

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0006
Telephone (515) 281-5834 Facsimile (515) 281-6518

Rob Sand
Auditor of State

NEWS RELEASE

FOR RELEASE

June 14, 2022

Contact: Ernest Ruben
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 \$6,177,944 for the year ended June 30, 2021, a 62.1% increase over the prior year. Disbursements for the year ended June 30, 2021 totaled \$5,619,321, a 44.9% increase over the prior year. The significant increase in receipts is primarily due to the increase in sewer project grant proceeds and water note proceeds. The significant increase in disbursements is primarily due to the water and sewer projects in the current fiscal year.

AUDIT FINDINGS:

Sand reported ten findings related to the receipt and disbursement of taxpayer funds. They are found on pages 50 through 60 of this report. The findings address issues such as a lack of segregation of duties, sale of city owned property without a public hearing, disbursements exceeding budgeted amounts, questionable disbursements and a deficit fund balance in the Enterprise, Water Fund. Sand provided the City and the component unit with recommendations to address each of the findings.

Six of the nine findings discussed above pertaining to the City and one finding pertaining to the Association are repeated from the prior year. The City Council and management of the Association have a fiduciary responsibility to provide oversight of the City's and the Association'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 [Audit Reports - Auditor of State](#).

#

CITY OF AUDUBON

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

JUNE 30, 2021

City of Audubon



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Rob Sand
Auditor of State

May 12, 2022

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, 2021. 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	16-28
Other Information:	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual – All Governmental Funds and Proprietary Funds	30-31
Notes to Other Information – Budgetary Reporting	33
Schedule of the City's Proportionate Share of the Net Pension Liability	34-35
Schedule of City Contributions	36-37
Notes to Other Information – Pension Liability	38
Supplementary Information:	<u>Schedule</u>
Schedule of Receipts by Source and Disbursements by Function – All Governmental Funds	1 40-41
Schedule of Expenditures of Federal Awards	2 43
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>	44-45
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance	47-49
Schedule of Findings and Questioned Costs	50-60
Staff	61

City of Audubon

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Barb Jacobsen	Mayor	Jan 2024
Jason Hocker	Council Member	Jan 2022
Brad Hemmingsen	Council Member	Jan 2022
Nick Weihs	Council Member	Jan 2022
Andrew Grabill	Council Member	Jan 2024
Jake Murray	Council Member	Jan 2024
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, 2021, 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, 2021, 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 four years ended June 30, 2020 (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, 2016 (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 and 2, including the Schedule of Expenditures of Federal Awards required by Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance), 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 30 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 May 12, 2022 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.

A handwritten signature in black ink, appearing to read "Ernest H. Ruben, Jr.", is positioned above the printed name.

Ernest H. Ruben, Jr., CPA
Deputy Auditor of State

May 12, 2022

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, 2021

		Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	Disbursements			
Functions/Programs:				
Primary Government:				
Governmental activities:				
Public safety	\$ 594,419	62,790	7,219	19,200
Public works	898,009	267,423	336,015	-
Culture and recreation	288,826	62,583	35,921	31,326
Community and economic development	132,100	-	46,220	-
General government	189,434	152,723	83,439	-
Debt service	163,792	-	-	-
Capital projects	40,580	-	-	-
Total governmental activities	2,307,160	545,519	508,814	50,526
Business type activities:				
Water	1,734,850	404,036	-	-
Sewer	1,577,151	756,437	-	922,445
Total business type activities	3,312,001	1,160,473	-	922,445
Total	\$ 5,619,161	1,705,992	508,814	972,971
Component Unit:				
Audubon Fire and Rescue Association	\$ 150,760	-	147,128	-
General Receipts:				
Property and other city tax levied for:				
General purposes				
Debt service				
Local option sales tax				
Hotel/motel tax				
Commercial/industrial tax replacement				
Unrestricted interest on investments				
Note proceeds				
Miscellaneous				
Sale of land				
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				
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
(505,210)	-	(505,210)	
(294,571)	-	(294,571)	
(158,996)	-	(158,996)	
(85,880)	-	(85,880)	
46,728	-	46,728	
(163,792)	-	(163,792)	
(40,580)	-	(40,580)	
(1,202,301)	-	(1,202,301)	
-	(1,330,814)	(1,330,814)	
-	101,731	101,731	
-	(1,229,083)	(1,229,083)	
(1,202,301)	(1,229,083)	(2,431,384)	
			(3,632)
1,108,651	-	1,108,651	-
165,768	-	165,768	-
204,801	-	204,801	-
23	-	23	-
37,506	-	37,506	-
23,539	90	23,629	-
-	1,424,474	1,424,474	-
2,160	12,995	15,155	-
10,000	-	10,000	-
1,552,448	1,437,559	2,990,007	-
350,147	208,476	558,623	(3,632)
863,156	(30,546)	832,610	178,383
\$ 1,213,303	177,930	1,391,233	174,751
\$ 197,571	-	197,571	-
175,339	-	175,339	-
345,029	-	345,029	-
-	32,470	32,470	-
28,634	197,738	226,372	-
466,730	(52,278)	414,452	-
\$ 1,213,303	177,930	1,391,233	-

City of Audubon

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

As of and for the year ended June 30, 2021

		Special		
	General	Road Use Tax	Employee Benefits	Urban Renewal Tax Increment
Receipts:				
Property tax	\$ 617,509	-	487,368	-
Local option sales tax	-	-	-	-
Other city tax	2,132		1,665	
Licenses and permits	146,431	-	-	-
Use of money and property	23,538	-	-	-
Intergovernmental	111,546	325,665	14,396	-
Charges for service	366,544	-	-	-
Special assessments	6,042	-	-	-
Miscellaneous	110,290	3,425	-	-
Total receipts	1,384,032	329,090	503,429	-
Disbursements:				
Operating:				
Public safety	422,993	-	171,426	-
Public works	230,965	272,401	198,276	-
Culture and recreation	279,755	-	9,071	-
Community and economic development	23,889	-	-	61,991
General government	141,339	-	48,095	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total disbursements	1,098,941	272,401	426,868	61,991
Excess (deficiency) of receipts over (under) disbursements	285,091	56,689	76,561	(61,991)
Other financing sources (uses):				
Sale of land	10,000	-	-	-
Transfers in	-	-	-	-
Transfers out	-	(26,950)	-	-
Total other financing sources (uses)	10,000	(26,950)	-	-
Change in cash balances	295,091	29,739	76,561	(61,991)
Cash balances beginning of year	171,639	20,613	268,468	61,991
Cash balances end of year	\$ 466,730	50,352	345,029	-
Cash Basis Fund Balances				
Nonspendable - Cemetery perpetual care	\$ -	-	-	-
Restricted for:				
Streets	-	50,352	-	-
Employee benefits	-	-	345,029	-
Debt service	-	-	-	-
Unassigned	466,730	-	-	-
Total cash basis fund balances	\$ 466,730	50,352	345,029	-

See notes to financial statements.

Revenue			Permanent	Nonmajor	
Local Option Sales Tax	Debt Service	Capital Projects	Cemetery Trust	Special Revenue, Economic Development	Total
-	165,203	-	-	-	1,270,080
204,801	-	-	-	-	204,801
	565				4,362
-	-	-	-	-	146,431
-	-	-	1	-	23,539
-	4,881	-	-	46,220	502,708
-	-	-	-	-	366,544
-	-	-	-	-	6,042
6,925	-	-	2,160	-	122,800
211,726	170,649	-	2,161	46,220	2,647,307
-	-	-	-	-	594,419
196,367	-	-	-	-	898,009
-	-	-	-	-	288,826
-	-	-	-	46,220	132,100
-	-	-	-	-	189,434
-	163,792	-	-	-	163,792
-	-	40,580	-	-	40,580
196,367	163,792	40,580	-	46,220	2,307,160
15,359	6,857	(40,580)	2,161	-	340,147
-	-	-	-	-	10,000
26,950	-	-	-	-	26,950
-	-	-	-	-	(26,950)
26,950	-	-	-	-	10,000
42,309	6,857	(40,580)	2,161	-	350,147
82,678	21,777	40,580	195,410	-	863,156
124,987	28,634	-	197,571	-	1,213,303
-	-	-	197,571	-	197,571
124,987	-	-	-	-	175,339
-	-	-	-	-	345,029
-	28,634	-	-	-	28,634
-	-	-	-	-	466,730
124,987	28,634	-	197,571	-	1,213,303

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, 2021

	Enterprise		
	Water	Sewer	Total
Operating receipts:			
Charges for service	\$ 404,036	756,437	1,160,473
Miscellaneous	10,004	2,991	12,995
Total operating receipts	414,040	759,428	1,173,468
Operating disbursements:			
Business type activities	285,211	305,249	590,460
Excess (deficiency) of operating receipts over (under) operating disbursements	128,829	454,179	583,008
Non-operating receipts (disbursements):			
Interest on investments	33	57	90
Grant proceeds	-	922,445	922,445
Note proceeds	1,424,474	-	1,424,474
Debt service	(1,349,986)	(308,040)	(1,658,026)
Capital outlay	(99,653)	(963,862)	(1,063,515)
Net non-operating receipts (disbursements)	(25,132)	(349,400)	(374,532)
Excess (deficiency) of receipts over (under) disbursements	103,697	104,779	208,476
Cash balances (deficits) beginning of year	(244,508)	213,962	(30,546)
Cash balances (deficits) end of year	\$ (140,811)	318,741	177,930
Cash Basis Fund Balances (Deficits)			
Restricted for customer deposits	\$ 32,470	-	32,470
Restricted for debt service	58,524	139,214	197,738
Unrestricted	(231,805)	179,527	(52,278)
Total cash basis fund balances (deficits)	\$ (140,811)	318,741	177,930

See notes to financial statements.

City of Audubon

Notes to Financial Statements

June 30, 2021

(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, 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:

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. Property Taxes and Governmental Cash Basis Fund Balances

The following accounting policies are followed in preparing the financial statements:

Property tax revenues recognized in the governmental funds become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2019 assessed property valuations; is for the tax accrual period July 1, 2020 through June 30, 2021 and reflects tax asking contained in the budget certified to the City Council in March 2020.

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, 2021, disbursements exceeded the amounts budgeted in the public works, general government and capital projects functions. In addition, disbursements exceeded the amount budgeted in the community and economic development function prior to the April 11, 2021 budget amendment.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2021 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

A summary of changes in notes payable for the year ended June 30, 2021 is as follows:

	Beginning Balances	Increases	Decreases	Ending Balances	Due Within One Year
Governmental activities:					
Capital loan notes	\$ 570,000	-	10,000	560,000	5,000
Refunding notes	355,000	-	115,000	240,000	120,000
Fire truck	53,000	-	16,000	37,000	17,000
Governmental activities total	<u>\$ 978,000</u>	<u>-</u>	<u>141,000</u>	<u>837,000</u>	<u>142,000</u>
Business type activities					
Water revenue anticipation project note - direct borrowing	\$ 1,258,417	2,159	1,260,576	-	-
Sewer revenue notes - direct borrowing	4,357,218	-	232,406	4,124,812	237,406
Business-type activities total	<u>\$ 5,615,635</u>	<u>2,159</u>	<u>1,492,982</u>	<u>4,124,812</u>	<u>237,406</u>

A summary of the City's June 30, 2021 general obligation notes payable is as follows:

Year Ending June 30,	General Obligation Capital Loan Notes Issued October 10, 2012			General Obligation Refunding Notes Issued October 10, 2012		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2022	2.20%	\$ 5,000	13,773	1.95%	\$ 120,000	4,800
2023	2.20	10,000	13,663	2.05	120,000	2,460
2024	2.20	130,000	13,443		-	-
2025	2.55	135,000	10,583		-	-
2026	2.55	140,000	7,140		-	-
2027	2.55	140,000	3,570		-	-
Total		<u>\$ 560,000</u>	<u>62,172</u>		<u>\$ 240,000</u>	<u>7,260</u>

Year Ending June 30,	General Obligation Fire Truck Notes Issued August 27, 2013			Total		
	Interest Rates	Principal	Interest	Principal	Interest	Total
2022	3.00%	\$ 17,000	1,110	\$ 142,000	19,683	161,683
2023	3.00	17,000	600	147,000	16,723	163,723
2024	3.00	3,000	90	133,000	13,533	146,533
2025		-	-	135,000	10,583	145,583
2026		-	-	140,000	7,140	147,140
2027		-	-	140,000	3,570	143,570
Total		<u>\$ 37,000</u>	<u>1,800</u>	<u>\$ 837,000</u>	<u>71,232</u>	<u>908,232</u>

On October 10, 2012, the City issued \$620,000 of general obligation notes with interest rates ranging from 2.20% to 2.55% per annum. The bonds were issued for expansion of the airport runway, improvements to the City pool and improvements to the City water tower. During the year ended June 30, 2021, the City paid \$10,000 of principal and \$13,992 of interest on the notes.

On October 10, 2012, the City issued \$965,000 of general obligation notes with interest rates ranging from 0.75% to 2.05% per annum. The notes were issued to refund the City's streetscape project debt. During the year ended June 30, 2021, the City paid \$115,000 in principal and \$6,870 of interest on the notes.

On August 27, 2013, the City issued \$158,000 of general obligation notes with an interest rate of 3.00% per annum. The notes were issued for the acquisition of equipment for the Municipal Fire Department. During the year the City paid \$16,000 of principal and \$930 of interest on the notes.

Sewer Revenue Capital Loan Notes Direct Borrowing

Year Ending June 30,	Sewer Capital Loan Notes 2002 Issued September 15, 2002			Sewer Capital Loan Notes 2003 Issued December 12, 2003		
	Interest			Interest		
	Rates	Principal	Interest	Rates	Principal	Interest
2022	1.75%	\$ 131,000	665	1.75%	\$ 33,000	1,173
2023	1.75	135,000	338	1.75	34,000	595
2024		-	-		-	-
2025		-	-		-	-
2026		-	-		-	-
2027-2031		-	-		-	-
2032-2036		-	-		-	-
2037-2041		-	-		-	-
2042-2046		-	-		-	-
2047-2051		-	-		-	-
2052-2056		-	-		-	-
2057-2059		-	-		-	-
Total		<u>\$ 266,000</u>	<u>1,003</u>		<u>\$ 67,000</u>	<u>1,768</u>

Sewer Capital Loan Notes 2017 Issued July 24, 2018			Total		
Interest Rates	Principal	Interest	Principal	Interest	Total
1.75%	\$ 73,406	65,794	\$ 237,406	67,632	305,038
1.75	74,701	64,499	243,701	65,432	309,133
1.75	76,019	63,181	76,019	63,181	139,200
1.75	77,360	61,840	77,360	61,840	139,200
1.75	78,725	60,475	78,725	60,475	139,200
1.75	414,953	281,047	414,953	281,047	696,000
1.75	452,868	243,132	452,868	243,132	696,000
1.75	494,248	201,752	494,248	201,752	696,000
1.75	539,409	156,591	539,409	156,591	696,000
1.75	588,697	107,303	588,697	107,303	696,000
1.75	642,486	53,514	642,486	53,514	696,000
1.75	280,295	5,268	280,295	5,268	285,563
	<u>\$ 3,793,167</u>	<u>1,364,396</u>	<u>\$ 4,126,167</u>	<u>1,367,167</u>	<u>5,493,334</u>

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 notes bear interest at 1.75% per annum. 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. During the year ended June 30, 2021, the City paid principal of \$127,000 and \$32,000, respectively and interest of \$6,876 and \$1,733, respectively, on the notes.

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 notes bear interest at 1.75% per annum. 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 note is payable solely from sewer customer net receipts. During the year ended June 30, 2021, the City paid principal of \$73,406 and interest of \$65,794 on the note.

During the current year, annual principal and interest payments on the sewer notes required 68% of net receipts. The total principal and interest remaining to be paid on the notes is \$5,493,334. For the current year, principal and interest paid and total customer net receipts were \$306,809 and \$305,249, 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:

- (a) 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 minimum balance of \$8,250 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 \$4,000,000 revenue note includes the additional provision:

- (a) 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 minimum balance of \$13,920 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 – Direct Borrowing

On June 27, 2017, the City issued a water revenue capital loan anticipation project note for up to \$2,385,800 to provide funds for improvements and extensions to the municipal water system. The note bears interest at 2.97% per annum and matures on August 27, 2020. The proceeds from the note 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 Chapters 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.

During the year ended June 30, the City drew \$2,159 on the note. The remaining \$1,260,576 was redeemed by issuance of a water revenue capital loan note on August 3, 2020.

Water Revenue Capital Loan Notes – Direct Borrowing

The City has pledged future water customer receipts, net of specified operating disbursements, to repay a \$3,452,000 U.S. Department of Agriculture – Rural Development taxable water revenue capital loan note issued on August 3, 2020. The note was issued to redeem the project anticipation note previously issued on June 27, 2017 and to pay the costs of improvements and extensions to the municipal water system. The notes are payable solely from sewer customer net receipts. Interest and principal payments of \$8,941 are due each month beginning on September 16, 2020, with a final maturity date of July 24, 2061.

At June 30, 2021, the City had drawn down a total for \$1,424,474 and paid principle and interest of \$57,289 and \$32,121 respectively on the notes. During the current year, annual principal and interest payments on the water notes were 68% of net receipts. A final repayment schedule will not be available until the City has finished making draws on the notes.

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

- (a) Additional monthly transfers of 10% of the amount required to be deposited in the water sinking account shall be made to the water reserve account until a minimum balance of \$10,729 has been accumulated. The account is reserved for payment of principal and interest should the sinking account have insufficient money available.
- (b) Sufficient monthly transfers shall be made to the water revenue note sinking account for the purpose of making the note principal and interest payments when due.
- (c) The notes will only be redeemed from the future earnings of the water enterprise activity and the note holders hold a lien on the future earnings of the funds.

(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 2021, 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 6.41% of covered payroll and the City contributed 9.61% of covered payroll, for a total rate of 16.02%

The City’s contributions to IPERS for the year ended June 30, 2021 totaled \$54,415.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2021, the City reported a liability of \$314,212 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020 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, 2020, the City’s proportion was 0.004473%, which was an increase of 0.000369% over its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the City’s pension expense, deferred outflows of resources and deferred inflows of resources totaled \$73,410, \$98,638 and \$49,961, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2020 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	3.25 to 16.25% average, including inflation.
(effective June 30, 2017)	Rates vary by membership group.
Long-term investment rate of return	7.00% compounded annually, net of investment
(effective June 30, 2017)	expense, including inflation.
Wage growth	3.25% per annum, based on 2.60% inflation
(effective June 30, 2017)	and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2020 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 2020 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 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
Domestic equity	22.0%	4.43%
International equity	17.5	5.15
Global smart beta equity	6.0	4.87
Core plus fixed income	28.0	(0.29)
Public credit	4.0	2.29
Cash	1.0	(0.78)
Private equity	11.0	6.54
Private real assets	7.5	4.48
Private credit	3.0	3.11
Total	100.0%	

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 (Asset) to Changes in the Discount Rate – The following presents the City's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.00%, as well as what the City's proportionate share of the net pension liability (asset) 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 (asset)	\$ 645,950	314,212	36,213

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, 2021, the City contributed \$364,513 and plan members eligible for benefits did not contribute to the plan. At June 30, 2021, 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, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	-
Active employees	10
Total	10

(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, 2021, primarily relating to the General Fund and Enterprise Funds, is as follows:

Type of Benefit	Amount
Vacation	\$ 17,000

This liability has been computed based on rates of pay in effect at June 30, 2021.

(7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2021 is as follows:

Transfer to	Transfer from	Amount
Special Revenue:	Special Revenue:	
Local option sales tax	Road use tax	\$ 26,950

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 \$140,811 at June 30, 2021. The deficit balance 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.

(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, 2021, the City has not made any payments to the developer.

The City has entered into a development agreement with Audubon Recreation Foundation, Inc. The City has agreed to pay Audubon Recreation Foundation, Inc. an amount not to exceed \$80,000 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 4 years, beginning with the tax year in which the property tax on the completed value of the improvements is first paid. During fiscal year 2021, the City paid \$60,000 under this agreement to the developer. As of June 30, 2021, the City has made payments totaling \$80,000 to developer.

(11) COVID-19

In March 2020, the COVID-19 outbreak was declared a global pandemic. The disruption to businesses across a range of industries in the United States continues to evolve. The full impact to local, regional and national economies, including that of the City of Audubon, remains uncertain.

To date, the outbreak has not created a material disruption to the operations of the City of Audubon. However, the extent of the financial impact of COVID-19 will depend on future developments, including the spread of the virus, duration and timing of the economic recovery. Due to these uncertainties, management cannot reasonably estimate the potential impact to the City of Audubon's operations and finances.

(12) Prospective Accounting Change

Governmental Accounting Standards Board has issued Statement No. 87, Leases. This statement will be implemented for the fiscal year ending June 30, 2022. The revised requirements of this statement require reporting of certain potentially significant lease liabilities that are not currently reported.

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, 2021

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Property tax	\$ 1,270,080	-
Other city tax	209,163	
Licenses and permits	146,431	-
Use of money and property	23,539	90
Intergovernmental	502,708	-
Charges for service	366,544	1,160,473
Special assessments	6,042	-
Miscellaneous	122,800	12,995
Total receipts	<u>2,647,307</u>	<u>1,173,558</u>
Disbursements:		
Public safety	594,419	-
Public works	898,009	-
Culture and recreation	288,826	-
Community and economic development	132,100	-
General government	189,434	-
Debt service	163,792	-
Capital projects	40,580	-
Business type activities	-	3,312,001
Total disbursements	<u>2,307,160</u>	<u>3,312,001</u>
Excess (deficiency) of receipts over (under) disbursements	340,147	(2,138,443)
Other financing sources, net	10,000	2,346,919
Change in balances	350,147	208,476
Balances beginning of year	863,156	(30,546)
Balances end of year	<u>\$ 1,213,303</u>	<u>177,930</u>

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to
	Original	Final	Total Variance
1,270,080	1,226,438	1,226,438	43,642
209,163	272,093	272,093	(62,930)
146,431	164,500	164,500	(18,069)
23,629	28,820	28,820	(5,191)
502,708	1,300,150	1,300,150	(797,442)
1,527,017	1,484,648	1,484,648	42,369
6,042	20,000	20,000	(13,958)
135,795	100,000	100,000	35,795
3,820,865	4,596,649	4,596,649	(775,784)
594,419	695,480	695,480	101,061
898,009	870,370	870,370	(27,639)
288,826	408,780	408,780	119,954
132,100	45,600	145,600	13,500
189,434	141,103	141,103	(48,331)
163,792	164,543	164,543	751
40,580	-	-	(40,580)
3,312,001	4,920,360	4,920,360	1,608,359
5,619,161	7,246,236	7,346,236	1,727,075
(1,798,296)	(2,649,587)	(2,749,587)	951,291
2,356,919	3,000,000	3,000,000	(643,081)
558,623	350,413	250,413	308,210
832,610	194,925	194,925	637,685
1,391,233	545,338	445,338	945,895

City of Audubon

City of Audubon

Notes to Other Information – Budgetary Reporting

June 30, 2021

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, one budget amendment increased budgeted disbursements by \$100,000. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2021, disbursements exceeded the amount budgeted in the public works, general government and capital projects functions. In addition, disbursements exceeded the amount budgeted in the community and economic development function prior to the April 11, 2021 budget amendment.

City of Audubon

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

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

Other Information

	2021	2020	2019	2018
City's proportion of the net pension liability	0.004473%	0.004104%	0.004111%	0.004330%
City's proportionate share of the net pension liability	\$ 314	238	260	288
City's covered payroll	\$ 535	584	545	528
City's proportionate share of the net pension liability as a percentage of its covered payroll	58.69%	40.75%	47.71%	54.55%
IPERS' net position as a percentage of the total pension liability	82.90%	84.45%	83.62%	82.21%

* 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.

2017	2016	2015
0.004106%	0.003463%	0.003213%
258	171	128
482	478	448
53.53%	35.77%	28.57%
82.81%	85.19%	87.61%

City of Audubon
Schedule of City Contributions
Iowa Public Employees' Retirement System
For the Last Ten Years
(In Thousands)

Other Information

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contribution	\$ 54	53	57	51
Contributions in relation to the statutorily required contribution	<u>(54)</u>	<u>(53)</u>	<u>(57)</u>	<u>(51)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered payroll	\$ 542	535	584	545
Contributions as a percentage of covered payroll	9.96%	9.91%	9.76%	9.36%

See accompanying independent auditor's report.

City of Audubon

Notes to Other Information – Pension Liability

Year ended June 30, 2021

Changes of benefit terms:

There are no significant changes in benefit terms.

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.
- 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.

Supplementary Information

City of Audubon

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

For the Last Ten Years

	2021	2020	2019	2018
Receipts:				
Property tax	\$ 1,270,080	1,128,478	1,076,231	1,035,461
Local option sales tax	204,801	225,641	188,314	157,998
Other Tax	4,362	-	55,502	67,098
Licenses and permits	146,431	143,771	158,943	155,599
Use of money and property	23,539	25,712	26,276	23,202
Intergovernmental	456,488	373,534	354,477	350,086
Charges for service	366,544	306,293	259,086	241,675
Special assessments	6,042	10,844	12,148	6,016
Miscellaneous	169,180	121,852	154,239	495,077
Total	<u>\$ 2,647,467</u>	<u>2,336,125</u>	<u>2,285,216</u>	<u>2,532,212</u>
Disbursements:				
Operating:				
Public safety	\$ 594,419	773,190	599,176	555,218
Public works	898,009	839,565	798,182	797,983
Culture and recreation	288,986	285,059	323,530	799,192
Community and economic development	132,100	69,507	61,338	182,095
General government	189,434	153,360	162,755	139,538
Debt service	163,792	161,882	179,728	165,772
Capital projects	40,580	-	40,580	-
Total	<u>\$ 2,307,320</u>	<u>2,282,563</u>	<u>2,165,289</u>	<u>2,639,798</u>

See accompanying independent auditor's report.

2017	2016	2015	2014	2013	2012
803,674	941,807	720,670	661,079	761,984	769,268
197,230	187,103	204,128	208,329	239,838	213,956
307,123	56,045	72,227	96,274	43,609	44,681
146,357	30,663	3,615	2,106	1,562	2,649
20,813	20,700	21,109	19,984	20,799	19,717
336,799	505,881	452,174	284,177	251,864	293,306
243,381	243,778	242,833	244,713	249,426	244,848
2,502	826	-	3,807	3,977	4,645
200,769	168,607	75,129	74,855	85,270	100,421
2,258,648	2,155,410	1,791,885	1,595,324	1,658,329	1,693,491
505,966	617,453	460,385	544,006	363,821	403,733
976,656	630,198	633,798	736,329	776,945	729,120
324,512	275,606	251,567	361,476	276,730	273,275
64,855	223,246	173,621	91,359	49,155	55,436
214,384	155,109	291,145	114,714	119,546	137,824
162,587	215,493	217,541	200,914	174,547	250,565
165,067	63,799	39,814	211,210	309,226	-
2,414,027	2,180,904	2,067,871	2,261,008	2,070,970	1,850,953

City of Audubon

City of Audubon
Schedule of Expenditures of Federal Awards
Year ended June 30, 2021

Grantor/Program	Assistance Listings Number	Pass-Through Entity Identifying Number	Program Expenditures
Direct:			
U.S. Department of Agriculture: Water and Waste Disposal Systems for Rural Communities	10.760		\$ 2,365,842
Indirect:			
U.S. Department of Treasury Iowa Department of Revenue COVID-19, Coronavirus Relief Fund	21.019		\$ 45,109
U.S. Department of Housing and Urban Development Iowa Economic Development Authority (IEDA) Community Development Block Grants/ Entitlement Grants	14.218		44,947
Total Indirect			\$ 90,056
Total Federal Awards			\$ 2,455,898

Basis of Presentation – The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of the City of Audubon under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Audubon, it is not intended to and does not present the financial position, changes in financial position or cash flows of the City of Audubon.

Summary of Significant Accounting Policies – Expenditures reported in the Schedule are reported on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Indirect Cost Rate – The City of Audubon has elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

See accompanying independent auditor's report.



**OFFICE OF 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, 2021, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 12, 2022. 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 as a basis for designing 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 have not been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified deficiencies we consider to be material weaknesses and 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 described in the accompanying Schedule of Findings and Questioned Costs as items II-A-21 through II-C-21 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 and Questioned Costs as item II-D-21 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 financial statements. 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 and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2021 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.

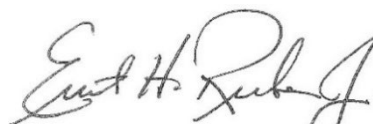
The City of Audubon's Responses to the Findings

The City of Audubon's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. 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

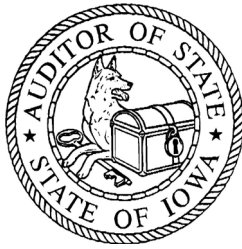
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance 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.


Ernest H. Ruben, Jr., CPA
Deputy Auditor of State

May 12, 2022

City of Audubon



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Independent Auditor's Report on Compliance
for Each Major Federal Program and on Internal Control over Compliance
Required by the Uniform Guidance

To the Honorable Mayor and Members of the City Council:

Report on Compliance for Each Major Federal Program

We have audited the City of Audubon, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on the City of Audubon's major federal program for the year ended June 30, 2021. The City of Audubon's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City of Audubon's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and the audit requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Audubon's compliance with those requirements and performing such other procedures we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City of Audubon's compliance.

Opinion on the Major Federal Program

In our opinion, the City of Audubon complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2021.

Other Matters

The results of our auditing procedures disclosed an instance of non-compliance which is required to be reported in accordance with the Uniform Guidance and is described as item III-A-21 in the accompanying Schedule of Findings and Questioned Costs. Our opinion on the major federal program is not modified with respect to this matter.

The City of Audubon's response to the non-compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The City of Audubon's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

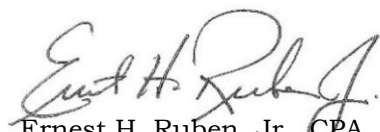
The management of the City of Audubon is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Audubon's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Audubon's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be a material weakness.

The City of Audubon's response to the internal control over compliance finding identified in our audit is reported in the accompanying Schedule of Findings and Questioned Costs. The City of Audubon's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Ernest H. Ruben, Jr., CPA
Deputy Auditor of State

May 12, 2022

City of Audubon
Schedule of Findings and Questioned Costs
Year ended June 30, 2021

Part I: Summary of the Independent Auditor's Results:

- (a) Unmodified opinions were issued on the financial statements prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles.
- (b) A significant deficiency and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weakness in internal control over the major program were noted.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit did not disclose audit findings which are required to be reported in accordance with the Uniform Guidance, Section 200.516.
- (g) The major program was Assistance Listings Number 10.760 – Water and Waste Disposal Systems for Rural Communities.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- (i) The City of Audubon did not qualify as a low-risk auditee.

City of Audubon

Schedule of Findings and Questioned Costs

Year ended June 30, 2021

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-21 Segregation of Duties
(2021-001)

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 and the Audubon Fire and Rescue Association's (Association), a discretely presented component unit, 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) Receipts – opening mail, collecting, depositing, recording and reconciling.
- (3) 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 and Questioned Costs

Year ended June 30, 2021

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 – The Association will strive to correct inadequate segregation of duties. Currently we have the treasurer and/or chief open and review all invoices/statements received by mail or electronically. Any expenditures received by the first meeting of the month are brought forth to the members of the association. A motion is passed to pay bills and any forthcoming through the month. All expenditures received through the month are addressed in the treasurer's report the following month. All expenditures received through the month are addressed in the treasurer's report the following month. Any expenses under \$500 are prepared and signed by the treasurer. Any expenses over the \$500 threshold require two signatures. Reconciliation of accounts are performed by the treasurer and an individual of the membership.

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.

II-B-21 Fire and Rescue Association General Ledger and Bank Reconciliations
(2021-002)

Criteria – An effective internal control system provides for internal controls related to ensuring proper accounting for all funds by maintaining complete and accurate financial records and by ensuring an independent review of the bank reconciliations.

Condition – For the Audubon Firefighters Association bank reconciliations are performed and independently reviewed on a monthly basis for the checking account, however the general ledger did not include investment activity and ending balances of \$58,610 at June 30, 2021.

Cause – Procedures have not been designed and implemented to ensure all activity, including investments is recorded in the general ledger.

City of Audubon

Schedule of Findings and Questioned Costs

Year ended June 30, 2021

Effect – The lack of a complete bank to book reconciliation can result in unrecorded transactions, undetected errors and the opportunity for misappropriation. Subsequent modification of the financial activity was needed to ensure accurate reporting.

Recommendation – The Audubon Firefighters Association bank reconciliations and general ledger should include investment activity.

Response – The Association will have all of it's accounts integrated into the accounting software by the Association's accountant to ensure all records are correctly recorded. Future reconciliations will be performed by the treasurer and member of the association.

Conclusion – Response accepted.

II-C-21 Financial Reporting
(2021-003)

Criteria – A deficiency in internal control over financial reporting 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 of the financial statement on a timely basis. Properly designed policies and procedures and implementation of the policies and procedures are an integral part of ensuring the reliability and accuracy of the City's financial statements.

Condition – A material amount of receipts and disbursements were incorrectly recorded in the City's financial records according to the Uniform Chart of Accounts. Adjustments were subsequently made to properly include these amounts in the financial statements. In addition, \$17,882 in interest payments for the water revenue capital loan notes were recorded to the sewer fund in error. This was corrected for financial reporting.

Cause – City policies do not require and procedures have not been established for an independent person review the financial records to help ensure accuracy.

Effect – Lack of policies and procedures resulted in City employees not detecting the errors in the normal course of performing their assigned functions. As a result, material adjustments to the City financial records were necessary.

Recommendation – The City should ensure all receipts and disbursements are recorded to the proper receipt or disbursement account and fund in the financial records according to the recommended Uniform Chart of Accounts for Iowa City Governments.

Response – The City will work to do a better job of coding receipts and disbursements to the correct funds in the future.

Conclusion – Response accepted.

City of Audubon

Schedule of Findings and Questioned Costs

Year ended June 30, 2021

II-D-21 Computer System
(2021-004)

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 the above critical information.

Effect – The failure to have a formal disaster recovery plan which includes the critical items noted above 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 all critical information.

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

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Audubon
Schedule of Findings and Questioned Costs
Year ended June 30, 2021

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

No material weaknesses in internal control over the major program were noted.

City of Audubon

Schedule of Findings and Questioned Costs

Year ended June 30, 2021

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-21 Certified Budget – Disbursements during the year ended June 30, 2021 exceeded the amounts budgeted in the public works, general government and capital project functions. Disbursements also exceeded the amount budgeted in the community and economic development function prior to the budget amendment. 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 City will work to create more accurate budgets that will not require amendments. If an amendment is needed, the City will pass it prior to the expenditures.

Conclusion – Response accepted.

- IV-B-21 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. These disbursements are detailed as follows:

Transaction		
Paid To	Description	Amount
Audubon Fire and Rescue Association	Fire protection funds donation	\$ 5,580
Various Library employees	Bonuses	3,000

According to the Attorney General's opinion, it is possible for certain 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 Council should determine and document the public purpose served by these disbursements before authorizing any further payments. If this practice is continued, the City should establish written policies and procedures, including the requirement for proper documentation.

Response – The expenditures to the Association has been corrected. The bonuses to the Library has been clarified to the Library Board as not allowable in the future.

Conclusion – Response accepted.

- IV-C-21 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

- IV-D-21 Restricted Donor Activity – No transactions were noted between the City, City officials, City employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.

City of Audubon

Schedule of Findings and Questioned Costs

Year ended June 30, 2021

- IV-E-21 Business Transactions – No business transactions between the City and City officials or employees were noted.
- IV-F-21 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.
- IV-G-21 City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.
- IV-H-21 Deposits and Investments – Except as noted, 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.

A resolution naming official depositories and those authorized to invest public funds has been adopted by the City. However, the policy only authorizes the City Treasurer/Clerk or those authorized by resolution to invest for the City. The Library Director annually reinvests or changes investments to receive the best interest rate; however, she is not authorized to invest for the City. This has caused inefficiencies in how CDs are reported on treasurer's report to the City Council.

Recommendation – The City should review the investment policy for authorized investors for the City and ensure only those given the authority to invest do so.

Response – The City will clarify with the Library Director and Library Board that the City Clerk, in the function of Treasurer will be responsible for any transactions with the investments.

Conclusion – Response accepted.

- IV-I-21 Revenue Notes – No instances of non-compliance with the revenue note resolutions were noted.
- IV-J-21 Financial Condition – The Enterprise, Water Fund had a deficit balance of \$140,811 at June 30, 2021.

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 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. 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.

- IV-K-21 Annual Urban Renewal Report – The Annual Urban Renewal Report was approved and certified to the Iowa Department of Management on or before December 1.

City of Audubon

Schedule of Findings and Questioned Costs

Year ended June 30, 2021

- IV-L-21 Local Option Sales Tax – The City’s local option sales tax (LOST) ballot states “A local option sales and services tax shall be imposed in the City of Audubon at the rate of one percent (1%) to be effective on July 1, 2001. Revenues from the sales and services tax shall be allocated as follows: 0% for property tax relief. The specific purpose for which the revenues shall otherwise be expended is: 100% for street construction and repair”.

The Department of transportation administrative rules 761-178.3 define road construction as the building or development of a road, street, bridge or culvert in a new location when the new location deviates substantially from the existing alignment, and the result is an entirely new road or street for the greater part of the length of the project. Repair is defined as the preservation of a road, street, bridge or culvert so that is in sound and proper condition. The terms street construction and repair, in practice, are generally understood to align with these definitions

During fiscal year ended 2020, we noted \$35,926 of disbursements for the LOST Fund which did not appear to be in compliance with the specific purpose for which the sales tax was imposed. The disbursements were summarized by vendor, description and amounts in the fiscal year 2020 report. During fiscal year 2021 audit the City did not provide documentation as to their review and disposition of the disbursements.

During the year ended June 30, 2021, we noted the following disbursements from the LOST fund which do not appear to be in compliance with the specific purpose for which the sales tax was imposed. The disbursements are summarized in total by vendor/description:

Vendor	Description	Amount
Various employees	Clothing allowance	\$ 1,321
Windstream	Telephone	1,338
Landmands Insurance	Insurance premium	2,349
Mid American Energy	Street lighting	3,604
Steve Stetzel	Zoning administration	925
Michael Brooks	Mailbox	41

We also identified \$28,797 of disbursements from the LOST fund identified as “parts, fuel, repairs, tires, tire repair, supplies, materials”. We reviewed the invoices for certain of these disbursements. The invoices do not include documentation specifically identifying how the items purchased were used only for the purposes allowed by LOST ballot, i.e., road construction and repair. It was also not clear whether the fuel, parts, tires, etc. were for vehicles or equipment used solely for street construction and repair or were used for multi - use vehicles (i.e., parks, water utility and/or sewer utility), in which case only the portion used for street construction and repair would be allowable under the LOST ballot.

Recommendation – The City should review current and past disbursement to ensure local option tax collections are spent in accordance with the LOST ballot (i.e., on items directly related to street construction and repair). Any disbursements not found to be in accordance with the LOST ballot should be reimbursed by the appropriate fund.

City of Audubon

Schedule of Findings and Questioned Costs

Year ended June 30, 2021

Response – The City will transfer unallowable disbursements noted during the fiscal year 2020 and 2021 audits prior to issuance of fiscal year 2021 report. The City will consider approving new ballot wording to expand the allowable disbursements for LOST. In the future the City will use LOST revenue per the ballot wording.

Conclusion – Response accepted.

- IV-M-21 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 show the receipt, use, and disposition of all city property.”

The Audubon Fire and Rescue Association maintains a City Fire Department bank account and accounting records for activity separate from the City Clerk’s accounting records containing collections of fire tax dollars since the 1980’s. While the Fire Department is part of the City, the transactions and the resulting balances are not included in the City’s annual budget, monthly financial reports or Annual Financial Report.

In addition, the transactions and resulting balances of this account were not reported to the City Council and disbursements from this account were not reviewed and approved by the City Council. Also, a summary of this 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.

As of June 30, 2021, the separately maintained Fire Department bank balance is \$232,595.

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 City Fire Department being maintained by the Fire and Rescue Association 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 and monthly 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 – On January 21, 2022, the City Fire Department account managed by the Fire Association was closed and the funds were transferred to an account that will be maintained by the Audubon City Clerk. At the February 1, 2022, Firefighters Association meeting, all members in attendance were informed of the transfer and subsequently noted in the association minutes. Financial reports provided by the City of this account will be available for review by the Fire Chief and reported to the members of the Firefighters Association.

Conclusion – Response accepted.

- IV-N-21 Interest in Real Property – Article VII, Section 1 of the Constitution of the State of Iowa states, in part, “The credit of the state shall not, in any manner, be given or loaned to, or in aid of, any individual, associate, or corporation.”

City of Audubon

Schedule of Findings and Questioned Costs

Year ended June 30, 2021

On February 24, 2014, the City approved Resolution 14-03 authorizing the acquisition or condemnation, if necessary, of a property located at 408 Market Street, Audubon Iowa. The property was condemned for the purpose of rehabilitating the site and removing the environmental hazards thereon. The resolution states that the City has the ability to restore and clean the property using federal and state assistance which would be unavailable to a private property owner.

On July 22, 2014, the City of Audubon purchased the condemned property for the consideration of \$10,000 from Stone Creek Modular Homes LLC, sole member Dennis E. Oleson. The deed was delivered by grantor as a deed in lieu of condemnation.

The City then applied for and received a grant with Iowa Department of Natural Resources to clean up the property. The City held a bidding process and chose the vendor. The USDA then worked directly with the vendor to monitor the progress of the project and funding. The contractor was not moving forward with the project therefore in late 2019 DNR completed the project using the state closure contractor. A completion certificate was issued in May 2020.

On August 4, 2020, the City sold the property back to the original owner of the property for the amount of \$10,000 per a purchase agreement however, a public hearing was not held before the sale of the property.

On December 3, 2020, the property was sold to MW & MH, LLC for \$25,000. Resulting in a profit of \$15,000. Per the County Assessor, no improvements were reported from August 14, 2020 to December 3, 2020 that would have increased the value of the property since it's last purchase.

On December 15, 2020, MW & MH, LLC sold the property to Audubon County Economic Development Corporation for \$30,000. Per the County Assessor, no improvements were reported to the property from December 3, 2020, to December 15, 2020 that would have increased the value of the property since it's last purchase.

The City did not document the public purpose of selling the improved property back to the original owner at the original unimproved price paid by the City rather than seeking the best possible price.

Further, when disposing of City real property, Chapter 364.7 of the Code of Iowa requires a city to set forth the proposal in a resolution after holding a public hearing regarding the resolution and disposal. The City did not hold a hearing prior to the sale of the property on August 14, 2020, as required.

Recommendation – The City should seek legal counsel to determine the disposition of this matter. Also, in the future the City should obtain the best possible price when disposing of real property and should comply with Chapter 364.7 of the Code of Iowa.

Response – The decision to enter into this arrangement was made by prior Council. The current Council was honoring an agreement that was in place. The City will discuss this agreement with the City Attorney for advice. In the future, the City will set public hearing and advertise property to the Public at Large.

Conclusion – Response accepted.

City of Audubon

Staff

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