



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0006

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NEWS RELEASE

FOR RELEASE

March 27, 2020

Contact: Marlys Gaston
515/281-5834

Auditor of State Rob Sand today released an audit report on the City of Audubon, Iowa.

FINANCIAL HIGHLIGHTS:

The City's receipts totaled \$7,266,259 for the year ended June 30, 2019, a 2.7% decrease from the prior year. Disbursements for the year ended June 30, 2019 totaled \$7,179,724, a 3.8% decrease from the prior year.

AUDIT FINDINGS:

Sand reported seven findings related to the receipt and disbursement of taxpayer funds. They are found on pages 44 through 49 of this report. The findings address issues such as a lack of segregation of duties, the lack independent review of utility reconciliations, disbursements exceeding budgeted amounts and a deficit fund balance in the Enterprise, Water fund. Sand provided the City with recommendations to address each of the findings.

Six of the seven findings discussed above are repeated from the prior year. The City Council has a fiduciary responsibility to provide oversight of the City's operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" a governing body exercises in its fiduciary capacity.

A copy of the audit report is available for review on the Auditor of State's web site at <https://auditor.iowa.gov/reports/audit-reports/>.

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CITY OF AUDUBON

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

JUNE 30, 2019

City of Audubon



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March 4, 2020

Officials of City of Audubon
Audubon, Iowa

Dear Honorable Mayor and Members of the City Council:

I am pleased to submit to you the financial and compliance audit report for City of Audubon, Iowa, for the year ended June 30, 2019. The audit was performed pursuant to Chapter 11.6 of the Code of Iowa and in accordance with U.S. auditing standards and the standards applicable to financial audits contained in Government Auditing Standards.

I appreciate the cooperation and courtesy extended by the officials and employees of City of Audubon throughout the audit. If I or this office can be of any further assistance, please contact me or my staff at 515-281-5834.

Sincerely,

A handwritten signature in black ink, appearing to read "Rob Sand".

Rob Sand
Auditor of State

Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor’s Report		5-7
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statement:		
Cash Basis Statement of Activities and Net Position	A	10-11
Governmental Fund Financial Statement:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B	12-13
Proprietary Fund Financial Statement:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	C	15
Notes to Financial Statements		16-26
Other Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual – All Governmental Funds and Proprietary Funds		28-29
Notes to Other Information – Budgetary Reporting		30
Schedule of the City’s Proportionate Share of the Net Pension Liability		31
Schedule of City Contributions		32-33
Notes to Other Information – Pension Liability		34
Supplementary Information:	<u>Schedule</u>	
Schedule of Indebtedness	1	36-37
Note Maturities	2	39
Schedule of Receipts by Source and Disbursements by Function – All Governmental Funds	3	40-41
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 <u>Government Auditing Standards</u>		42-43
Schedule of Findings		44-49
Staff		50

City of Audubon

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Barb Jacobsen	Mayor	Jan 2020
Andy Griffith	Council Member	Jan 2020
Robert Jacobsen	Council Member	Jan 2020
Brad Hemmingsen	Council Member	Jan 2022
Jason Hocker	Council Member	Jan 2022
Nick Weihs	Council Member	Jan 2022
Joseph Foran	City Clerk	Indefinite
David Wiederstein	Attorney	Indefinite

City of Audubon



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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, 2019, 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, 2019, 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

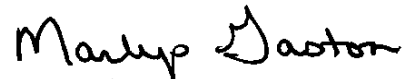
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Audubon's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the three years ended June 30, 2018 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The financial statements for the six 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 3 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, 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 28 through 34, 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 4, 2020 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 solely 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 effectiveness of the City's 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.


Marlys K. Gaston, CPA
Deputy Auditor of State

March 4, 2020

City of Audubon

Basic Financial Statements

City of Audubon

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2019

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Primary Government:				
Governmental activities:				
Public safety	\$ 599,176	37,358	2,400	-
Public works	798,182	208,785	287,513	-
Culture and recreation	323,530	68,669	40,991	1,299
Community and economic development	61,338	-	-	-
General government	162,755	171,321	-	-
Debt service	179,728	-	-	-
Total governmental activities	2,124,709	486,133	330,904	1,299
Business type activities:				
Water	376,358	218,032	-	-
Sewer	4,678,657	606,969	-	-
Total business type activities	5,055,015	825,001	-	-
Total	\$ 7,179,724	1,311,134	330,904	1,299
Component Unit:				
Audubon Fire and Rescue Association	\$ 83,066	-	89,934	-
General Receipts:				
Property and other city tax levied for:				
General purposes				
Debt service				
Tax increment financing				
Local option sales tax				
Commercial/industrial tax replacement				
Unrestricted interest on investments				
Note proceeds				
USDA grant				
Miscellaneous				
Total general receipts				
Change in cash basis net position				
Cash basis net position beginning of year				
Cash basis net position end of year				
Cash Basis Net Position				
Restricted:				
Nonexpendable:				
Cemetery perpetual care				
Expendable:				
Streets				
Employee benefits				
Capital projects				
Fire				
Customer deposits				
Debt service				
Unrestricted				
Total cash basis net position				
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
(559,418)	-	(559,418)	
(301,884)	-	(301,884)	
(212,571)	-	(212,571)	
(61,338)	-	(61,338)	
8,566	-	8,566	
(179,728)	-	(179,728)	
(1,306,373)	-	(1,306,373)	
-	(158,326)	(158,326)	
-	(4,071,688)	(4,071,688)	
-	(4,230,014)	(4,230,014)	
(1,306,373)	(4,230,014)	(5,536,387)	
			6,868
909,421	-	909,421	-
166,810	-	166,810	-
55,502	-	55,502	-
188,314	-	188,314	-
43,607	-	43,607	-
26,276	449	26,725	808
-	4,059,058	4,059,058	-
-	77,097	77,097	-
76,950	19,438	96,388	-
1,466,880	4,156,042	5,622,922	808
160,507	(73,972)	86,535	7,676
649,087	164,876	813,963	94,184
\$ 809,594	90,904	900,498	101,860
\$ 193,967	-	193,967	-
85,328	-	85,328	-
177,485	-	177,485	-
40,580	-	40,580	-
-	-	-	101,860
-	24,720	24,720	-
123,935	128,951	252,886	-
188,299	(62,767)	125,532	-
\$ 809,594	90,904	900,498	101,860

City of Audubon

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

As of and for the year ended June 30, 2019

	General	Road Use Tax	Special Employee Benefits
Receipts:			
Property tax	\$ 477,622	-	431,799
Tax increment financing	-	-	-
Other city tax	-	-	-
Licenses and permits	158,943	-	-
Use of money and property	26,267	-	-
Intergovernmental	53,831	276,457	17,609
Charges for service	259,086	-	-
Special assessments	12,148	-	-
Miscellaneous	140,623	-	-
Total receipts	1,128,520	276,457	449,408
Disbursements:			
Operating:			
Public safety	419,453	-	179,723
Public works	244,339	270,258	141,309
Culture and recreation	312,878	-	10,647
Community and economic development	41,600	-	-
General government	121,427	-	41,328
Debt service	-	-	-
Total disbursements	1,139,697	270,258	373,007
Excess (deficiency) of receipts over (under) disbursements	(11,177)	6,199	76,401
Other financing sources (uses):			
Transfers in	-	-	-
Transfers out	(45,000)	-	-
Total other financing sources (uses)	(45,000)	-	-
Change in cash balances	(56,177)	6,199	76,401
Cash balances (deficits) beginning of year	244,476	29,254	101,084
Cash balances end of year	\$ 188,299	35,453	177,485
Cash Basis Fund Balances			
Nonspendable - Cemetery perpetual care	\$ -	-	-
Restricted for:			
Streets	-	35,453	-
Employee benefits	-	-	177,485
Capital projects	-	-	-
Debt service	-	-	-
Unassigned	188,299	-	-
Total cash basis fund balances	\$ 188,299	35,453	177,485

See notes to financial statements.

Revenue		Permanent				Total
Urban Renewal Tax Increment	Local Option Sales Tax	Debt Service	Capital Projects	Cemetery Trust		
-	-	166,810	-	-	-	1,076,231
55,502	-	-	-	-	-	55,502
-	188,314	-	-	-	-	188,314
-	-	-	-	-	-	158,943
-	-	-	-	9	-	26,276
-	-	6,580	-	-	-	354,477
-	-	-	-	-	-	259,086
-	-	-	-	-	-	12,148
-	11,056	-	-	2,560	-	154,239
55,502	199,370	173,390	-	2,569	-	2,285,216
-	-	-	-	-	-	599,176
-	142,276	-	-	-	-	798,182
-	-	-	-	5	-	323,530
19,738	-	-	-	-	-	61,338
-	-	-	-	-	-	162,755
-	-	179,728	-	-	-	179,728
19,738	142,276	179,728	-	5	-	2,124,709
35,764	57,094	(6,338)	-	2,564	-	160,507
40,000	-	5,000	-	-	-	45,000
-	-	-	-	-	-	(45,000)
40,000	-	5,000	-	-	-	-
75,764	57,094	(1,338)	-	2,564	-	160,507
26,805	(7,219)	22,704	40,580	191,403	-	649,087
102,569	49,875	21,366	40,580	193,967	-	809,594
-	-	-	-	193,967	-	193,967
-	49,875	-	-	-	-	85,328
-	-	-	-	-	-	177,485
-	-	-	40,580	-	-	40,580
102,569	-	21,366	-	-	-	123,935
-	-	-	-	-	-	188,299
102,569	49,875	21,366	40,580	193,967	-	809,594

City of Audubon

City of Audubon

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

As of and for the year ended June 30, 2019

	Enterprise		
	Water	Sewer	Total
Operating receipts:			
Charges for service	\$ 218,032	606,969	825,001
Miscellaneous	16,932	2,506	19,438
Total operating receipts	234,964	609,475	844,439
Operating disbursements:			
Business type activities	232,109	264,902	497,011
Excess of operating receipts over operating disbursements	2,855	344,573	347,428
Non-operating receipts (disbursements):			
Interest on investments	160	289	449
Note proceeds	59,058	4,000,000	4,059,058
USDA grant	-	77,097	77,097
Debt service	(29,718)	(4,303,114)	(4,332,832)
Capital outlay	(114,531)	(110,641)	(225,172)
Net non-operating receipts (disbursements)	(85,031)	(336,369)	(421,400)
Change in cash balances	(82,176)	8,204	(73,972)
Cash balances (deficits) beginning of year	(11,365)	176,241	164,876
Cash balances (deficits) end of year	\$ (93,541)	184,445	90,904
Cash Basis Fund Balances (Deficits)			
Restricted for customer deposits	\$ 24,720	-	24,720
Restricted for debt service	45,264	83,687	128,951
Unrestricted	(163,525)	100,758	(62,767)
Total cash basis fund balances (deficits)	\$ (93,541)	184,445	90,904

See notes to financial statements.

City of Audubon

Notes to Financial Statements

June 30, 2019

(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 911 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 receipts 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.

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.

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 Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities and certain equipment, with the exception of those financed through Enterprise Funds.

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, 2019, disbursements exceeded the amounts budgeted in the public works, community and economic development, debt service and business type activities functions. In addition, disbursements exceeded the amount budgeted in the community and economic development function prior to the December 10, 2018 and April 8, 2019 budget amendments.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2019 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
2020	\$ 136,000	25,333	224,885	79,620	360,885	104,953
2021	141,000	22,903	231,136	75,676	372,136	98,579
2022	142,000	20,133	237,408	71,620	379,408	91,753
2023	147,000	17,173	243,703	67,455	390,703	84,628
2024	133,000	13,983	76,021	63,179	209,021	77,162
2025-2029	415,000	21,293	400,701	295,300	815,701	316,593
2030-2034	-	-	437,313	258,687	437,313	258,687
2035-2039	-	-	477,272	218,729	477,272	218,729
2040-2044	-	-	520,881	175,119	520,881	175,119
2045-2049	-	-	568,476	127,525	568,476	127,525
2050-2054	-	-	620,418	75,581	620,418	75,581
2055-2059	-	-	543,889	19,901	543,889	19,901
Total	\$ 1,114,000	120,818	4,582,103	1,528,392	5,696,103	1,649,210

Sewer Revenue Capital Loan 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. The City is also required to annually pay a .25% servicing fee on the outstanding principal balance. 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.

The City has also pledged future sewer customer receipts, net of specified operating disbursements, to repay a \$4,000,000 U.S. Department of Agriculture – Rural Development taxable sewer revenue capital loan note issued in July 2018. The note was issued to redeem the project anticipation note previously issued to pay the costs of improvements and extensions to the municipal sewer system. The notes are payable solely from sewer customer net receipts. Interest and principal payments of \$11,600 are due each month beginning on August 24, 2018, with a final maturity date of July 24, 2058.

During the current year, annual principal and interest payments on the sewer notes were 85% of net receipts. The total principal and interest remaining to be paid on the notes is \$6,110,495. For the current year, principal and interest paid and total customer net receipts were \$291,530 and \$344,573, 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 resolutions providing for the issuance of the \$4,00,000 revenue note includes the additional provision:

- (d) Additional monthly transfers of 10% 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.

Revenue Capital Loan Anticipation Project Notes

On June 27, 2017, the City entered into a water revenue capital loan anticipation project note for \$767,900 to provide funds for improvements and extensions to the municipal water system. The proceeds for the loan will be made available to the City beginning with an initial draw of \$100,000 upon entering into the agreement. Subsequent draws in denominations of \$1,000, or multiples thereof, will be made by the City as the project progresses. The note was issued pursuant to Chapter 384.24A and 384.83 of the Code of Iowa in anticipation of collections to be received in the USDA Water System Project Fund, into which the City has appropriated the future receipt of proceeds of the sale of water revenue capital loan notes to the United States Department of Agriculture pursuant to a letter of conditions dated December 5, 2017, to be issued to pay those public improvement costs to the amount of \$767,900.

At June 30, 2019, the City had drawn \$706,694 against the anticipation notes and paid principal of \$2,623 and interest of \$27,095 on the notes.

(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 PO Box 9117, Des Moines, Iowa 50306-9117 or at 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 and may retire any time after reaching age 50 with 22 or more years of covered employment.

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 2019, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the City contributed 9.44% of covered payroll, for a total rate of 15.73%. Protection occupation members contributed 6.81% of covered payroll and the City contributed 10.21% of covered payroll, for a total rate of 17.02%

The City’s contributions to IPERS for the year ended June 30, 2019 totaled \$57,009.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2019, the City reported a liability of \$260,159 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018 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, 2018, the City’s proportion was 0.004111%, which was a decrease of 0.000219% over its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the City’s pension expense, deferred outflows of resources and deferred inflows of resources totaled \$57,034, \$119,475 and \$79,096, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Rate of inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates were used in the 2018 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

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 arithmetic 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
Domestic equity	22.0%	6.01%
International equity	15.0	6.48
Global smart beta equity	3.0	6.23
Core plus fixed income	27.0	1.97
Public credit	3.5	3.93
Public real assets	7.0	2.91
Cash	1.0	(0.25)
Private equity	11.0	10.81
Private real assets	7.5	4.14
Private credit	3.0	3.11
Total	<u>100.0%</u>	

Discount Rate – The discount rate used to measure the total pension liability was 7.00%. 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 7.00%, 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 (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability	\$ 585,717	260,159	(12,720)

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.

(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. Group insurance benefits are established under Iowa Code Chapter 509A.13. The City currently finances the benefit plan on a pay-as-you-go basis. For the year ended June 30, 2019, the City contributed \$306,444 and plan members eligible for benefits did not contribute to the plan. At June 30, 2019, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits – Individuals who are employed by the City and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy.

Retired participants must be age 55 or older at retirement, with the exception of special service participants who must be age 50 with 22 years of services. At June 30, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	-
Active employees	<u>11</u>
Total	<u><u>11</u></u>

(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, 2019, primarily relating to the General Fund and Enterprise Funds, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	<u><u>\$ 29,000</u></u>

This liability has been computed based on rates of pay in effect at June 30, 2019.

(7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2019 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue: Urban Renewal Tax Increment	General	\$ 40,000
Debt Service	General	<u>5,000</u>
Total		<u><u>\$ 45,000</u></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 Balance

The Enterprise, Water Fund had a deficit balance of \$93,541 at June 30, 2019. The deficit balance in the Enterprise, Water Fund is the result of project costs incurred prior to the loan anticipation note draws. The deficit will be eliminated with the collection of loan proceeds Development Agreements.

(10) Development Agreements

The City has entered into a development agreement with Wapsy's Truck Stop, LLC. The City has agreed to pay Wapsy's Truck Stop, LLC an amount not to exceed \$375,000 in exchange for minimum improvements to be constructed on the development property. The incremental property tax to be received by the City under 403.19 of the Code of Iowa will be rebated for a period of 5 years, beginning with the tax year in which the property tax on the completed value of the improvements is first paid. As of June 30, 2019, the City has not made any payments to the developer.

(11) Prospective Accounting Change

Governmental Accounting Standards Board has issued Statement No. 84, Fiduciary Activities. This statement will be implemented for the fiscal year ending June 30, 2020. The revised requirements of this statement will enhance the consistency and comparability of fiduciary activity reporting by state and local governments by establishing specific criteria for identifying fiduciary activities and clarifying whether and how business-type activities should report their fiduciary activities.

Other Information

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

Other Information

Year ended June 30, 2019

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Property tax	\$ 1,076,231	-
Tax increment financing	55,502	-
Other city tax	188,314	-
Licenses and permits	158,943	-
Use of money and property	26,276	449
Intergovernmental	354,477	-
Charges for service	259,086	825,001
Special assessments	12,148	-
Miscellaneous	154,239	19,438
Total receipts	2,285,216	844,888
Disbursements:		
Public safety	599,176	-
Public works	798,182	-
Culture and recreation	323,530	-
Community and economic development	61,338	-
General government	162,755	-
Debt service	179,728	-
Capital projects	-	-
Business type activities	-	5,055,015
Total disbursements	2,124,709	5,055,015
Excess (deficiency) of receipts over (under) disbursements	160,507	(4,210,127)
Other financing sources, net	-	4,136,155
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	160,507	(73,972)
Balances beginning of year	649,087	164,876
Balances end of year	\$ 809,594	90,904

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
1,076,231	1,021,510	1,021,510	54,721
55,502	-	-	55,502
188,314	201,618	201,618	(13,304)
158,943	162,500	162,500	(3,557)
26,725	27,115	27,115	(390)
354,477	1,434,500	1,434,500	(1,080,023)
1,084,087	1,596,681	1,596,681	(512,594)
12,148	5,000	5,000	7,148
173,677	106,725	154,765	18,912
3,130,104	4,555,649	4,603,689	(1,473,585)
599,176	705,413	705,413	106,237
798,182	745,521	825,521	27,339
323,530	348,595	398,595	75,065
61,338	17,600	35,600	(25,738)
162,755	185,300	185,300	22,545
179,728	164,628	164,628	(15,100)
-	5,725,000	8,005,000	8,005,000
5,055,015	1,164,531	1,164,531	(3,890,484)
7,179,724	9,056,588	11,484,588	4,304,864
(4,049,620)	(4,500,939)	(6,880,899)	2,831,279
4,136,155	4,800,000	7,080,000	(2,943,845)
86,535	299,061	199,101	(112,566)
813,963	1,190,982	1,190,982	(377,019)
900,498	1,490,043	1,390,083	(489,585)

City of Audubon

Notes to Other Information – Budgetary Reporting

June 30, 2019

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, 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 \$2,348,000. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2019, disbursements exceeded the amount budgeted in the public works, community and economic development, debt service and business type activities functions. In addition, disbursements exceeded the amount budgeted in the community and economic development function prior to the December 10, 2018 and April 8, 2019 budget amendments.

City of Audubon

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

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

Other Information

	2019	2018	2017	2016	2015
City's proportion of the net pension liability	0.004111%	0.004330%	0.004106%	0.003463%	0.003213%
City's proportionate share of the net pension liability	\$ 260	288	258	171	128
City's covered payroll	\$ 545	528	482	478	448
City's proportionate share of the net pension liability as a percentage of its covered payroll	47.71%	54.55%	53.53%	35.77%	28.57%
IPERS' net position as a percentage of the total pension liability	83.62%	82.21%	82.81%	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.

City of Audubon

Schedule of City Contributions

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

Other Information

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Statutorily required contribution	\$ 57	51	49	45
Contributions in relation to the statutorily required contribution	<u>(57)</u>	<u>(51)</u>	<u>(49)</u>	<u>(45)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered payroll	\$ 584	545	528	482
Contributions as a percentage of covered payroll	9.76%	9.36%	9.28%	9.34%

See accompanying independent auditor's report.

2015	2014	2013	2012	2011	2010
45	42	43	40	35	32
(45)	(42)	(43)	(40)	(35)	(32)
-	-	-	-	-	-
478	448	468	456	438	421
9.41%	9.38%	9.19%	8.77%	7.99%	7.60%

City of Audubon

Notes to Other Information – Pension Liability

Year ended June 30, 2019

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.

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

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 (unfunded actuarial liability) 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.

Supplementary Information

City of Audubon
Schedule of Indebtedness
Year ended June 30, 2019

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation notes:			
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
Sewer	Jul 24, 2018	1.75	4,000,000
Total			
Revenue capital loan anticipation project notes:			
Sewer	Jun 27, 2017	2.97%	\$ 4,000,000
Water	Jun 27, 2017	2.97	706,694
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
585,000	-	10,000	575,000	14,323
580,000	-	110,000	470,000	10,305
100,000	-	31,000	69,000	3,000
<u>\$ 1,265,000</u>	<u>-</u>	<u>151,000</u>	<u>1,114,000</u>	<u>27,628</u>
636,000	-	120,000	516,000	11,130
160,000	-	30,000	130,000	2,800
-	4,000,000	63,897	3,936,103	63,703
<u>\$ 796,000</u>	<u>4,000,000</u>	<u>213,897</u>	<u>4,582,103</u>	<u>77,633</u>
4,000,000	-	4,000,000	-	9,594
683,242	59,058	2,623	739,677	27,095
<u>\$ 4,683,242</u>	<u>59,058</u>	<u>4,002,623</u>	<u>739,677</u>	<u>36,689</u>

City of Audubon

City of Audubon

Note Maturities

June 30, 2019

General Obligation							
Year Ending June 30,	Capital Loan Notes		Refunding Notes		Fire Truck		Total
	Issued Oct 10, 2012		Issued Oct 10, 2012		Issued Aug 27, 2013		
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
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	3,000	133,000
2025	2.55	135,000	-	-	-	-	135,000
2026	2.55	140,000	-	-	-	-	140,000
2027	2.55	140,000	-	-	-	-	140,000
Total		<u>\$ 575,000</u>		<u>\$ 470,000</u>		<u>\$ 69,000</u>	<u>1,114,000</u>

Revenues Notes							
Year Ending June 30,	Sewer		Sewer		Sewer		Total
	Issued Sep 25, 2002		Issued Dec 12, 2003		Issued Jul 24, 2018		
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2020	1.75%	\$ 123,000	1.75%	\$ 31,000	1.75%	\$ 70,885	224,885
2021	1.75	127,000	1.75	32,000	1.75	72,136	231,136
2022	1.75	131,000	1.75	33,000	1.75	73,408	237,408
2023	1.75	135,000	1.75	34,000	1.75	74,703	243,703
2024	-	-	-	-	1.75	76,021	76,021
2025	-	-	-	-	1.75	77,362	77,362
2026	-	-	-	-	1.75	78,727	78,727
2027	-	-	-	-	1.75	80,116	80,116
2028	-	-	-	-	1.75	81,529	81,529
2029	-	-	-	-	1.75	82,967	82,967
2030	-	-	-	-	1.75	84,431	84,431
2031	-	-	-	-	1.75	85,920	85,920
2032	-	-	-	-	1.75	87,436	87,436
2033	-	-	-	-	1.75	88,978	88,978
2034	-	-	-	-	1.75	90,548	90,548
2035	-	-	-	-	1.75	92,145	92,145
2036	-	-	-	-	1.75	93,771	93,771
2037	-	-	-	-	1.75	95,425	95,425
2038	-	-	-	-	1.75	97,109	97,109
2039	-	-	-	-	1.75	98,822	98,822
2040	-	-	-	-	1.75	100,565	100,565
2041	-	-	-	-	1.75	102,339	102,339
2042	-	-	-	-	1.75	104,144	104,144
2043	-	-	-	-	1.75	105,982	105,982
2044	-	-	-	-	1.75	107,851	107,851
2045	-	-	-	-	1.75	109,754	109,754
2046	-	-	-	-	1.75	111,690	111,690
2047	-	-	-	-	1.75	113,660	113,660
2048	-	-	-	-	1.75	115,666	115,666
2049	-	-	-	-	1.75	117,706	117,706
2050	-	-	-	-	1.75	119,782	119,782
2051	-	-	-	-	1.75	121,895	121,895
2052	-	-	-	-	1.75	124,046	124,046
2053	-	-	-	-	1.75	126,234	126,234
2054	-	-	-	-	1.75	128,461	128,461
2055	-	-	-	-	1.75	130,727	130,727
2056	-	-	-	-	1.75	133,033	133,033
2057	-	-	-	-	1.75	135,380	135,380
2058	-	-	-	-	1.75	137,768	137,768
2059	-	-	-	-	1.75	6,981	6,981
Total		<u>\$ 516,000</u>		<u>\$ 130,000</u>		<u>\$ 3,936,103</u>	<u>4,582,103</u>

See accompanying independent auditor's report.

City of Audubon

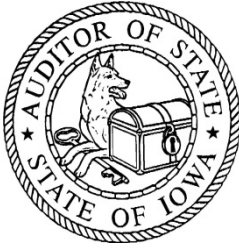
Schedule of Receipts By Source and Disbursements By Function -
All Governmental Funds

For the Last Ten Years

	2019	2018	2017	2016
Receipts:				
Property tax	\$ 1,076,231	1,035,461	803,674	941,807
Tax increment financing	55,502	67,098	307,123	56,045
Other city tax	188,314	157,998	197,230	187,103
Licenses and permits	158,943	155,599	146,357	30,663
Use of money and property	26,276	23,202	20,813	20,700
Intergovernmental	354,477	350,086	336,799	505,881
Charges for service	259,086	241,675	243,381	243,778
Special assessments	12,148	6,016	2,502	826
Miscellaneous	154,239	495,077	200,769	168,607
Total	\$ 2,285,216	2,532,212	2,258,648	2,155,410
Disbursements:				
Operating:				
Public safety	\$ 599,176	555,218	505,966	617,453
Public works	798,182	797,983	976,656	630,198
Health and social services	-	-	-	-
Culture and recreation	323,530	799,192	324,512	275,606
Community and economic development	61,338	182,095	64,855	223,246
General government	162,755	139,538	214,384	155,109
Debt service	179,728	165,772	162,587	215,493
Capital projects	-	-	165,067	63,799
Total	\$ 2,124,709	2,639,798	2,414,027	2,180,904

See accompanying independent auditor's report.

2015	2014	2013	2012	2011	2010
720,670	661,079	761,984	769,268	826,772	697,584
72,227	96,274	43,609	44,681	46,293	128,054
204,128	208,329	239,838	213,956	230,636	213,365
3,615	2,106	1,562	2,649	2,157	793
21,109	19,984	20,799	19,717	20,832	27,359
452,174	284,177	251,864	293,306	542,684	447,545
242,833	244,713	249,426	244,848	243,148	229,816
-	3,807	3,977	4,645	942	6,007
75,129	74,855	85,270	100,421	55,676	95,015
<u>1,791,885</u>	<u>1,595,324</u>	<u>1,658,329</u>	<u>1,693,491</u>	<u>1,969,140</u>	<u>1,845,538</u>
460,385	544,006	363,821	403,733	350,822	340,427
633,798	736,329	776,945	729,120	693,929	859,937
-	1,000	1,000	1,000	-	-
251,567	361,476	276,730	273,275	247,277	240,922
173,621	91,359	49,155	55,436	51,097	43,488
291,145	114,714	119,546	137,824	302,957	83,128
217,541	200,914	174,547	250,565	253,030	255,225
39,814	211,210	309,226	-	-	7,656
<u>2,067,871</u>	<u>2,261,008</u>	<u>2,070,970</u>	<u>1,850,953</u>	<u>1,899,112</u>	<u>1,830,783</u>



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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, 2019, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 4, 2020. 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.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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 have not been identified. We consider the deficiencies described in the accompanying Schedule of Findings as items (A) through (C) to be material weaknesses.

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, 2019 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.

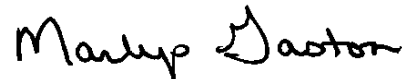
The City of Audubon's Responses to the Findings

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.



Marlys K. Gaston, CPA
Deputy Auditor of State

March 4, 2020

City of Audubon
Schedule of Findings
Year ended June 30, 2019

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 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, 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.

For the Audubon Fire and Rescue Association, one individual has control over each of the following areas:

- (1) Cash – preparing bank reconciliations, signing checks and recording cash.
- (2) Disbursements – check writing, signing and approving.

Cause – The City and the Audubon Fire and Rescue Association have 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, 2019

Effect – Inadequate segregation of duties could adversely affect the City and the Association’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 and the Association should review their 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.

Responses

City – The City has the Mayor review all reconciliations and utility reports to ensure accuracy and integrity. Whenever possible one employee receives payments and the other inputs into accounting software. This allows for continual checks and balances of staff.

Fire and Rescue Association – All claims are approved in a business meeting before they are paid. Any checks over \$500 require two signatures. Mail is opened by the Fire Chief and then divided by its purpose. Bank reconciliations are prepared by the Treasurer and then reviewed by an independent person as well as given to our independent accountant.

Conclusion – Responses acknowledged. The City and Association should continue to review their control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

(B) 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 – While utility billings, collections and delinquent accounts were reconciled throughout the year, evidence of review by an independent person was not documented for 6 of the 12 months and for 5 of the 12 months the reconciliations were not completed timely.

Cause – Policies have not been established and procedures have not been implemented to ensure review of utility billings, collections and delinquent accounts by an independent person has been performed.

City of Audubon

Schedule of Findings

Year ended June 30, 2019

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 – The City Council or a Council-designated independent person should review the reconciliations on a timely basis and monitor delinquencies. The review of the reconciliations should be documented by the signature or initials of the reviewer and the date of review.

Response – While the Mayor has been reviewing each set of monthly reports, signatures were not present on all sets. The City will ensure the Mayor's signature is on each and every monthly set of reports.

Conclusion – Response accepted.

(C) Computer System

Criteria – Properly designed policies and procedures pertaining to control activities over the City's computer system and implementation of the policies and procedures help provide reasonable assurance financial information is safeguarded and reliable, and helps ensure the reliability of financial reporting, the effectiveness and efficiency of operations and compliance with applicable laws and regulations.

Condition – Although the City has a disaster recovery plan, the plan does not include:

- (1) A written agreement between local business locations which could be used to process critical applications in the event of an emergency;
- (2) A requirement that a copy of the disaster recovery plan be kept off site;
- (3) An inventory of computer equipment needed for temporary processing;
- (4) An inventory of all software applications;
- (5) A requirement that copies of all user documentation and policies and procedures be located off site; and
- (6) A requirement that an extra stock of paper supplies, such as checks, warrants, and purchase orders, be located off-site.

Cause – Management has not required the disaster recovery plan to include identification of critical applications.

Effect – The failure to have a formal disaster recovery plan which includes identification of critical applications 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 review and modify the current disaster recovery plan to include a listing of critical applications of the City.

Response – This listing of issues will be addressed in an update to the plan.

Conclusion – Response accepted.

City of Audubon

Schedule of Findings

Year ended June 30, 2019

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Audubon

Schedule of Findings

Year ended June 30, 2019

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2019 exceeded the amounts budgeted in the community and economic development, debt service and business type activities functions. Disbursements also exceeded the amount budgeted in the community and economic development function prior to the budget amendments. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

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

Response – The sewer project’s change in scheduled expenses between fiscal years, the delay on advancement of the water project and unbudgeted expenses for repayment of TIF overpayment resulted in these overages. Economic development was over due to unbudgeted expenses from a grant project that total expenditures were never clearly identified.

Conclusion – Response acknowledged. The budget should have been amended in accordance with Chapter 384.14 of the Code of Iowa before disbursements were allowed to exceed the budgeted amounts.

- (2) Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) Business Transactions – No business transactions between the City and City officials or employees were noted.
- (5) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.
- (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.
- (8) Revenue Notes – No instances of non-compliance with the revenue note resolutions were noted.
- (9) Financial Condition – The Enterprise, Water Fund had a deficit balance of \$93,541 at June 30, 2019.

City of Audubon

Schedule of Findings

Year ended June 30, 2019

Recommendation – The City should investigate alternatives to eliminate this deficit in order to return the fund to a sound financial position.

Response – These deficits were due to street repairs done at the very end of the fiscal year and from delays in the water improvement project that have led to more interest payments on the interim financing without the benefits of an increase in rates to help cover the payments. Future receipts of local option sales tax will rectify the deficit in that fund, while the confirmation of actual project costs and an adjustment in the water rates will rectify the deficit in the Enterprise, Water Fund.

Conclusion – Response accepted.

- (10) Annual Urban Renewal Report – The Annual Urban Renewal Report was approved and certified to the Iowa Department of Management on or before December 1.

The obligations/TIF debt outstanding on the Levy Authority Summary were overstated by \$100,000 due to the City previously certifying \$180,000 as TIF debt on their TIF debt certification due December 1, 2015. However, the TIF debt was not formally approved by the City Council and did not qualify as TIF debt.

In addition, the cash balances and receipts reported on the Levy Authority Summary do not agree with the City's records. The beginning cash balance was overstated by \$5,442, the receipts were understated by \$5,433 and the ending cash balance was overstated by \$9.

Recommendation – The City should ensure the debt amounts, cash balances and receipts reported on the Levy Authority Summary are accurate and agree with the City's records.

Response – The City will make the necessary corrections on the Annual Urban Renewal Report due on or before December 1, 2019.

Conclusion – Response accepted.

- (11) Separately Maintained Records – Chapter 384.20 of the Code of Iowa states, in part, "A city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose, by any city officer, employee, or other person, and which shows the receipt, use, or disposition of all city property."

The Audubon Police Department maintains a bank account for activity separate from the City Clerk's account records. The transactions and the resulting balances were not included in the City's accounting records and were not included in the City's annual budget, monthly financial reports or Annual Financial Reports.

In addition, the transactions and resulting balances of these accounts were not reported to the City Council and disbursements from the accounts were not reviewed and approved by the City Council. Also, a summary of each account's receipts, total disbursements and the listings of claims allowed each month were not published in accordance with Chapter 372.13(6) of the Code of Iowa.

City of Audubon

Schedule of Findings

Year ended June 30, 2019

Recommendation – In accordance with Chapter 384.20 of the Code of Iowa, and to strengthen internal control and increase operating efficiencies, the financial transactions of the Police Department separate account should be integrated with the City’s accounting records in the City Clerk’s office. The financial activity should be included in the City Clerk’s accounting records, monthly financial reports and the Annual Financial Reports. The activity in these accounts should be subject to City Council review and approval and should be included in the City’s budget process. Also, a summary of each account’s receipts, total disbursements and listings of claims allowed each month should be published, as required.

Response – This account has been closed. A savings account under the supervision of the City Clerk has been opened with those funds.

Conclusion – Response accepted.

City of Audubon

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Deputy
Tammy A. Hollingsworth, CIA, Manager
Ryan T. Jelsma, Senior Auditor II
Jon G. Hanson, Staff Auditor
April R. Davenport, Assistant Auditor