CITY OF SANBORN, IOWA

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

JUNE 30, 2010

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

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CITY OF SANBORN, IOWA

OFFICIALS

Name	Title	Term Expires
Thomas Ginger	Mayor	January 2014
Duane Van Veldhuizen	Mayor Pro-tem	January 2012
Aaron Alons	Council Member	January 2012
Brian Visser	Council Member	January 2012
Ron Schott	Council Member	January 2014
Michael Benner	Council Member	January 2014
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 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 Sanborn, Iowa, as of and for the year ended June 30, 2010, 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 10, 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, 2009, which was also audited by us, is available. The report, dated September 27, 2010, 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, 2010, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

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In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2011 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. We have previously audited the City's financial statements for the year ended June 30, 2009. We issued unqualified opinions on those 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 24, 2011

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, 2010. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2010 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased approximately $1.8 million from fiscal 2009 to fiscal 2010, primarily due to bond proceeds of $1.5 million which were used to finance the construction of the City's aquatic center. Charges for service increased approximately $46,000 and miscellaneous earnings increased by approximately $285,000, while local option sales tax revenue decreased by approximately $56,000.

- Disbursements from the governmental funds increased 36%, or approximately $584,000, in fiscal 2010 from fiscal 2009. An increase in capital projects disbursements of $410,000 and an increase of $117,000 in public safety disbursements are included in this increase. Culture and recreation expenditures also increased by approximately $52,000.

- The City's total cash basis net assets increased $1.3 million from June 30, 2009 to June 30, 2010. Of this amount, the assets of the governmental activities increased $1.4 million and the assets of the business type activities decreased by approximately $100,000.

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 – 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 ACTIVITES

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 sold 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. Internal Service funds account for the use of equipment by the various individual funds of the City.

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

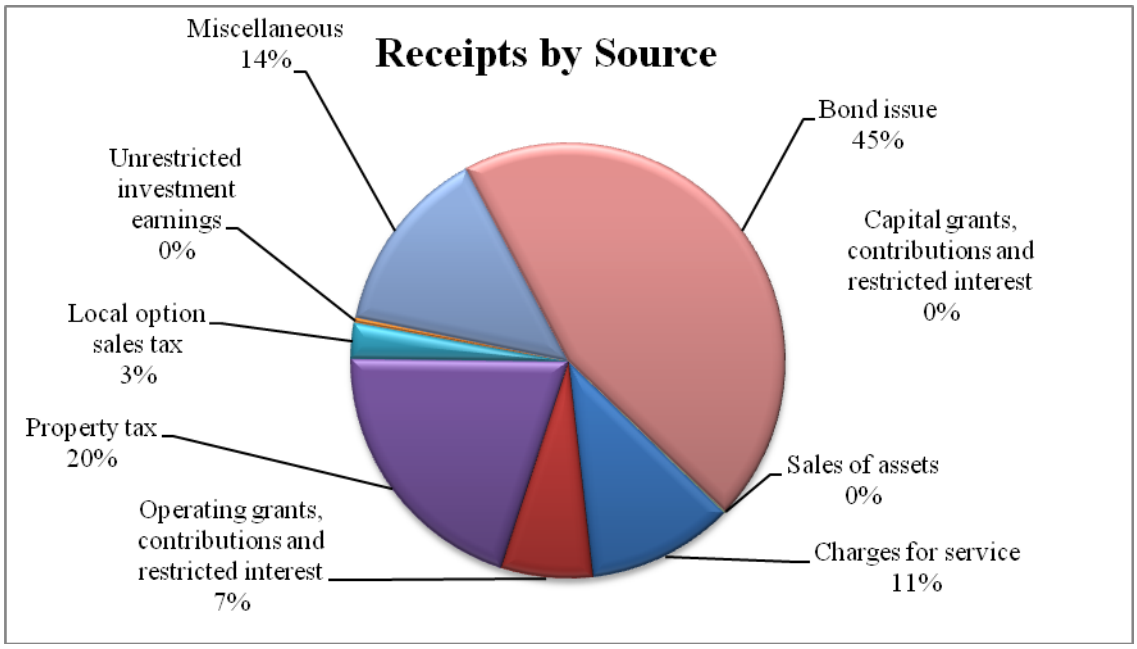
Reconciliations between the government-wide statement and the fund financial statements follow the fund financial statements.

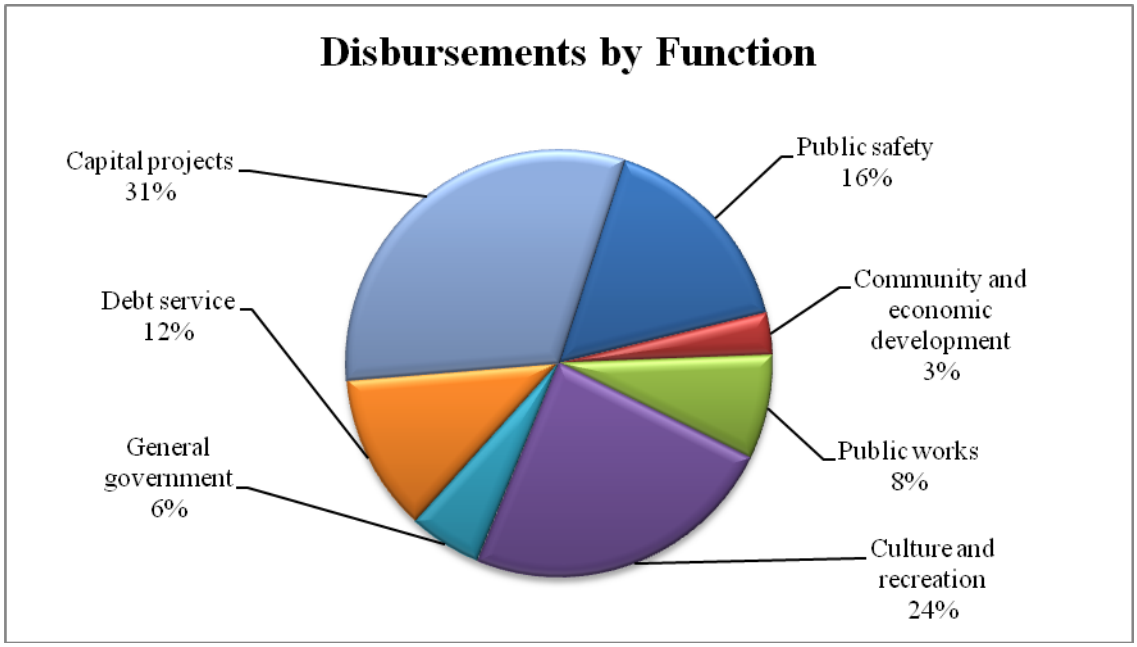
GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased approximately $1.4 million 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.	
	2010	2009
Receipts:		
Program receipts:		
Charges for service	$ 367	321
Operating grants, contributions and restricted interest	228	171
General receipts:		
Property tax	673	650
Local option sales tax	88	144
Unrestricted investment earnings	13	22
Bonds issued	1,500	-
Miscellaneous	467	182
Sales of assets	3	2
Total receipts	3,339	1,492
Disbursements:		
Public Safety	354	237
Public works	173	178
Culture and recreation	523	471
Community and economic development	70	53
General government	121	130
Debt service	261	259
Capital projects	684	274
Total disbursements	2,186	1,602
Change in cash basis before transfers	1,153	(110)
Transfers, net	236	66
Change in cash basis net assets	1,389	(44)
Cash basis net assets beginning of year	926	970
	2,315	926





The City's total receipts for governmental activities increased by approximately $1.8 million. The total cost of all programs and services increased by approximately $584,000, or 36%, with no new programs added this year.

Changes in Cash Basis Net Assets of Business-Type Activities
(Expressed in Thousands)

	Year ended June 30.	
	2010	2009
Receipts:		
Charges for service:		
Water	$ 198	195

Changes in Cash Basis Net Assets of Business-Type Activities (Expressed in Thousands)		
Gas	1,471	1,647
Sewer rental	494	471
Solid waste collection	105	98
Unrestricted interest on investments	13	22
Total receipts	2,281	2,433
Disbursements:		
Water	221	271
Gas	1,318	1,433
Sewer rental	459	469
Solid waste collection	104	103
Total receipts	2,102	2, 276
Change in cash basis before transfers	179	157
Transfers, net	(236)	(66)
Change in cash basis net assets	(57)	91
Cash basis net assets beginning of year	1,221	1,130
Cash basis net assets end of year	$ 1,278	1,221

Total business type activities receipts for the fiscal year decreased approximately $152,000 from last year, from approximately $2.4 million to $2.3 million. Total disbursements and transfers were approximately $2.1 million compared to $2.3 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 $2.2 million, an increase of $1,5 million from last year's total of $780,000. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund increased by $1,423,537 during the year. This increase was mainly the result of receiving bond proceeds of $1,500,000. The proceeds are being used to finance the construction of the City's aquatic center that had just been started at June 30, 2010.

- The Urban Renewal Tax Increment Fund increased by $148,983, primarily because transfers to appropriate capital projects that were not at the level of property tax received.

- The Development Fund decreased $149,381 due to a transfer to the capital projects fund during the year.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund decreased $27,175 due mainly to capital additions made during the year.

- The Gas Fund decreased $80,736 due to transfers of accumulated surplus cash basis net assets during the year.

- The Sewer Fund increased $32,423 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 13, 2010 resulting in an increase in operating disbursements for Public Works, Culture and Recreation and Debt Service, and to record the financing from the bond issuance. The City actual disbursements did not exceed budgeted disbursements for the year ended June 30, 2010.

DEBT ADMINISTRATION

At June 30, 2010, the City had approximately $3,021,000 in bonds and other long-term debt, compared to approximately $1,829,000 last year, as shown below.

Outstanding Debt at Year-End
(Expressed in Thousands)

	Year ended June 30.	
	2010	2009
General obligation bonds and notes	$ 1,900	$ 635
Revenue bonds and notes	1,121	1,194
Total receipts and transfers	$ 3,021	$ 1,829

Debt increased as a result of the swimming pool bond issuance on March 9, 2010.

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 $1.9 million is 77% of the City's constitutional debt limit of $2.5 million.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In completing the FY 2011 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 $7,253,213 and budgeted disbursements of $8,940,950. These levels are 23% and 112% higher than their respective budgeted levels for fiscal year 2010.

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 Street, 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, 2010

		Program Receipts		
	Disbursements	Charges for Service	Operating Grants Contributions and Restricted Interest	Capital Grants Contributions and Restricted Interest
Functions/Programs				
Governmental activities:				
Public safety	355,630	4,596	-	-
Public works	173,525	-	124,397	-
Culture and recreation	522,902	339,928	20,203	-
Community and economic development	69,672	-	-	-
General government	120,855	22,568	83,250	-
Debt service	260,690	-	-	-
Capital project	682,839	-	-	-
Total government activities	2,186,113	367,092	227,850	-
Business type activities:				
Water	221,214	196,546	-	-
Gas	1,317,919	1,471,447	-	-
Sewer rental	458,939	494,387	-	-
Solid waste collection	103,855	104,697	-	-
Total business type activities	2,101,927	2,267,077	-	-
Total	4,288,040	2,634,169	227,850	-
General Receipts				
Property tax levied for:				
General purposes				
Tax increment financing				
Debt service				
Employee benefits				
Local option sales tax				
Unrestricted interest on investments				
Miscellaneous				
Bonds issued				
Sales of assets				
Transfers in (out)				
Total general receipts and transfers				
Change in cash basis net assets				
Cash beginning of year				
Cash end of year				
Cash Basis Net Assets				
Restricted				
Expendable				
Streets				
Urban renewal purposes				
Debt service				
Other purposes				
Unrestricted				

See notes to financial statements.

Exhibit A

Net (Disbursements) Receipts and Changes in Cash		
Governmental Activities	Business Type Activities	Total
(351,034)	-	(351,034)
(49,128)	-	(49,128)
(162,771)	-	(162,771)
(69,672)	-	(69,672)
(15,037)	-	(15,037)
(260,690)	-	(260,690)
(682,839)	-	(682,839)
(1,591,171)	-	(1,591,171)
-	(24,668)	(24,668)
-	153,528	153,528
-	35,448	35,448
-	842	842
-	165,150	165,150
(1,591,171)	165,150	(1,426,021)
191,225	-	191,225
330,923	-	330,923
85,839	-	85,839
64,997	-	64,997
88,348	-	88,348
12,886	13,177	26,063
467,367	-	467,367
1,500,000	-	1,500,000
2,925	-	2,925
235,595	(235,595)	-
2,980,105	(222,418)	2,757,687
1,388,934	(57,268)	1,331,666
925,884	1,385,179	2,311,063
2,314,818	1,327,911	3,642,729
21,023	-	21,023
300,429	-	300,429
40,271	-	40,271
4,977	-	4,977
1,948,118	1,327,911	3,276,029
2,314,818	1,327,911	3,642,729

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, 2010

		Special Revenue		Capital Project		
	General	Urban Renewal Tax Increment	Development	Street	Nonmajor Governmental Funds	Total
Receipts:						
Property tax	$ 191,225	-	-	-	150,836	342,061
Tax increment financing	-	330,923	-	-	-	330,923
Other city tax	10,041	-	-	-	88,348	98,389
Licenses and permits	2,240	-	-	-	-	2,240
Use of money and property	5,396	1,734	3,804	-	1,464	12,398
Intergovernmental	103,453	-	-	-	124,397	227,850
Charges for service	367,092	-	-	-	-	367,092
Miscellaneous	409,589	14,997	30,500	-	-	455,086
	1,089,036	347,654	34,304	-	365,045	1,836,039
Disbursements:						
Public safety	663,704	-	-	-	35,575	699,279
Public works	36,000	-	-	-	137,525	173,525
Culture and recreation	509,089	-	-	-	13,813	522,902
Community and economic development	-	-	14,090	-	55,582	69,672
General government	120,855	-	-	-	-	120,855
Debt service	-	-	-	-	260,690	260,690
Capital projects	-	-	-	339,190	-	339,190
	1,329,648	-	14,090	339,190	503,185	2,186,113
Excess (deficiency) of receipts over (under) disbursements	(240,612)	347,654	20,214	(339,190)	(138,140)	(350,074)
Other financing sources (uses):						
Sales of assets	2,925	-	-	-	-	2,925
Bonds issued	1,500,000	-	-	-	-	1,500,000
Operating transfers in	180,724	-	-	339,190	213,671	733,585
Operating transfers out	(19,500)	(198,671)	(169,595)	-	(35,000)	(422,766)
	1,664,149	(198,671)	(169,595)	339,190	178,671	1,813,744
Net change in cash balances	1,423,537	148,983	(149,381)	-	40,531	1,463,670
Balance beginning of year	46,625	151,446	331,606	-	250,636	780,313
Balance end of year	$ 1,470,162	300,429	182,225	-	291,167	2,243,983
Cash Basis Fund Balance						
Reserved						
Debt Service	$ -	-	-	-	40,271	40,271
Unreserved						
General Fund	1,470,162	-	-	-	-	1,470,162
Special Revenue Funds	-	300,429	182,225	-	250,896	733,550
Total cash basis fund balances	$ 1,470,162	300,429	182,225	-	291,167	2,243,983

See notes to financial statements.

CITY OF SANBORN, IOWA

Exhibit C

Reconciliation of the Statement of
Cash Receipts, Disbursements and Changes in Cash Balances
to the Statement of Activities and Net Assets-Cash Basis
Governmental Funds

As of and for the year ended June 30, 2010

Total governmental funds cash balances	$ 2,243,983
Amounts reported for governmental activities in the Statement of Activities and Net Assets - Cash Basis are different because:	
The Internal Service Fund is used by management to charge the cost of using city equipment to individual funds. This portion of the cash basis net assets of the Internal Serivce Fund are included in governmental activities in the Statement of Activities and Net Assets - Cash Basis.	70,835
Cash basis net assets of governmental activities	2,314,818
Net change in cash balances	1,463,670
Amounts reported for governmental activities in the Statement of Activities and Net Assets - Cash Basis are different because:	
The Internal Service fund is used by management to charge the costs of the use of city equipment to individual funds. This portion of change in the cash basis net assets of the Internal Service Fund is reported with the governmental activities.	(74,736)
Change in cash balance of governmental activities	$ 1,388,934

See notes to financial statements.

CITY OF SANBORN, IOWA

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2010

	Enterprise Funds			
	Water	Gas	Sewer Rental	Solid Waste Collection
Receipts				
Use of money and property	$ -	1,670	-	-
Charges for service	196,546	1,469,777	494,387	104,697
	196,546	1,471,447	494,387	104,697
Disbursements				
Total operating disbursements	150,451	1,312,619	359,744	103,855
	150,451	1,312,619	359,744	103,855
Excess of operating receipts over operating disbursements	46,095	158,828	134,643	842
Non-operating receipts (disbursements):				
Interest on investments	1,493	8,831	1,975	215
Debt service	(55,088)	-	(63,155)	-
Capital projects	(15,675)	(5,300)	(36,040)	-
Excess (deficiency) of receipts over (under) disbursements	(23,175)	162,359	37,423	1,057
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers out	(4,000)	(243,095)	(5,000)	(10,000)
	(4,000)	(243,095)	(5,000)	(10,000)
Net change in cash balances	(27,175)	(80,736)	32,423	(8,943)
Balance beginning of year	80,931	912,759	229,895	(2,202)
Balance end of year	$ 53,756	832,023	262,318	(11,145)
Cash Basis Fund Balances				
Reserved for debt service	$ 72,318	-	49,914	-
Unreserved	(18,562)	832,023	212,404	(11,145)
	$ 53,756	832,023	262,318	(11,145)

See notes to financial statements.

Exhibit D

Internal Service Fund		
Total	Equipment Replacement	Total
1,670	1,151	2,821
2,265,407	-	2,265,407
2,267,077	1,151	2,268,228
1,926,669	-	1,926,669
1,926,669	-	1,926,669
340,408	1,151	341,559
12,514	-	12,514
(118,243)	-	(118,243)
(57,015)	-	(57,015)
177,664	1,151	178,815
-	46,000	46,000
(262,095)	(94,724)	(356,819)
(262,095)	(48,724)	(310,819)
(84,431)	(47,573)	(132,004)
1,221,383	309,367	1,530,750
1,136,952	261,794	1,398,746
122,232	49,914	172,146
1,014,720	211,880	1,226,600
1,136,952	261,794	1,398,746

CITY OF SANBORN, IOWA

Exhibit E

Reconciliation of the Statement of
Cash Receipts, Disbursements and Changes in Cash Balances
to the Statement of Activities and Net Assets-Cash Basis
Proprietary Funds

As of and for the year ended June 30, 2010

Total enterprise funds cash balances	$ 1,136,952
Amounts reported for business-type activities in the Statement of Activities and Net Assets - Cash Basis are different because:	
The Internal Service Fund is used by management to charge the costs of using city equipment to individual funds. This portion of the cash basis net assets of the Internal Service Fund are included in business-type activities in the Statement of Activities and Net Assets - Cash Basis.	190,959
Cash basis net assets of business type activities	1,327,911
Net change in cash balances	(84,431)
Amounts reported for business-type activities in the Statement of Activities and Net Assets - Cash Basis are different because:	
The Internal Service fund is used by management to charge the costs of the use of city equipment to individual funds. This portion of the change in cash basis net assets in the Internal Service Fund is reported with the enterprise activities in the Statement of Activities and Net Assets - Cash Basis.	27,163
Change in cash balance of business-type activities	$ (57,268)

See notes to financial statements.

(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, 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, 2009, 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

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:

Expendable 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.

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. Included with the Water Fund cash basis net assets is $6,230 set aside in a Water Revenue Bond Sinking Fund, $66,088 in a Reserve Fund, and $27,685 in an Improvement Fund. These special funds are established as required by the bond agreement.

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. Included with the Sewer Rental Fund cash basis net assets is $2,190 set aside in the Sewer Revenue Bond Sinking Fund.

The Equipment Replacement Fund, an Internal Service Fund, accounts for the cost of using city equipment for its various departments.

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.

D. Budgets and Budgetary Accounting

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

During the year ended June 30, 2010, disbursements did not exceed the amount budgeted during the year.

(2) Cash and Investments

The City's deposits in banks at June 30, 2010 (which include certificates of deposit totaling $2,424,783) 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, 2010, the City had the following investments:

Type	Carrying Amount	Fair Value
United States Savings Bonds Series EE – mature July 2034	$ 13,738	$ 13,738

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.

Most regular plan members are required to contribute 4.30% of their annual salary and the City is required to contribute 6.65% 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, 2010, 2009 and 2008 were $35,296, $32,639, and $32,288 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	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	$ 130,000	$ 55,458	$ 75,000	$ 40,768	$ 205,000	$ 96,226
2012	240,000	43,058	76,000	38,098	316,000	81,155
2013	240,000	39,498	82,000	35,327	322,000	74,825
2014	245,000	35,218	83,000	32,247	328,000	67,465
2015	250,000	29,995	89,000	29,078	339,000	59,073
2016	255,000	23,845	91,000	25,575	346,000	49,420
2017	265,000	16,645	92,000	21,945	357,000	38,590
2018	275,000	8,524	99,000	18,240	374,000	26,765
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
	$ 1,900,000	$ 252,241	$ 1,121,000	$ 291,358	$ 3,021,000	$ 543,599

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 $487,658. For the current year, principal and interest paid and total customer net receipts were $55,088 and $46,095 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 $924,700. For the current year, principal and interest paid and total customer net receipts were $61,220 and $134,643 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. The Water reserve account had a cash balance at June 30, 2010 of $66,088.

(d) Additional monthly transfers of $1,000 to a water improvement account shall be made until a balance of $25,000 is accumulated. The improvement reserve account had a balance of $27,685 at June 30, 2010. 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 Water Revenue Notes require the system generate net revenues sufficient to pay 125% of the average remaining annual principal and interest installments due to maturity.

(f) 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, 2010 is as follows:

	G.O. Bonds	Revenue Bonds	Total
Balance, beginning of year	$ 635,000	1,194,000	1,829,000
Additions	1,500,000	-	1,500,000
Decreases	235,000	73,000	308,000
Balance, end of year	$ 1,900,000	1,121,000	3,021,000

Interest rates on the general obligation bonds range from 1.00-4.20%. 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, 2010 was $35,284. This liability has been computed based

on rates of pay in effect at June 30, 2010.

(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, 2010:

	Amount	Percent of Total
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, 2009 and is payable in September 2009 and March 2010 of the fiscal year. The valuation for the taxes was based on January 1, 2008 assessed property valuations, and are based on a certified budget from March of 2009.

(9) Other Postemployment Benefits (OPEB)

Plan Description – The City operates a single-employer retiree benefit plan which provides medical benefits for retirees and their spouses. There are 18 active and no retired members in the plan. Participants must be age 55 or older at retirement.

The medical benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy – The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are $356 for single coverage and $836 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2010, the City contributed the entire cost of the plan, a total of $84,787.

(10) Interfund Transfers

The detail of interfund transfers, for the year ended June 30, 2010 is as follows:

Transfer In	Transfer From	Amount
General	Special Revenue Fund-LOST	$ 20,000
	Internal Service Fund-Equipment Replacement	94,724
	Enterprise Fund – Gas	66,000
		180,724
Special Revenue Fund-Streets	Special Revenue Fund-Economic Development	169,595
	Enterprise Fund – Gas	169,595
		339,190
Debt Service	Tax Increment Financing	183,350
	Special Revenue Fund-LOST	10,000
		193,350
Special Revenue Fund-Housing	Tax Increment Financing	15,321
Special Revenue-Employee Benefits	Special Revenue Fund-LOST	5,000
Internal Service Fund-Equipment Replacement	General Fund	19,500
	Enterprise Fund-Water	4,000
	Enterprise Fund-Sewer	5,000
	Enterprise Fund-Gas	7,500
	Enterprise Fund-Solid Waste	10,000
		46,000
	Total	$ 779,585

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

(11) 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, 2009.

Condensed Statement of Net Assets	
Assets:	
Current assets	$ 1,968,900
Capital assets, net of accumulated depreciation	5,137,182
Other	1,279,602
Total assets	8,385,684
Liabilities:	
Long-term debt outstanding	396,519
Other liabilities	4,166,673
Total liabilities	4,563,192
Net assets:	
Invested in capital assets, net of related debt	1,494,900
Restricted-expendable	790,598
Unrestricted	1,536,994
Total net assets	3,822,492
Total liabilities and net assets	$ 8,385,684

Condensed Statement of Revenue, Expenses and Changes in Net Assets	
Operating revenues:	
Electric energy sales	$ 1,880,183
Other Sales	18,328
Total operating revenues	1,898,511
Operating expenses:	
Power production	1,121,278
Distribution	104,656
Commercial	49,089
Sales	280
General and administrative	306,373
Total operating expenses	1,581,676
Operating income	316,835
Non-operating revenues (expenses):	
Interest and dividend income	33,746
Joint venture net income	48,774
Gain on disposal of assets	18,275
Interest expense	(125,221)
Total non-operating revenues	(24,426)
Net income before transfers	292,409

Transfers to City	(75,946)
Contributed capital	336,417
Increase in net assets	552,880
Net assets at beginning of year	3,269,612
Net assets at end of year	$ 3,822,492

(12) Prior Period Adjustment

The City's prior period fund balance has been adjusted to account for the following two changes:

Internal Service Fund - The City uses an Internal Service Fund to charge the costs of using city equipment to individual funds. Prior to fiscal year 2010, these funds were reported within the General Fund and the Proprietary Funds. Beginning in fiscal year 2010, the City reports these funds separately on the Statement of Activities and Net Assets – Proprietary Funds as Internal Service Fund.

Golf Club Savings – Prior to fiscal year 2010, the City did not include the Golf Club savings account in its financial statements. These funds are now accounted for in the General Fund, and the beginning balance for the governmental funds has been adjusted to include this $8,255.

The following financial statement line items as reported in June 30, 2009, have been restated as follows:

Statement of Activities and Net Assets – Cash Basis

	Cash balance end of year 2009	Savings	Cash balance beginning of year 2010
Governmental Funds	$ 917,629	8,255	925,884
Proprietary Funds	1,385,179	-	1,385,179
	$ 2,302,808	8,255	2,311,063

Statement of Cash Receipts, Disbursements and Changes in Cash Balance – Governmental Funds

	Cash balance end of year 2009	Savings	Internal Service Fund	Cash balance beginning of year 2010
General Fund	$ 183,941	8,255	(145,571)	46,625
Other governmental funds	733,688	-	-	733,688
	$ 1,569,120	8,255	(145,571)	780,313

Statement of Cash Receipts, Disbursements and Changes in Cash Balance – Proprietary Funds

	Cash balance end of year 2009	Savings	Internal Service Fund	Cash balance beginning of year 2010
Water	$ 142,789	-	(61,858)	80,931
Gas	971,997	-	(59,238)	912,759
Sewer rental	243,082	-	(13,187)	229,895
Solid waste	27,311	-	(29,513)	(2,202)
	1,385,179	-	(163,796)	1,221,383
Internal Service Fund	-	-	309,367	309,367
	$ 1,385,179	-	145,571	1,530,750

(13) Subsequent Events

Management has evaluated events and transactions through January 24, 2011, the date the financial statements were issued, for potential recognition or disclosure in the financial statements.

(14) Contracts and Commitments

The City entered into two contracts in connection with the construction of the City's new aquatic center. These contracts totaled $1,644,444. As of June 30, 2010 the City had obligations under these notes of approximately $1,555,723.

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, 2010

	Governmental Funds Actual	Proprietary Funds Actual	Net
Receipts:			
Property tax	$ 342,061	-	342,061
Tax Increment Financing Collections	330,923	-	330,923
Other city taxes	98,389	-	98,389
Licenses and permits	2,240	-	2,240
Use of money and property	12,398	2,821	15,219
Intergovernmental	227,850	-	227,850
Charges for service	367,092	2,265,407	2,632,499
Special assessments	-	-	-
Miscellaneous	455,086	-	455,086
	1,836,039	2,268,228	4,104,267
Disbursements:			
Program			
Public safety	355,630	-	355,630
Public works	173,525	-	173,525
Culture and recreation	522,902	-	522,902
Community and economic development	69,672	-	69,672
General government	120,855	-	120,855
Debt service	260,690	-	260,690
Capital projects	682,839	-	682,839
Business type activities	-	2,101,927	2,101,927
	2,186,113	2,101,927	4,288,040
Excess (deficiency) of receipts over disbursements	(350,074)	166,301	(183,773)
Other financing sources (uses)	1,813,744	(298,305)	1,515,439
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	1,463,670	(132,004)	1,331,666
Balance beginning of year	780,313	1,530,750	2,311,063
Balance end of year	$ 2,243,983	1,398,746	3,642,729

See accompanying independent auditor's report

Budgeted Amounts		Final to Net Variance
Original	Final	
333,262	333,262	8,799
335,000	335,000	(4,077)
107,503	107,503	(9,114)
5,225	5,225	(2,985)
33,250	33,250	(18,031)
748,575	748,575	(520,725)
2,368,065	2,368,065	264,434
12,500	12,500	(12,500)
69,750	69,750	385,336
4,013,130	4,013,130	91,137
552,500	552,500	196,870
187,950	212,950	39,425
347,500	700,000	177,098
775,300	775,300	705,628
135,800	135,800	14,945
261,140	296,140	35,450
1,500,000	1,500,000	817,161
2,149,043	2,149,043	47,116
5,909,233	6,321,733	2,033,693
(1,896,103)	(2,308,603)	2,124,830
1,550,000	3,050,000	(1,534,561)
(346,103)	741,397	590,269
2,272,362	2,272,362	38,701
1,926,259	3,013,759	628,970

CITY OF SANBORN, IOWA

NOTES TO REQUIRED SUPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2010

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 nine 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, and business-type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, a budget amendment increased budgeted disbursements by $412,500, and other financing sources by $1,500,000. The budget amendment is reflected in the final budgeted amounts.

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, 2010

	Special Revenue		
	Low-Moderate Housing	Road Use Tax	Local Option Sales Tax
Receipts:			
Property tax	$ -	$ -	$ -
Other city tax	-	-	88,348
Use of money and property	101	-	1,064
Intergovernmental	-	119,597	-
Miscellaneous	-	-	-
	101	119,597	89,412
Disbursements:			
Public safety	-	-	-
Public works	-	120,926	-
Culture and recreation	-	-	-
Community and economic development	-	-	45,641
General government	-	-	-
Debt Service	-	-	-
	-	120,926	45,641
Excess (deficiency) of receipts over (under) disbursements	101	(1,329)	43,771
Other financing sources (uses):			
Operating transfers in	15,321	-	-
Operating transfers out	-	-	(35,000)
Net change in cash balances:	15,422	(1,329)	8,771
Balance beginning of year	17,356	22,351	183,481
Balance end of year	$ 32,778	$ 21,022	$ 192,252
Cash basis fund balance			
Reserved			
Debt Service	$ -	$ -	$ -
Unreserved			
Special Revenue Funds	32,778	21,022	192,252
	$ 32,778	$ 21,022	$ 192,252

See accompanying independent auditor's report.

Employees Benefits	Housing	Debt Service	Total
$ 64,997	$ -	$ 85,839	$ 150,836
-	-	-	88,348
-	-	299	1,464
-	4,800	-	124,397
-	-	-	-
64,997	4,800	86,138	365,045
35,575	-	-	35,575
16,599	-	-	137,525
13,813	-	-	13,813
5,008	4,933	-	55,582
-	-	-	-
-	-	260,690	260,690
70,995	4,933	260,690	503,185
(5,998)	(133)	(174,552)	(138,140)
5,000		193,350	213,671
-	-	-	(35,000)
(998)	(133)	18,798	40,531
5,975	-	21,473	250,636
$ 4,977	$ (133)	$ 40,271	$ 291,167
$ -	$ -	$ 40,271	$ 40,271
4,977	(133)	-	250,896
$ 4,977	$ (133)	$ 40,271	$ 291,167

CITY OF SANBORN, IOWA

SCHEDULE OF INDEBTEDNESS

YEAR ENDED JUNE 30, 2010

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
Swimming Pool Bonds	March 9, 2010	1.00 - 3.10 %	1,500,000
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 auditor's report.

	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
$	180,000	-	90,000	90,000	6,930	-
	455,000	-	145,000	310,000	17,890	-
	-	1,500,000	-	1,500,000	-	
	635,000	1,500,000	235,000	1,900,000	24,820	-
$	774,000	-	38,000	736,000	23,220	-
	420,000	-	35,000	385,000	20,088	-
	1,194,000	-	73,000	1,121,000	43,308	-

CITY OF SANBORN, IOWA

Schedule 3

BOND AND NOTE MATURITIES

JUNE 30, 2010

	General Obligation Notes and Bonds for Street and Utility Improvements and Refunding of Notes						
	Issued June 15, 2004		Issued June 15, 2007		Issued March 9, 2010		
Year Ending June 30,	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	**Total General Obligation Notes and Bonds**
2011	3.95%	90,000	3.85%	40,000	1.00%	-	130,000
2012		-	3.90%	40,000	1.00%	200,000	240,000
2013		-	3.95%	40,000	1.35%	200,000	240,000
2014		-	4.05%	45,000	1.70%	200,000	245,000
2015		-	4.10%	45,000	2.10%	205,000	250,000
2016		-	4.15%	50,000	2.50%	205,000	255,000
2017			4.20%	50,000	2.80%	215,000	265,000
2018		-			3.10%	275,000	275,000
		$ 90,000		$ 310,000		$ 1,500,000	$ 1,900,000

	Revenue Bond - Water		Revenue Bond - Sewer		
	Issued June 15, 2004		Issued June 9, 2004		
Year Ending June 30,	Interest Rates	Amount	Interest Rates	Amount	**Total Revenue Notes and Bonds**
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
		$ 385,000		$ 736,000	$ 1,121,000

See accompanying independent auditor's 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:

		2010	2009	2008	2007	2006	2005
Receipts							
Property tax	$	342,061	333,419	314,787	300,436	307,930	310,156
Tax increment financing collections		330,923	316,767	322,536	300,923	274,714	268,794
Other city tax		98,389	160,293	119,993	110,846	86,993	86,705
Licenses and permits		2,240	2,006	3,309	2,025	2,640	2,295
Use of money and property		12,398	24,453	91,992	101,889	85,642	65,244
Intergovernmental		227,850	171,152	205,972	339,906	270,420	410,820
Charges for service		367,092	321,482	211,599	147,033	140,143	136,521
Special assessments		-	-	14,245	13,242	19,142	24,963
Miscellaneous		455,086	160,653	123,736	95,980	255,115	370,801
	$	1,836,039	1,490,225	1,408,169	1,412,280	1,442,739	1,676,299
Disbursements:							
Operating:							
Public safety	$	355,630	237,193	206,137	325,424	156,047	205,530
Public works		173,525	178,391	173,930	193,169	158,089	163,125
Culture and recreation		522,902	470,737	563,835	662,809	263,336	286,071
Community and economic developme		69,672	53,122	174,789	110,066	115,815	302,720
General government		120,855	129,655	114,919	116,409	109,260	131,803
Debt service		260,690	258,958	266,006	522,856	213,768	208,664
Capital projects		682,839	274,250	416,338	26,337	430,159	21,103
	$	2,186,113	1,602,306	1,915,954	1,957,070	1,446,474	1,319,016

See accompanying independent auditor's report

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

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 Sanborn, Iowa as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated January 24, 2011. 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 was not designed to identify all deficiencies in internal control over financing reporting that might be significant deficiencies or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described as items I-A-10, I-B-10 and I-C-10 in the accompanying Schedule of Findings to be material weaknesses.

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A *significant deficiency* is a deficiency, or a combination of deficiencies in internal control, that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control described as item I-D-10 in the accompanying Schedule of Findings to be a significant deficiency in internal control over financial reporting.

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 II of the accompanying Schedule of Findings.

The City of Sanborn's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we did not audit the City of Sanborn's responses and, accordingly, we express no opinion on them.

This report 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 24, 2011

CITY OF SANBORN, IOWA

SCHEDULE OF FINDINGS

June 30, 2010

Part I: Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-10 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.

I-B-10 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 has now taken steps to include the Sanborn Golf & Country Club savings account in the financial statements and will include the amount in accountant's reports going forward.

Conclusion – Response accepted.

I-C-10 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.

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, and specify the types of supporting documentation required to substantiate charges.

Response – Subsequent to June 30, 2010, we have established a formal written policy detailing specifics on the use of City credit cards.

Conclusion – Response accepted.

I-D-10 Leased Real Estate – We noted that the City has entered into a real estate lease agreement without completing any written documents.

Recommendation – Lease agreements may from time to time need to be negotiated to obtain the maximum benefit for the City. A written agreement that needs to be renewed periodically would allow for open discussion of the terms of the agreement and an adjustment to the rent amount should one be justified. This agreement could then be placed on file and referred to should any problems arise in the landlord tenant relationship.

Response – We believe our verbal agreement has provided the most value from the farmground to the City. We will move to the use of a written lease agreement that details at least the property being leased, the lease term, the amount to be received from the tenant and when that amount is due to be paid.

Conclusion – Response accepted.

I-E-10 Vacation Hours – We noted that vacation hours for certain employees were not tracked in a timely manner.

Recommendation – We recommend the City implement procedures to contemporaneously document the use of paid time off and the approval of that usage for all employees.

Response – We have implemented timely documentation of the usage of paid time off and the timely approval of that usage.

Conclusion – Response accepted.

Part II: Other Findings Related to Statutory Reporting:

II-A-10 Certified Budget - Disbursements during the year ended June 30, 2010 did not exceed any of the budgeted functions.

II-B-10 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.

II-C-10 Travel Expense - No disbursements of City money for travel expense of spouses of City officials or employees were noted.

II-D-10 Business Transactions - Certain business transactions between the City and its officials or employees were noted.

Name, Title and Business Connection	Transaction Description	Amount
Aaron Allons, Council Member, part-owner of Sanborn Propane Service	propane	$7,218.25

The purchase of propane from Council Member Allons was not subjected to the bid-letting process. However, Sanborn Propane Service is the only supplier in town that offers delivery service.

Chapter 362.5(11) of the Code of Iowa permits transactions with a City officer or employee given that the total purchases benefiting the officer or employee do not exceed a cumulative total purchase price of $2,500 in a fiscal year.

Recommendation – You should consult with the City Attorney in regards to this matter to determine a resolution.

Response – We will consult our attorney regarding this matter.

Conclusion – Response accepted.

II-E-10 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-10 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

II-G-10 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.

II-H-10 Revenue Bonds and Notes – The Water Revenue Notes Series 2004 require the Water Utility charge rates that generate annual "net revenues" that are equal to at least 125% of the average annual installments of principal and interest on all of the notes and any other parity obligations outstanding from time to time. Based on that formula the Water Fund should have generated net revenues of $67,730. Actual net revenues generated were $46,095.

Recommendation – The City should consider an increase in Water Rates that will allow the Water Fund to generate net revenues sufficient to comply with the note agreement.

Response – The City's Water rates were increased effective June 10, 2010 to address this issue.

Conclusion – Response accepted.