



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0006

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Rob Sand
Auditor of State

NEWS RELEASE

FOR RELEASE

March 10, 2020

Contact: Marlys Gaston
515/281-5834

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

FINANCIAL HIGHLIGHTS:

The City's receipts totaled \$3,187,958 for the year ended June 30, 2019, a 3.4% increase over the prior year. Disbursements for the year ended June 30, 2019 totaled \$3,233,644, an 11.2% increase over the prior year. The significant increase in disbursements is due primarily to the purchase and installation of new water meters.

AUDIT FINDINGS:

Sand reported six findings related to the receipt and disbursement of taxpayer funds. They are found on pages 52 through 56 of this report. The findings address issues such as a lack of segregation of duties, lack of review of monthly bank reconciliations, a deficit balance in the Special Revenue, CDBG Housing Fund and non-compliance with the net receipt requirements of the City's revenue note resolution. Sand provided the City with recommendations to address each of the findings.

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

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

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

JUNE 30, 2019

City of Sigourney



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STATE OF IOWA

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Telephone (515) 281-5834 Facsimile (515) 281-6518

February 19, 2020

Officials of the City of Sigourney
Sigourney, Iowa

Dear Honorable Mayor and Members of the City Council:

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

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

Sincerely,

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

Rob Sand
Auditor of State

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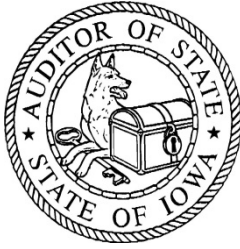
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City of Sigourney

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Douglas L. Glandon	Mayor	Jan 2022
Edward Conrad	Council Member	Jan 2020
Connie McLaughlin	Council Member	Jan 2020
Jimmy Morlan	Council Member	Jan 2020
William Bender	Council Member	Jan 2022
Rick Landgrebe	Council Member	Jan 2022
Randall Schultz	Council Member	Jan 2022
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, 2019, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Sigourney as of June 30, 2019, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

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

Other Matters

Supplementary and Other Information

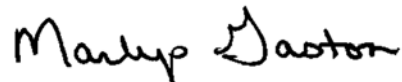
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Sigourney's basic financial statements. We previously audited, in accordance with standards referred to in the third paragraph of this report, the financial statements for the three years ended June 30, 2018 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The financial statements for the six years ended June 30, 2015 (which are not presented herein) were audited by 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 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

The other information, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 32 through 38, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 19, 2020 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Sigourney's internal control over financial reporting and compliance.



Marlys K. Gaston, CPA
Deputy Auditor of State

February 19, 2020

City of Sigourney

Basic Financial Statements

City of Sigourney

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2019

	Program Receipts		
	Disbursements	Charges for Service	Operating Grants, Contributions and Restricted Interest
Functions/Programs:			
Governmental activities:			
Public safety	\$ 387,917	4,805	12,826
Public works	362,729	-	267,907
Culture and recreation	328,203	46,759	83,158
Community and economic development	156,003	120,616	25,390
General government	231,948	56,985	9,175
Debt service	322,344	-	-
Capital projects	4,597	-	-
Total governmental activities	1,793,741	229,165	398,456
Business type activities:			
Water	810,100	544,641	2,484
Sewer	471,374	579,424	1,407
Sanitation	158,429	195,136	3,811
Total business type activities	1,439,903	1,319,201	7,702
Total	\$ 3,233,644	1,548,366	406,158
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 replacement			
Unrestricted interest on investments			
Miscellaneous			
Sale of capital assets			
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			
Local option sales tax			
Employee benefits			
Other purposes			
Unrestricted			
Total cash basis net position			
See notes to financial statements.			

Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
Governmental Type Activities	Business Type Activities	Total
(370,286)	-	(370,286)
(94,822)	-	(94,822)
(198,286)	-	(198,286)
(9,997)	-	(9,997)
(165,788)	-	(165,788)
(322,344)	-	(322,344)
(4,597)	-	(4,597)
<u>(1,166,120)</u>	<u>-</u>	<u>(1,166,120)</u>
-	(262,975)	(262,975)
-	109,457	109,457
-	40,518	40,518
<u>-</u>	<u>(113,000)</u>	<u>(113,000)</u>
<u>(1,166,120)</u>	<u>(113,000)</u>	<u>(1,279,120)</u>
629,510	-	629,510
255,872	-	255,872
52,648	-	52,648
158,414	-	158,414
60,578	-	60,578
17,883	19,930	37,813
38,097	-	38,097
502	-	502
23,216	(23,216)	-
<u>1,236,720</u>	<u>(3,286)</u>	<u>1,233,434</u>
70,600	(116,286)	(45,686)
<u>2,088,384</u>	<u>2,784,479</u>	<u>4,872,863</u>
<u>\$ 2,158,984</u>	<u>2,668,193</u>	<u>4,827,177</u>
\$ 4,675	-	4,675
1,000	-	1,000
189,581	-	189,581
144,306	113,725	258,031
38,673	-	38,673
603,837	-	603,837
138,473	-	138,473
85,437	-	85,437
<u>953,002</u>	<u>2,554,468</u>	<u>3,507,470</u>
<u>\$ 2,158,984</u>	<u>2,668,193</u>	<u>4,827,177</u>

City of Sigourney

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

As of and for the year ended June 30, 2019

	Special Revenue			
	General	Road Use Tax	Local Option Sales Tax	Employee Benefits
Receipts:				
Property tax	\$ 514,955	-	-	93,102
Tax increment financing	-	-	-	-
Local option sales tax	-	-	158,414	-
Other city tax	18,224	-	-	3,229
Licenses and permits	91,581	-	-	-
Use of money and property	20,113	-	7,282	-
Intergovernmental	49,770	265,993	-	6,098
Charges for service	28,691	-	-	-
Miscellaneous	47,758	16	35,439	11
Total receipts	771,092	266,009	201,135	102,440
Disbursements:				
Operating:				
Public safety	276,000	-	43,938	62,527
Public works	218	265,109	84,496	15,878
Culture and recreation	235,256	-	30,335	19,836
Community and economic development	-	-	23,512	-
General government	205,167	-	4,478	26,770
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total disbursements	716,641	265,109	186,759	125,011
Excess (deficiency) of receipts over (under) disbursements	54,451	900	14,376	(22,571)
Other financing sources (uses):				
Sale of capital assets	-	-	502	-
Transfers in	-	-	-	23,216
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	502	23,216
Change in cash balances	54,451	900	14,878	645
Cash balances beginning of year	700,173	188,681	588,959	137,828
Cash balances end of year	\$ 754,624	189,581	603,837	138,473
Cash Basis Fund Balances				
Nonspendable:				
Lewis Memorial Trust	\$ -	-	-	-
Library Memorial Trust	-	-	-	-
Restricted for:				
Streets	-	189,581	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Other purposes	-	-	-	-
Local option sales tax	-	-	603,837	-
Employee benefits	-	-	-	138,473
Unassigned	754,624	-	-	-
Total cash basis fund balances	\$ 754,624	189,581	603,837	138,473

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
247,600	-	-	855,657
-	-	52,648	52,648
-	-	-	158,414
8,272	-	-	29,725
-	-	20,800	112,381
-	209	290	27,894
16,370	-	4,919	343,150
-	-	16,060	44,751
-	-	131,412	214,636
<u>272,242</u>	<u>209</u>	<u>226,129</u>	<u>1,839,256</u>
-	-	6,343	388,808
-	-	-	365,701
-	-	42,776	328,203
-	-	132,491	156,003
-	-	-	236,415
322,344	-	-	322,344
-	4,597	-	4,597
<u>322,344</u>	<u>4,597</u>	<u>181,610</u>	<u>1,802,071</u>
<u>(50,102)</u>	<u>(4,388)</u>	<u>44,519</u>	<u>37,185</u>
-	-	-	502
55,020	-	-	78,236
-	(18,100)	(36,920)	(55,020)
<u>55,020</u>	<u>(18,100)</u>	<u>(36,920)</u>	<u>23,718</u>
4,918	(22,488)	7,599	60,903
<u>115,921</u>	<u>61,161</u>	<u>103,799</u>	<u>1,896,522</u>
<u>120,839</u>	<u>38,673</u>	<u>111,398</u>	<u>1,957,425</u>
-	-	4,675	4,675
-	-	1,000	1,000
-	-	-	189,581
120,839	-	23,467	144,306
-	38,673	-	38,673
-	-	85,437	85,437
-	-	-	603,837
-	-	-	138,473
-	-	(3,181)	751,443
<u>120,839</u>	<u>38,673</u>	<u>111,398</u>	<u>1,957,425</u>

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, 2019

Total governmental funds cash balances (page 13) \$ 1,957,425

***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 and partial self-funding of the City's health benefit plan 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.

201,559

Cash basis net position of governmental activities (page 11) \$ 2,158,984

Change in cash balances (page 13) \$ 60,903

***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 and partial self funding of the City's health benefit plan 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.

9,697

Change in cash basis net position of governmental activities (page 11) \$ 70,600

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, 2019

	Enterprise				Internal Service
	Water	Sewer	Sanitation	Total	Total
Operating receipts:					
Charges for service	\$ 535,641	579,424	195,136	1,310,201	191,600
Miscellaneous	11,484	1,407	3,811	16,702	-
Total operating receipts	547,125	580,831	198,947	1,326,903	191,600
Operating disbursements:					
Governmental activities:					
Public safety	-	-	-	-	14,109
Public works	-	-	-	-	47,028
General Government	-	-	-	-	7,658
Business type activities	430,073	280,400	160,046	870,519	103,971
Total operating disbursements	430,073	280,400	160,046	870,519	172,766
Excess (deficiency) of operating receipts over (under) operating disbursements	117,052	300,431	38,901	456,384	18,834
Non-operating receipts (disbursements):					
Interest on investments	4,412	11,678	1,685	17,775	3,522
Debt service	(74,202)	(61,741)	-	(135,943)	-
Capital projects	(312,646)	(131,299)	-	(443,945)	-
Net non-operating receipts (disbursements)	(382,436)	(181,362)	1,685	(562,113)	3,522
Excess (deficiency) of receipts over (under) disbursements	(265,384)	119,069	40,586	(105,729)	22,356
Transfers out	(10,032)	(7,507)	(5,677)	(23,216)	-
Change in cash balances	(275,416)	111,562	34,909	(128,945)	22,356
Cash balances beginning of year	799,949	1,397,201	265,516	2,462,666	513,675
Cash balances end of year	\$ 524,533	1,508,763	300,425	2,333,721	536,031
Cash Basis Fund Balances					
Restricted for debt service	\$ 40,307	73,418	-	113,725	-
Unrestricted	484,226	1,435,345	300,425	2,219,996	536,031
Total cash basis fund balances	\$ 524,533	1,508,763	300,425	2,333,721	536,031

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, 2019

Total enterprise funds cash balances (page 15) \$ 2,333,721

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 and partial self funding of the City's health benefit plan 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.

334,472

Cash basis net position of business type activities (page 11) \$ 2,668,193

Change in cash balances (page 15) \$ (128,945)

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 and partial self funding of the City's health benefit plan 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.

12,659

Change in cash basis net position of business type activities (page 11) \$ (116,286)

See notes to financial statements.

City of Sigourney

Notes to Financial Statements

June 30, 2019

(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 Sigourney Public 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 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 receipts, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

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

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

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 maintenance of the City's sanitary disposal system.

The City also reports the following proprietary funds:

Internal Service Funds are 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, 2019 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

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

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

(3) Notes Payable

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

Year Ending June 30,	General Obligation Notes		Revenue Capital Calital Loan Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 270,000	59,794	124,000	10,955	394,000	70,749
2021	275,000	54,044	127,000	8,785	402,000	62,829
2022	210,000	48,194	102,000	6,563	312,000	54,757
2023	210,000	43,469	42,000	4,778	252,000	48,247
2024	155,000	38,744	43,000	4,043	198,000	42,787
2025-2029	910,000	130,038	188,000	8,649	1,098,000	138,687
2030-2033	285,000	27,338	-	-	285,000	27,338
Total	\$ 2,315,000	401,621	626,000	43,773	2,941,000	445,394

General Obligation Refunding Notes

On August 7, 2013, the City issued \$750,000 of general obligation capital loan notes for the opening, widening, extending and grading and draining of the right-of-way of streets; the construction, reconstruction and repairing of any street improvements; the acquisition, installation, and repair of traffic control devices and the acquisition of real estate needed for any of the foregoing purposes. The notes bear interest at rates ranging from 2.00% to 4.50% per annum and mature June 1, 2033. As of June 30, 2019, the total principal remaining on the notes is \$595,000.

On August 17, 2016, the City issued \$2,385,000 of general obligation refunding notes for the current refunding of \$1,935,000 of general obligation notes, street construction projects and the construction of and renovation to city buildings and facilities. The notes bear interest at rates ranging from 2.00% to 2.50% per annum and mature June 1, 2030. As of June 30, 2019, the total principal remaining on the notes is \$1,720,000.

Revenue Capital Loan Notes

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$1,177,000 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 more than 100% of net receipts. The total principal and interest remaining to be paid on the notes is \$483,403. For the current year, principal and interest paid and total customer net deficit were \$72,926 and (\$124,053), respectively.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$280,400 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 20% of net receipts. The total principal and interest remaining to be paid on the notes is \$186,370. For the current year, principal and interest paid and total customer net receipts were \$61,148 and \$300,431, respectively.

The resolutions providing for the issuance of the water 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.

The City has not complied with the provisions of the water revenue capital loan notes requiring user rates be established at a level which produces and maintains net receipts at a level not less than 110% of the principal and interest on the notes falling due in the same year.

(4) Operating Leases

The City entered into two leases for a copier and server. These leases have been classified as operating leases and, accordingly, all rents are expensed as incurred. The leases expire in 2024.

The following is a schedule of future minimum rental payments required under the operating leases which have an initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2019:

Year Ending June 30,	Copier	Server
2020	\$ 2,198	20,182
2021	2,198	20,182
2022	2,198	20,182
2023	2,198	20,182
2024	2,198	18,500
Total	\$ 10,990	99,228

Rental expense for the year ended June 30, 2019 for these operating leases totaled \$1,682.

(5) Pension Plan

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

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

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

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

Protection occupation members may retire at normal retirement age, which is generally age 55 and may retire any time after reaching age 50 with 22 or more years of covered employment.

The formula used to calculate a protection occupation member's monthly IPERS benefit includes:

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

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

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

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

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

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

The City's contributions to IPERS for the year ended June 30, 2019 totaled \$57,489.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2019, the City reported a liability of \$341,693 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2018, the City's proportion was 0.005400%, which was a decrease of 0.000091% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the City's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$63,664, \$130,791 and \$85,431, respectively.

There were no non-employer contributing entities to IPERS.

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

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

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

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

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

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.0%	6.01%
International equity	15.0	6.48
Global smart beta equity	3.0	6.23
Core plus fixed income	27.0	1.97
Public credit	3.5	3.93
Public real assets	7.0	2.91
Cash	1.0	(0.25)
Private equity	11.0	10.81
Private real assets	7.5	4.14
Private credit	3.0	3.11
Total	<u>100.0%</u>	

Discount Rate – The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS’ fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS’ investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of City’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City’s proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City’s proportionate share of the net pension liability	\$ 694,868	341,693	45,604

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.

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation, personal 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, personal leave and compensatory time payable to employees at June 30, 2019, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 38,000
Compensatory time	15,000
Personal leave	4,000
Total	<u>\$ 57,000</u>

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

(7) Interfund Transfers

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue:	Enterprise:	
Employee Benefits	Water	\$ 10,032
	Sewer	7,507
	Sanitation	<u>5,677</u>
		<u>23,216</u>
Debt Service:	Special Revenue:	
	TIF Program	36,920
	Capital Projects	<u>18,100</u>
		<u>55,020</u>
Total		<u>\$ 78,236</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 778 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, 2019 were \$32,738.

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 \$500,000 per claim. Claims exceeding \$500,000 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 in the amount of \$1,000,000. 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 total to be paid by the City under this agreement shall be equal to the lesser of the sum of the total applicable percentage of all tax increments collected with respect to the assessments imposed on the development property and minimum improvements as of January 1, 2006 and January 1 of each of the following fourteen years, the actual cost of the public improvements (including reasonable interest cost) for which bills and proof of payment have been submitted to the City and construction is completed on or before December 31, 2016 or \$1,000,000. Each payment represents the incremental property tax received by the City with respect to the incremental value of the property. The obligation is not a general obligation of the City, but the debt is subject to the constitutional debt limitation of the City. During the year ended June 30, 2019, the City paid \$20,647 to the developer, for a cumulative amount paid of \$262,391.

(10) City Tax Abatements

The City provides tax abatements for urban renewal and economic development projects with tax increment financing as provided for in Chapters 15A and 403 of the Code of Iowa. For these types of projects, the City enters into agreements with developers which require the City, after developers meet the terms of the agreements, to rebate a portion of the property tax paid by the developers, to pay the developers an economic development grant or to pay the developers a predetermined dollar amount. No other commitments were made by the City as part of these agreements.

For the year ended June 30, 2019, \$8,015 of property tax was diverted from the City under the urban renewal and economic development agreements.

(11) Deficit Balance

The Special Revenue, COBG Housing Fund had a deficit balance of \$3,181 at June 30, 2019. The City is investigating alternatives to eliminate this deficit.

(12) Subsequent Event

In September 2019, the City issued \$6,000,000 of Sewer Revenue Capital Loan Notes and \$650,000 of Water Revenue Capital Loan Notes for a water treatment plant.

(13) Prospective Accounting Change

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

City of Sigourney

Other Information

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

Other Information

Year ended June 30, 2019

	Governmental Funds Actual	Enterprise Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 855,657	-	-
Tax increment financing	52,648	-	-
Other city tax	188,139	-	-
Licenses and permits	112,381	-	-
Use of money and property	27,894	17,775	4
Intergovernmental	343,150	-	-
Charges for service	44,751	1,310,201	-
Special assessments	-	-	-
Miscellaneous	214,636	16,702	2,869
Total receipts	1,839,256	1,344,678	2,873
Disbursements:			
Public safety	388,808	-	-
Public works	365,701	-	-
Culture and recreation	328,203	-	647
Community and economic development	156,003	-	-
General government	236,415	-	-
Debt service	322,344	-	-
Capital projects	4,597	-	-
Business type activities	-	1,450,407	-
Total disbursements	1,802,071	1,450,407	647
Excess (deficiency) of receipts over (under) disbursements	37,185	(105,729)	2,226
Other financing sources, net	23,718	(23,216)	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	60,903	(128,945)	2,226
Balances beginning of year	1,896,522	2,462,666	2,861
Balances end of year	\$ 1,957,425	2,333,721	5,087

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to
	Original	Final	Total
			Variance
855,657	887,165	887,165	(31,508)
52,648	60,000	60,000	(7,352)
188,139	203,121	227,321	(39,182)
112,381	8,150	35,450	76,931
45,665	28,412	37,109	8,556
343,150	1,308,450	313,340	29,810
1,354,952	1,253,450	1,271,610	83,342
-	102,300	98,400	(98,400)
228,469	112,652	215,952	12,517
<u>3,181,061</u>	<u>3,963,700</u>	<u>3,146,347</u>	<u>34,714</u>
388,808	523,500	543,000	154,192
365,701	552,300	551,800	186,099
327,556	380,312	492,912	165,356
156,003	164,000	290,000	133,997
236,415	284,070	305,450	69,035
322,344	322,400	324,400	2,056
4,597	69,000	69,000	64,403
<u>1,450,407</u>	<u>7,413,300</u>	<u>2,431,600</u>	<u>981,193</u>
<u>3,251,831</u>	<u>9,708,882</u>	<u>5,008,162</u>	<u>1,756,331</u>
(70,770)	(5,745,182)	(1,861,815)	1,791,045
502	-	-	502
(70,268)	(5,745,182)	(1,861,815)	1,791,547
<u>4,356,327</u>	<u>3,118,190</u>	<u>3,118,190</u>	<u>1,238,137</u>
<u>4,286,059</u>	<u>(2,626,992)</u>	<u>1,256,375</u>	<u>3,029,684</u>

City of Sigourney

Notes to Other Information – Budgetary Reporting

June 30, 2019

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

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except the 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 amendments decreased budgeted disbursements by \$4,700,720. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2019, 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 Five Years*
(In Thousands)

Other Information

	2019	2018	2017	2016	2015
City's proportion of the net pension liability	0.005400%	0.005491%	0.005589%	0.004973%	0.004451%
City's proportionate share of the net pension liability	\$ 342	366	352	246	176
City's covered payroll	\$ 594	564	544	486	486
City's proportionate share of the net pension liability as a percentage of its covered payroll	57.58%	64.89%	64.71%	50.62%	36.21%
IPERS' net position as a percentage of the total pension liability	83.62%	82.21%	81.82%	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

Schedule of City Contributions

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

Other Information

	2019	2018	2017	2016
Statutorily required contribution	\$ 57	55	52	55
Contributions in relation to the statutorily required contribution	(57)	(55)	(52)	(55)
Contribution deficiency (excess)	\$ -	-	-	-
City's covered payroll	\$ 595	594	564	544
Contributions as a percentage of covered payroll	9.58%	9.26%	9.22%	10.11%

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.

See accompanying independent auditor's report.

<u>2015</u>	<u>2014</u>
45	45
<u>(45)</u>	<u>(45)</u>
<u>-</u>	<u>-</u>
486	486
9.26%	9.26%

City of Sigourney

Notes to Other Information – Pension Liability

Year ended June 30, 2019

Changes of assumptions:

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

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

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

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

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

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

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, 2019

	Special				
	Restricted Gifts	Tax Increment	CDBG Housing	TIF Program	CLG History Presentation
Receipts:					
Tax increment financing	\$ -	-	-	52,648	-
Licenses and permits	20,300	-	500	-	-
Use of money and property	174	-	-	-	17
Intergovernmental	-	-	-	4,919	-
Charges for services	14,310	-	1,750	-	-
Miscellaneous	100,444	-	98	-	-
Total receipts	135,228	-	2,348	57,567	17
Disbursements:					
Operating:					
Public safety	3,861	-	2,482	-	-
Cultures and recreation	32,219	-	-	-	-
Community and economic development	111,844	-	-	20,647	-
Total disbursements	147,924	-	2,482	20,647	-
Excess (deficiency) of receipts over (under) disbursements	(12,696)	-	(134)	36,920	17
Other financing sources (uses):					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	(36,920)	-
Total other financing sources (uses)	-	-	-	(36,920)	-
Change in cash balances	(12,696)	-	(134)	-	17
Cash balances (deficit) beginning of year	30,391	3,112	(3,047)	20,355	2,229
Cash balances (deficit) end of year	\$ 17,695	3,112	(3,181)	20,355	2,246
Cash Basis Fund Balances					
Nonspendable:					
Lewis Memorial Trust	\$ -	-	-	-	-
Library Memorial Trust	-	-	-	-	-
Restricted for:					
Debt service	-	3,112	-	20,355	-
Other purposes	17,695	-	-	-	2,246
Unassigned	-	-	(3,181)	-	-
Total cash basis fund balances(deficits)	\$ 17,695	3,112	(3,181)	20,355	2,246

See accompanying independent auditor's report.

Revenue			Permanent	
Lewis Memorial Fountain	Year	Friends of the Sigourney Public Library	Lewis Memorial Trust	Library Memorial Trust
-	-	-	-	-
-	-	-	-	-
-	95	4	-	-
-	-	-	-	-
-	-	-	-	-
11,947	16,054	2,869	-	-
11,947	16,149	2,873	-	-
-	-	-	-	-
7,180	2,730	647	-	-
-	-	-	-	-
7,180	2,730	647	-	-
4,767	13,419	2,226	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
4,767	13,419	2,226	-	-
31,621	10,602	2,861	4,675	1,000
36,388	24,021	5,087	4,675	1,000
-	-	-	4,675	-
-	-	-	-	1,000
-	-	-	-	-
36,388	24,021	5,087	-	-
-	-	-	-	-
36,388	24,021	5,087	4,675	1,000

City of Sigourney

City of Sigourney

Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Internal Service Funds

As of and for the year ended June 30, 2019

	Internal Service		
	Vehicle Replacement	Medical Self Fund	Total
Operating receipts:			
Charges for service	\$ 167,500	24,100	191,600
Operating disbursements:			
Governmental activities:			
Public safety	14,109	-	14,109
Public works	47,028	-	47,028
General government	-	7,658	7,658
Business type activities	96,408	7,563	103,971
Total operating disbursements	157,545	15,221	172,766
Excess of operating receipts over operating disbursements	9,955	8,879	18,834
Non-operating receipts:			
Interest on investments	3,522	-	3,522
Change in cash balances	13,477	8,879	22,356
Cash balances beginning of year	472,992	40,683	513,675
Cash balances end of year	\$ 486,469	49,562	536,031
Cash Basis Fund Balances			
Unrestricted	\$ 486,469	49,562	536,031

See notes to financial statements.

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

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation notes:			
Series 2013	Aug 22, 2013	2.00-4.50%	\$ 750,000
Series 2016	Aug 17, 2016	2.00-2.50	2,385,000
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	280,400
Water Series 2007	Dec 20, 2007	1.75	737,000
Total			

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
630,000	-	35,000	595,000	24,900
1,940,000	-	220,000	1,720,000	40,344
<u>\$ 2,570,000</u>	-	255,000	2,315,000	65,244
74,000	-	24,000	50,000	1,295
9,000	-	3,000	6,000	158
237,000	-	57,000	180,000	4,148
427,000	-	37,000	390,000	7,473
<u>\$ 747,000</u>	-	121,000	626,000	13,074

City of Sigourney

City of Sigourney

Note Maturities

June 30, 2019

General Obligation Notes						
Year Ending June 30,	Series 2013 Street Improvements Issued Aug 22, 2013		Capital Loan Notes Principal Issued Aug 17, 2016		Total	
	Interest		Interest			
	Rates	Amount	Rates	Amount		
2020	3.00%	\$ 35,000	2.00%	\$ 235,000	270,000	
2021	3.00	35,000	2.00	240,000	275,000	
2022	3.50	35,000	2.00	175,000	210,000	
2023	3.50	35,000	2.00	175,000	210,000	
2024	3.50	40,000	2.00	115,000	155,000	
2025	4.00	40,000	2.00	130,000	170,000	
2026	4.00	40,000	2.00	125,000	165,000	
2027	4.00	40,000	2.125	135,000	175,000	
2028	4.38	45,000	2.25	230,000	275,000	
2029	4.38	45,000	2.25	80,000	125,000	
2030	4.38	50,000	2.50	80,000	130,000	
2031	4.50	50,000	-	-	50,000	
2032	4.50	50,000	-	-	50,000	
2033	4.50	55,000	-	-	55,000	
Total		<u>\$ 595,000</u>		<u>\$ 1,720,000</u>	<u>2,315,000</u>	

Revenue Notes										
Year Ending June 30,	Water Series 2001 Issued Oct 1, 2001		Water Series 2002 Issued May 3, 2002		Sewer Series 2002 Issued Dec 6, 2002		Water Series 2007 Issued Dec 20, 2007		Total	
	Interest		Interest		Interest		Interest			
	Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount		
2020	3.00%	\$ 25,000	3.00%	\$ 3,000	3.00%	\$ 58,000	1.75%	\$ 38,000	124,000	
2021	3.00	25,000	3.00	3,000	3.00	60,000	1.75	39,000	127,000	
2022	-	-	-	-	3.00	62,000	1.75	40,000	102,000	
2023	-	-	-	-	-	-	1.75	42,000	42,000	
2024	-	-	-	-	-	-	1.75	43,000	43,000	
2025	-	-	-	-	-	-	1.75	45,000	45,000	
2026	-	-	-	-	-	-	1.75	46,000	46,000	
2027	-	-	-	-	-	-	1.75	48,000	48,000	
2028	-	-	-	-	-	-	1.75	49,000	49,000	
Total		<u>\$ 50,000</u>		<u>\$ 6,000</u>		<u>\$ 180,000</u>		<u>\$ 390,000</u>	<u>626,000</u>	

See accompanying independent auditor's report.

City of Sigourney

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

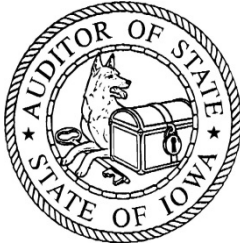
For the Last Ten Years

	2019	2018	2017	2016
Receipts:				
Property tax	\$ 855,657	945,154	860,385	938,893
Tax increment financing	52,648	52,511	69,288	58,497
Local option sales tax	158,414	155,860	180,365	166,194
Other city tax	29,725	35,068	30,406	17,142
Licenses and permits	112,381	64,564	36,650	33,664
Use of money and property	27,894	23,742	21,449	19,065
Intergovernmental	343,150	311,845	458,284	461,201
Charges for service	44,751	25,248	28,897	28,646
Special assessments	-	-	-	-
Miscellaneous	214,636	117,890	97,037	141,325
Total	\$ 1,839,256	1,731,882	1,782,761	1,864,627
Disbursements:				
Operating:				
Public safety	\$ 388,808	417,036	464,196	425,087
Public works	365,701	328,319	364,345	356,362
Culture and recreation	328,203	251,541	288,943	301,388
Community and economic development	156,003	54,807	73,050	52,393
General government	236,415	227,385	198,670	219,489
Debt service	322,344	322,494	2,338,305	366,587
Capital projects	4,597	237,820	193,236	139,570
Total	\$ 1,802,071	1,839,402	3,920,745	1,860,876

* Separate amounts for local option sales tax and other City tax were not readily available.
The amounts are reported in total as Other city tax.

See accompanying independent auditor's report.

2015	2014	2013	2012	2011	2010
981,899	992,155	937,369	928,955	818,502	685,848
70,909	64,142	67,115	69,622	63,365	17,693
*	*	227,601	210,372	*	212,421
285,088	228,537	37,575	23,557	247,351	33,422
20,344	19,853	19,745	20,030	40,371	38,563
16,771	19,480	16,242	21,899	19,936	23,725
278,480	245,751	256,200	250,266	366,922	848,772
49,316	78,990	58,231	68,580	47,514	45,167
-	-	-	-	6,024	168
189,791	154,058	59,956	79,036	184,035	26,441
<u>1,892,598</u>	<u>1,802,966</u>	<u>1,680,034</u>	<u>1,672,317</u>	<u>1,794,020</u>	<u>1,932,220</u>
333,973	388,254	346,968	339,216	351,163	310,067
254,631	206,563	290,637	310,151	247,193	253,342
308,082	233,455	206,843	286,534	226,056	262,065
48,279	129,394	65,154	75,746	149,782	184,089
215,201	218,427	246,743	265,434	202,362	336,149
363,987	381,978	440,820	436,472	1,711,621	396,923
366,996	321,558	156,200	443,551	338,685	886,367
<u>1,891,149</u>	<u>1,879,629</u>	<u>1,753,365</u>	<u>2,157,104</u>	<u>3,226,862</u>	<u>2,629,002</u>



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

To the Honorable Mayor and Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Sigourney, Iowa, as of and for the year ended June 30, 2019, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 19, 2020. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of 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.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of City of Sigourney's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in the accompanying Schedule of Findings as items (A) and (B) to be material weaknesses.

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

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, 2019 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

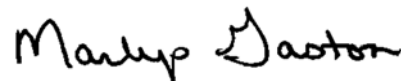
The City of Sigourney's Responses to the Findings

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.



Marlys K. Gaston, CPA
Deputy Auditor of State

February 19, 2020

City of Sigourney

Schedule of Findings

Year ended June 30, 2019

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.
- (2) Receipts – opening mail, collecting, recording/accounting for cash receipts and deposit preparation.
- (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 City will continue to review its control procedures to obtain the maximum internal control possible under the circumstances.

Conclusion – Response accepted.

City of Sigourney

Schedule of Findings

Year ended June 30, 2019

(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 – For the twelve months, utility reconciliations were not reviewed by an independent person.

Cause – Policies have not been established and procedures have not been implemented to ensure monthly reconciliations are reviewed by an independent person.

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

Recommendation – The City Council or other independent person designated by the City Council should review the reconciliations 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 – The City Clerk's office will continue to reconcile the utility billings and have the Mayor or a Council Member sign or initial and date documenting their review.

Conclusion – Response accepted.

(C) Bank Reconciliations

Criteria – An effective internal control system provides for internal controls related to ensuring proper accounting for all funds by maintaining appropriate accounting records and reconciling bank and book balances. Supervisory review of bank reconciliations can help ensure the accuracy of recorded amounts.

Condition – Monthly bank statements are reconciled to the City's monthly financial report. However, the monthly bank reconciliations were not reviewed and approved by an independent person for 8 months tested.

Cause – Procedures have not been designed and implemented to ensure bank reconciliations are independently reviewed for completeness and accuracy.

Effect – The lack of independent review of bank reconciliations can result in unrecorded transactions, undetected errors and opportunity for misappropriation.

Recommendation – An independent person should review the reconciliations and document their review by signing or initialing and dating the monthly reconciliations.

City of Sigourney

Schedule of Findings

Year ended June 30, 2019

Response – The Mayor or a Council Member will review and initial the reconciliations moving forward.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

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

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2019 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:

Name, Title and Business Connection	Transaction Description	Amount
Rick Landgrebe, Council Member, manages Brother's Market	Various items for a number City departments	\$ 19,504
Julie Tremmel, Pool Assistant Manager, husband owns Tremmel Backhoe Service	Various projects, including fixing water main and sewer breaks. No projects were for Parks and Recreation Department	11,150

In accordance with Chapter 362.5(3)(k) of the Code of Iowa, transactions with Brother’s Market may represent a conflict of interest since total transactions exceeded \$2,500 and the services were not competitively bid.

In accordance with Chapter 262.5(2)(d) of the Code of Iowa, the transactions with Tremmel Backhoe Service do not appear to represent a conflict of interest since the Pool Assistant Manager’s remuneration of employment was not directly affected as result of the contract and duties of employment did not directly involve the procurement or preparation of any part of the contract.

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

Response – The City will contact legal counsel.

Conclusion – Response accepted.

- (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.

City of Sigourney

Schedule of Findings

Year ended June 30, 2019

- (8) Revenue Notes – The sewer revenue note resolution requires the City to establish, levy and collect rents and other charges for the products and services provided by its water system, which rents, rates, and other charges shall be at least sufficient to produce and maintain net receipts at a level not less than 110% of the amount of principal and interest on the revenue note and any other obligations secured by a pledge of the net revenues falling due in the same year. The City’s fiscal year 2019 net operating deficit of \$124,053 is less than 110% of the required debt service payment of \$77,875.

Recommendation – The City should ensure the net receipts are not less than the 110% of the amount of annual principal and interest coming due each year, as required by the water revenue note resolution.

Response – The City will review this, but also have monies in their reserve and improvement fund for this purpose as well.

Conclusion – Response accepted.

- (9) Annual Urban Renewal Report – No instances of non-compliance with the Annual Urban Renewal Report requirements for the year ended June 30, 2019 were noted.

- (10) Financial Condition – At June 30, 2019, the City had a deficit balance of \$3,181 in the Special Revenue, CDBG Housing Fund.

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

Response – The City will investigate alternatives to eliminate the deficit.

Conclusion – Response accepted.

City of Sigourney

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Deputy
Deborah J. Moser, CPA, Manager
Alex N. Kawamura, CPA, Senior Auditor
April R. Davenport, Assistant Auditor