,144	19,701	-
Total business type activities	288,108	323,117	-
Total	\$ 810,425	335,135	504,715

General Receipts:

Property tax levied for general purposes
 Local option sales tax
 Unrestricted interest on investments
 Miscellaneous
 Transfers

Total general receipts and transfers

Change in cash basis net assets

Cash basis net assets beginning of year

Cash basis net assets end of year

Cash Basis Net Assets

Restricted:

Firefighters Association
 Debt service
 Other purposes

Unrestricted

Total cash basis net assets

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
(36,472)	-	(36,472)
(22,789)	-	(22,789)
(775)	-	(775)
(18,790)	-	(18,790)
96,422	-	96,422
(23,180)	-	(23,180)
(5,584)	-	(5,584)
-	1,990	1,990
-	33,077	33,077
-	(1,615)	(1,615)
-	1,557	1,557
-	-	35,009
(5,584)	35,009	29,425
48,258	-	48,258
17,631	-	17,631
1,557	-	1,557
1,122	-	1,122
30,000	(30,000)	-
98,568	(30,000)	68,568
92,984	5,009	97,993
(19,829)	198,248	178,419
\$ 73,155	203,257	276,412
\$ 10,993	-	10,993
-	3,899	3,899
17,052	-	17,052
45,110	199,358	244,468
\$ 73,155	203,257	276,412

Exhibit B

City of Auburn

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Governmental Funds

As of and for the year ended June 30, 2009

	Special Revenue			Total
	General	Firefighters Association	Nonmajor	
Receipts:				
Property tax	\$ 48,258	-	-	48,258
Other city tax	18,753	-	-	18,753
Licenses and permits	1,095	-	-	1,095
Use of money and property	3,479	6	55	3,540
Intergovernmental	309,491	146,007	24,559	480,057
Miscellaneous	11,527	17,808	4,263	33,598
Total receipts	392,603	163,821	28,877	585,301
Disbursements:				
Operating:				
Public safety	38,673	164,016	-	202,689
Public works	8,252	-	39,306	47,558
Health and social services	775	-	-	775
Culture and recreation	44,032	-	4,199	48,231
Community and economic development	197,810	-	-	197,810
General government	25,254	-	-	25,254
Total disbursements	314,796	164,016	43,505	522,317
Excess (deficiency) of receipts over (under) disbursements	77,807	(195)	(14,628)	62,984
Other financing sources:				
Operating transfers in	30,000	-	-	30,000
Net change in cash balances	107,807	(195)	(14,628)	92,984
Cash balances beginning of year	(62,697)	11,188	31,680	(19,829)
Cash balances end of year	\$ 45,110	10,993	17,052	73,155
Cash Basis Fund Balances				
Unreserved:				
General fund	\$ 45,110	-	-	45,110
Special revenue funds	-	10,993	17,052	28,045
Total cash basis fund balances	\$ 45,110	10,993	17,052	73,155

See notes to financial statements.

City of Auburn
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Proprietary Funds

As of and for the year ended June 30, 2009

	Enterprise			
	Water	Electric	Nonmajor	Total
Operating receipts:				
Charges for service	\$ 63,611	212,880	46,626	323,117
Operating disbursements:				
Business type activities	61,621	179,803	34,684	276,108
Excess of operating receipts over operating disbursements	1,990	33,077	11,942	47,009
Non-operating disbursements:				
Debt service	-	-	(12,000)	(12,000)
Excess (deficiency) of receipts over (under) disbursements	1,990	33,077	(58)	35,009
Operating transfers out	-	(25,000)	(5,000)	(30,000)
Net change in cash balances	1,990	8,077	(5,058)	5,009
Cash balances beginning of year	(23,907)	207,056	15,099	198,248
Cash balances end of year	\$ (21,917)	215,133	10,041	203,257
Cash Basis Fund Balances				
Reserved for debt service	-	-	3,899	3,899
Unreserved	(21,917)	215,133	6,142	199,358
Total cash basis fund balances	\$ (21,917)	215,133	10,041	203,257

See notes to financial statements.

City of Auburn

Notes to Financial Statements

June 30, 2009

(1) Summary of Significant Accounting Policies

The City of Auburn is a political subdivision of the State of Iowa located in Sac County. It was first incorporated in 1887 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water, sewer, electric and sanitation utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Auburn has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These financial statements present the City (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

Blended Component Unit – The Auburn Firefighters Association is legally separate from the City but is so intertwined with the City it is, in substance, the same as the City. It is reported as part of the City and blended into the Special Revenue Funds.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Sac County Assessor's Conference Board, Sac County Emergency Management Commission and Sac County Landfill Association.

B. Basis of Presentation

Government-wide Financial Statement - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. 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 service.

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

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

Unrestricted net assets consist of net assets not meeting 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 and all remaining proprietary funds are aggregated and reported as nonmajor proprietary 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 not paid from other funds.

The Special Revenue, Auburn Firefighters Association Fund is used to account for donations received and purchases made for the benefit of the fire department.

The City reports the following major proprietary funds:

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

The Electric Fund accounts for the operation and maintenance of the City's electrical services.

C. Measurement Focus and Basis of Accounting

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

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

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

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

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

(3) Bonds and Note Payable

Sewer Revenue Bonds – Annual debt service requirements to maturity for the sewer revenue bonds are as follows:

Year Ending June 30,	Sewer Revenue Bonds		
	Principal	Interest	Total
2010	\$ 8,000	3,600	11,600
2011	10,000	3,200	13,200
2012	10,000	2,700	12,700
2013	10,000	2,200	12,200
2014	10,000	1,700	11,700
2015-2016	24,000	1,800	25,800
Total	\$ 72,000	15,200	87,200

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$209,000 of sewer revenue bonds issued in May 1977. Proceeds from the bonds provided financing for the construction of improvements to the sewer treatment plant. The bonds are payable solely from sewer customer net receipts and are payable through 2016. Annual principal and interest payments on the bonds are expected to require 115 percent of net receipts. The total principal and interest remaining to be paid on the bonds is \$87,200. For the current year, principal and interest paid and total customer net receipts were \$12,000 and \$10,385, respectively.

The resolution providing for the issuance of the sewer revenue bonds includes the following provisions:

- (a) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holder holds a lien on the future earnings of the funds.
- (b) User rates or charges to consumers shall be sufficient in each year for the payment of the proper and reasonable expenses of operation and maintenance of the system, for the payment of principal and interest on the bonds and for the creation of reserves.
- (c) Sufficient monthly transfers shall be made to a sewer revenue bond sinking account for the purpose of making the above payments when due.
- (d) Additional monthly transfers shall be made to a sewer revenue bond reserve account until \$12,480 has been accumulated. This account is restricted for paying the cost of repairing or replacing any damage to the utility, making extensions or improvements to the utility or making the annual principal and interest payments whenever there is insufficient money in the sewer revenue bond sinking account.

The City has not established a separate sewer revenue bond sinking account or sewer revenue bond reserve account, required by the bond resolution.

During the year ended June 30, 2009, \$8,000 of sewer revenue bonds were retired.

Fire Station Note – The remaining principal balance of \$11,045 was paid during the year ended June 30, 2009.

(4) Pension and Retirement Benefits

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

Most regular plan members are required to contribute 4.10% of their annual covered salary and the City is required to contribute 6.35% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contribution to IPERS for the year ended June 30, 2009 was \$4,801, equal to the required contribution for the year.

(5) Risk Management

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

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and sick leave payable to employees at June 30, 2009, primarily relating to the General Fund, are \$650 and \$11,000, respectively.

(7) Interfund Transfers

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

Transfer from	Transfer to	Amount
Enterprise:		
Electric	General	\$ 20,000
Sanitation	General	5,000

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

(8) Construction Commitments

The City has entered into construction contracts totaling approximately \$1,012,000 for a streetscape project. As of June 30, 2009, approximately \$95,000 had been paid on the contracts. The project will be funded from fund raising efforts by the Auburn Community Foundation.

Required Supplementary Information

City of Auburn
 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	\$ 48,258	-	-
Other city tax	18,753	-	-
Licenses and permits	1,095	-	-
Use of money and property	3,540	-	6
Intergovernmental	480,057	-	146,007
Charges for service	-	323,117	-
Miscellaneous	33,598	-	17,808
Total receipts	<u>585,301</u>	<u>323,117</u>	<u>163,821</u>
Disbursements:			
Public safety	202,689	-	164,016
Public works	47,558	-	-
Health and social services	775	-	-
Culture and recreation	48,231	-	-
Community and economic development	197,810	-	-
General government	25,254	-	-
Business type activities	-	288,108	-
Total disbursements	<u>522,317</u>	<u>288,108</u>	<u>164,016</u>
Excess (deficiency) of receipts over (under) disbursements	62,984	35,009	(195)
Other financing sources (uses), net	<u>30,000</u>	<u>(30,000)</u>	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	92,984	5,009	(195)
Balances beginning of year	<u>(19,829)</u>	<u>198,248</u>	<u>11,188</u>
Balances end of year	<u>\$ 73,155</u>	<u>203,257</u>	<u>10,993</u>

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
48,258	44,390	44,390	3,868
18,753	19,382	19,382	(629)
1,095	1,175	1,175	(80)
3,534	5,800	5,800	(2,266)
334,050	42,349	42,349	291,701
323,117	342,170	342,170	(19,053)
15,790	1,200	1,200	14,590
744,597	456,466	456,466	288,131
38,673	37,097	41,597	2,924
47,558	57,910	57,910	10,352
775	750	1,750	975
48,231	47,313	54,813	6,582
197,810	12,500	222,500	24,690
25,254	37,490	37,490	12,236
288,108	320,870	320,870	32,762
646,409	513,930	736,930	90,521
98,188	(57,464)	(280,464)	378,652
-	-	300,000	(300,000)
98,188	(57,464)	19,536	78,652
167,231	116,192	116,192	51,039
265,419	58,728	135,728	129,691

City of Auburn

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 the blended component unit. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, 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, the Special Revenue Funds and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, three budget amendments increased budgeted disbursements by \$223,000. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2009, disbursements exceeded the amounts budgeted in the health and social services and community and economic development functions before the budget was amended.

City of Auburn

Other Supplementary Information

City of Auburn

Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds

As of and for the year ended June 30, 2009

	Special Revenue		
	Road Use Tax	Auburn Library Trust	Total
Receipts:			
Use of money and property	\$ -	55	55
Intergovernmental	24,559	-	24,559
Miscellaneous	-	4,263	4,263
Total receipts	<u>24,559</u>	<u>4,318</u>	<u>28,877</u>
Disbursements:			
Public works	39,306	-	39,306
Culture and recreation	-	4,199	4,199
Total disbursements	<u>39,306</u>	<u>4,199</u>	<u>43,505</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(14,747)</u>	119	<u>(14,628)</u>
Net change in cash balances	(14,747)	119	(14,628)
Cash balances beginning of year	<u>27,809</u>	<u>3,871</u>	<u>31,680</u>
Cash balances end of year	<u>\$ 13,062</u>	<u>3,990</u>	<u>17,052</u>
Cash Basis Fund Balances			
Unreserved:			
Special revenue funds	<u>\$ 13,062</u>	<u>3,990</u>	<u>17,052</u>

See accompanying independent auditor's report.

City of Auburn

City of Auburn

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Proprietary Funds

As of and for the year ended June 30, 2009

	Enterprise		
	Sewer	Sanitation	Total
Operating receipts:			
Charges for service	\$ 26,925	19,701	46,626
Operating disbursements:			
Business type activities	16,540	18,144	34,684
Excess of operating receipts over operating disbursements	10,385	1,557	11,942
Non-operating disbursements:			
Debt service	(12,000)	-	(12,000)
Excess (deficiency) of receipts over (under) disbursements	(1,615)	1,557	(58)
Operating transfers out	-	(5,000)	(5,000)
Net change in cash balances	(1,615)	(3,443)	(5,058)
Cash balances beginning of year	3,187	11,912	15,099
Cash balances end of year	\$ 1,572	8,469	10,041
Cash Basis Fund Balances	\$ 3,899	-	3,899
Reserved for debt service	(2,327)	8,469	6,142
Unreserved			
Total cash basis fund balances	\$ 1,572	8,469	10,041

See accompanying independent auditor's report.

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

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
Revenue bonds: Sewer	May 23, 1977	5.00%	\$ 209,000
Fire station note	Oct 11, 2006	8.25%	\$ 35,637

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
80,000	-	8,000	72,000	4,000
11,045	-	11,045	-	1,131

City of Auburn



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities each major fund and the aggregate remaining fund information of the City of Auburn, 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 October 11, 2010. Our report on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting, expressed qualified opinions since we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2008. Except as noted in the Independent Auditor's Report, we conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Auburn'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 Auburn's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Auburn's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, including 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 of Auburn'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 Auburn's financial statements that is more than inconsequential will not be prevented or detected by the City of Auburn's internal control. We consider the deficiencies in internal control described in 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 of Auburn's internal control.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Auburn'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 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.

The City'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 Auburn'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 Auburn and other parties to whom the City of Auburn may report. This report is not intended to be and should not be used by anyone other than these specified parties.

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



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

October 11, 2010

City of Auburn

Schedule of Findings

Year ended June 30, 2009

Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

- (A) 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.

For the City, one individual has control over each of the following areas:

- (1) Accounting system – performance of all general accounting functions and custody of cash.
- (2) Receipts – opening mail, collecting, depositing, posting and reconciling.
- (3) Disbursements – invoice processing, signing checks, mailing, recording and reconciling.
- (4) Payroll – recordkeeping, preparation and distribution.
- (5) Utilities – billing, collecting, depositing and posting.
- (6) Investments – investing, recording and custody.
- (7) Change fund – custody, reconciling and recording.
- (8) Debt – recordkeeping, debt payment processing and reconciling.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances. Officials should be utilized to provide additional control through review of financial transactions and reconciliations. Such reviews should be performed by independent persons to the extent possible and should be evidenced by initials or signature of the reviewer and the date of the review.

Response – We understand the challenge and the recommendation and will look for ways to establish operating procedures which work toward this goal while realizing our limitations.

Conclusion – Response accepted.

- (B) Reconciliation of Utility Billings, Collections and Delinquencies – Utility billings, collections and delinquent accounts were not reconciled throughout the year.

Recommendation – Procedures should be established to reconcile utility billings, collections and delinquent accounts for each billing period. The Council or a Council designated independent person should review the reconciliations and monitor delinquencies.

City of Auburn

Schedule of Findings

Year ended June 30, 2009

Response – A process for utility reconciliation and reporting is being developed and will be subject to monthly review by the Mayor and/or Council.

Conclusion – Response accepted.

- (C) Bank Reconciliations – Although the City prepares monthly financial reports which include City fund/account activity and are presented to the City Council for its review and approval, fund balances are not reconciled to the bank account balances monthly.

Recommendation – To improve financial accountability and control, fund balances should be reconciled to the bank balances monthly.

Response – The bank reconciliation is completed on a monthly basis. However, the software does not support a printed copy. Therefore, the Treasurer has established a reconciliation report and will present this reconciliation to the Council along with the bank statements for review on a monthly basis.

Conclusion – Response accepted.

- (D) Separately Maintained Records – Library Board transactions are maintained as separate accounting records by the Library. These transactions and the resulting balances are not recorded in the Clerk's records. Chapter 384.20 of the Code of Iowa states, in part, "A city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose."

Recommendation – For better accountability, financial and budgetary control, all City financial activity and balances should be recorded in the Clerk's records.

Response – We will work with the library to provide the necessary financial information to the Clerk.

Conclusion – Response accepted.

- (E) Record of Investments – A detailed record of investment transactions was not maintained.

Recommendation – A detailed record of investment transactions by fund should be maintained. This record should include investment number, purchase date, redemption date, interest rate and amount of principal and interest received.

Response – We will prepare a cash accounting monthly of all investments.

Conclusion – Response accepted.

City of Auburn

Schedule of Findings

Year ended June 30, 2009

(F) Electronic Data Processing Systems – The following weaknesses in the City’s computer based systems were noted:

- The City does not have a written policy regarding the personal use of computers and software.
- The City does not have a written policy on use of the internet.
- Employee passwords are not changed periodically and passwords are not set to a recommended minimum of eight characters.
- The computer system does not deny access after three failed login attempts.
- Daily system backups are not performed.
- The City does not have a written disaster recovery plan.

Recommendation – The City should address the above items in order to improve the City’s control over computer based systems. Also, a written disaster recovery plan should be developed.

Response – Computer and internet use policies will be developed as soon as possible. Software has been purchased and backups once done weekly are now done daily. Since passwords are set at the IT level, we do not have skills to control. However, as repair or maintenance are done, we will attempt to make the password and access changes suggested. The City Council is currently working on a written disaster recovery plan.

Conclusion – Response accepted.

(G) Accounting Policies and Procedures Manual – We encourage the development of an office procedures and standardized accounting manual for the City. This manual should provide the following benefits:

- (1) Aid in training additional or replacement personnel.
- (2) Help achieve uniformity in accounting and in the application of policies and procedures.
- (3) Save supervisory time by recording decisions so they will not have to be made each time the same, or a similar, situation arises.

Recommendation – An accounting policies and procedures manual should be developed.

Response – As time allows the City Clerk will begin to develop a policies and procedures manual with the intention of completion by fiscal year 2012.

Conclusion – Response accepted.

City of Auburn

Schedule of Findings

Year ended June 30, 2009

- (H) Charge Accounts – The City has several charge accounts for use by individuals while on City business. The City has not adopted a formal policy for charge accounts to establish procedures for the proper accounting of charge accounts.

Recommendation – The City should adopt a formal written policy regulating the use of City charge accounts. The policy at a minimum should address who controls charge accounts, who is authorized to use charge accounts and for what purpose, as well as the types of supporting documentation required to substantiate charges.

Response – A charge account policy will be presented to the Council for approval within fiscal year 2011.

Conclusion – Response accepted.

- (I) Fund Balances – Monthly reports are prepared using information from the City’s general ledger system with adjustments for utility funds. The City does not use the computer system to track fund balances.

Recommendation – The City should consider recording the fund balances on the City’s computer system software.

Response – Beginning with fiscal year 2011, fund balances have been added to the system software. Additionally, changes have been made so utility cash receipts are recorded in the general ledger instead of utility billings. This will enable the general ledger to accurately report all fund balances.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

City of Auburn

Schedule of Findings

Year ended June 30, 2009

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2009 exceeded the amounts budgeted in the health and social services and community and economic development functions before the budget was amended. Chapter 384.20 of the Code of Iowa states, in part, “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 – Steps will be taken to ensure unanticipated expenses are not paid until the budget is amended.

Conclusion – Response accepted.

- (2) Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) Business Transactions – No business transactions between the City and City officials or employees were noted.
- (5) 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 ensure the coverage is adequate for current operations.
- (6) Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not, except certain transfers were not approved in the minutes record.

Recommendation – The Council should ensure all transfers are approved through resolutions or minutes records.

Response – Transfers will be approved by the Council in the future.

Conclusion – Response accepted.

- (7) Deposits and Investments – No instances of noncompliance with the deposit and investments provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.

City of Auburn

Schedule of Findings

Year ended June 30, 2009

- (8) Revenue Bonds – The City has not established a sewer revenue bond sinking account and monthly transfers were not made to the sewer revenue bond sinking account as required by the sewer revenue bond resolution. Also, the City has not established a sewer revenue bond reserve account. However, the City has made monthly transfers to a certificate of deposit established as the sewer reserve. The payment of principal and interest for the sewer revenue bonds were made from the sewer operating fund.

In addition, the City’s sewer revenue bond resolution requires “there are no bonds or other obligations of said municipality outstanding secured by or pledging the earnings to be derived from the operation of said sewage works and facilities, and the net earnings thereof will be sufficient to pay the principal of and interest on the sewer revenue bonds”. The City’s fiscal year 2009 excess of operating receipts over operating disbursements (net operating revenue) of \$10,385 is less than the required debt service payment of \$12,000.

Recommendation – The City should establish the sewer revenue bond sinking and reserve accounts. Monthly transfers should be made to the sewer revenue bond sinking account as required by the sewer revenue bond resolution. Also, payments of principal and interest should be made from the sewer revenue sinking account. In addition, the City should ensure net operating revenues of the Sewer Fund are sufficient to make required debt service payments.

Response – Beginning July 1, 2010, fiscal year 2011, a sewer revenue bond sinking account has been established and proper transfers will be made to the account. In order to more cleanly show we have been transferring to a sewer reserve account, a separate account has been established. Beginning in fiscal year 2011, sewer revenue bond payments will be made from the sewer revenue bond sinking account. In addition, the City reviewed and increased sewer rates in February 2009 and February 2010 to ensure sufficient funds are available to make required debt payments.

Conclusion – Response accepted.

- (9) Special Revenue Levies – Chapter 384.8 of the Code of Iowa provides a City may establish an Emergency Fund and transfers may be made from the Emergency Fund to the General Fund. The City credited the emergency tax levy to the General Fund rather than establishing a separate fund.

The City also levied property tax for employee benefits, as allowed by Chapter 384.6 of the Code of Iowa, and recorded the property tax collections in the General Fund rather than establishing a separate fund as required.

In addition, the City imposed a local option sales tax, as allowed by Chapter 423B of the Code of Iowa, and recorded the local option sales tax in the General Fund rather than establishing a separate fund.

Recommendation – The City should establish separate Special Revenue Funds for these special tax levies, as required.

City of Auburn

Schedule of Findings

Year ended June 30, 2009

Response – The City has established separate Special Revenue Funds for these special tax levies beginning July 1, 2010 and will move forward with fund balances beginning on that date.

Conclusion – Response accepted.

- (10) Petition for Audit – All items included in the petition for audit have been resolved.

City of Auburn

Staff

This audit was performed by:

Michelle Meyer, CPA, Manager
Lori Dinville, Staff Auditor
Sara McDermott, Assistant Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large, prominent initial "A".

Andrew E. Nielsen, CPA
Deputy Auditor of State