

**CITY OF SANBORN, IOWA**

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

**JUNE 30, 2012**

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

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CITY OF SANBORN, IOWA

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Thomas Ginger	Mayor	January 2014
Greg Vogelaar	Council Member	January 2016
Josh Rydberg	Council Member	January 2016
Brian Visser	Council Member	January 2016
Ron Schott	Council Member	January 2014
Michael Benner	Council Member	January 2014
Jim Zeutenhorst	City Administrator	Appointed
Becki Hurtig	Clerk	Appointed
Peggy Japenga	Deputy Clerk/Accountant	Appointed
Daniel DeKoter	Attorney	Appointed

## 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, 2012, 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 our audit provides a reasonable basis for our opinions.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Sanborn as of June 30, 2012, 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 March 21, 2013 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 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.

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 previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with another comprehensive basis of accounting. The financial statements for the four years ended June 30, 2008 (non of which are resented herein) were audited by other auditors. Those audit reports expressed unqualified opinions on the financial statements. The supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic

financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sample Cash City's basic financial statements. Management's Discussion and Analysis and the budgetary comparison information on pages 4 through 10 and 26 through 27 are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

March 21, 2013

## 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, 2012. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### **2011 FINANCIAL HIGHLIGHTS**

- The City's total receipts for governmental activities decreased by approximately \$400,000 from 2011. In 2011, the City had collected nearly \$400,000 in donations to assist in paying for the new Aquatic Center.
- Disbursements from the City's governmental activities decreased by approximately \$1.3 million in fiscal year 2012 from fiscal year 2011. Disbursements decreased because construction costs for the Aquatic Center were mainly incurred in fiscal year 2011.
- The City's total cash basis net assets decreased \$424,000 from June 30, 2011 to June 30, 2012. Of this amount, the assets of the governmental activities increased by approximately \$26,000 and the assets of the business type activities decreased by approximately \$449,000.

### **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.

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

Supplementary Information provides detailed information about the nonmajor governmental funds, the City's indebtedness, and the Governmental Funds' cash receipts and disbursements for the year.

## **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 accounting principles generally accepted in the United States. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

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

### *Government-wide Financial Statement*

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

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

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

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the water, gas, sewer rental and solid waste collection system. These activities are financed primarily by user charges.

### *Fund Financial Statements*

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax, 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 are an accounting device used to accumulate and allocate costs internally among the City's various functions.

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

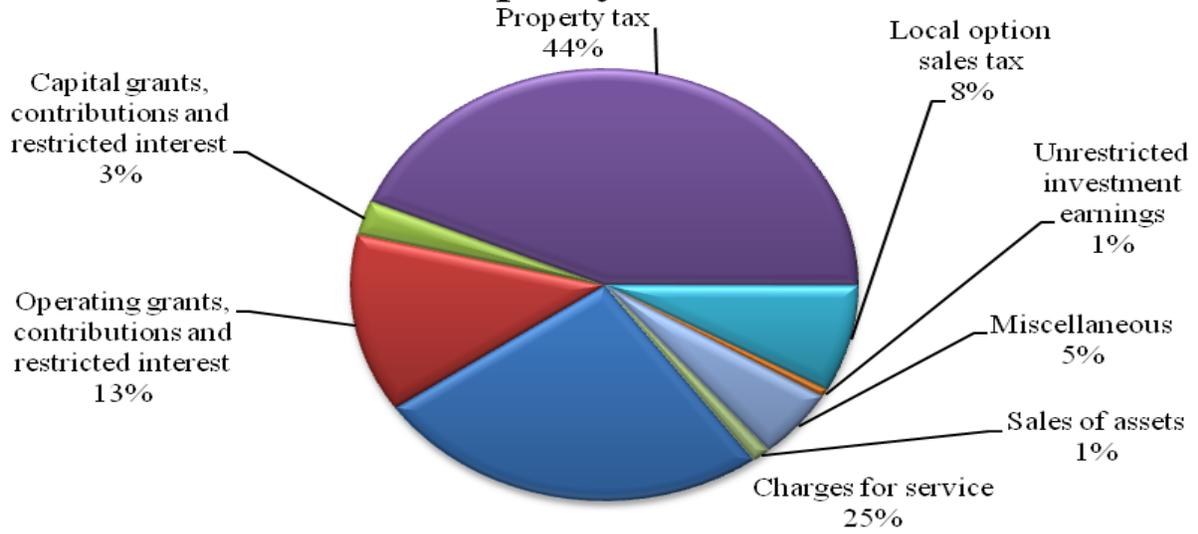
Reconciliations between the government-wide statement and the fund financial statements follow the fund financial statements.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

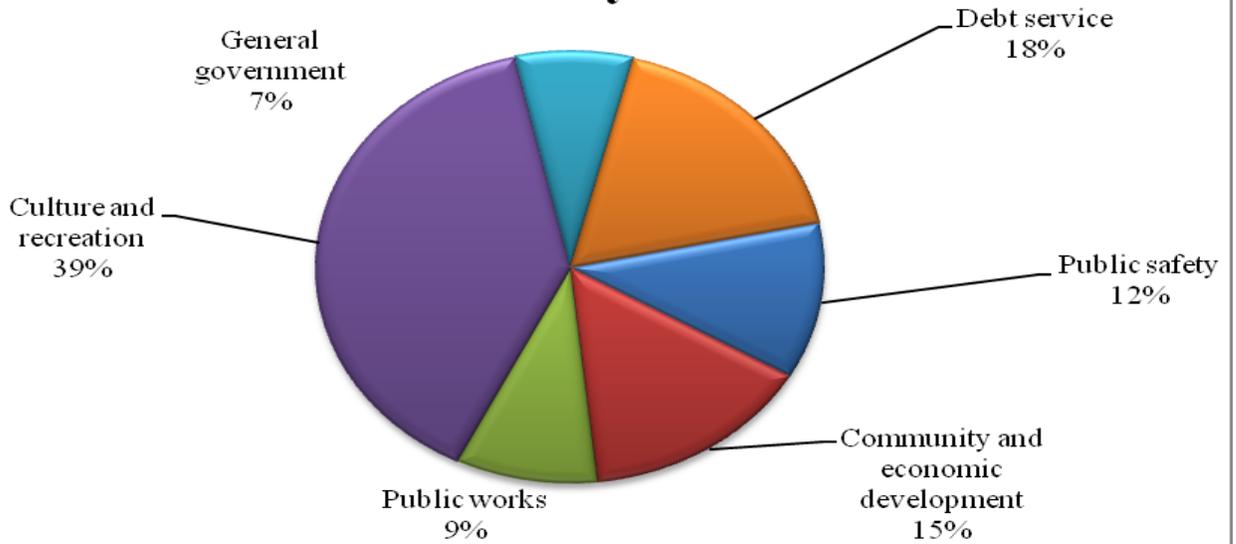
Net assets may serve over time as a useful indicator of financial position. The City’s cash balance for governmental activities increased slightly from a year ago by approximately \$26,000 from a year ago. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities		
(Expressed in Thousands)		
	Year ended June 30.	
	2012	2011
<b>Receipts:</b>		
Program receipts:		
Charges for service	\$ 414	416
Operating grants, contributions and restricted interest	218	211
Capital grants, contributions and restricted interest	42	90
General receipts:		
Property tax	712	710
Local option sales tax	130	123
Unrestricted investment earnings	10	30
Bonds issued	-	-
Miscellaneous	85	453
Sales of assets	19	4
Total receipts	<u>1,630</u>	<u>2,037</u>
<b>Disbursements:</b>		
Public Safety	197	224
Public works	152	195
Culture and recreation	658	2,363
Community and economic development	250	253
General government	126	120
Debt service	297	187
Capital projects	-	-
Total disbursements	<u>1,680</u>	<u>3,342</u>
Change in cash basis before transfers	(50)	(1,305)
Transfers, net	76	144
Change in cash basis net assets	26	(1,161)
<b>Cash basis net assets beginning of year</b>	<u>1,154</u>	<u>2,315</u>
<b>Cash basis net assets end of year</b>	<u>\$ 1,180</u>	<u>1,154</u>

### Receipts by Source



### Disbursements by Function



The City's total receipts for governmental activities decreased by approximately \$400,000. The total cost of all programs and services decreased by approximately \$1,662,000, or 49%, primarily due to capital projects expenditures in 2011.

Changes in Cash Basis Net Assets of Business-Type Activities		
(Expressed in Thousands)		
	Year ended June 30.	
	2012	2011
<b>Receipts:</b>		
Charges for service:		
Water	\$ 247	243
Gas	1,029	1,215
Sewer rental	426	504
Solid waste collection	118	112
Unrestricted interest on investments	9	10
Total receipts	<u>1,829</u>	<u>2,084</u>
<b>Disbursements:</b>		
Water	591	260
Gas	1,007	1,042
Sewer rental	432	562
Solid waste collection	<u>172</u>	<u>121</u>
Total receipts	<u>2,202</u>	<u>1,985</u>
Change in cash basis before transfers	(373)	99
Transfers, net	<u>(76)</u>	<u>(144)</u>
Change in cash basis net assets	(449)	(45)
<b>Cash basis net assets beginning of year</b>	<u>1,283</u>	<u>1,328</u>
<b>Cash basis net assets end of year</b>	<u>\$ 834</u>	<u>1,283</u>

Total business type activities receipts for the fiscal year decreased approximately \$255,000 from last year, from approximately \$2.08 million to \$1.83 million. Disbursements increased however due mainly to the early retirement of the water revenue bonds..

### INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Sanborn completed the year, its governmental funds reported a combined fund balance of \$1,089,355, an increase of approximately \$2,700 from last year's total of \$1,086,642. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund decreased by \$58,009 during the year. This decrease was mainly the result of planned operations.
- The Urban Renewal Tax Increment Fund increased by \$19,854, primarily because tax collections exceeding the debt service requirements for the year in anticipating funding the low and moderate income housing obligation.
- The Development Fund decreased \$39,360 due to planned operations for the fund.

- The Debt Service fund balance increased \$70,118 as a result of the timing of debt payments and a transfer received from the Urban Renewal Tax Increment Fund during the year.

**INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

- The Water Fund decreased \$346,538 due to the early retirement of the water revenue bonds during 2012.
- The Sewer Fund decreased \$10,286 due mainly to planned operations during the year.
- The Gas Fund increased \$33,131 over the previous year due to its regular operations.

**BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget once. The budget amendment was approved on May 23, 2011 resulting in an increase in operating disbursements for Public Works and Business-Type Activities of \$125,000. The City’s actual disbursements were within budgeted limits for the year ended June 30, 2011.

**DEBT ADMINISTRATION**

At June 30, 2012, the City had approximately \$2,185,000 in bonds and other long-term debt, compared to approximately \$2,816,000 last year, as shown below.

	Outstanding Debt at Year-End (Expressed in Thousands)	
	Year ended June 30.	
	2012	2011
General obligation bonds and notes	\$ 1,530	\$ 1,770
Revenue bonds and notes	655	1,046
Total receipts and transfers	<u>\$ 2,185</u>	<u>\$ 2,816</u>

Debt decreased as a result of making scheduled payments on notes and bonds and retiring all of the outstanding water revenue bonds.

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 \$1.53 million is 54% of the City’s constitutional debt limit of \$2.85 million.

**ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES**

In completing the fiscal year 2013 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 \$3,944,234 and budgeted disbursements of \$5,208,238. These levels are 7% lower and 20% higher respectively than the budgeted levels for fiscal year 2012.

## **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, 2012

Functions/Programs	Disbursements	Program Receipts		
		Charges for Service	Operating Grants Contributions and Restricted Interest	Capital Grants Contributions and Restricted Interest
<b>Governmental activities:</b>				
Public safety	197,001	46,595	-	-
Public works	152,257	-	133,170	-
Culture and recreation	658,458	359,422	7,944	-
Community and economic development	250,430	-	-	41,635
General government	125,855	7,700	76,500	-
Debt service	296,517	-	-	-
Capital project	-	-	-	-
<b>Total government activities</b>	<b>1,680,518</b>	<b>413,717</b>	<b>217,614</b>	<b>41,635</b>
<b>Business type activities:</b>				
Water	590,520	246,986	-	-
Gas	1,006,837	1,028,959	-	-
Sewer rental	432,448	425,844	-	-
Solid waste collection	172,481	118,403	-	-
<b>Total business type activities</b>	<b>2,202,286</b>	<b>1,820,192</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>3,882,804</b>	<b>2,233,909</b>	<b>217,614</b>	<b>41,635</b>

**General Receipts**

Property tax levied for:  
    General purposes  
    Tax increment financing  
    Debt service  
    Employee benefits  
Local option sales tax  
Unrestricted interest on investments  
Miscellaneous  
Sales of assets  
Transfers in (out)

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

<u>Net (Disbursements) Receipts and Changes in Cash</u>		
<u>Governmental</u>	<u>Business Type</u>	
<u>Activities</u>	<u>Activities</u>	<u>Total</u>
(150,406)	-	(150,406)
(19,087)	-	(19,087)
(291,092)	-	(291,092)
(208,795)	-	(208,795)
(41,655)	-	(41,655)
(296,517)	-	(296,517)
-	-	-
<u>(1,007,552)</u>	<u>-</u>	<u>(1,007,552)</u>
-	(343,534)	(343,534)
-	22,122	22,122
-	(6,604)	(6,604)
-	(54,078)	(54,078)
-	(382,094)	(382,094)
<u>(1,007,552)</u>	<u>(382,094)</u>	<u>(1,389,646)</u>
249,023	-	249,023
302,657	-	302,657
82,171	-	82,171
78,816	-	78,816
129,773	-	129,773
8,715	7,911	16,626
84,936	-	84,936
20,891	1,083	21,974
76,000	(76,000)	-
<u>1,032,982</u>	<u>(67,006)</u>	<u>965,976</u>
25,430	(449,100)	(423,670)
<u>1,154,283</u>	<u>1,282,762</u>	<u>2,437,045</u>
<u>1,179,713</u>	<u>833,662</u>	<u>2,013,375</u>
40,215	-	40,215
184,054	-	184,054
122,233	99,175	221,408
20,831	-	20,831
812,380	734,487	1,546,867
<u>1,179,713</u>	<u>833,662</u>	<u>2,013,375</u>

## CITY OF SANBORN, IOWA

Exhibit B

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN CASH BALANCES  
GOVERNMENTAL FUNDS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2012

	Special Revenue				Nonmajor Governmental Funds	Total
	General	Urban Renewal Tax Increment	Development	Debt Service		
<b>Receipts:</b>						
Property tax	\$ 249,023	-	-	82,171	78,816	410,010
Tax increment financing	-	302,657	-	-	-	302,657
Other city tax	1,918	-	-	-	129,773	131,691
Licenses and permits	2,265	-	-	-	-	2,265
Use of money and property	5,580	1,461	2,198	406	694	10,339
Intergovernmental	84,444	-	-	-	174,805	259,249
Charges for service	413,717	-	-	-	-	413,717
Miscellaneous	77,200	-	1,928	-	-	79,128
	834,147	304,118	4,126	82,577	384,088	1,609,056
<b>Disbursements:</b>						
Public safety	162,813	-	-	-	34,188	197,001
Public works	36,000	-	-	-	116,257	152,257
Culture and recreation	504,446	-	-	-	21,295	525,741
Community and economic development	132,717	206	57,986	12,460	184,720	388,089
General government	125,855	-	-	-	7,518	133,373
Debt service	-	-	-	284,057	-	284,057
	961,831	206	57,986	296,517	363,978	1,680,518
Excess (deficiency) of receipts over (under) disbursements	(127,684)	303,912	(53,860)	(213,940)	20,110	(71,462)
<b>Other financing sources (uses):</b>						
Sales of assets	5,175	-	14,500	-	-	19,675
Operating transfers in	86,000	-	-	284,058	15,000	385,058
Operating transfers out	(21,500)	(284,058)	-	-	(25,000)	(330,558)
	69,675	(284,058)	14,500	284,058	(10,000)	74,175
Net change in cash balances	(58,009)	19,854	(39,360)	70,118	10,110	2,713
Balance beginning of year	404,917	164,199	318,405	52,116	147,005	1,086,642
Balance end of year	\$ 346,908	184,053	279,045	122,234	157,115	1,089,355
<b>Cash Basis Fund Balance</b>						
Restricted for:						
Urban renewal purposes	\$ -	184,053	-	-	-	184,053
Debt service	-	-	-	122,234	43,125	165,359
Other purposes	-	-	279,045	-	113,990	393,035
Assigned for:						
Library	31,076	-	-	-	-	31,076
Ambulance	8,000	-	-	-	-	8,000
Unassigned	307,832	-	-	-	-	307,832
Total cash basis fund balances	\$ 346,908	184,053	279,045	122,234	157,115	1,089,355

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, 2012

**Total governmental funds cash balances** \$ 1,089,355

*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 Service Fund are included in governmental activities in the Statement of Activities and Net Assets - Cash Basis.

90,358

**Cash basis net assets of governmental activities**

1,179,713

**Net change in cash balances** 2,713

*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.

22,717

Change in cash balance of governmental activities

\$ 25,430

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, 2012

	Enterprise Funds				Total
	Water	Gas	Sewer Rental	Non-Major Solid Waste Collection	
Receipts					
Use of money and property	\$ -	2,200	-	-	2,200
Charges for service	246,986	1,026,759	425,844	118,403	1,817,992
	246,986	1,028,959	425,844	118,403	1,820,192
Disbursements					
Total operating disbursements	149,856	910,566	367,460	107,367	1,535,249
	149,856	910,566	367,460	107,367	1,535,249
Excess of operating receipts over operating disbursements	97,130	118,393	58,384	11,036	284,943
Non-operating receipts (disbursements):					
Interest on investments	996	5,485	1,319	111	7,911
Debt service	(367,222)	-	(63,620)	-	(430,842)
Capital projects	(73,442)	(96,271)	(1,368)	(65,114)	(236,195)
Excess (deficiency) of receipts over (under) disbursements	(342,538)	27,607	(5,285)	(53,967)	(374,183)
Other financing sources (uses):					
Operating transfers in	-	90,024	-	66,000	156,024
Operating transfers out	(4,000)	(84,500)	(5,000)	(10,000)	(103,500)
	(4,000)	5,524	(5,000)	56,000	52,524
Net change in cash balances	(346,538)	33,131	(10,285)	2,033	(321,659)
Balance beginning of year	47,443	859,065	200,984	(30,283)	1,077,209
Balance end of year	\$ (299,095)	892,196	190,699	(28,250)	755,550
Cash Basis Fund Balances					
Restricted for debt service	\$ 100,383	-	(1,208)	-	99,175
Unrestricted	(399,478)	892,196	191,907	(28,250)	656,375
	\$ (299,095)	892,196	190,699	(28,250)	755,550

See notes to financial statements.

Exhibit D

<u>Internal Service Fund</u>	
<u>Equipment Replacement</u>	<u>Total</u>
2,300	4,500
-	1,817,992
<u>2,300</u>	<u>1,822,492</u>
-	1,535,249
<u>-</u>	<u>1,535,249</u>
2,300	287,243
-	7,911
-	(430,842)
<u>-</u>	<u>(236,195)</u>
<u>2,300</u>	<u>(371,883)</u>
49,000	205,024
(156,024)	(259,524)
<u>(107,024)</u>	<u>(54,500)</u>
(104,724)	(426,383)
<u>273,194</u>	<u>1,350,403</u>
<u>168,470</u>	<u>924,020</u>
-	99,175
<u>168,470</u>	<u>824,845</u>
<u>168,470</u>	<u>924,020</u>

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, 2012

<b>Total enterprise funds cash balances</b>	\$ 755,550
<i>Amounts reported for business-type activities in the Statement of Activities and Net Assets - Cash Basis are different because:</i>	
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.	<u>78,112</u>
<b>Cash basis net assets of business type activities</b>	<u><u>833,662</u></u>
 <b>Net change in cash balances</b>	 (321,659)
<i>Amounts reported for business-type activities in the Statement of Activities and Net Assets - Cash Basis are different because:</i>	
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.	<u>(127,441)</u>
Change in cash balance of business-type activities	<u><u>\$ (449,100)</u></u>

See notes to financial statements.

CITY OF SANBORN, IOWA

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

**(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. The City has the following component unit based on these criteria.

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 11 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, 2011, can be obtained from the Municipal Utilities administration office, 102 Main 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

CITY OF SANBORN, IOWA

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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.

CITY OF SANBORN, IOWA

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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 Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

The City reports the following major proprietary funds:

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

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

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

The City also reports the following additional proprietary type fund:

The Equipment Replacement Fund is used to accumulate funds for capital equipment additions the City may need in the future.

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.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

CITY OF SANBORN, IOWA

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

*Restricted* – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

*Assigned* – Amounts the Council intends to use for specific purposes.

*Unassigned* - All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. The City expenditures for the debt service function exceeded the amount budgeted.

(2) **Cash and Investments**

The City's deposits in banks at June 30, 2012 (which include certificates of deposit totaling \$952,441) 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.

CITY OF SANBORN, IOWA

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

At June 30, 2012, the City had the following investments:

<u>Type</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
United States Savings Bonds Series EE – mature July 2034	\$ <u>17,754</u>	\$ <u>17,754</u>

Interest rate risk – The City’s investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

**(3) Bonds and Notes Payable**

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

Year Ending June 30.	General Obligation Notes		Revenue Bonds		Total	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 240,000	39,498	42,000	19,650	282,000	59,148
2014	245,000	35,218	43,000	18,390	288,000	53,608
2015	250,000	29,995	44,000	17,100	294,000	47,095
2016	255,000	23,845	46,000	15,780	301,000	39,625
2017	265,000	16,645	47,000	14,400	312,000	31,045
2018-2022	275,000	8,525	259,000	49,860	534,000	58,385
2023-225	-	-	174,000	10,560	174,000	10,560
	<u>\$ 1,530,000</u>	<u>153,726</u>	<u>1,046,000</u>	<u>145,740</u>	<u>2,185,000</u>	<u>299,466</u>

Revenue Notes

The City redeemed all outstanding water revenue bonds during the year ended June 30, 2012.

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 \$800,740. For the current year, principal and interest paid and total customer net receipts were \$63,620 and \$58,384 respectively.

CITY OF SANBORN, IOWA

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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. The sewer revenue bond sinking account was underfunded by \$6,345, and held a deficit balance of \$1,208.
- (c) 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, 2012 is as follows:

	General Obligation Bonds	Revenue Bonds	Total
Balance, beginning of year	\$ 1,770,000	1,046,000	2,816,000
Additions	-	-	-
Decreases	240,000	391,000	631,000
Balance, end of year	<u>\$ 1,530,000</u>	<u>655,000</u>	<u>2,185,000</u>

Interest rates on the general obligation bonds range from 2.40 to 4.75%. Interest rates on the revenue bonds range from 1.35 to 4.20%.

**(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 5.38% of their annual salary and the City is required to contribute 8.07% of annual covered payroll. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2012, 2011, and 2010 were \$47,979, \$35,486 and \$35,296 respectively, equal to the required contributions for each year.

CITY OF SANBORN, IOWA

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

**(5) 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 19 active and 1 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 \$415 for single coverage and \$898 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2012, the City contributed the entire cost of the plan, a total of \$113,331.

**(6) 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, 2012 was \$26,310. This liability has been computed based on rates of pay in effect at June 30, 2012.

**(7) 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, 2012:

	<u>Amount</u>	<u>Percent of Total</u>
Sale of Water	\$ 83,985	35%
Sale of Gas	527,951	52%
Sewer Rental Fees and Assessments	238,933	66%

**(8) Interfund Transfers**

The detail of interfund transfers, for the year ended June 30, 2012 is as follows:

<u>Transfer In</u>	<u>Transfer From</u>	<u>Amount</u>
General	Special Revenue Fund-LOST	\$ 10,000
	Enterprise Fund - Gas	<u>76,000</u>
		86,000
Enterprise Fund – Gas	Equipment Replacement	90,024

CITY OF SANBORN, IOWA

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Debt Service	Tax Increment Financing	284,058
Sold Waste- Equipment Replacement	Equipment Replacement	66,000
Special Revenue-Employee Benefits	Special Revenue Fund-LOST	15,000
Internal Service Fund- Equipment Replacement	General Fund	21,500
	Enterprise Fund-Water	4,000
	Enterprise Fund-Sewer	5,000
	Enterprise Fund-Gas	8,500
	Enterprise Fund-Solid Waste	<u>10,000</u>
		<u>49,000</u>
	Total	<u>\$ 590,082</u>

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

**(9) 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.

**(11) 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, 2011 and is payable in September 2011 and March 2012 of the fiscal year. The valuation for the taxes was based on January 1, 2009 assessed property valuations, and are based on a certified budget from March of 2011.

**(12) 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, presented in accordance with accounting standards generally accepted in the United States of America, for the Utility for the year ended December 31, 2011.

CITY OF SANBORN, IOWA

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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Condensed Statement of Net Assets

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<b>Assets:</b>	
Current assets	\$ 2,027,700
Capital assets, net of accumulated depreciation	4,823,270
Other	<u>1,461,820</u>
Total assets	<u>8,312,790</u>
<b>Liabilities:</b>	
Long-term debt outstanding	3,832,769
Other liabilities	<u>409,607</u>
Total liabilities	<u>4,242,376</u>
<b>Net assets:</b>	
Invested in capital assets, net of related debt	1,441,171
Restricted-expendable	801,286
Unrestricted	<u>1,827,957</u>
Total net assets	<u>4,070,414</u>
<b>Total liabilities and net assets</b>	<u>\$ 8,312,790</u>

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Condensed Statement of Revenue, Expenses and Changes in Net Assets

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<b>Operating revenues:</b>	
Electric energy sales	\$ 2,006,303
Other Sales	<u>11,251</u>
Total operating revenues	<u>2,017,554</u>
<b>Operating expenses:</b>	
Power production	1,044,463
Distribution and commercial	178,885
Depreciation	207,025
General and administrative	<u>383,399</u>
Total operating expenses	<u>1,813,772</u>
Operating income	<u>203,782</u>
<b>Non-operating revenues (expenses):</b>	
Total non-operating revenue and (expense)	<u>64,206</u>
Net income before transfers	267,988
<b>Transfers to City</b>	<u>(231,355)</u>
<b>Increase in net assets</b>	36,633
<b>Net assets at beginning of year</b>	<u>4,033,781</u>
<b>Net assets at end of year</b>	<u>\$ 4,070,414</u>

CITY OF SANBORN, IOWA

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Condensed Statement of Cash Flows	
Cash flows from operating activities	\$ 386,835
Cash flows used for non-capital financing activities	( 231,355)
Cash flows used for capital and related financing activities	( 103,606)
Cash flows used for investing activities	<u>(191,520)</u>
Decrease in cash	(139,646)
<b>Cash, beginning of year</b>	<u>2,476,118</u>
<b>Cash, end of year</b>	<u><u>2,336,472</u></u>

**(13) Deficit Fund Balance**

The City reported deficit balances of \$47,603, \$299,095, and \$30,283 in the Housing, Water, and Solid Waste Funds respectively, at June 30, 2012. The deficit fund balance in the Housing Fund was the result of the housing expenses exceeding the grants dollars received. This deficit will be eliminated by future grant receipts. The deficits in the Water and Solid Waste Funds are due in part to redeeming all of the water revenue bonds and accumulating savings in the Equipment Replacement Fund.

**(14) Subsequent Events**

The City issued \$695,000 of Water Revenue Improvement and Refunding Bonds on July 12, 2012 to finance the retirement of the previously outstanding water revenue bonds and to finance improvements to the City's water system. The bonds will be payable as follows with the corresponding interest rates.

Payable June 1,	Amount	Interest Rate
2015	\$ 120,000	.85%
2018	135,000	1.50%
2021	135,000	2.1%
2024	140,000	2.6%
2027	160,000	3.0%

Management has evaluated events and transactions through March 21, 2013, the date the financial statements were issued, for potential recognition or disclosure in the financial statements.

## **Other 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

OTHER INFORMATION

YEAR ENDED JUNE 30, 2012

	Governmental Funds Actual	Proprietary Funds Actual	Net
Receipts:			
Property tax	\$ 410,010	-	410,010
Tax Increment Financing Collections	302,657	-	302,657
Other city taxes	131,691	-	131,691
Licenses and permits	2,265	-	2,265
Use of money and property	10,339	12,411	22,750
Intergovernmental	259,249	-	259,249
Charges for service	413,717	1,817,992	2,231,709
Special assessments	-	-	-
Miscellaneous	79,128	-	79,128
	<u>1,609,056</u>	<u>1,830,403</u>	<u>3,439,459</u>
Disbursements:			
Program			
Public safety	197,001	-	197,001
Public works	152,257	-	152,257
Culture and recreation	525,741	-	525,741
Community and economic development	388,089	-	388,089
General government	133,373	-	133,373
Debt service	284,057	-	284,057
Business type activities	-	2,137,007	2,137,007
	<u>1,680,518</u>	<u>2,137,007</u>	<u>3,817,525</u>
Excess (deficiency) of receipts over disbursements	(71,462)	(306,604)	(378,066)
Other financing sources (uses), net	74,175	(54,500)	19,675
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	2,713	(361,104)	(358,391)
Balance beginning of year	<u>1,086,642</u>	<u>1,350,403</u>	<u>2,437,045</u>
Balance end of year	<u>\$ 1,089,355</u>	<u>989,299</u>	<u>2,078,654</u>

See accompanying independent auditor's report

Budgeted Amounts		Final to Net Variance
Original	Final	
399,660	399,660	10,350
307,500	307,500	(4,843)
107,501	107,501	24,190
3,675	3,675	(1,410)
23,500	23,500	(750)
654,050	654,050	(394,801)
2,631,515	2,631,515	(399,806)
15,000	15,000	(15,000)
90,500	90,500	(11,372)
4,232,901	4,232,901	(793,442)
526,550	276,550	79,549
174,500	174,500	22,243
445,525	530,525	4,784
644,000	644,000	255,911
139,150	139,150	5,777
280,748	280,748	(3,309)
2,311,070	2,311,070	174,063
4,521,543	4,356,543	539,018
(288,642)	(123,642)	(254,424)
40,000	40,000	(20,325)
(248,642)	(83,642)	(274,749)
-	-	2,437,045
(248,642)	(83,642)	2,162,296

CITY OF SANBORN, IOWA

NOTES TO OTHER INFORMATION – BUDGETARY REPORTING

June 30, 2012

The budgetary comparison is presented as Other 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 nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business-type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment decreased budgeted disbursements by \$165,000. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2012, disbursements exceeded the budgeted amount for the debt service function.

## **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, 2012

	Special Revenue		
	LOST	Low-Moderate Housing	Road Use Tax
Receipts:			
Property tax	\$ -	\$ -	\$ -
Other city tax	129,773	-	-
Use of money and property	489	205	-
Intergovernmental	-	-	133,171
	<u>130,262</u>	<u>205</u>	<u>133,171</u>
Disbursements:			
Public safety	-	-	-
Public works	-	-	96,894
Culture and recreation	-	-	-
Community and economic development	109,667	-	-
General government	-	-	-
	<u>109,667</u>	<u>-</u>	<u>96,894</u>
Excess (deficiency) of receipts over (under) disbursements	20,595	205	36,277
Other financing sources (uses):			
Operating transfers in	-	-	-
Operating transfers out	(25,000)	-	-
Net change in cash balances:	(4,405)	205	36,277
Balance beginning of year	<u>104,952</u>	<u>42,920</u>	<u>3,938</u>
Balance end of year	<u>\$ 100,547</u>	<u>\$ 43,125</u>	<u>\$ 40,215</u>
Cash basis fund balance			
Restricted for:			
Housing	\$ -	\$ 43,125	\$ -
Other purposes	100,547	-	40,215
	<u>\$ 100,547</u>	<u>\$ 43,125</u>	<u>\$ 40,215</u>

See accompanying independent auditor's report.

Schedule 1

Employees Benefits		Housing	Total
\$ 78,816	\$ -	\$ 78,816	
-	-	129,773	
-	-	694	
-	41,634	174,805	
<u>78,816</u>	<u>41,634</u>	<u>384,088</u>	
34,188	-	34,188	
19,363	-	116,257	
21,295	-	21,295	
-	75,053	184,720	
7,518	-	7,518	
<u>82,364</u>	<u>75,053</u>	<u>363,978</u>	
(3,548)	(33,419)	20,110	
15,000	-	15,000	
-	-	(25,000)	
11,452	(33,419)	10,110	
9,379	(14,184)	147,005	
<u>\$ 20,831</u>	<u>\$ (47,603)</u>	<u>\$ 157,115</u>	
\$ -	\$ -	\$ 43,125	
20,831	(47,603)	113,990	
<u>\$ 20,831</u>	<u>\$ (47,603)</u>	<u>\$ 157,115</u>	

CITY OF SANBORN, IOWA  
 SCHEDULE OF INDEBTEDNESS  
 YEAR ENDED JUNE 30, 2012

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation notes and bonds:			
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
270,000	-	40,000	230,000	10,982	-
1,500,000	-	200,000	1,300,000	32,075	-
<u>\$ 1,770,000</u>	<u>-</u>	<u>240,000</u>	<u>1,530,000</u>	<u>43,057</u>	<u>-</u>
\$ 696,000	-	41,000	655,000	20,880	-
350,000	-	350,000	-	17,221	-
<u>\$ 1,046,000</u>	<u>-</u>	<u>391,000</u>	<u>655,000</u>	<u>38,101</u>	<u>-</u>

CITY OF SANBORN, IOWA

Schedule 3

BOND AND NOTE MATURITIES

JUNE 30, 2012

General Obligation Notes and Bonds for Street and Utility Improvements and Refunding of Notes					
Year Ending June 30,	Issued June 15, 2004		Issued June 15, 2007		Total General Obligation Notes and Bonds
	Interest Rates	Amount	Interest Rates	Amount	
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
		<u>\$ 230,000</u>		<u>\$ 1,300,000</u>	<u>\$ 1,530,000</u>

Revenue Bond - Sewer Issued June 9, 2004			
	Interest Rates	Amount	Total Revenue Notes and Bonds
	3.00%	42,000	42,000
	3.00%	43,000	43,000
	3.00%	44,000	44,000
	3.00%	46,000	46,000
	3.00%	47,000	47,000
	3.00%	49,000	49,000
	3.00%	50,000	50,000
	3.00%	52,000	52,000
	3.00%	53,000	53,000
	3.00%	55,000	55,000
	3.00%	56,000	56,000
	3.00%	58,000	58,000
	3.00%	60,000	60,000
		<u>\$ 655,000</u>	<u>\$ 655,000</u>

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 EIGHT YEARS ENDED JUNE 30:

	2012	2011	2010	2009	2008	2007	2006	2005
<b>Receipts</b>								
Property tax	\$ 410,010	372,195	342,061	333,419	314,787	300,436	307,930	310,156
Tax increment financing collections	302,657	338,326	330,923	316,767	322,536	300,923	274,714	268,794
Other city tax	131,691	132,475	98,389	160,293	119,993	110,846	86,993	86,705
Licenses and permits	2,265	1,970	2,240	2,006	3,309	2,025	2,640	2,295
Use of money and property	10,339	33,675	12,398	24,453	91,992	101,889	85,642	65,244
Intergovernmental	259,249	300,828	227,850	171,152	205,972	339,906	270,420	410,820
Charges for service	413,717	416,438	367,092	321,482	211,599	147,033	140,143	136,521
Special assessments	-	-	-	-	14,245	13,242	19,142	24,963
Miscellaneous	79,128	435,623	455,086	160,653	123,736	95,980	255,115	370,801
	<u>\$ 1,609,056</u>	<u>2,031,530</u>	<u>1,836,039</u>	<u>1,490,225</u>	<u>1,408,169</u>	<u>1,412,280</u>	<u>1,442,739</u>	<u>1,676,299</u>
<b>Disbursements:</b>								
<b>Operating:</b>								
Public safety	\$ 197,001	223,884	355,630	237,193	206,137	325,424	156,047	205,530
Public works	152,257	195,442	173,525	178,391	173,930	193,169	158,089	163,125
Culture and recreation	525,741	2,363,203	522,902	470,737	563,835	662,809	263,336	286,071
Community and economic developmen	388,089	252,458	69,672	53,122	174,789	110,066	115,815	302,720
General government	133,373	120,051	120,855	129,655	114,919	116,409	109,260	131,803
Debt service	284,057	186,808	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
	<u>\$ 1,680,518</u>	<u>3,341,846</u>	<u>2,186,113</u>	<u>1,602,306</u>	<u>1,915,954</u>	<u>1,957,070</u>	<u>1,446,474</u>	<u>1,319,016</u>

See accompanying independent auditor's report



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

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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, discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Sanborn, Iowa (the City) as of and for the year ended June 30, 2012 and have issued our report thereon dated March 21, 2013. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with the cash receipts and disbursements method of accounting. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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

Management of the City is responsible for establishing and maintaining effective 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 deficiency described as item I-A-12 in the accompanying Schedule of Findings to be a material weakness.

### 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 have expressed our conclusions on the City's responses, we did not audit the City of Sanborn's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Sanborn and other parties to whom the City may report, including federal awarding agencies and pass-through entities. This report is not intended to be, and should not be, used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Sanborn during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

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

March 21, 2013

CITY OF SANBORN, IOWA

SCHEDULE OF FINDINGS

June 30, 2012

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

I-A-12      Segregation of Duties - We noted that the cash receipts function and the recording of the cash receipts is, on occasion, performed by the same person.

Criteria - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible.

Cause - The City of Sanborn is a small municipality; therefore their staff includes a small number of office employees.

Effect - The lack of a proper segregation of duties is a material weakness that may result in a material misstatement of the financial statements, and provides greater opportunity for fraudulent activity to go undetected.

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 with existing personnel, and utilize administrative personnel to provide additional control through oversight and review.

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

Conclusion – Response accepted.

CITY OF SANBORN, IOWA

SCHEDULE OF FINDINGS

June 30, 2012

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

- II-A-12 Certified Budget - Disbursements during the year ended June 30, 2012 exceed the amount budgeted in the debt service function.
- Criteria – Chapter 384.20 of the Code of Iowa states in part, “Public monies may not be expended except under an annual or continuing appropriation.
- Cause – The over expenditure was 1% of the total budgeted amount budgeted as was not anticipated.
- Effect – The expenditures for debt service did not comply with the Code of Iowa.
- Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.
- Response – The budget will be amended in the future, if applicable.
- II-B-12 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-12 Travel Expense - No disbursements of City money for travel expense of spouses of City officials or employees were noted.
- II-D-12 Business Transactions – No transactions between the city and city officials were noted.
- II-E-12 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-12 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.
- II-G-12 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-12 Revenue Bonds and Notes – At June 30, 2012, the sewer revenue bond sinking account was underfunded by \$6,345 and had a deficit balance of \$1,208.

CITY OF SANBORN, IOWA

SCHEDULE OF FINDINGS

June 30, 2012

Criteria – Sufficient monthly transfers shall be made to a separate sewer revenue bond sinking account within the Enterprise Funds for the purpose of making the note principal and interest payments when due.

Cause – The transfers to the sinking account were made on July 1 rather than prior to June 30 as required due to a timing error.

Effect – Failure to maintain the required balance in the sinking fund account is a violation of the bond agreement.

Recommendation – The monthly transfers should be made when due.

Response – We will make the necessary transfer of funds as required.

Conclusion – Response accepted.

II-I-12 Financial Condition – As of June 30, 2012, the Housing Fund had a deficit balance of \$47,603, the Water fund had a deficit balance of \$299,095, and the Solid Waste Fund had a deficit balance of \$30,283.

Criteria – A Fund with a deficit fund balance does not appear to be in a strong financial condition.

Cause – The timing of grant receipts did not correspond with related disbursements made from the Housing Fund. The Solid Waste Fund has been saving money in the Equipment Replacement Fund.

Effect – The funds were not in good financial condition at June 30, 2012.

Recommendation – The City should investigate alternatives to eliminate these deficits.

Response – The Housing Fund deficit was due to reimbursement type grants which were used to fund the housing activities. The deficit will be eliminated when all grant reimbursements have been collected. The Water Fund deficit was due to the early retirement of the outstanding revenue bonds. The Solid Waste Fund deficit was due in part to transferring money to the Equipment Replacement Fund for future needs.

Conclusion – Response accepted.