



**OFFICE OF AUDITOR OF STATE  
STATE OF IOWA**

Mary Mosiman, CPA  
Auditor of State

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**NEWS RELEASE**

FOR RELEASE \_\_\_\_\_ April 3, 2017

Contact: Andy Nielsen  
515/281-5834

Auditor of State Mary Mosiman today released an audit report on the City of Audubon, Iowa.

The City's receipts totaled \$2,779,131 for the year ended June 30, 2016, a 13.7% increase over the prior year. The receipts included \$957,165 of property tax, \$56,045 of tax increment financing, \$171,745 of local option sales tax, \$898,636 of charges for service, \$363,264 of operating grants, contributions and restricted interest, \$162,504 of capital grants, contributions and restricted interest, \$1,230 of unrestricted interest on investments and \$168,542 of other general receipts.

Disbursements for the year ended June 30, 2016 totaled \$2,893,764, a 10.6% increase over the prior year, and included \$630,198 for public works, \$617,453 for public safety and \$275,606 for culture and recreation. Also, disbursements for business type activities totaled \$712,860.

A copy of the audit report is available for review in the City Clerk's Office, in the Office of Auditor of State and on the Auditor of State's web site at <https://auditor.iowa.gov/reports/1620-0027-B00F>.

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**CITY OF AUDUBON**

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

**JUNE 30, 2016**

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**City of Audubon**

**Officials**

**(Before January 2016)**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Clark Kauffman	Mayor	Jan 2016
Robert Jacobsen	Council Member	Jan 2016
John Whetzal	Council Member	Jan 2016
Jason Hocker	Council Member	Jan 2018
Teresa Murray	Council Member	Jan 2018
Tom Nielsen	Council Member	(Resigned Apr 2015)
Brad Hemmingsen (Appointed Apr 2015)	Council Member	Nov 2017
Joseph Foran	City Clerk	Indefinite
David Wiederstein	Attorney	Indefinite

**(After January 2016)**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Barb Jacobsen	Mayor	Jan 2020
Brad Hemmingsen (Appointed Apr 2015)	Council Member	Nov 2017
Jason Hocker	Council Member	Jan 2018
Teresa Murray	Council Member	Jan 2018
Andy Griffith	Council Member	Jan 2020
Robert Jacobsen	Council Member	Jan 2020
Joseph Foran	City Clerk	Indefinite
David Wiederstein	Attorney	Indefinite

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Independent Auditor's Report

To the Honorable Mayor and Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Audubon, Iowa, as of and for the year ended June 30, 2016, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## Opinions

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, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Audubon as of June 30, 2016, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

## Basis of Accounting

As discussed in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

## Other Matters

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Audubon's basic financial statements. The financial statements for the nine years ended June 30, 2015 (which are not presented herein) were audited by another auditor who expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. 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.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the 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 basic financial statements or to the basic 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.

The other information, Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 9 through 14 and 32 through 38, 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.



Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 24, 2017 on our consideration of the City of Audubon's internal control over financial reporting and on 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 in considering the City of Audubon's internal control over financial reporting and compliance.

  
MARY MOSIMAN, CPA  
Auditor of State

March 24, 2017

**City of Audubon**

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

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The City of Audubon provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2016. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### **2016 FINANCIAL HIGHLIGHTS**

- Receipts of the City's governmental activities increased 20.3%, or approximately \$364,000, from fiscal year 2015 to fiscal year 2016.
- Disbursements of the City's governmental activities increased 5.5%, or approximately \$113,000, from fiscal year 2015 to fiscal year 2016.
- The City's total cash basis net position decreased 12.8%, or approximately \$115,000, from June 30, 2015 to June 30, 2016. Of this amount, the cash basis net position of the governmental activities increased approximately \$24,000 and the cash basis net position of the business type activities decreased approximately \$139,000.

### **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 Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide financial 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 and the City's proportionate share of the net pension liability and related contributions.

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

## **BASIS OF ACCOUNTING**

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

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

### *Government-wide Financial Statement*

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

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

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks and the sanitary sewer system. These activities are financed primarily by user charges.

### *Fund Financial Statements*

The City has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax, Employee Benefits, Local Option Sales Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent 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 statement for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

- 2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the Water and Sewer Funds, considered to be major funds of the City.

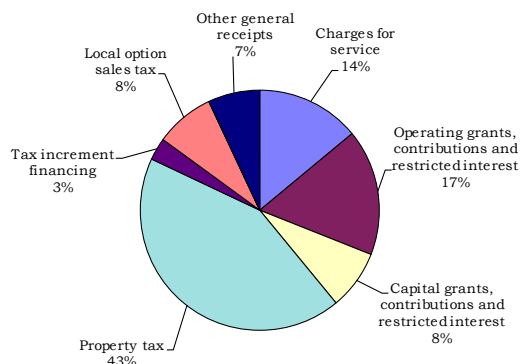
The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

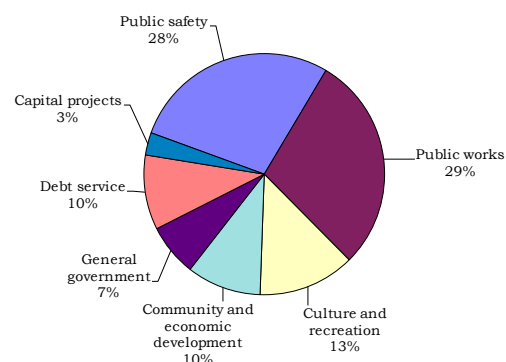
Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, increasing from approximately \$479,000 to approximately \$593,000, prior to the restatement. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2016	2015
Receipts:		
Program receipts:		
Charges for service	\$ 300	269
Operating grants, contributions and restricted interest	363	314
Capital grants, contributions and restricted interest	163	165
General receipts:		
Property tax	957	761
Tax increment financing	56	72
Local option sales tax	172	164
Grants and contributions not restricted to specific purposes	-	5
Unrestricted interest on investments	1	1
Other general receipts	144	41
<b>Total receipts</b>	<b>2,156</b>	<b>1,792</b>
Disbursements:		
Public safety	617	460
Public works	630	634
Culture and recreation	276	252
Community and economic development	223	174
General government	155	291
Debt service	216	217
Capital projects	64	40
<b>Total disbursements</b>	<b>2,181</b>	<b>2,068</b>
Change in cash basis net position before transfers	(25)	(276)
Transfers, net	50	50
Change in cash basis net position	25	(226)
Cash basis net position beginning of year, as restated	568	705
<b>Cash basis net position end of year</b>	<b>\$ 593</b>	<b>479</b>

**Receipts by Source**



**Disbursements by Function**



The City's total receipts for governmental activities increased 20.3%, or approximately \$364,000, from the prior year. The significant increase in receipts was primarily the result of an increase in property taxes collected by the City. The City increased property tax rates for fiscal year, including an increase of 33.8% in the employee benefits tax rate, an increase of 67.7% in the debt service levy and an increase of 8.4% in the general fund levy rates.

The cost of all governmental activities this year was approximately \$2,181,000 compared to approximately \$2,068,000 last year. The total cost of all programs and services increased approximately \$113,000, or 5.5%. However, as shown in the Cash Basis Statement of Activities and Net Position on pages 16 and 17, the amount taxpayers ultimately financed for these activities was approximately \$1,355,000 because some of the cost was paid by those directly benefited from the programs (approximately \$300,000) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (approximately \$526,000). The City paid for the remaining "public benefit" portion of governmental activities with property tax (some of which could only be used for certain programs) and with other receipts, such as interest, local option sales tax and miscellaneous receipts. Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, increased in fiscal year 2016 from approximately \$748,000 to approximately \$826,000, primarily due to receiving grant proceeds for a neighborhood revitalization project.

Changes in Cash Basis Net Position of Business Type Activities		
(Expressed in Thousands)		
	Year ended June 30,	
	2016	2015
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 232	233
Sewer	367	373
General receipts:		
Other general receipts	25	47
Total receipts	<u>624</u>	<u>653</u>
Disbursements:		
Water	249	213
Sewer	464	334
Total disbursements	<u>713</u>	<u>547</u>
Change in cash basis net position before transfers	(89)	106
Transfers, net	<u>(50)</u>	<u>(50)</u>
Change in cash basis net position	(139)	56
Cash basis net position beginning of year	326	270
Cash basis net position end of year	<u>\$ 187</u>	<u>326</u>

Total business type activities receipts for the fiscal year were approximately \$624,000 compared to approximately \$653,000 last year. Total business type activities disbursements increased approximately \$166,000 compared to fiscal year 2015 due to increased expenses related to the Highway 71 extension project and increased plant and line maintenance expenses. The cash balance decreased approximately \$139,000 from the prior year.

## **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of Audubon completed the year, its governmental funds reported a combined fund balance of \$593,246, an increase of \$24,506 above last year's total of \$568,740. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance decreased \$30,564 from the prior year to \$202,182. The decrease includes approximately \$86,000 transferred to the Audubon Fire and Rescue Association net of an increase of \$45,000 due to increased property tax rates for fiscal year 2016.
- The Special Revenue, Road Use Tax Fund cash balance increased \$78,041 to \$175,699. Approximately \$46,000 of this increase was due to additional road use tax funds.
- The Special Revenue, Employee Benefit Fund cash balance increased \$48,578 to \$72,602. This increase was partially attributable to increased property tax rates for employee benefits for fiscal year 2016.
- The Special Revenue, Urban Renewal Tax Increment Fund cash balance increased \$56,045 solely due to tax increment financing receipts.
- The Special Revenue, Local Option Sales Tax Fund cash balance decreased \$22,301 due to street construction expenses exceeding the taxes received during the fiscal year.
- The Debt Service Fund cash balance increased \$141,461 due to increased property tax rates for fiscal year 2016 to pay for a debt obligation not properly levied for in a prior year.
- The Permanent Fund, Cemetery Trust cash balance increased \$63,139.

## **INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

- The Enterprise, Water Fund cash balance decreased \$63,936, due to increased expenses related to the Highway 71 extension project and increased plant and line maintenance expenses.
- The Enterprise, Sewer Fund cash balance decreased \$75,203, due to increased expenses related to the Highway 71 extension project and increased plant and line maintenance expenses.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget two times. The first amendment was approved on January 11, 2016 and resulted in an increase in operating disbursements of \$220,000 related to additional costs not anticipated in the original budget for a bird mosaic project. The second amendment was approved on June 27, 2016 to provide for additional disbursements in business type activities for sewer and annexation projects and increased salaries and training expenses for public safety personnel.

The City's receipts were \$293,509 more than budgeted. This was primarily due to the City receiving more in intergovernmental revenues than anticipated for road use taxes and federal grant funds.

The City's disbursements were \$511,677 less than the amended budget. This was primarily due to anticipated projects related to the replacement of the library roof and the replacement of water and sewer lines which were delayed.

## DEBT ADMINISTRATION

At June 30, 2016, the City had \$2,614,000 of long-term debt outstanding, compared to \$2,931,000 last year, as shown below.

	Outstanding Debt at Year-End	
	(Expressed in Thousands)	
	June 30,	
	2016	2015
General obligation notes	\$ 1,530	1,709
Revenue notes	1,084	1,222
Total	\$ 2,614	2,931

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 \$1,530,000 is significantly below its constitutional debt limit of approximately \$3.6 million. Additional information about the City's long-term debt is presented in Note 3 to the financial statements.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City's elected and appointed officials and citizens considered many factors when setting the fiscal year 2017 budget, tax rates and fees charged for various City activities.

These indicators were taken into account when adopting the budget for fiscal year 2017. The amount available for appropriation in the operating budget is \$10,985,520, an increase of \$8,449,898 over the final fiscal year 2016 budget. This is due to several factors, tax increment financing revenues are expected to increase \$192,801, intergovernmental revenues are expected to increase \$235,592 and other financing sources are expected to increase \$8 million, due to anticipated proceeds from the issuance of debt to fund water and sewer systems improvements. Therefore, disbursements are expected to increase \$8,260,734.

If these estimates are realized, the City's cash balance is expected to decrease approximately \$119,000 by the close of fiscal year 2017.

## CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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



## **Basic Financial Statements**

City of Audubon

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2016

	Disbursements	Program Receipts		
		Charges for Service	Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>				
Governmental activities:				
Public safety	\$ 617,453	4,876	11,148	-
Public works	630,198	208,523	271,847	-
Culture and recreation	275,606	51,753	47,528	-
Community and economic development	223,246	-	-	162,504
General government	155,109	34,836	32,741	-
Debt service	215,493	-	-	-
Capital projects	63,799	-	-	-
Total governmental activities	2,180,904	299,988	363,264	162,504
Business type activities:				
Water	249,401	231,754	-	-
Sewer	463,459	366,894	-	-
Total business type activities	712,860	598,648	-	-
Total	\$ 2,893,764	898,636	363,264	162,504
Component Unit:				
Audubon Fire and Rescue Association	\$ 1,293	-	8,143	-
<b>General Receipts and Transfers:</b>				
Property and other city tax levied for:				
General purposes				
Debt service				
Tax increment financing				
Local option sales tax				
Unrestricted interest on investments				
Miscellaneous				
Transfers				
Total general receipts and transfers				
Change in cash basis net position				
Cash basis net position beginning of year, as restated				
Cash basis net position end of year				
<b>Cash Basis Net Position</b>				
Restricted:				
Nonexpendable:				
Cemetery perpetual care				
Expendable:				
Streets				
Employee benefits				
Fire				
Customer deposits				
Debt service				
Unrestricted				
<b>Total cash basis net position</b>				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Position			Component Unit
Governmental Activities	Business Type Activities	Total	Audubon Fire and Rescue Association
(601,429)	-	(601,429)	
(149,828)	-	(149,828)	
(176,325)	-	(176,325)	
(60,742)	-	(60,742)	
(87,532)	-	(87,532)	
(215,493)	-	(215,493)	
(63,799)	-	(63,799)	
<u>(1,355,148)</u>	<u>-</u>	<u>(1,355,148)</u>	
-	(17,647)	(17,647)	
-	(96,565)	(96,565)	
<u>-</u>	<u>(114,212)</u>	<u>(114,212)</u>	
<u>(1,355,148)</u>	<u>(114,212)</u>	<u>(1,469,360)</u>	
			<u>6,850</u>
736,836	-	736,836	-
220,329	-	220,329	-
56,045	-	56,045	-
171,745	-	171,745	-
1,144	86	1,230	183
143,555	24,987	168,542	86,039
50,000	(50,000)	-	-
<u>1,379,654</u>	<u>(24,927)</u>	<u>1,354,727</u>	<u>86,222</u>
24,506	(139,139)	(114,633)	93,072
568,740	325,608	894,348	-
<u>\$ 593,246</u>	<u>186,469</u>	<u>779,715</u>	<u>93,072</u>
\$ 183,266	-	183,266	-
309,889	-	309,889	-
72,602	-	72,602	-
-	-	-	93,072
-	10,200	10,200	-
-	38,300	38,300	-
27,489	137,969	165,458	-
<u>\$ 593,246</u>	<u>186,469</u>	<u>779,715</u>	<u>93,072</u>

City of Audubon

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

As of and for the year ended June 30, 2016

	General	Special Revenue			Local Option Sales Tax
		Road Use Tax	Employee Benefits	Urban Renewal Tax Increment	
Receipts:					
Property tax	\$ 441,982	-	282,999	-	-
Tax increment financing	-	-	-	56,045	-
Other city tax	7,254	-	4,601	-	171,745
Licenses and permits	30,663	-	-	-	-
Use of money and property	20,689	-	-	-	-
Intergovernmental	71,530	271,847	-	-	-
Charges for service	243,778	-	-	-	-
Special assessments	826	-	-	-	-
Miscellaneous	150,869	-	15,338	-	-
Total receipts	967,591	271,847	302,938	56,045	171,745
Disbursements:					
Operating:					
Public safety	502,774	-	114,679	-	-
Public works	147,215	193,806	95,131	-	194,046
Culture and recreation	259,711	-	15,864	-	-
Community and economic development	56,175	-	-	-	-
General government	126,423	-	28,686	-	-
Debt service	-	-	-	-	-
Capital projects	-	-	-	-	-
Total disbursements	1,092,298	193,806	254,360	-	194,046
Excess (deficiency) of receipts over (under) disbursements	(124,707)	78,041	48,578	56,045	(22,301)
Other financing sources (uses):					
Transfers in	105,000	-	-	-	-
Transfers out	(10,857)	-	-	-	-
Total other financing sources (uses)	94,143	-	-	-	-
Change in cash balances	(30,564)	78,041	48,578	56,045	(22,301)
Cash balances beginning of year, as restated	232,746	97,658	24,024	(208,225)	156,491
Cash balances end of year	\$ 202,182	175,699	72,602	(152,180)	134,190
<b>Cash Basis Fund Balances</b>					
Nonspendable - Cemetery perpetual care	\$ -	-	-	-	-
Restricted for:					
Streets	-	175,699	-	-	134,190
Employee benefits	-	-	72,602	-	-
Unassigned	202,182	-	-	(152,180)	-
Total cash basis fund balances	\$ 202,182	175,699	72,602	(152,180)	134,190

See notes to financial statements.

Permanent			
Debt Service	Cemetery Trust	Nonmajor	Total
216,826	-	-	941,807
-	-	-	56,045
3,503	-	-	187,103
-	-	-	30,663
-	11	-	20,700
-	-	162,504	505,881
-	-	-	243,778
-	-	-	826
-	2,400	-	168,607
220,329	2,411	162,504	2,155,410
-	-	-	617,453
-	-	-	630,198
-	31	-	275,606
-	-	167,071	223,246
-	-	-	155,109
215,493	-	-	215,493
-	-	63,799	63,799
215,493	31	230,870	2,180,904
4,836	2,380	(68,366)	(25,494)
136,625	60,759	4,567	306,951
-	-	(246,094)	(256,951)
136,625	60,759	(241,527)	50,000
141,461	63,139	(309,893)	24,506
(163,974)	120,127	309,893	568,740
(22,513)	183,266	-	593,246
-	183,266	-	183,266
-	-	-	309,889
-	-	-	72,602
(22,513)	-	-	27,489
(22,513)	183,266	-	593,246

**Exhibit C**

## City of Audubon

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

As of and for the year ended June 30, 2016

	Enterprise		
	Water	Sewer	Total
Operating receipts:			
Charges for service	\$ 231,754	366,894	598,648
Miscellaneous	3,669	21,318	24,987
Total operating receipts	235,423	388,212	623,635
Operating disbursements:			
Business type activities	249,401	301,019	550,420
Excess (deficiency) of operating receipts over (under) operating disbursements	(13,978)	87,193	73,215
Non-operating receipts (disbursements):			
Interest on investments	42	44	86
Debt service	-	(162,440)	(162,440)
Net non-operating receipts (disbursements)	42	(162,396)	(162,354)
Excess of disbursements over receipts	(13,936)	(75,203)	(89,139)
Transfers out	(50,000)	-	(50,000)
Change in cash balances	(63,936)	(75,203)	(139,139)
Cash balances beginning of year	206,038	119,570	325,608
Cash balances end of year	\$ 142,102	44,367	186,469
<b>Cash Basis Fund Balances</b>			
Restricted for customer deposits	\$ 10,200	-	10,200
Restricted for debt service	-	38,300	38,300
Unrestricted	131,902	6,067	137,969
Total cash basis fund balances	\$ 142,102	44,367	186,469

See notes to financial statements.

City of Audubon

Notes to Financial Statements

June 30, 2016

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

The City of Audubon is a political subdivision of the State of Iowa located in the Audubon County. It was first incorporated in 1880 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

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

These financial statements present the City of Audubon (the primary government) and the Audubon Fire and Rescue Association (a component unit).

Discretely Presented Component Unit

Audubon Fire and Rescue Association (Association) has been incorporated under the provisions of the Iowa Nonprofit Corporation Act, Chapter 504 of the Code of Iowa, for the purpose of aiding in the extinguishing of fires and performing such other duties as set forth by the Fire Department. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Association meets the definition of a component unit which should be discretely presented. Based on these criteria, the economic resources received or help by the Association are substantially for the direct benefit of the City of Audubon.

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

B. Basis of Presentation

Government-wide Financial Statement - The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's Permanent Fund.

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position 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 from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.



The Employee Benefits Fund is used to account for the tax levy to support City employee benefits.

The Urban Renewal Tax Increment Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

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

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 permanent fund:

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

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, Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

C. Measurement Focus and Basis of Accounting

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

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position 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.

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:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

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 are imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2016, disbursements exceeded the amount budgeted in the public safety function.

**(2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2016 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 ensure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

**(3) Notes Payable**

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

Year Ending June 30,	General Obligation Notes		Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 130,000	31,388	142,000	18,970	272,000	50,358
2018	135,000	29,672	146,000	16,485	281,000	46,157
2019	136,000	27,628	150,000	13,930	286,000	41,558
2020	136,000	25,332	154,000	11,305	290,000	36,637
2021	141,000	22,903	159,000	8,610	300,000	31,513
2022-2026	712,000	69,010	333,000	8,785	1,045,000	77,795
2027	140,000	3,570	-	-	140,000	3,570
Total	\$ 1,530,000	209,503	1,084,000	78,085	2,614,000	287,588

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

## Revenue Notes

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$2,066,000 of sewer revenue notes issued in September 2002 and \$600,000 of sewer revenue notes issued in December 2003. Proceeds from the notes provided financing for the construction of improvements to the sewer treatment plant. The notes are payable solely from sewer customer net receipts and are payable through 2023. Annual principal and interest payments on the notes were more than 182% of net receipts. The total principal and interest remaining to be paid on the notes is \$1,162,085. The City is also required to annually pay a .25% servicing fee on the outstanding principal balance. For the current year, principal and interest paid and total customer net receipts were \$159,385 and \$87,193, respectively.

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

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

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

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

The City is in compliance with the provisions noted above.

## **(4) Pension Plan**

Plan Description - IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, PO Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

Protection occupation members may retire at normal retirement age, which is generally age 55. The formula used to calculate a protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 years of service but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2016, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the City contributed 8.93% of covered payroll, for a total rate of 14.88%. Protection occupation members contributed 6.56% of covered payroll and the City contributed 9.84% of covered payroll, for a total rate of 16.40%

The City's contributions to IPERS for the year ended June 30, 2016 totaled \$44,928.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2016, the City reported a liability of \$171,069 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2015, the City's proportion was 0.003463%, which was an increase of 0.000250% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the City's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$23,692, \$61,010 and \$85,980, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, as follows:

Rate of inflation (effective June 30, 2014)	3.00% per annum.
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 1990)	4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Core plus fixed income	28%	2.04%
Domestic equity	24	6.29
International equity	16	6.75
Private equity/debt	11	11.32
Real estate	8	3.48
Credit opportunities	5	3.63
U.S. TIPS	5	1.91
Other real assets	2	6.24
Cash	1	(0.71)
Total	100%	

Discount Rate - The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.50%) or 1% higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability	\$ 422,210	171,069	(40,757)

IPERS' Fiduciary Net Position - Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

**(5) Other Postemployment Benefits (OPEB)**

Plan Description – The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 10 active members and 1 retired member in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with United Healthcare. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees plus a 2% fee.

Funding Policy – The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$801 for single coverage and \$2,363 for family coverage. For the year ended June 30, 2016, the City contributed \$169,196 and plan members eligible for benefits contributed \$10,406 to the plan.

**(6) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City’s approximate liability for earned vacation payable to employees at June 30, 2016, primarily relating to the General Fund and Enterprise Funds, is as follows:

Type of Benefit	Amount
Vacation	\$ 23,000

This liability has been computed based on rates of pay in effect at June 30, 2016.

**(7) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2016 is as follows:

Transfer to	Transfer from	Amount
General	Capital Projects	\$ 55,000
	Enterprise:	
	Water	50,000
		<u>105,000</u>
Special Revenue:		
Housing	General	4,567
Debt Service	Capital Projects	<u>136,625</u>
Permanent:	Special Revenue:	
Cemetery Trust	Cemetery Trust	54,469
	General	6,290
		<u>60,759</u>
Total		<u>\$ 306,951</u>

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

**(8) Risk Management**

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

**(9) Deficit Balances**

The Special Revenue, Urban Renewal Tax Increment Fund and the Debt Service Fund had deficit balances of \$152,180 and \$22,513, respectively, at June 30, 2016. The deficit balance in the Special Revenue, Urban Renewal Tax Increment Fund is the result of project costs incurred prior to the availability of funds and will be eliminated with the collection of tax increment financing collections. The deficit balance in the Debt Service Fund is the result of debt payments exceeding the available funds. The deficit will be eliminated with the collection of property taxes.

**(10) Restatement**

The beginning cash balance of the Audubon Volunteer Fire Department, reported as a discretely presented component unit at June 30, 2015, was restated and included as part of the General Fund.

	General Fund	Audubon Volunteer Fire Department
Balances June 30, 2015, as previously reported	\$ 143,785	88,961
Reclassification	88,961	(88,961)
Balance July 1, 2015, as restated	\$ 232,746	-

**(11) New Accounting Pronouncement**

The City adopted fair value guidance as set forth in Governmental Accounting Standards Board Statement No. 72, Fair Value Measurement and Application. The Statement sets forth guidance for determining and disclosing the fair value of assets and liabilities reported in the financial statements. Adoption of the guidance did not have a significant impact on amounts reported or disclosed in the financial statements.



## **Other Information**

City of Audubon  
 Budgetary Comparison Schedule  
 of Receipts, Disbursements, and Changes in Balances –  
 Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds

Other Information

Year ended June 30, 2016

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Property tax	\$ 957,165	-
Tax increment financing	56,045	-
Other city tax	171,745	-
Licenses and permits	30,663	-
Use of money and property	20,700	86
Intergovernmental	505,881	-
Charges for service	243,778	598,648
Special assessments	826	-
Miscellaneous	168,607	24,987
Total receipts	2,155,410	623,721
Disbursements:		
Public safety	617,453	-
Public works	630,198	-
Health and social services	-	-
Culture and recreation	275,606	-
Community and economic development	223,246	-
General government	155,109	-
Debt service	215,493	-
Capital projects	63,799	-
Business type activities	-	712,860
Total disbursements	2,180,904	712,860
Excess (deficiency) of receipts over (under) disbursements	(25,494)	(89,139)
Other financing sources, net	50,000	(50,000)
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	24,506	(139,139)
Balances beginning of year, as restated	568,740	325,608
Balances end of year	\$ 593,246	186,469

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to
	Original	Final	Total
			Variance
957,165	885,404	870,268	86,897
56,045	104,000	104,000	(47,955)
171,745	225,067	224,203	(52,458)
30,663	17,100	17,100	13,563
20,786	29,650	29,650	(8,864)
505,881	253,519	253,051	252,830
842,426	908,900	908,900	(66,474)
826	-	-	826
193,594	78,450	78,450	115,144
<u>2,779,131</u>	<u>2,502,090</u>	<u>2,485,622</u>	<u>293,509</u>
617,453	459,912	500,912	(116,541)
630,198	683,404	683,404	53,206
-	500	500	500
275,606	429,160	429,160	153,554
223,246	26,800	226,800	3,554
155,109	164,830	184,830	29,721
215,493	215,393	215,893	400
63,799	292,000	292,000	228,201
712,860	571,942	871,942	159,082
<u>2,893,764</u>	<u>2,843,941</u>	<u>3,405,441</u>	<u>511,677</u>
(114,633)	(341,851)	(919,819)	805,186
-	-	-	-
(114,633)	(341,851)	(919,819)	805,186
894,348	979,384	979,384	(85,036)
<u>779,715</u>	<u>637,533</u>	<u>59,565</u>	<u>720,150</u>

City of Audubon

Notes to Other Information – Budgetary Reporting

June 30, 2016

The budgetary comparison is presented 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. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, 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, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments increased budgeted disbursements by \$561,500. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2016, disbursements exceeded the amount budgeted in the public safety function.

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City of Audubon

Schedule of the City's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System  
For the Last Two Years\*  
(In Thousands)

Other Information

	2016	2015
City's proportion of the net pension liability	0.003463%	0.003213%
City's proportionate share of the net pension liability	\$ 171	128
City's covered-employee payroll	\$ 478	448
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	35.77%	28.57%
IPERS' net position as a percentage of the total pension liability	85.19%	87.61%

\* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See accompanying independent auditor's report.

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City of Audubon

Schedule of City Contributions

Iowa Public Employees' Retirement System  
For the Last Eight Years  
(In Thousands)

Other Information

	2016	2015	2014	2013
Statutorily required contribution	\$ 45	45	42	43
Contributions in relation to the statutorily required contribution	(45)	(45)	(42)	(43)
Contribution deficiency (excess)	\$ -	-	-	-
City's covered-employee payroll	\$ 482	478	448	468
Contributions as a percentage of covered-employee payroll	9.34%	9.41%	9.38%	9.19%

See accompanying independent auditor's report.

GASB Statement No. 68 requires ten years of information be presented in this table. However until a full 10-year trend is compiled, the City will present information for those for which information is available.

---

2012	2011	2010	2009
40	35	32	31
(40)	(35)	(32)	(31)
-	-	-	-
456	438	421	431
8.77%	7.99%	7.60%	7.19%

City of Audubon

Notes to Other Information – Pension Liability

Year ended June 30, 2016

Changes of benefit terms:

Legislation enacted in 2010 modified benefit terms for Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

Legislative action in 2008 transferred four groups – emergency medical service providers, county jailers, county attorney investigators and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in future years. It also included the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate in the calculation of the UAL amortization payments.



**Supplementary Information**

**City of Audubon**

## City of Audubon

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

As of and for the year ended June 30, 2016

	Special Revenue			Total
	Housing	Cemetery Trust	Capital Projects	
Receipts:				
Intergovernmental	\$ 162,504	-	-	162,504
Disbursements:				
Operating:				
Community and economic development	167,071	-	-	167,071
Capital projects	-	-	63,799	63,799
Total disbursements	167,071	-	63,799	230,870
Deficiency of expenditures under receipts	(4,567)	-	(63,799)	(68,366)
Other financing uses:				
Transfer in	4,567	-	-	4,567
Transfers out	-	(54,469)	(191,625)	(246,094)
Total other financing sources (uses)	4,567	(54,469)	(191,625)	(241,527)
Change in cash balances	-	(54,469)	(255,424)	(309,893)
Cash balances beginning of year	-	54,469	255,424	309,893
Cash balances end of year	\$ -	-	-	-

See accompanying independent auditor's report.

City of Audubon  
 Schedule of Indebtedness  
 Year ended June 30, 2016

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation notes:			
Sweeper	Sep 26, 2007	3.85-4.30%	\$ 350,000
Capital loan notes	Oct 10, 2012	2.20-2.55	620,000
Refunding notes	Oct 10, 2012	0.75-2.05	965,000
Fire truck	Aug 27, 2013	3.00	158,000
Total			
Revenue notes:			
Sewer	Sep 15, 2002	* 1.75%	\$ 2,066,000
Sewer	Dec 12, 2003	* 1.75	600,000
Total			

\* The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance.

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
50,000	-	50,000	-	2,150
605,000	-	5,000	600,000	14,763
910,000	-	110,000	800,000	13,660
144,000	-	14,000	130,000	4,320
<b>\$ 1,709,000</b>	-	<b>179,000</b>	<b>1,530,000</b>	<b>34,893</b>
975,000	-	110,000	865,000	17,063
247,000	-	28,000	219,000	4,323
<b>\$ 1,222,000</b>	-	<b>138,000</b>	<b>1,084,000</b>	<b>21,385</b>

**City of Audubon**

## City of Audubon

## Note Maturities

June 30, 2016

General Obligation Notes							
Year Ending June 30,	Capital Loan Notes Issued Oct 10, 2012		Refunding Notes Issued Oct 10, 2012		Fire Truck Issued Aug 27, 2013		Total
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2017	2.20%	\$ 5,000	1.05%	\$ 110,000	3.00%	\$ 15,000	130,000
2018	2.20	10,000	1.25	110,000	3.00	15,000	135,000
2019	2.20	10,000	1.45	110,000	3.00	16,000	136,000
2020	2.20	5,000	1.60	115,000	3.00	16,000	136,000
2021	2.20	10,000	1.80	115,000	3.00	16,000	141,000
2022	2.20	5,000	1.95	120,000	3.00	17,000	142,000
2023	2.20	10,000	2.05	120,000	3.00	17,000	147,000
2024	2.20	130,000	-	-	3.00	18,000	148,000
2025	2.55	135,000	-	-	-	-	135,000
2026	2.55	140,000	-	-	-	-	140,000
2027	2.55	140,000	-	-	-	-	140,000
Total		<u>\$ 600,000</u>		<u>\$ 800,000</u>		<u>\$ 130,000</u>	<u>1,530,000</u>

Revenue Notes					
Year Ending June 30,	Sewer Issued Sep 25, 2002		Sewer Issued Dec 12, 2003		Total
	Interest Rates	Amount	Interest Rates	Amount	
2017	1.75%	\$ 113,000	1.75%	\$ 29,000	142,000
2018	1.75	116,000	1.75	30,000	146,000
2019	1.75	120,000	1.75	30,000	150,000
2020	1.75	123,000	1.75	31,000	154,000
2021	1.75	127,000	1.75	32,000	159,000
2022	1.75	131,000	1.75	33,000	164,000
2023	1.75	135,000	1.75	34,000	169,000
Total		<u>\$ 865,000</u>		<u>\$ 219,000</u>	<u>1,084,000</u>

See accompanying independent auditor's report.

City of Audubon

Schedule of Receipts By Source and Disbursements By Function -  
All Governmental Funds

For the Last Ten Years

	2016	2015	2014	2013
<b>Receipts:</b>				
Property tax	\$ 941,807	720,670	661,079	761,984
Tax increment financing	56,045	72,227	96,274	43,609
Other city tax	187,103	204,128	208,329	239,838
Licenses and permits	30,663	3,615	2,106	1,562
Use of money and property	20,700	21,109	19,984	20,799
Intergovernmental	505,881	452,174	284,177	251,864
Charges for service	243,778	242,833	244,713	249,426
Special assessments	826	-	3,807	3,977
Miscellaneous	168,607	75,129	74,855	85,270
<b>Total</b>	<b>\$ 2,155,410</b>	<b>1,791,885</b>	<b>1,595,324</b>	<b>1,658,329</b>
<b>Disbursements:</b>				
<b>Operating:</b>				
Public safety	\$ 617,453	460,385	544,006	363,821
Public works	630,198	633,798	736,329	776,945
Health and social services	-	-	1,000	1,000
Culture and recreation	275,606	251,567	361,476	276,730
Community and economic development	223,246	173,621	91,359	49,155
General government	155,109	291,145	114,714	119,546
Debt service	215,493	217,541	200,914	174,547
Capital projects	63,799	39,814	211,210	309,226
<b>Total</b>	<b>\$ 2,180,904</b>	<b>2,067,871</b>	<b>2,261,008</b>	<b>2,070,970</b>

See accompanying independent auditor's report.



2012	2011	2010	2009	2008	2007
769,268	826,772	697,584	591,287	502,392	450,807
44,681	46,293	128,054	31,636	84,848	144,011
213,956	230,636	213,365	219,178	204,702	175,273
2,649	2,157	793	466	508	1,583
19,717	20,832	27,359	38,248	84,618	58,501
293,306	542,684	447,545	562,377	600,094	254,803
244,848	243,148	229,816	209,538	196,688	202,272
4,645	942	6,007	4,260	20,706	31,377
100,421	55,676	95,015	106,178	120,924	165,709
1,693,491	1,969,140	1,845,538	1,763,168	1,815,480	1,484,336
403,733	350,822	340,427	345,091	487,808	350,862
729,120	693,929	859,937	1,031,742	913,310	606,413
1,000	-	-	260,750	1,000	1,000
273,275	247,277	240,922	33,881	265,913	264,595
55,436	51,097	43,488	87,854	166,893	159,517
137,824	302,957	83,128	240,332	89,177	137,370
250,565	253,030	255,225	361,926	114,576	23,635
-	-	7,656	-	1,107,220	-
1,850,953	1,899,112	1,830,783	2,361,576	3,145,897	1,543,392

**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**



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

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Auditor of State

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

To the Honorable Mayor and Members of the City Council:

We have audited 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, the financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Audubon, Iowa, as of and for the year ended June 30, 2016, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 24, 2017. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Audubon's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Audubon's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Audubon's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses and another deficiency we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a 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 a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Audubon's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in the accompanying Schedule of Findings as items (A) through (C) to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings as item (D) to be a significant deficiency.

### Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2016 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.


### The City of Audubon's Responses to the Findings

The City of Audubon's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The City of Audubon's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

  
MARY MOSIMAN, CPA  
Auditor of State

March 24, 2017

City of Audubon  
Schedule of Findings  
Year ended June 30, 2016

**Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

(A) Segregation of Duties

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City’s financial statements.

Condition – Generally, one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

- (1) Accounting system – performance of all accounting functions and having custody of assets.
- (2) Cash – initiating cash receipt and disbursement transactions, handling and recording cash and reconciling bank accounts.
- (3) Investments – detailed record keeping, custody of investments and reconciling earnings.
- (4) Long-term debt – maintaining long-term debt records and handling and recording cash and reviewing compensated absence records.
- (5) Receipts – opening mail, collecting, depositing, journalizing, recording and reconciling.
- (6) Disbursements – purchasing, disbursement preparation, recording, check writing, signing and reconciling.
- (7) Payroll – entering rates into the system, preparing, reconciling, recording and distributing.
- (8) Journal entries are not reviewed and approved by an independent person.

Also, although bank reconciliations were performed, they were not reviewed by an independent person.

Cause – The City has a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

City of Audubon

Schedule of Findings

Year ended June 30, 2016

Effect – Inadequate segregation of duties could adversely affect the City’s ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Reviews of journal entries and reconciliations should be performed by independent persons and should be evidenced by the signature or initials of the reviewer and the date of the review.

Response – The City has already implemented a process where the Mayor reviews all bank statements and reconciliations on a monthly basis.

Conclusion – Response accepted.

(B) Computer Systems

Criteria – Properly designed policies and procedures pertaining to control activities over the City’s computer systems and implementation of the policies and procedures help provide reasonable assurance financial information is safeguarded and reliable, regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations.

Condition – The City does not have written policies for:

- Requiring a time out and/or log off function which will protect a terminal if left unattended.
- Requiring logging off and/or the use of screen saver passwords for unattended terminals.
- Prohibiting the sharing of passwords.
- Requiring passwords/log-ins to be periodically changed every 60 to 90 days.
- Requiring passwords to be 8 characters in length or longer.
- Prohibiting the use of the same password and tracking password history.
- Prohibiting access to the computer system after three failed log-in attempts.

Also, the City does not have a written disaster recovery plan.

City of Audubon

Schedule of Findings

Year ended June 30, 2016

Cause – Management has not required written policies for the above computer based controls.

Effect – Lack of written policies for computer systems could result in a loss of data or compromised data, resulting in unreliable financial information. The failure to have a formal disaster recovery plan could result in the City's inability to function in the event of a disaster or continue City business without interruption.

Recommendation – The City should implement procedures and develop written policies addressing the above items in order to improve the City's control over its computer systems. A written disaster recovery plan should also be developed.

Response – Management has already instituted requiring logging off/on of computers as well as password protected screen savers. The current password protection policies are insufficient. Management will work on updating these policies. The City has reached out to the County, fire department, police department and E-911 to help develop a disaster recovery plan.

Conclusion – Response accepted.

(C) Reconciliation of Utility Billings, Collections and Delinquent Accounts

Criteria – An effective internal control system provides for internal controls related to reconciling utility billings, collections and delinquent accounts and comparing utility collections to deposits to ensure proper recording of utility receipts, the propriety of adjustments and write-offs and the propriety of delinquent account balances.

Condition – Utility billings, collections and delinquent accounts were not reconciled throughout the year.

Cause – Policies have not been established and procedures have not been implemented to reconcile utility billings, collections and delinquent accounts.

Effect – This condition could result in unrecorded or misstated utility receipts, improper or unauthorized adjustments and write-offs and/or misstated delinquent account balances.

Recommendation – Procedures should be established to reconcile utility billings, collections and delinquent accounts for each billing period and to reconcile collections to deposits. The City Council or a Council-designated independent person should review the reconciliations and monitor delinquencies. The review of the reconciliations should be documented by the signature or initials of the reviewer and the date of review.

City of Audubon

Schedule of Findings

Year ended June 30, 2016

Response – Management will work with the utility billings to establish a procedure in which the Mayor or Council member will review the billings, collections and delinquencies on a periodic basis.

Conclusion – Response accepted.

(D) Timesheets

Criteria – An effective internal control system provides for internal controls related to preparation of timesheets by all employees. Timesheets support all hours worked and taken as vacation, sick leave, compensatory time, holiday hours and personal days and provide an accurate record of hours worked. Supervisory review of timesheets can help ensure the accuracy of recorded hours worked.

Condition – Although timesheets are prepared, there is no evidence of the approval of timesheets by supervisory personnel for any of the departments, except for the police department.

Cause – Policies have not been established and procedures have not been implemented to require timesheets be reviewed and approved by supervisory personnel.

Effect – The lack of a documented supervisory review process increases the probability staff errors in recording of hours or leave will go undetected.

Recommendation – Timesheets should be submitted to an appropriate supervisor for approval and signed by the employee and supervisor.

Response – Management has already established a policy of Department Supervisors signing the timesheets of subordinates prior to submitting to payroll.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.



City of Audubon

Schedule of Findings

Year ended June 30, 2016

**Other Findings Related to Required Statutory Reporting:**

- (1) Certified Budget – Disbursements during the year ended June 30, 2016 exceeded the amount budgeted in the public safety function. Disbursements also exceeded the amounts budgeted in the community and economic development and public safety functions prior to approval of the budget amendment.

Recommendation – The budget should have been properly amended as required by Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budgeted amounts in the community and economic development and public safety functions.

Response – This was due to the Fire Department having separate accounts prior to the Department forming a separate association. They have now separated and the accounting will be more accurate in the future.

Conclusion – Response accepted.

- (2) Questionable Disbursements – Certain disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented were noted. The disbursements issued by the Audubon Fire Department and Audubon Fire and Rescue Association are detailed as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Cash	Annual appreciation banquet	\$ 350
Cash	Golf tournament	200
Cash	Wrestling tournament fundraiser	200
Cash	Christmas part	90
Lori’s Flowers	Funeral flowers/arrangements	233

According to the Attorney General’s opinion, it is possible for such disbursements to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

Recommendation – The Audubon Fire Department and the Audubon Fire and Rescue Association, should determine and document the public purpose served by these disbursements before authorizing any further payments. If this practice is continued, written policies and procedures, including the requirement for proper documentation, should be established.

The practice of writing checks to “cash” should be discontinued.

City of Audubon

Schedule of Findings

Year ended June 30, 2016

Response – We will contact the bank to see if there is another way to have cash on hand for events in which we must make change. If not, we will make a spreadsheet that shows how many participants and the amount of profit from that and we will make 2 deposits (one to replace the cash for change and one to show the profit from the event). If we are able to pay vendors in checks versus cash we will do that.

Conclusion – Response acknowledged. The Audubon Fire Department and the Audubon Fire and Rescue Association, should determine and document the public purpose served by these disbursements before authorizing any further payments. If this practice is continued, written policies and procedures, including the requirement for proper documentation, should be established.

- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) Business Transactions – No business transactions between the City and City officials or employees were noted.
- (5) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.

Although minutes of the City Council proceedings were published, they were not always published within fifteen days and did not always include a summary of all receipts as required by Chapter 372.13(6) of the Code of Iowa. In addition, the meeting minutes were not always signed.

In addition, the approved wage for the City Clerk was approved based upon a percentage and the actual approved wage was not documented in the City Council minutes.

Recommendation – The City should publish minutes, including a summary of all receipts to comply with Chapter 372.13(6) of the Code of Iowa. In addition, the minutes should be signed to authenticate the record. The approved wage for the City Clerk should be adequately documented in the City Council minutes.

Response – Management has already begun including the receipts with the claims when published. We were unaware of the need to specifically state the amount of compensation, future wage resolutions will indicate the actual amount of compensation. All meeting minutes will be signed.

Conclusion – Response accepted.

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

City of Audubon

Schedule of Findings

Year ended June 30, 2016

(8) Revenue Bonds and Notes – No instances of non-compliance with the revenue bond and note resolutions were noted.

(9) Financial Condition – The Special Revenue, Urban Renewal Tax Increment and the Debt Service Funds had deficit balances of \$152,180 and \$22,513 at June 30, 2016.

Recommendation – The City should investigate alternatives to eliminate these deficits in order to return these funds to a sound financial position.

Response – Management has already planned to bring these two accounts to a positive balance in the fiscal year 2018 budget.

Conclusion – Response accepted.

(10) Annual Urban Renewal Report – The Annual Urban Renewal Report was properly approved and certified to the Iowa Department of Management on or before December 1 and no exceptions were noted.

(11) Separately Maintained Records – The Audubon Fire Department maintains separate accounting records for its operations. Monthly financial reports are not provided to the City and the activity of the Fire Department is not included in the City's computer system, the City's accounting records or the City's financial reports.

Recommendation – Chapter 384.20 of the Code of Iowa states, in part, "A city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose." For better accountability, financial and budgetary control, the financial activity and balances of all City accounts should be reported to the City Council on a monthly basis and included in the City's computer system, accounting records and financial reports.

Response – The Fire Department has elected to form a Fire Association. Management believes this will alleviate this issue in the future.

Conclusion – Response accepted.

(12) Transfer of Funds to the Audubon Fire and Rescue Association – The Audubon Fire and Rescue Association was created on April 1, 2016 as a non-profit entity established under Code of Iowa Chapter 504. The Association was established to assist the City of Audubon Fire Department through fund raising activities. On April 11, 2016, the City Council approved the transfer of \$86,220 from the City of Audubon Fire Department to the Audubon Fire and Rescue Association, consisting of cash in the bank and certificate of deposits.

The Constitution of the State of Iowa prohibits governmental bodies from making a gift to a private non-profit corporation. Article III, Section 31 states, "No public money or property shall be appropriated for local, or private purposes, unless such appropriation, compensation, or claim, be allowed by two thirds of the members elected to each branch of the General Assembly."

City of Audubon

Schedule of Findings

Year ended June 30, 2016

Recommendation – The City should consult legal counsel for the disposition of this matter.

Response – Management will consult with the City Attorney on this matter. The funds were donations made to the Fire Department and were not funds gained from taxation.

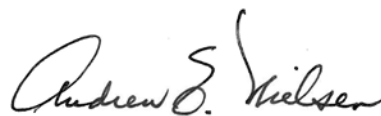
Conclusion – Response acknowledged. The donations were made to the Fire Department while the Fire Department was part of the City. According to informal advice from the Attorney General's Office, a City may not simply donate funds received from private donors to a private non-profit organization to use and invest as the non-profit sees fit.

City of Audubon

Staff

This audit was performed by:

Tammy A. Hollingsworth, CIA, Manager  
Anthony M. Heibult, Senior Auditor  
Ashley A. Boleyn, Assistant Auditor

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

Andrew E. Nielsen, CPA  
Deputy Auditor of State