



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

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NEWS RELEASE

FOR RELEASE

June 13, 2017

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

The City's receipts totaled \$3,178,937 for the year ended June 30, 2016, a 2.9% increase over the prior year. The receipts included \$956,035 of property tax, \$58,497 of tax increment financing, \$1,325,960 of charges for service, \$536,223 of operating grants, contributions and restricted interest, \$16,924 of capital grants, contributions and restricted interest, \$166,194 of local option sales tax, \$95,908 of commercial/industrial tax replacements, \$10,433 of unrestricted interest on investments, and \$12,763 of other general receipts.

Disbursements for the year ended June 30, 2016 totaled \$2,734,002, a less than 1% increase over the prior year, and included \$420,688 public safety, \$366,587 for debt service and \$312,369 for public works. Also, disbursements for business type activities totaled \$921,518.

A copy of the audit report is available for review in the City Clerk's Office, in the Office of Auditor of State and on the Auditor of State's web site at <https://auditor.iowa.gov/reports/1620-0512-B00F>.

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CITY OF SIGOURNEY

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

JUNE 30, 2016

Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor’s Report		5-7
Management’s Discussion and Analysis		9-14
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statement:		
Cash Basis Statement of Activities and Net Position	A	16-17
Governmental Fund Financial Statements:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B	18-19
Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Cash Balances to the Cash Basis Statement of Activities and Net Position	C	20
Proprietary Fund Financial Statements:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	D	21
Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Cash Balances to the Cash Basis Statement of Activities and Net Position	E	23
Notes to Financial Statements		25-35
Other Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds		38-39
Notes to Other Information – Budgetary Reporting		40
Schedule of the City’s Proportionate Share of the Net Pension Liability		41
Schedule of City Contributions		43
Notes to Other Information – Pension Liability		44
Supplementary Information:	<u>Schedule</u>	
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Governmental Funds	1	46-47
Schedule of Indebtedness	2	48-49
Bond and Note Maturities	3	51
Schedule of Receipts by Source and Disbursements by Function – All Governmental Funds	4	52-53
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>		55-56
Schedule of Findings		57-59
Staff		60

City of Sigourney

Officials

(Before January 2016)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Terry W. Hollingsworth	Mayor	(Deceased Dec 2015)
Edward Conrad	Council Member	Jan 2016
Douglas L. Glandon	Council Member	Jan 2016
Connie McLaughlin	Council Member	Jan 2016
Randall Schultz	Council Member	Jan 2018
Rick Landgrebe	Council Member	Jan 2018
William Bender	Council Member	Jan 2018
Angela Alderson	City Clerk	Indefinite
John Wehr	Attorney	Indefinite

(After January 2016)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Douglas L. Glandon (Appointed Feb 2016)	Mayor	Jan 2018
Douglas L. Glandon	Council Member	(Resigned Feb 2016)
Jimmy Morlan (Appointed Mar 2016)	Council Member	Nov 2017
Randall Schultz	Council Member	Jan 2018
Rick Landgrebe	Council Member	Jan 2018
William Bender	Council Member	Jan 2018
Edward Conrad	Council Member	Jan 2020
Connie McLaughlin	Council Member	Jan 2020
Angela Alderson	City Clerk	Indefinite
John Wehr	Attorney	Indefinite

City of Sigourney



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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, each major fund and the aggregate remaining fund information of the City of Sigourney, Iowa, as of and for the year ended June 30, 2016, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Sigourney as of June 30, 2016, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

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

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Sigourney's basic financial statements. The financial Statements for the six years ended June 30, 2015 (which are not presented herein) were audited by other auditors who expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

The other information, Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 9 through 14 and 38 through 44, 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 25, 2017 on our consideration of the City of Sigourney's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Sigourney's internal control over financial reporting and compliance.


MARY MOSIMAN, CPA
Auditor of State

May 25, 2017

City of Sigourney

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2016 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased less than 1%, or approximately \$16,000, from fiscal year 2015 to fiscal year 2016.
- Disbursements of the City's governmental activities decreased 1.3%, or approximately \$24,000, in fiscal year 2016 from fiscal year 2015.
- The City's total cash basis net position increased 12.2%, or approximately \$445,000, from June 30, 2015 to June 30, 2016. Of this amount, the cash basis net position of the governmental activities increased approximately \$76,000 and the cash basis net position of the business type activities increased approximately \$369,000.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide financial statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year and the City's proportionate share of the net pension liability and related contributions.

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

BASIS OF ACCOUNTING

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

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

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

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

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

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

Fund Financial Statements

The City has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

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

- 2) Proprietary funds account for the City's Enterprise Funds and the Internal Service Fund. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the Water and Sewer Funds, considered to be major funds of the City, and the sanitation fund. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.

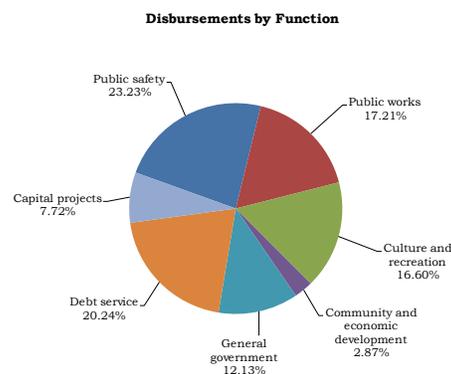
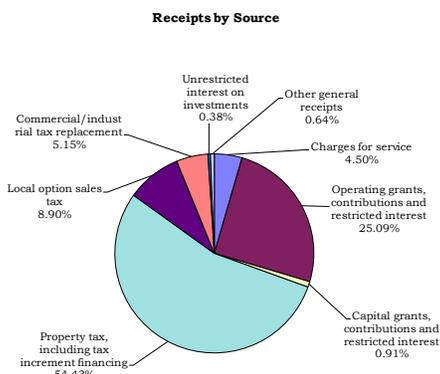
The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, increasing from approximately \$1.794 million to approximately \$1.870 million. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities		
(Expressed in Thousands)		
	Year ended June 30,	
	2016	2015
Receipts:		
Program receipts:		
Charges for service	\$ 84	79
Operating grants, contributions and restricted interest	468	402
Capital grants, contributions and restricted interest	17	-
General receipts:		
Property tax, including tax increment financing	1,015	1,053
Local option sales tax	166	258
Commercial/industrial tax replacement	96	-
Unrestricted interest on investments	7	4
Other general receipts	12	53
Total receipts	1,865	1,849
Disbursements:		
Public safety	421	329
Public works	312	205
Culture and recreation	301	308
Community and economic development	52	48
General government	219	215
Debt service	367	364
Capital projects	140	367
Total disbursements	1,812	1,836
Change in cash basis net position before transfers	53	13
Transfers, net	23	23
Change in cash basis net position	76	36
Cash basis net position beginning of year	1,794	1,758
Cash basis net position end of year	\$ 1,870	1,794



The City's total receipts for governmental activities increased less than 1%, or approximately \$16,000, over the prior year. The total cost of all programs and services decreased approximately \$24,000, or 1.3%, with no new programs added this year. The increase in receipts was primarily the result of grant proceeds received by the City as a pass-through for the fire department.

The cost of all governmental activities this year was approximately \$1.812 million compared to approximately \$1.836 million last year. However, as shown in the Statement of Activities and Net Position on pages 17-18, the amount taxpayers ultimately financed for these activities was approximately \$1.243 million because some of the cost was paid by those directly benefited from the programs (approximately \$84,000) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (approximately \$485,000). The City paid for the remaining "public benefit" portion of governmental activities with property tax (some of which could only be used for certain programs) and with other receipts, such as interest, local option sales tax and miscellaneous receipts. Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, increased in fiscal year 2016 from approximately \$481,000 to approximately \$569,000, principally due to receiving grant proceeds for the City's fire department.

Changes in Cash Basis Net Position of Business Type Activities		
(Expressed in Thousands)		
	Year ended June 30,	
	2016	2015
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 520	480
Sewer	530	503
Sanitation	191	183
Operating grants, contributions and restricted interest	68	-
General receipts:		
Unrestricted interest on investments	4	2
Other general receipts	1	71
Total receipts	1,314	1,239
Disbursements:		
Water	478	387
Sewer	295	297
Sanitation	149	195
Total disbursements	922	879
Change in cash basis net position before transfers	392	360
Transfers, net	(23)	(23)
Change in cash basis net position	369	337
Cash basis net position beginning of year	1,838	1,501
Cash basis net position end of year	\$ 2,207	1,838

Total business type activities receipts for the fiscal year were approximately \$1.314 million compared to approximately \$1.239 million last year. This increase was due primarily to the receipt of \$68,000 of an insurance claim received due to a lightning strike at the City's water treatment plant. Total business type activities disbursements increased approximately \$43,000 due to expenses related to the repairs made to the water treatment plant after the lightning strike. The cash balance increased approximately \$369,000 from the prior year.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Sigourney completed the year, its governmental funds reported a combined fund balance of \$1,722,108, an increase of more than \$26,000 above last year's total of \$1,695,141. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$87,137 from the prior year to \$540,488. Approximately \$80,000 of this increase was due to grants received for the fire department for fiscal year 2016.
- The Special Revenue, Road Use Tax Fund cash balance increased \$1,051 to \$155,232. The increase was due to the increase in road use tax from the state of Iowa, and in light of this the City used the additional funds for patching roads in town.
- The Special Revenue, Local Option Sales Tax Fund cash balance increased \$11,490 over the prior year to \$531,449.
- The Special Revenue, Employee Benefits Fund cash balance increased \$2,135 to \$182,026. The slight increase is largely attributed to the City's decision to levy less each year to eventually bring the balance of this fund down.
- The Debt Service Fund cash balance increased \$47,182 to \$74,177. This increase was due to an increase in property tax. Note principal and interest payments decreased \$3,443 in fiscal year 2016.
- The Capital Projects Fund cash balance decreased \$129,693 to \$89,773. The decrease was primarily due to finishing the City park project in fiscal year 2016 with funds received in fiscal year 2015 as well as the City continuing a street improvement project which began in fiscal year 2015.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Fund cash balance increased \$72,698 to \$725,762, due primarily to an increase in the sale of water and the insurance claim receipts for a lightning strike at the City's water treatment plant.
- The Enterprise, Sewer Fund cash balance increased \$230,617 to \$1,009,937, due primarily to an increase in the sale of wastewater and decreased plant and line maintenance expenses.
- The Enterprise, Sanitation Fund cash balance increased \$31,066 to \$182,425, due primarily to an increase in the sale of sanitation services.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on May 18, 2016 to provide for additional disbursements in certain City departments.

The City's receipts were \$56,167 less than budgeted. This was primarily due to the City budgeting for special assessments with no revenues received for special assessments in fiscal year 2016.

The City's disbursements were \$764,092 less than the amended budget. This was primarily due to the delay in projects related to street improvements and improvements to the water and sanitary sewer systems.

DEBT ADMINISTRATION

At June 30, 2016, the City had \$3,645,000 of notes and other long-term debt outstanding, compared to \$4,005,000 last year, as shown below.

Outstanding Debt at Year-End (Expressed in Thousands)		
	June 30,	
	2016	2015
General obligation notes	\$ 2,625	2,855
Revenue capital loan notes	978	1,088
Other obligations	42	62
Total	\$ 3,645	4,005

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation of approximately \$2,708,000 including tax increment financing rebate agreement of approximately \$83,000, is significantly below its constitutional debt limit of approximately \$4.4 million. Additional information about the City's long-term debt is presented in Note 3 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Sigourney's elected and appointed officials and citizens considered many factors when setting the fiscal year 2017 budget, tax rates and fees charged for various City activities. One of those factors is the economy. Unemployment in the City now stands at 3.1% versus 4.7% a year ago. This compares with the State's unemployment rate of 4.5% and the national rate of 4.8%.

These indicators were taken into account when adopting the budget for fiscal year 2017. There were no major changes to the fiscal year 2017 budget. The City of Sigourney is still using the increased sewer utility rates toward the wastewater treatment plant upgrade that will occur in the next couple years. The City has added no major new programs or initiatives to the fiscal year 2017 budget.

If these estimates are realized, the City's cash balance is expected to decrease approximately \$132,000 by the close of fiscal year 2017.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Angela Alderson, City Clerk, 100 N Main Street, Sigourney, Iowa 52591.

Basic Financial Statements

City of Sigourney

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2016

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 420,688	7,932	91,708	-
Public works	312,369	7,287	258,602	-
Culture and recreation	301,388	35,940	105,414	-
Community and economic development	52,393	13,202	1,400	-
General government	219,489	19,870	11,370	7,047
Debt service	366,587	-	-	-
Capital projects	139,570	-	-	9,877
Total governmental activities	1,812,484	84,231	468,494	16,924
Business type activities:				
Water	477,514	520,383	59,895	-
Sewer	294,714	530,482	1,877	-
Sanitation	149,290	190,864	5,957	-
Total business type activities	921,518	1,241,729	67,729	-
Total	\$ 2,734,002	1,325,960	536,223	16,924
General Receipts and Transfers:				
Property and other city tax levied for:				
General purposes				
Debt service				
Tax increment financing				
Local option sales tax				
Commercial/industrial tax replacements				
Unrestricted interest on investments				
Miscellaneous				
Transfers				
Total general receipts and transfers				
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:				
Lewis Memorial Trust				
Library Memorial Trust				
Expendable:				
Streets				
Debt service				
Capital projects				
Other purposes				
Unrestricted				
Total cash basis net position				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
Governmental Activities	Business Type Activities	Total
(321,048)	-	(321,048)
(46,480)	-	(46,480)
(160,034)	-	(160,034)
(37,791)	-	(37,791)
(181,202)	-	(181,202)
(366,587)	-	(366,587)
(129,693)	-	(129,693)
(1,242,835)	-	(1,242,835)
-	102,764	102,764
-	237,645	237,645
-	47,531	47,531
-	387,940	387,940
(1,242,835)	387,940	(854,895)
609,145	-	609,145
346,890	-	346,890
58,497	-	58,497
166,194	-	166,194
95,908	-	95,908
6,758	3,675	10,433
11,842	921	12,763
23,216	(23,216)	-
1,318,450	(18,620)	1,299,830
75,615	369,320	444,935
1,794,126	1,838,167	3,632,293
\$ 1,869,741	2,207,487	4,077,228
\$ 4,675	-	4,675
1,000	-	1,000
155,232	-	155,232
74,177	137,341	211,518
89,773	-	89,773
856,763	-	856,763
688,121	2,070,146	2,758,267
\$ 1,869,741	2,207,487	4,077,228

City of Sigourney

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

As of and for the year ended June 30, 2016

	Special Revenue			
	General	Road Use Tax	Local Option Sales Tax	Employee Benefits
Receipts:				
Property tax	\$ 494,144	-	-	97,859
Tax increment financing	-	-	-	-
Other city tax	14,263	-	166,194	2,879
Licenses and permits	33,664	-	-	-
Use of money and property	17,762	-	1,202	-
Intergovernmental	147,403	254,450	-	9,692
Charges for service	25,763	-	-	-
Miscellaneous	68,345	-	3,505	-
Total receipts	801,344	254,450	170,901	110,430
Disbursements:				
Operating:				
Public safety	334,664	-	3,082	77,573
Public works	3,989	253,399	85,133	13,841
Culture and recreation	180,275	-	37,319	16,596
Community and economic development	-	-	33,168	-
General government	195,279	-	709	23,501
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total disbursements	714,207	253,399	159,411	131,511
Excess (deficiency) of receipts over (under) disbursements	87,137	1,051	11,490	(21,081)
Other financing sources (uses):				
Transfers in	-	-	-	23,216
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	23,216
Change in cash balances	87,137	1,051	11,490	2,135
Cash balances beginning of year	453,351	154,181	519,959	179,891
Cash balances end of year	\$ 540,488	155,232	531,449	182,026
Cash Basis Fund Balances				
Nonspendable:				
Lewis Memorial Trust	\$ -	-	-	-
Library Memorial Trust	-	-	-	-
Restricted for:				
Streets	-	155,232	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Other purposes	-	-	531,449	182,026
Unassigned	540,488	-	-	-
Total cash basis fund balances	\$ 540,488	155,232	531,449	182,026

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
346,890	-	-	938,893
-	-	58,497	58,497
-	-	-	183,336
-	-	-	33,664
-	-	101	19,065
33,382	9,271	7,003	461,201
-	-	2,883	28,646
-	606	68,869	141,325
380,272	9,877	137,353	1,864,627
-	-	9,768	425,087
-	-	-	356,362
-	-	67,198	301,388
-	-	19,225	52,393
-	-	-	219,489
366,587	-	-	366,587
-	139,570	-	139,570
366,587	139,570	96,191	1,860,876
13,685	(129,693)	41,162	3,751
33,497	-	-	56,713
-	-	(33,497)	(33,497)
33,497	-	(33,497)	23,216
47,182	(129,693)	7,665	26,967
26,995	219,466	141,298	1,695,141
74,177	89,773	148,963	1,722,108
-	-	4,675	4,675
-	-	1,000	1,000
-	-	-	155,232
74,177	-	-	74,177
-	89,773	-	89,773
-	-	143,288	856,763
-	-	-	540,488
74,177	89,773	148,963	1,722,108

City of Sigourney

Reconciliation of the Statement of Cash
Receipts, Disbursements and Changes in Cash Balances
to the Cash Basis Statement of Activities and Net Position -
Governmental Funds

As of and for the year ended June 30, 2016

Total governmental funds cash balances (page 19) \$ 1,722,108

***Amounts reported for governmental activities in the Cash Basis
Statement of Activities and Net Position are different because:***

The Internal Service Fund is used by management to charge the costs of vehicle replacement to individual funds. A portion of the cash balance of the Internal Service Fund is included in governmental activities in the Cash Basis Statement of Activities and Net Position.

147,633

Cash basis net position of governmental activities (page 17)

1,869,741

Change in cash balances (page 19)

\$ 26,967

***Amounts reported for governmental activities in the Cash Basis
Statement of Activities and Net Position are different because:***

The Internal Service Fund is used by management to charge the costs of vehicle replacement to individual funds. A portion of the change in the cash balance of the Internal Service Fund is reported with governmental activities in the Cash Basis Statement of Activities and Net Position.

48,648

Change in cash basis net position of governmental activities (page 17)

\$ 75,615

See notes to financial statements.

City of Sigourney

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

As of and for the year ended June 30, 2016

	Enterprise				Internal Service Vehicle Replacement
	Water	Sewer	Sanitation	Total	
Operating receipts:					
Charges for service	\$ 512,508	530,482	190,864	1,233,854	189,000
Miscellaneous	68,288	2,280	5,957	76,525	-
Total operating receipts	580,796	532,762	196,821	1,310,379	189,000
Operating disbursements:					
Governmental activities:					
Public safety	-	-	-	-	5,601
Public works	-	-	-	-	56,007
Business type activities	406,930	221,842	160,288	789,060	44,245
Total operating disbursements	406,930	221,842	160,288	789,060	105,853
Excess of operating receipts over operating disbursements	173,866	310,920	36,533	521,319	83,147
Non-operating receipts (disbursements):					
Interest on investments	1,445	1,836	210	3,491	440
Debt service	(76,730)	(58,947)	-	(135,677)	-
Capital projects	(15,851)	(15,685)	-	(31,536)	-
Net non-operating receipts (disbursements)	(91,136)	(72,796)	210	(163,722)	440
Excess of receipts over disbursements	82,730	238,124	36,743	357,597	83,587
Transfers out	(10,032)	(7,507)	(5,677)	(23,216)	-
Change in cash balances	72,698	230,617	31,066	334,381	83,587
Cash balances beginning of year	653,064	779,320	151,359	1,583,743	353,409
Cash balances end of year	\$ 725,762	1,009,937	182,425	1,918,124	436,996
Cash Basis Fund Balances					
Restricted for debt service	\$ 78,303	59,038	-	137,341	-
Unrestricted	647,459	950,899	182,425	1,780,783	436,996
Total cash basis fund balances	\$ 725,762	1,009,937	182,425	1,918,124	436,996

See notes to financial statements.

City of Sigourney

City of Sigourney

Reconciliation of the Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
to the Cash Basis Statement of Activities and Net Position –
Proprietary Funds

As of and for the year ended June 30, 2016

Total enterprise funds cash balances (page 21) \$ 1,918,124

Amounts reported for business type activities in the Cash Basis Statement of Activities and Net Position are different because:

The Internal Service Fund is used by management to charge the costs of vehicle replacement to individual funds. A portion of the cash balance of the Internal Service Fund is included in business type activities in the Cash Basis Statement of Activities and Net Position.

289,363

Cash basis net position of business type activities (page 17)

\$ 2,207,487

Change in cash balances (page 21)

\$ 334,381

Amounts reported for business type activities in the Cash Basis Statement of Activities and Net Position are different because:

The Internal Service Fund is used by management to charge the costs of vehicle replacement to individual funds. A portion of the change in the cash balance of the Internal Service Fund is reported with business type activities in the Cash Basis Statement of Activities and Net Position.

34,939

Change in cash basis net position of business type activities (page 17)

369,320

See notes to financial statements.

City of Sigourney

City of Sigourney

Notes to Financial Statements

June 30, 2016

(1) Summary of Significant Accounting Policies

The City of Sigourney is a political subdivision of the State of Iowa located in the Keokuk County. It was first incorporated in 1858 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water, sewer and sanitation utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Sigourney 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 Sigourney (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

Blended Component Unit - The Friends of the Library is an entity which is legally separate from the City but is so intertwined with the City that it is, in substance, the same as the City. They are reported as part of the City and blended into the nonmajor governmental funds.

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: Keokuk County Assessor's Conference Board, City Assessor's Conference Board, Keokuk County Emergency Management Commission, Keokuk County Landfill Commission and Keokuk County Joint E-911 Service Board.

B. Basis of Presentation

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

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

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

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

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

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

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

The Local Option Sales Tax Fund is used to account for local option sales tax authorized by referendum and used in accordance with the referendum.

The Employee Benefits Fund is used to account for employee benefits tax levy collections and the payment of employee benefits.

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 with the exception of those financed through Enterprise Funds.

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.

The Enterprise, Sanitation Fund accounts for the operation and of the City's sanitary disposal system.

The City also reports the following proprietary fund:

An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the City and provided to other departments or agencies on a cost reimbursement basis.

C. Measurement Focus and Basis of Accounting

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

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

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

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

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

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

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

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information.

(2) Cash and Pooled Investments

The City’s deposits in banks at June 30, 2016 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

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

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

(3) Notes Payable

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

Year Ending June 30,	General Obligation Notes		Bank Loan Pool Liner Series 2012		Revenue Capital Loan Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 210,000	102,816	20,637	2,012	114,000	23,340	344,637	128,168
2018	210,000	96,103	21,497	228	117,000	20,908	348,497	117,239
2019	215,000	88,900	-	-	121,000	18,410	336,000	107,310
2020	230,000	81,247	-	-	124,000	15,830	354,000	97,077
2021	240,000	72,717	-	-	127,000	13,185	367,000	85,902
2022-2026	755,000	260,968	-	-	278,000	35,525	1,033,000	296,493
2027-2031	660,000	96,731	-	-	97,000	4,380	757,000	101,111
2032-2033	105,000	7,200	-	-	-	-	105,000	7,200
Total	\$ 2,625,000	806,682	42,134	2,240	978,000	131,578	3,645,134	940,500

Revenue Capital Loan Notes

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$1,777,000 of water revenue capital loan notes issued in October 2001, May 2002 and December 2007. Proceeds from the notes provided financing for the construction of water main extensions. The notes are payable solely from water customer net receipts and are payable through 2028. Annual principal and interest payments on the notes are expected to required 44% of net receipts. The total principal and interest remaining to be paid on the notes is \$742,913. For the current year, principal and interest paid and total customer net receipts were \$76,730 and \$173,866, respectively.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$959,000 of sewer revenue capital loan notes issued in December 2002. 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 2022. Annual principal and interest payments on the notes are expected to require less than 19% of net receipts. The total principal and interest remaining to be paid on the notes is \$366,665. For the current year, principal and interest paid and total customer net receipts were \$58,947 and \$310,920, respectively.

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

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to separate water and sewer revenue note sinking accounts within the Enterprise Funds for the purpose of making the note principal and interest payments when due.
- (c) Water and sewer user rates shall be established at a level which produces and maintains net receipts at a level not less than 110% of the annual installments of principal and interest on the notes falling due in the same year.

Bank Loan

On October 24, 2012, the City entered into a loan agreement for a pool liner. The loan of \$100,000, with interest at 4.70% per annum, is payable over a five-year period. The total interest and principal remaining to be paid on the loan is \$44,382.

(4) Pension Plan

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

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

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

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

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

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

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

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

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

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

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

The City's contributions to IPERS for the year ended June 30, 2016 totaled \$55,025.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2016, the City reported a liability of \$245,672 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2015, the City's proportion was 0.004973%, which was a decrease of 0.000522% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the City's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$26,451, \$64,633 and \$85,758, respectively.

There were no non-employer contributing entities to IPERS.

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

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

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

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

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

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

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

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

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability	\$ 506,049	245,672	25,991

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. There are 9 active and no retired members in the plan. Retired participants must be age 55 or older at retirement.

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

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are based on age and range from \$275 to \$400 for single coverage and \$650 to \$1,510 for family coverage. For the year ended June 30, 2016, the City contributed \$105,630 and plan members eligible for benefits contributed \$23,560 to the plan.

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation, sick leave and compensatory time 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 and sick leave payable to employees at June 30, 2016, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 39,400
Compensatory time	14,700
Personal leave	3,000
Total	<u>\$ 57,100</u>

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

(7) Interfund Transfers

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

Transfer to	Transfer from	Amount
Special Revenue:	Enterprise:	
Employee Benefits	Water	\$ 10,032
	Sewer	7,507
	Sanitation	5,677
		<u>23,216</u>
Debt Service:	Special Revenue:	
	TIF Program	33,497
Total		<u>\$ 56,713</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 a member of the Iowa Community Assurance Pool, as followed by Chapter 670.7 of the Code of Iowa. The Iowa Community Assurance Pool (Pool) is a local government risk-sharing pool whose 746 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials' liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operation contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate.

The Pool also provides property coverage. Members who elect such coverage make annual property operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if sufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the Pool are recorded as disbursements from its operating funds at the time of payment to the Pool. The City's contributions to the Pool for the year ended June 30, 2016 were \$29,585.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the City's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

Members agree to continue membership in the Pool for a period of not less than one full year. After such a period, a member who has given 60 days' prior written notice may withdraw from the pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The City also carries commercial insurance purchased from other insurers for coverage associated with worker's compensation and buildings in the amount of \$1,000,000 and \$150,000, respectively. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Developer Agreement

In May 2006, the City and CB&D Development, Inc. (Developer) entered into a development agreement to construct a subdivision. The City will pay up to \$100,000 of incremental property tax to the developer beginning on the date the incremental property tax becomes available. The City has certified the agreement to the County Auditor. The obligation is not a general obligation of the City, but the debt is subject to the constitutional debt limitation of the City. As of June 30, 2016, the City has paid \$16,825 to the developer.

(10) New Accounting Pronouncement

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

(11) Subsequent Event

In August 2016, the City authorized the issuance of \$2,385,000 of general obligation capital loan notes for the purpose of constructing street improvements and improvements to the water and sanitary sewer systems.

City of Sigourney

Other Information

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

Other Information

Year ended June 30, 2016

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 938,893	-	-
Tax increment financing	58,497	-	-
Other city tax	183,336	-	-
Licenses and permits	33,664	-	-
Use of money and property	19,065	3,931	441
Intergovernmental	461,201	-	-
Charges for service	28,646	1,422,854	189,000
Special assessments	-	-	-
Miscellaneous	141,325	76,525	2,052
Total receipts	1,864,627	1,503,310	191,493
Disbursements:			
Public safety	425,087	5,601	5,601
Public works	356,362	56,007	56,007
Culture and recreation	301,388	-	5,545
Community and economic development	52,393	-	-
General government	219,489	-	-
Debt service	366,587	-	-
Capital projects	139,570	-	-
Business type activities	-	1,000,518	44,245
Total disbursements	1,860,876	1,062,126	111,398
Excess of receipts over disbursements	3,751	441,184	80,095
Other financing sources, net	23,216	(23,216)	-
Excess of receipts and other financing sources over disbursements and other financing uses	26,967	417,968	80,095
Balances beginning of year	1,695,141	1,937,152	360,478
Balances end of year	\$ 1,722,108	2,355,120	440,573

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to
	Original	Final	Total
			Variance
938,893	979,447	979,447	(40,554)
58,497	61,089	61,089	(2,592)
183,336	267,901	279,901	(96,565)
33,664	7,500	8,400	25,264
22,555	18,720	20,020	2,535
461,201	538,855	316,855	144,346
1,262,500	1,217,100	1,219,250	43,250
-	79,700	79,700	(79,700)
215,798	161,977	270,002	(54,204)
3,176,444	3,332,289	3,234,664	(58,220)
425,087	414,698	509,100	84,013
356,362	339,245	464,745	108,383
295,843	315,287	386,187	90,344
52,393	431,192	111,692	59,299
219,489	251,900	264,300	44,811
366,587	366,871	366,871	284
139,570	140,000	240,000	100,430
956,273	1,073,096	1,238,346	282,073
2,811,604	3,332,289	3,581,241	769,637
364,840	-	(346,577)	711,417
-	-	-	-
364,840	-	(346,577)	711,417
3,271,815	2,451,188	2,451,188	820,627
3,636,655	2,451,188	2,104,611	1,532,044

City of Sigourney

Notes to Other Information – Budgetary Reporting

June 30, 2016

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except the Internal Service Fund and blended 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 Funds 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 \$248,952. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2016, disbursements did not exceed the amounts budgeted.

City of Sigourney

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

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

Other Information

	2016	2015
City's proportion of the net pension liability	0.004973%	0.004451%
City's proportionate share of the net pension liability	\$ 246	176
City's covered-employee payroll	\$ 486	486
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	50.62%	36.21%
IPERS' net position as a percentage of the total pension liability	85.19%	87.61%

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

See accompanying independent auditor's report.

City of Sigourney

City of Sigourney

Schedule of City Contributions

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

Other Information

	2016	2015	2014
Statutorily required contribution	\$ 55	45	45
Contributions in relation to the statutorily required contribution	(55)	(45)	(45)
Contribution deficiency (excess)	\$ -	-	-
City's covered-employee payroll	\$ 544	486	486
Contributions as a percentage of covered-employee payroll	10.11%	9.26%	9.26%

See accompanying independent auditor's report.

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

City of Sigourney

Notes to Other Information – Pension Liability

Year ended June 30, 2016

Changes of benefit terms:

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

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

Changes of assumptions:

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

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

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

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

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

Supplementary Information

City of Sigourney

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

As of and for the year ended June 30, 2016

	Special				
	Restricted Gifts	Urban Renewal Tax Increment	CDBG Housing	TIF Program	CLG History Presentation
Receipts:					
Property tax	\$ -	-	-	-	-
Tax increment financing	-	-	-	58,497	-
Use of money and property	20	3	-	-	1
Intergovernmental	1,000	-	-	3,503	-
Charges for services	-	-	2,883	-	-
Miscellaneous	32,192	-	6	-	-
Total receipts	33,212	3	2,889	62,000	1
Disbursements:					
Operating:					
Public safety	4,167	-	5,601	-	-
Cultures and recreation	26,037	-	-	-	-
Community and economic development	2,400	-	-	16,825	-
Total disbursements	32,604	-	5,601	16,825	-
Excess (deficiency) of receipts over (under) disbursements	608	3	(2,712)	45,175	1
Other financing uses:					
Transfers out	-	-	-	(33,497)	-
Change in cash balances	608	3	(2,712)	11,678	1
Cash balances beginning of year	36,275	3,099	2,948	9,323	2,214
Cash balances end of year	\$ 36,883	3,102	236	21,001	2,215
Cash Basis Fund Balances					
Nonspendable - Cemetery perpetual care	\$ -	-	-	-	-
Restricted for other purposes	36,883	3,102	236	21,001	2,215
Total cash basis fund balances	\$ 36,883	3,102	236	21,001	2,215

See accompanying independent auditor's report.

Revenue			Permanent		
Lewis Memorial Fountain	Year 2044	Friends of the Sigourney Public Library	Lewis Memorial Trust	Library Memorial Trust	Total
-	-	-	-	-	-
-	-	-	-	-	58,497
34	42	1	-	-	101
2,500	-	-	-	-	7,003
-	-	-	-	-	2,883
34,619	-	2,052	-	-	68,869
37,153	42	2,053	-	-	137,353
-	-	-	-	-	9,768
35,616	-	5,545	-	-	67,198
-	-	-	-	-	19,225
35,616	-	5,545	-	-	96,191
1,537	42	(3,492)	-	-	41,162
-	-	-	-	-	(33,497)
1,537	42	(3,492)	-	-	7,665
64,300	10,395	7,069	4,675	1,000	141,298
65,837	10,437	3,577	4,675	1,000	148,963
-	-	-	4,675	1,000	5,675
65,837	10,437	3,577	-	-	143,288
65,837	10,437	3,577	4,675	1,000	148,963

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

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation notes:			
Refunding Series 2008	Mar 7, 2008	4.50%	\$ 1,255,000
Series 2010	Sep 29, 2009	3.50-4.10	350,000
Series 2010B	Oct 1, 2010	2.00-3.38	670,000
Series 2011	Feb 1, 2011	2.00-4.50	770,000
Series 2013	Aug 22, 2013	2.00-4.50	750,000
Total			
Revenue capital loan notes:			
Water Series 2001	Oct 1, 2001	3.00%	\$ 390,000
Water Series 2002	May 3, 2002	3.00	50,000
Sewer Series 2002	Dec 6, 2002	3.00	959,000
Water Series 2007	Dec 20, 2007	3.00	737,000
Total			
Bank loan:			
Pool liner	Oct 24, 2012	4.70%	\$ 100,000

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
785,000	-	80,000	705,000	35,325
245,000	-	35,000	210,000	9,525
420,000	-	50,000	370,000	12,795
685,000	-	35,000	650,000	26,025
720,000	-	30,000	690,000	26,700
\$ 2,855,000	-	230,000	2,625,000	110,370
142,000	-	22,000	120,000	2,485
18,000	-	3,000	15,000	315
397,000	-	52,000	345,000	6,947
531,000	-	33,000	498,000	15,930
\$ 1,088,000	-	110,000	978,000	25,677
61,844	-	19,710	42,134	2,907

Supplementary Information

City of Sigourney
Bond and Note Maturities
June 30, 2016

General Obligation Notes											
Year Ending June 30,	Refunding Series 2008		Series 2010		Series 2010B		Series 2011		Series 2013		Total
	Issued May 7, 2008		Issued Sep 29, 2009		Issued Oct 1, 2010		Issued Feb 1, 2011		Issued Aug 22, 2013		
	Interest		Interest		Interest		Interest		Interest		
	Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount	
2017	4.50%	\$ 55,000	3.50%	\$ 40,000	2.38%	\$ 50,000	3.00%	\$ 35,000	2.00%	\$ 30,000	210,000
2018	4.50	55,000	4.10	40,000	2.88	50,000	3.00	35,000	2.00	30,000	210,000
2019	4.50	55,000	4.10	40,000	2.88	50,000	3.00	35,000	3.00	35,000	215,000
2020	4.50	55,000	4.10	45,000	3.20	55,000	3.50	40,000	3.00	35,000	230,000
2021	4.50	65,000	4.10	45,000	3.38	55,000	3.50	40,000	3.00	35,000	240,000
2022	4.50	40,000	-	-	3.38	55,000	3.50	45,000	3.50	35,000	175,000
2023	4.50	40,000	-	-	3.38	55,000	4.00	45,000	3.50	35,000	175,000
2024	4.50	40,000	-	-	-	-	4.00	45,000	3.50	40,000	125,000
2025	4.50	50,000	-	-	-	-	4.00	50,000	4.00	40,000	140,000
2026	4.50	50,000	-	-	-	-	4.25	50,000	4.00	40,000	140,000
2027	4.50	50,000	-	-	-	-	4.25	55,000	4.00	40,000	145,000
2028	4.50	150,000	-	-	-	-	4.25	55,000	4.38	45,000	250,000
2029	-	-	-	-	-	-	4.50	60,000	4.38	45,000	105,000
2030	-	-	-	-	-	-	4.50	60,000	4.38	50,000	110,000
2031	-	-	-	-	-	-	-	-	4.50	50,000	50,000
2032	-	-	-	-	-	-	-	-	4.50	50,000	50,000
2033	-	-	-	-	-	-	-	-	4.50	55,000	55,000
Total		<u>\$ 705,000</u>		<u>\$ 210,000</u>		<u>\$ 370,000</u>		<u>\$ 650,000</u>		<u>\$ 690,000</u>	<u>2,625,000</u>

Year Ending June 30,	Bank Loan Pool Liner Series 2012		Water Series 2001		Water Series 2002		Revenue Notes Sewer Series 2002		Water Series 2007		Total
	Issued Oct 24, 2012		Issued Oct 1, 2001		Issued May 3, 2002		Issued Dec 6, 2002		Issued Dec 20, 2007		
	Interest		Interest		Interest		Interest		Interest		
	Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount	
2017	4.70%	\$ 20,637	3.00%	\$ 23,000	3.00%	\$ 3,000	3.00%	\$ 53,000	3.00%	\$ 35,000	114,000
2018	4.70	21,497	3.00	23,000	3.00	3,000	3.00	55,000	3.00	36,000	117,000
2019	-	-	3.00	24,000	3.00	3,000	3.00	57,000	3.00	37,000	121,000
2020	-	-	3.00	25,000	3.00	3,000	3.00	58,000	3.00	38,000	124,000
2021	-	-	3.00	25,000	3.00	3,000	3.00	60,000	3.00	39,000	127,000
2022	-	-	-	-	-	-	3.00	62,000	3.00	40,000	102,000
2023	-	-	-	-	-	-	-	-	3.00	42,000	42,000
2024	-	-	-	-	-	-	-	-	3.00	43,000	43,000
2025	-	-	-	-	-	-	-	-	3.00	45,000	45,000
2026	-	-	-	-	-	-	-	-	3.00	46,000	46,000
2027	-	-	-	-	-	-	-	-	3.00	48,000	48,000
2028	-	-	-	-	-	-	-	-	3.00	49,000	49,000
Total		<u>\$ 42,134</u>		<u>\$ 120,000</u>		<u>\$ 15,000</u>		<u>\$ 345,000</u>		<u>\$ 498,000</u>	<u>978,000</u>

See accompanying independent auditor's report.

City of Sigourney

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

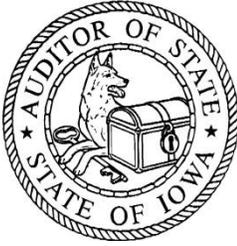
For the Last Ten Years

	2016	2015	2014	2013
Receipts:				
Property tax	938,893	981,899	992,155	937,369
Tax increment financing	58,497	70,909	64,142	67,115
Other city tax	183,336	258,088	228,537	265,176
Licenses and permits	33,664	20,344	19,853	19,745
Use of money and property	19,065	16,771	19,480	16,242
Intergovernmental	461,201	278,480	245,751	256,200
Charges for service	28,646	49,316	78,990	58,231
Special assessments	-	-	-	-
Miscellaneous	141,325	189,791	154,058	59,956
Total	1,864,627	1,865,598	1,802,966	1,680,034
Disbursements:				
Operating:				
Public safety	425,087	333,973	388,254	346,968
Public works	356,362	254,631	206,563	290,637
Culture and recreation	301,388	308,082	233,455	206,843
Community and economic development	52,393	48,279	129,394	65,154
General government	219,489	215,201	218,427	246,743
Debt service	366,587	363,987	381,978	440,820
Capital projects	139,570	366,996	321,558	156,200
Total	1,860,876	1,891,149	1,879,629	1,753,365

See accompanying independent auditor's report.

2012	2011	2010	2009	2008	2007
928,955	818,502	685,848	813,584	784,884	785,493
69,622	63,365	17,693	15,971	10,483	-
233,929	247,351	245,843	253,702	186,336	46,111
20,030	40,371	38,563	13,868	11,040	5,105
21,899	19,936	23,725	20,446	21,261	23,248
250,266	366,922	848,772	542,350	256,839	217,157
68,580	47,514	45,167	31,475	31,102	32,736
-	6,024	168	2,920	3,901	6,634
79,036	184,035	26,441	75,015	103,931	81,432
<u>1,672,317</u>	<u>1,794,020</u>	<u>1,932,220</u>	<u>1,769,331</u>	<u>1,409,777</u>	<u>1,197,916</u>
339,216	351,163	310,067	280,382	245,805	254,442
310,151	247,193	253,342	190,944	216,013	200,569
286,534	226,056	262,065	199,791	183,933	208,531
75,746	149,782	184,089	398,302	107,300	43,576
265,434	202,362	336,149	221,767	215,215	165,318
436,472	1,711,621	396,923	411,910	368,160	292,897
443,551	338,685	886,367	349,142	41,040	99,620
<u>2,157,104</u>	<u>3,226,862</u>	<u>2,629,002</u>	<u>2,052,238</u>	<u>1,377,466</u>	<u>1,264,953</u>

City of Sigourney



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

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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, each major fund and the aggregate remaining fund information of the City of Sigourney, Iowa, as of and for the year ended June 30, 2016, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 25, 2017. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the 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. We consider the deficiencies described in the accompanying Schedule of Findings as items (A) through (B) to be material weaknesses.

Compliance and Other Matters

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

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

The City of Sigourney's Responses to the Findings

The City of Sigourney's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The City of Sigourney'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 Sigourney during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


MARY MOSIMAN, CPA
Auditor of State

May 25, 2017

City of Sigourney

Schedule of Findings

Year ended June 30, 2016

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

- (A) Segregation of Duties – 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 authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City's financial statements.

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

- (1) Cash – reconciling bank accounts, cash disbursement functions and recording cash. No evidence of independent review of bank reconciliations.
- (2) Receipts – opening mail, collecting, recording/accounting for cash receipts and deposit preparation. No initial listing of receipts being prepared by mail opener.
- (3) Utilities – utility billing, collecting, depositing, posting to customer accounts and maintaining accounts receivable records.
- (4) Accounting system – performing all general accounting functions and having custody of City assets.

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

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

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

Response – The Mayor or a Council Member will start reviewing bank reconciliations each month starting February 2017. The City Clerk or Deputy Clerk open and record all payments received in the drop box (twice a day) and in the mail. The Administrative Assistant will enter these payments into the City's software starting in February 2017. The Mayor or City Council Member will also start reviewing the utility receipts and validate with a signature and date of completion.

Conclusion – Response accepted.

City of Sigourney

Schedule of Findings

Year ended June 30, 2016

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

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

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

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

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

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

Response – Once the utility reports can be balanced to the City's software, the Mayor or a Council Member will review the reconciliation each month and validate with a signature and date of completion.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Sigourney

Schedule of Findings and Questioned Costs

Year ended June 30, 2016

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2016 did not exceed the amounts budgeted.
- (2) Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Brent Jennings, Reserve Police Officer	Various auto parts for City vehicles	\$1,237

In accordance with Chapter 362.5(3)(k) of the Code of Iowa, the transactions with Reserve Police Officer, Brent Jennings do not appear to represent a conflict of interest since the disbursements did not exceed \$2,500 during the fiscal year.

- (5) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.
- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted.
- (8) Revenue Notes – No instances of non-compliance with the revenue note resolutions were noted.
- (9) Annual Urban Renewal Report – No instances of non-compliance with the Annual Urban Renewal Report requirements for the year ended June 30, 2016 were noted.

City of Sigourney

Staff

This audit was performed by:

Deborah J. Moser, CPA, Manager
Ryan T. Jelsma, Senior Auditor II
Sarah J. Swisher, Staff Auditor
Alex D. Dau, Assistant Auditor



Andrew E. Nielsen, CPA
Deputy Auditor of State