



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
Auditor of State

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

NEWS RELEASE

Contact: Brian Brustkern
515/281-5834

FOR RELEASE

November 6, 2024

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

FINANCIAL HIGHLIGHTS:

The City's receipts totaled \$6,683,186 for the year ended June 30, 2023, a 5.2% increase over the prior year. Disbursements for the year ended June 30, 2023, totaled \$6,632,016, a 28.0% increase over the prior year. The significant increase over the prior year in disbursements is due primarily to an increase in repairs and maintenance expenses on bridge projects.

AUDIT FINDINGS:

Sand reported six findings related to the receipt and disbursement of taxpayer funds. They are found on pages 51 through 56 of this report. The findings address issues such as a lack of segregation of duties, errors in financial reporting, disbursements exceeding budgeted amounts and deficit fund balances in the Special Revenue, Road Use Tax Fund. Sand provided the City and the component unit with recommendations to address each of the findings.

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

A copy of the audit report is available for review on the Auditor of State's website at [Audit Reports – Auditor of State](#).

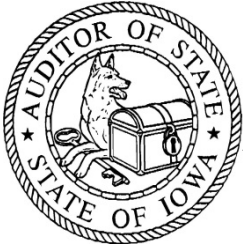
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CITY OF AUDUBON

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

JUNE 30, 2023

City of Audubon



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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

Rob Sand
Auditor of State

September 13, 2024

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, 2023. 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

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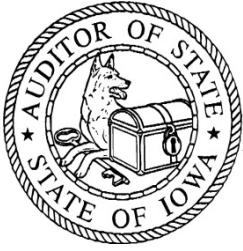
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City of Audubon

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Barb Jacobsen	Mayor	Jan 2024
Andrew Grabill	Council Member	Jan 2024
Jake Murray	Council Member	Jan 2024
Jason Hocker	Council Member	Jan 2026
Brooke Wegner	Council Member	Jan 2026
Nick Weihs	Council Member	Jan 2026
Joseph Foran	City Clerk	Indefinite
David Wiederstein	Attorney	Indefinite

City of Audubon



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

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

Rob Sand
Auditor of State

Independent Auditor's Report

To the Honorable Mayor and Members of the City Council:

Report on the Audit of the Financial Statements

Opinions

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, 2023, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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, 2023, and the respective changes in cash basis financial position for the year then ended in accordance with the cash basis of accounting described in Note 1.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report. We are required to be independent of the City of Audubon, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Responsibilities of Management 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, and for determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Audubon's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 of Audubon's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Audubon's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary 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 Auditor's Responsibilities for the Audit of the Financial Statements section of this report, the financial statements for the nine years ended June 30, 2022 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the cash basis of accounting. 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 GAAS. In our opinion, the supplementary information in Schedules 1 and 2 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in this report. The other information comprises the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability (Asset) and the Schedule of City Contributions on pages 30 through 38 but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 13, 2024 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.



Brian R. Brustkern, CPA
Deputy Auditor of State

September 13, 2024

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, 2023

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Primary Government:				
Governmental activities:				
Public safety	\$ 830,142	61,985	133,571	1,055,549
Public works	2,232,523	243,273	329,975	-
Culture and recreation	360,275	46,848	45,227	4,000
Community and economic development	649,927	-	462,810	-
General government	263,738	197,193	156,151	-
Debt service	228,160	-	-	-
Total governmental activities	4,564,765	549,299	1,127,734	1,059,549
Business type activities:				
Water	1,398,437	658,833	-	233,006
Sewer	668,814	746,973	-	-
Total business type activities	2,067,251	1,405,806	-	233,006
Total	\$ 6,632,016	1,955,105	1,127,734	1,292,555
Component Unit:				
Audubon Fire and Rescue Association	\$ 38,489	-	75,098	-
General Receipts:				
Property and other city tax levied for:				
General purposes				
Debt service				
Tax increment financing				
Local option sales tax				
Hotel/motel tax				
Commercial/industrial tax replacement				
Unrestricted interest on investments				
Bond proceeds				
Miscellaneous				
Total general receipts				
Change in cash basis net position				
Cash basis net position beginning of year				
Cash basis net position end of year				
Cash Basis Net Position				
Restricted:				
Nonexpendable:				
Cemetery perpetual care				
Expendable:				
Streets				
Employee benefits				
Customer deposits				
Debt service				
Fire				
Other purposes				
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
420,963	-	420,963	
(1,659,275)	-	(1,659,275)	
(264,200)	-	(264,200)	
(187,117)	-	(187,117)	
89,606	-	89,606	
(228,160)	-	(228,160)	
(1,828,183)	-	(1,828,183)	
-	(506,598)	(506,598)	
-	78,159	78,159	
-	(428,439)	(428,439)	
(1,828,183)	(428,439)	(2,256,622)	
			36,609
919,404	-	919,404	-
221,042	-	221,042	-
357	-	357	-
311,918	-	311,918	-
50,376	-	50,376	-
68,180	-	68,180	-
24,085	-	24,085	-
-	682,546	682,546	-
7,347	22,537	29,884	-
1,602,709	705,083	2,307,792	-
(225,474)	276,644	51,170	36,609
2,000,930	561,536	2,562,466	221,087
\$ 1,775,456	838,180	2,613,636	257,696
\$ 199,492	-	199,492	-
614,868	-	614,868	-
443,255	-	443,255	-
-	26,385	26,385	-
46,320	220,258	266,578	-
-	-	-	257,696
-	294,377	294,377	-
471,521	297,160	768,681	-
\$ 1,775,456	838,180	2,613,636	257,696

City of Audubon

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

As of and for the year ended June 30, 2023

	Special			
	General	Road Use Tax	Employee Benefits	Urban Renewal Tax Increment
Receipts:				
Property tax	\$ 609,952	-	309,452	-
Local option sales tax	-	-	-	-
Tax increment financing	-	-	-	357
Other city tax	50,376	-	-	-
Licenses and permits	179,104	-	-	-
Use of money and property	24,081	-	-	-
Intergovernmental	1,389,124	282,516	11,910	-
Charges for service	333,839	-	-	-
Special assessments	18,014	630	-	-
Miscellaneous	123,434	693	7,187	-
Total receipts	<u>2,727,924</u>	<u>283,839</u>	<u>328,549</u>	<u>357</u>
Disbursements:				
Operating:				
Public safety	730,878	-	99,264	-
Public works	1,701,161	333,694	167,463	-
Culture and recreation	348,966	-	11,309	-
Community and economic development	26,600	-	-	209,500
General government	211,311	-	52,427	-
Debt service	-	-	-	-
Total disbursements	<u>3,018,916</u>	<u>333,694</u>	<u>330,463</u>	<u>209,500</u>
Excess (deficiency) of receipts over (under) disbursements	(290,992)	(49,855)	(1,914)	(209,143)
Cash balances beginning of year	<u>868,808</u>	<u>(56,440)</u>	<u>445,169</u>	<u>209,143</u>
Cash balances end of year	<u>\$ 577,816</u>	<u>(106,295)</u>	<u>443,255</u>	<u>-</u>
Cash Basis Fund Balances				
Nonspendable - Cemetery perpetual care	\$ -	-	-	-
Restricted for:				
Streets	-	-	-	-
Employee benefits	-	-	443,255	-
Debt service	-	-	-	-
Assigned for:				
Fire	440,413	-	-	-
Public safety	112,583	-	-	-
Culture and recreation	56,227	-	-	-
Unassigned	<u>(31,407)</u>	<u>(106,295)</u>	<u>-</u>	<u>-</u>
Total cash basis fund balances	<u>\$ 577,816</u>	<u>(106,295)</u>	<u>443,255</u>	<u>-</u>

See notes to financial statements.

Revenue		Permanent			
Local Option Sales Tax	Economic Development	Debt Service	Cemetery Trust		Total
-	-	221,042	-	-	1,140,446
311,918	-	-	-	-	311,918
-	-	-	-	-	357
-	-	-	-	-	50,376
-	-	-	-	-	179,104
-	-	-	4	-	24,085
-	452,790	12,708	-	-	2,149,048
-	-	-	-	-	333,839
-	-	-	-	-	18,644
-	-	-	160	-	131,474
311,918	452,790	233,750	164	-	4,339,291
-	-	-	-	-	830,142
30,205	-	-	-	-	2,232,523
-	-	-	-	-	360,275
-	413,827	-	-	-	649,927
-	-	-	-	-	263,738
-	-	228,160	-	-	228,160
30,205	413,827	228,160	-	-	4,564,765
281,713	38,963	5,590	164	-	(225,474)
333,155	(38,963)	40,730	199,328	-	2,000,930
614,868	-	46,320	199,492	-	1,775,456
-	-	-	199,492	-	199,492
614,868	-	-	-	-	614,868
-	-	-	-	-	443,255
-	-	46,320	-	-	46,320
-	-	-	-	-	440,413
-	-	-	-	-	112,583
-	-	-	-	-	56,227
-	-	-	-	-	(137,702)
614,868	-	46,320	199,492	-	1,775,456

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, 2023

	Enterprise		
	Water	Sewer	Total
Operating receipts:			
Charges for service	\$ 658,833	746,973	1,405,806
Miscellaneous	17,553	4,984	22,537
Total operating receipts	676,386	751,957	1,428,343
Operating disbursements:			
Business type activities	311,518	311,504	623,022
Excess of operating receipts over operating disbursements	364,868	440,453	805,321
Non-operating receipts (disbursements):			
Grant proceeds	233,006	-	233,006
Note proceeds	682,546	-	682,546
Debt service	(107,292)	(311,580)	(418,872)
Capital outlay	(979,627)	(45,730)	(1,025,357)
Net non-operating receipts (disbursements)	(171,367)	(357,310)	(528,677)
Excess of receipts over disbursements	193,501	83,143	276,644
Other financing sources (uses):			
Transfers in	150,000	-	150,000
Transfers out	-	(150,000)	(150,000)
Total other financing sources (uses)	150,000	(150,000)	-
Change in cash balances	343,501	(66,857)	276,644
Cash balances beginning of year	129,114	432,422	561,536
Cash balances end of year	\$ 472,615	365,565	838,180
Cash Basis Fund Balances (Deficits)			
Restricted for customer deposits	26,385	-	26,385
Restricted for debt service	81,005	139,253	220,258
Restricted for short-lived asset	80,150	214,227	294,377
Unrestricted	285,075	12,085	297,160
Total cash basis fund balances	\$ 472,615	365,565	838,180

See notes to financial statements.

City of Audubon

Notes to Financial Statements

June 30, 2023

(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 held 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 funds 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 Economic Development Fund is used to account for grants and contributions to be used for general economic development purposes of the City.

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 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, 2021 assessed property valuations; is for the tax accrual period July 1, 2022 through June 30, 2023 and reflects tax asking contained in the budget certified to the City Council in March 2022.

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.

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

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, 2023, disbursements exceeded the amounts budgeted in the public works, community and economic development, debt service and business type activities functions.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2023, 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, 2023 is as follows:

	Restated Beginning Balances	Increases	Decreases	Ending Balances	Due Within One Year
Governmental activities:					
Refunding notes	\$ 120,000	-	120,000	-	-
Capital loan notes, series 2022	980,000	-	85,000	895,000	220,000
Governmental activities total	<u>1,100,000</u>	<u>-</u>	<u>205,000</u>	<u>895,000</u>	<u>220,000</u>
Business type activities					
Water revenue capital loan notes -direct borrowing	\$ 2,055,974	682,546	70,244	2,668,276	71,039
Sewer revenue notes - direct borrowing	3,886,110	-	245,021	3,641,089	76,089
Business-type activities total	<u>\$ 5,942,084</u>	<u>682,546</u>	<u>315,265</u>	<u>6,309,365</u>	<u>147,128</u>

A summary of the City's June 30, 2023 general obligation notes payable is as follows:

Year	General Obligation Capital Loan Notes, Series 2022 Issued Feb 28, 2022				
	Ending June 30,	Interest Rates	Principal	Interest	Total
2024		2.00%	\$ 220,000	17,900	237,900
2025		2.00	220,000	13,500	233,500
2026		2.00	225,000	9,100	234,100
2027		2.00	230,000	4,600	234,600
Total			<u>\$ 895,000</u>	<u>45,100</u>	<u>940,100</u>

On October 10, 2012, the City issued \$965,000 of general obligation 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, 2023, the City paid \$120,000 in principal and \$2,460 of interest on the notes.

On February 28, 2022, the City issued \$980,000 of general obligation capital loan notes, series 2022 with an interest rate of 2.00% per annum. The notes were issued for the purpose of paying costs of a bridge project and currently refund the 2012 general obligation capital loan notes outstanding in the amount of \$560,000. During the year ended June 30, 2023, the City paid \$85,000 in principal and interest of \$19,600 on the notes.

Sewer Revenue Capital Loan Notes – Direct Borrowing

Year Ending June 30,	Sewer Capital Loan Notes 2017 Issued Jul 24, 2018			
	Interest	Principal	Interest	Total
	Rates			
2024	1.75%	\$ 76,089	63,111	139,200
2025	1.75	77,432	61,768	139,200
2026	1.75	78,798	60,402	139,200
2027	1.75	80,188	59,012	139,200
2028	1.75	81,602	57,598	139,200
2029-2033	1.75	430,120	265,880	696,000
2034-2038	1.75	469,420	226,580	696,000
2039-2043	1.75	512,312	183,688	696,000
2044-2048	1.75	559,124	136,876	696,000
2049-2053	1.75	610,212	85,788	696,000
2054-2058	1.75	665,792	30,028	695,820
Total		\$ 3,641,089	1,230,731	4,871,820

In September 2002 and December 2003, the City entered into agreements with the Iowa Finance Authority, the Iowa Department of Natural Resources and Wells Fargo Bank, N.A. for the issuance of \$2,066,000 and \$600,000, respectively, of sewer revenue bonds. 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. During the year ended June 30, 2023, the City paid principal of \$135,000 and \$34,000, respectively and interest of \$2,363 and \$595, respectively, on the notes.

In July 2018, the City entered into an agreement with the U.S. Department of Agriculture – Rural Development for the issuance \$4,000,000 of taxable sewer revenue capital loan notes. The notes bear interest at 1.75% per annum. The notes were issued to redeem the project anticipation note previously issued to pay the costs of improvements and extensions to the municipal sewer system. The notes are payable solely from sewer customer net receipts. During the year ended June 30, 2023, the City paid principal of \$76,021 and interest of \$63,179 on the note.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$6,666,000 of sewer revenue notes issued in July 2018. The total principal and interest remaining to be paid on the notes is \$4,871,820. The notes are payable solely from sewer customer net receipts. Annual principal and interest payments on the sewer notes required 71% of net receipts. For the current year, principal and interest paid and total customer net receipts were \$311,158 and \$440,453, 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.
- (c) 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.

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 water 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.

During fiscal year 2023 the City drew down \$682,546 of the authorized amount. As of June 30, 2023, the City has drawn down a total \$2,865,268, leaving a balance of \$586,732 to draw. During the year ended June 30, 2023, the City paid principal and interest of \$70,244 and \$37,048, respectively on the notes and total customer net receipts were \$364,868. Annual principal and interest payments on the water notes required 29% 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 2023, 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 6.21% of covered payroll and the City contributed 9.31% of covered payroll, for a total rate of 15.52%.

The City’s contributions to IPERS for the year ended June 30, 2023 totaled \$50,362.

Net Pension Liability, Pension Expense (Reduction), Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2023, the City had a liability of \$76,516 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022 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, 2022, the City’s proportion was 0.002025%, which was a decrease of 0.055731% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the City’s pension expense (reduction), deferred outflows of resources and deferred inflows of resources totaled \$(5,791), \$285,033 and \$301,946, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension asset in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

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

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of a quadrennial experience study covering the period of July 1, 2017 through June 30, 2021.

Mortality rates used in the 2022 valuation were based on the PubG-2010 mortality tables with future mortality improvements modeled using Scale MP-2021.

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%	3.57%
International equity	17.5	4.79
Global smart beta equity	6.0	4.16
Core plus fixed income	20.0	1.66
Public credit	4.0	3.77
Cash	1.0	0.77
Private equity	13.0	7.57
Private real assets	8.5	3.55
Private credit	8.0	3.63
Total	100.0%	

Discount Rate – The discount rate used to measure the total pension asset 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)	\$ 295,448	76,516	(115,973)

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, 2023, the City contributed \$280,832 and plan members eligible for benefits did not contribute to the plan. At June 30, 2023, 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, 2023, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	-
Active employees	<u>8</u>
Total	<u>8</u>

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City’s approximate liability for earned vacation payable to employees at June 30, 2023, primarily relating to the General Fund and Enterprise Funds, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	<u>\$ 19,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2023.

(7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2023 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Enterprise:		
Water	Sewer	<u>\$ 150,000</u>

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

(8) Risk Management

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

(9) Deficit Balance

The Special Revenue, Road Use Tax Fund had a deficit balance of \$106,295 at June 30, 2023. The City is investigating alternatives to eliminate this deficit.

(10) Subsequent Event

On July 10, 2023, the City approved the purchase of a fire truck in the amount of \$428,539. Also, on August 14, 2023, the City entered into an agreement with Audubon State Bank in the amount of \$150,000 to purchase real estate for the purpose of a new City Hall location.

City of Audubon

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, 2023

	Governmental Funds Actual	Proprietary Funds Actual	Total
Receipts:			
Property tax	\$ 1,140,446	-	1,140,446
Tax increment financing	357	-	357
Other city tax	362,294	-	362,294
Licenses and permits	179,104	-	179,104
Use of money and property	24,085	-	24,085
Intergovernmental	2,149,048	-	2,149,048
Charges for service	333,839	1,405,806	1,739,645
Special assessments	18,644	-	18,644
Miscellaneous	131,474	22,537	154,011
Total receipts	<u>4,339,291</u>	<u>1,428,343</u>	<u>5,767,634</u>
Disbursements:			
Public safety	830,142	-	830,142
Public works	2,232,523	-	2,232,523
Culture and recreation	360,275	-	360,275
Community and economic development	649,927	-	649,927
General government	263,738	-	263,738
Debt service	228,160	-	228,160
Business type activities	-	2,067,251	2,067,251
Total disbursements	<u>4,564,765</u>	<u>2,067,251</u>	<u>6,632,016</u>
Excess (deficiency) of receipts over (under) disbursements	(225,474)	(638,908)	(864,382)
Other financing sources, net	-	915,552	915,552
Change in balances	(225,474)	276,644	51,170
Balances beginning of year	<u>2,000,930</u>	<u>561,536</u>	<u>2,562,466</u>
Balances end of year	<u>\$ 1,775,456</u>	<u>838,180</u>	<u>2,613,636</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Total
		Variance
1,119,308	1,119,308	21,138
220,000	220,000	(219,643)
484,255	484,255	(121,961)
12,800	12,800	166,304
28,460	28,460	(4,375)
1,656,155	1,656,155	492,893
2,180,815	2,180,815	(441,170)
22,000	22,000	(3,356)
219,000	219,000	(64,989)
5,942,793	5,942,793	(175,159)
1,062,630	1,062,630	232,488
1,562,274	1,562,274	(670,249)
689,194	689,194	328,919
325,600	525,600	(124,327)
266,790	266,790	3,052
227,660	227,660	(500)
1,762,183	1,762,183	(305,068)
5,896,331	6,096,331	(535,685)
46,462	(153,538)	(710,844)
700,000	900,000	15,552
746,462	746,462	(695,292)
1,345,135	1,345,135	1,217,331
2,091,597	2,091,597	522,039

City of Audubon

City of Audubon

Notes to Other Information – Budgetary reporting

June 30, 2023

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 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 disbursements by \$200,000. The budget amendments are reflected in final budget amounts.

During the year ended June 30, 2023, disbursements exceeded the amounts budgeted in the public works, community and economic development, debt service and business type activities functions. In addition, disbursements exceeded the amount budgeted in the community and economic development function prior to the December 12, 2022 budget amendment.

City of Audubon

Schedule of the City's Proportionate Share of the Net Pension Liability (Asset)

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

Other Information

	2023	2022	2021	2020
City's proportion of the net pension liability (asset)	0.002025%	0.057756% **	0.004473%	0.004104%
City's proportionate share of the net pension liability (asset)	\$ 77	(199)	314	238
City's covered payroll	\$ 530	542	535	584
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	14.53%	-36.72%	58.69%	40.75%
IPERS' net position as a percentage of the total pension liability (asset)	91.40%	100.81%	82.90%	84.45%

* 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.

** Overall net plan asset.

See accompanying independent auditor's report.

2019	2018	2017	2016	2015
0.0041111%	0.004330%	0.004106%	0.003463%	0.003213%
260	288	258	171	128
545	528	482	478	448
47.71%	54.55%	53.53%	35.77%	28.57%
83.62%	82.21%	81.82%	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>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Statutorily required contribution	\$ 50	50	54	53
Contributions in relation to the statutorily required contribution	<u>(50)</u>	<u>(50)</u>	<u>(54)</u>	<u>(53)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered payroll	\$ 522	530	542	535
Contributions as a percentage of covered payroll	9.58%	9.43%	9.96%	9.91%

See accompanying independent auditor's report.

2019	2018	2017	2016	2015	2014
57	51	49	45	45	42
(57)	(51)	(49)	(45)	(45)	(42)
-	-	-	-	-	-
584	545	528	482	478	448
9.76%	9.36%	9.28%	9.34%	9.41%	9.38%

City of Audubon

Notes to Other Information – Pension Liability

Year ended June 30, 2023

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

The 2022 valuation incorporated the following refinements after a quadrennial experience study:

- Changed mortality assumptions to the PubG-2010 mortality tables with mortality improvements modeled using Scale MP-2021.
- Adjusted retirement rates for Regular members.
- Lowered disability rates for Regular members.
- Adjusted termination rates for all membership groups.

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

	2023	2022	2021	2020
Receipts:				
Property tax	\$ 1,140,446	1,088,196	1,270,080	1,128,478
Local option sales tax	311,918	282,781	204,801	225,641
Tax increment financing	357	394,651	-	-
Other Tax	50,376	63,238	4,362	-
Licenses and permits	179,104	175,568	146,431	143,771
Use of money and property	24,085	21,905	23,539	25,712
Intergovernmental	2,149,048	1,004,649	456,488	373,534
Charges for service	333,839	358,506	366,544	306,293
Special assessments	18,644	13,772	6,042	10,844
Miscellaneous	131,474	157,635	169,180	121,852
Total	4,339,291	3,560,901	2,647,467	2,336,125
Disbursements:				
Operating:				
Public safety	\$ 830,142	585,003	594,419	773,190
Public works	2,232,523	1,419,176	898,009	839,565
Culture and recreation	360,275	328,050	288,986	285,059
Community and economic development	649,927	489,355	132,100	69,507
General government	263,738	218,899	189,434	153,360
Debt service	228,160	137,125	163,792	161,882
Capital projects	-	-	40,580	-
Total	\$ 4,564,765	3,177,608	2,307,320	2,282,563

See accompanying independent auditor's report.

2019	2018	2017	2016	2015	2014
1,076,231	1,035,461	803,674	941,807	720,670	661,079
188,314	157,998	197,230	187,103	204,128	208,329
-	-	-	-	-	-
55,502	67,098	307,123	56,045	72,227	96,274
158,943	155,599	146,357	30,663	3,615	2,106
26,276	23,202	20,813	20,700	21,109	19,984
354,477	350,086	336,799	505,881	452,174	284,177
259,086	241,675	243,381	243,778	242,833	244,713
12,148	6,016	2,502	826	-	3,807
154,239	495,077	200,769	168,607	75,129	74,855
2,285,216	2,532,212	2,258,648	2,155,410	1,791,885	1,595,324
599,176	555,218	505,966	617,453	460,385	544,006
798,182	797,983	976,656	630,198	633,798	736,329
323,530	799,192	324,512	275,606	251,567	361,476
61,338	182,095	64,855	223,246	173,621	91,359
162,755	139,538	214,384	155,109	291,145	114,714
179,728	165,772	162,587	215,493	217,541	200,914
-	-	165,067	63,799	39,814	211,210
2,124,709	2,639,798	2,414,027	2,180,904	2,067,871	2,261,008

City of Audubon

City of Audubon
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2023

Grantor/Program	Assistance Listings Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. Department of Agriculture:			
Passed through Iowa Department of Natural Resources Cooperative Forestry Assistance	10.664	2022 VFA P008-22	\$ 4,071
Water and Waste Disposal Systems for Rural Communities	10.760		<u>909,088</u>
Total U.S. Department of Agriculture			<u>913,159</u>
U.S. Department of Housing and Urban Development:			
Passed through Iowa Economic Development Authority (IEDA) Community Development Block Grants/State Program and Non-Entitlement Grants in Hawaii	14.228	19-OT-001	324,258
Community Development Block Grants/State Program and Non-Entitlement Grants in Hawaii	14.228	20-HSG-001	<u>128,532</u>
Total U.S. Department of Housing and Urban Development			<u>452,790</u>
U.S. Department of Transportation:			
Passed through Iowa Department of Transportation Highway Planning and Construction Cluster: Highway Planning and Construction	20.205	TAP-R-0300(604)--8T-05	<u>96,006</u>
Total U.S. Department of Transportation			<u>96,006</u>
U.S. Department of Treasury:			
Passed through Iowa Department of Revenue COVID-19, CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	FY2022	<u>219,550</u>
Total U.S. Department of Treasury			<u>219,550</u>
			<u>\$ 1,681,505</u>

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, 2023. 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
STATE OF IOWA**

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Auditor of State

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

To the Honorable Mayor and Members of the City Council:

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, 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, 2023, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 13, 2024. 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.

Report on 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 (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Audubon's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Audubon's internal control.

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

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 that a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items 2023-001 and 2023-002 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item 2023-003 to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Audubon's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance 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 noncompliance or other matters which are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance or other matters which are described in Part IV of 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, 2023 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.

City of Audubon's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of Audubon's responses to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. The City of Audubon's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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.

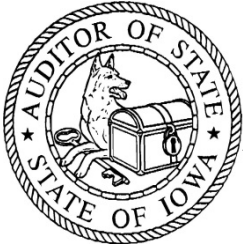
We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Audubon during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



Brian R. Brustkern, CPA
Deputy Auditor of State

September 13, 2024

City of Audubon



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Rob Sand
Auditor of State

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

Opinion on Each Major Federal Program

We have audited the City of Audubon, Iowa's compliance with the types of compliance requirements identified as subject to audit in the 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, 2023. The City of Audubon's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the City of Audubon complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS), 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City of Audubon and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City of Audubon's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City of Audubon's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City of Audubon's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, Government Auditing Standards and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence judgment made by a reasonable user of the report on compliance about the City of Audubon's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, Government Auditing Standards and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City of Audubon's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City of Audubon's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the City of Audubon's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 that 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.



Brian R. Brustkern, CPA
Deputy Auditor of State

September 13, 2024

City of Audubon

Schedule of Findings and Questioned Costs

Year ended June 30, 2023

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 noncompliance 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, 2023

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

2023-001 Segregation of Duties

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City’s 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, 2023

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. This allows for continual checks and balances of staff.

Fire and Rescue Association – The Association will strive to correct inadequate segregation of duties and include the mayor as an independent person for the review.

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.

2023-002

Annual Financial Report

Criteria – Chapter 384.22 of the Code of Iowa requires the City’s Annual Financial Report (AFR) to contain a “summary for the preceding fiscal year of all collections and receipts, all accounts due the City, and all expenditures...”

Condition – For the year ended June 30, 2023, the City’s AFR included material errors. Ending balances were understated for the Governmental Funds by \$65,547.

Cause – City policies do not require, and procedures have not been established to require independent review of the AFR to ensure the report agrees to City’s records.

Effect – Lack of policies and procedures resulted in City employees and elected officials not detecting the errors in the normal course of performing their assigned functions. As a result, the AFR was inaccurate.

Recommendation – The City should establish procedures to ensure the AFR agrees to the City records.

Response – This was a human mistake believing the information was to be pre-filled by the State. Future reports will be checked that the fund balances are inputted.

Conclusion – Response accepted.

City of Audubon

Schedule of Findings and Questioned Costs

Year ended June 30, 2023

2023-003 Computer System

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

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

- (1) A written agreement with another entity for a location 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 – The City is in the process of setting up a committee to review and create a new disaster plan.

Conclusion – Response accepted.

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

City of Audubon

Schedule of Findings and Questioned Costs

Year ended June 30, 2023

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NONCOMPLIANCE:

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, 2023

Part IV: Other Findings Related to Required Statutory Reporting:

2023-A Certified Budget – Disbursements during the year ended June 30, 2023 exceeded the amounts budgeted in the public works, community and economic development, debt service and business type functions. Disbursements also exceeded the amounts budgeted in the community and economic development function prior to the 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 budget.

Response – Often we experience additional expenses from unbudgeted projects that are taken on after the budget is accepted. Often, they will cause functions in the budget to go over prior to the chance to amend. We will do a better job of amending when those projects are accepted.

Conclusion – Response accepted.

2023-B Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

2023-C Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

2023-D 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.

2023-E Business Transactions – No business transactions between the City and City officials or employees were noted.

2023-F 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.

2023-G City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.

2023-H Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.

2023-I Revenue Notes – No instances of noncompliance with the revenue note resolutions were noted.

City of Audubon

Schedule of Findings and Questioned Costs

Year ended June 30, 2023

2023-J Financial Condition – The Special Revenue, Road Use Tax had a deficit balance of \$106,295 at June 30, 2023.

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

Response – The deficit was caused by a project ongoing on longer than anticipated, which delayed the change in balances. The deficit will be eliminated eventually once projects are completed.

Conclusion – Response acknowledged. The City should investigate alternatives to return the funds to a sound financial position.

2023-K Annual Urban Renewal Report – The Annual Urban Renewal Report was approved and certified to the Iowa Department of Management on or before December 1.

2023-L Interfund Transfers – Section 545-2 of the City Finance Committee Rules requires “A fund transfer resolution must be completed for all transfers between funds and must include a clear statement of reason or purpose for the transfer, the name of the fund from which the transfer is originating, the name of the fund into which the transfer is to be received, and the dollar amount to be transferred. For transfers of utility surpluses outlined in subrule 2.5(5), the calculation proving the surplus must also be shown in the resolution.”

During the year ended June 30, 2023, the City did not adopt a resolution, including the required elements, for transfers between the Water and Sewer funds.

It also did not include a calculation of surplus funds as required by the rule. During the audit we performed a surplus calculation and determined the Enterprise, Sewer Fund did have a surplus as defined by the rules because expenses of the preceding three months did not exceed the cash balance. However, the amount of the transfer exceeded the surplus balance of the Enterprise, Sewer Fund, by \$67,323.

Recommendation – All interfund transfers should be preceded by a resolution as required by Section 545-2 of the City Finance Committee Rules. The City should perform a corrective transfer to return \$67,323 to the Enterprise, Sewer Fund from the Water Fund. In the future the City should comply with Iowa Administrative Code Rule 542.2.5(5).

Response – The City will perform a corrective transfer to return the money to the Enterprise, Sewer Fund from the Water Fund. This and all interfund transfers will be approved by the City Council.

Conclusion – Response accepted.

City of Audubon

Staff

This audit was performed by:

Brian R. Brustkern, CPA, Deputy
Deborah J. Moser, CPA, Manager
Alex N. Kawamura, CPA, Manager
April R. Davenport, Senior Auditor
Maria R. Collins, Staff Auditor
Ariel N. Dennler, Assistant Auditor