



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

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Auditor of State

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**NEWS RELEASE**

FOR RELEASE

May 19, 2009

Contact: Andy Nielsen  
515/281-5834

Auditor of State David A. Vaudt today released an audit report on the City of Sigourney, Iowa.

The City's receipts totaled \$4,370,346 for the year ended June 30, 2008, a 109 percent increase over 2007. The receipts included \$834,172 in property tax, \$10,483 from tax increment financing, \$997,407 from charges for service, \$340,623 from operating grants, contributions and restricted interest, \$194,406 from capital grants, contributions and restricted interest, \$137,048 from local option sales tax, \$40,669 from unrestricted interest on investments, proceeds of \$1,811,085 from general obligation loan notes, revenue bonds and bank loans and \$4,453 from other general receipts.

Disbursements for the year totaled \$3,190,521, a 56 percent increase over the prior year, and included \$368,160 for debt service, \$240,710 for public safety and \$216,013 for public works. The City also refunded \$430,000 of notes during the year. In addition, disbursements for business type activities totaled \$1,388,150.

The significant increase in receipts is due to receiving proceeds from general obligation loan notes, revenue bonds and bank loans and a federal grant related to several projects during the year. The significant increase in disbursements is due primarily to construction of various water and sewer projects during the year.

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 <http://auditor.iowa.gov/reports/reports.htm>.

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**CITY OF SIGOURNEY**

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

**JUNE 30, 2008**

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**City of Sigourney**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>(Before January 2008)</b>		
Patricia Miletich	Mayor	Jan 2010
Jeffrey Johnson	Mayor Pro tem	Jan 2008
Edward Conrad	Council Member	Jan 2008
Jeffrey Wallerich	Council Member	Jan 2008
Genna Moore	Council Member	Jan 2010
Patrick Peters	Council Member	Resigned Oct 2007
Charles Williams	Council Member	Jan 2010
Angela Alderson	City Clerk	Indefinite
Janet Ward	City Treasurer	Indefinite
John Wehr	Attorney	Indefinite
<b>(After January 2008)</b>		
Patricia Miletich	Mayor	Jan 2010
Jeffrey Johnson	Mayor Pro tem	Jan 2010
Genna Moore	Council Member	Jan 2010
Charles Williams	Council Member	Jan 2010
Edward Conrad	Council Member	Jan 2012
Amber Thompson	Council Member	Jan 2012
Jeffrey Wallerich	Council Member	Jan 2012
Angela Alderson	City Clerk	Indefinite
Janet Ward	City Treasurer	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:

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, 2008, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

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, 2008, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated April 10, 2009 on our consideration of the City's internal control over financial reporting and 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 internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 12 and 32 through 34 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

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 the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2007 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. The financial statements for the four years ended June 30, 2006 (which are not presented herein), were audited by another auditor who expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

April 10, 2009

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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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, 2008. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### **2008 FINANCIAL HIGHLIGHTS**

- Receipts of the City's governmental activities increased 112%, or approximately \$1,390,000, from fiscal year 2007 to fiscal year 2008. Note proceeds increased approximately \$1,073,000, bank loan proceeds increased approximately \$119,000 and the City received local option sales tax of approximately \$137,000 for the first time in fiscal year 2008.
- Disbursements of the City's governmental activities increased 39%, or approximately \$504,000, in fiscal year 2008 over fiscal year 2007. General government disbursements increased approximately \$50,000 and the City refunded debt of \$430,000 during the year.
- Receipts of the City's business type activities increased 104%, or approximately \$889,000, from fiscal year 2007 to fiscal year 2008. The City received approximately \$412,000 in revenue bond proceeds, approximately \$180,000 in general obligation capital loan note proceeds and approximately \$194,000 in capital grants, contributions and restricted interest.
- Disbursements of the City's business type activities increased 86%, or approximately \$643,000, from fiscal year 2007 to fiscal year 2008. Water disbursements and sewer disbursements increased approximately \$590,000 and \$47,000, respectively.
- The City's total cash basis net assets increased 81%, or approximately \$1,180,000, from June 30, 2007 to June 30, 2008. Of this amount, the assets of the governmental activities increased approximately \$816,000 and the assets of the business type activities increased approximately \$364,000.

### **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 Statement of Activities and Net Assets. 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 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.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the City.

## **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 Statement of Activities and Net Assets reports information which helps answer this question.

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

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, 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, the sewer system and the sanitary disposal system. 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 Employee Benefits, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Funds. 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 for 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, sewer and sanitation funds, considered to be major funds of the City. The Internal Service Fund is an accounting device used to accumulate and allocate costs internally among the City's various functions.

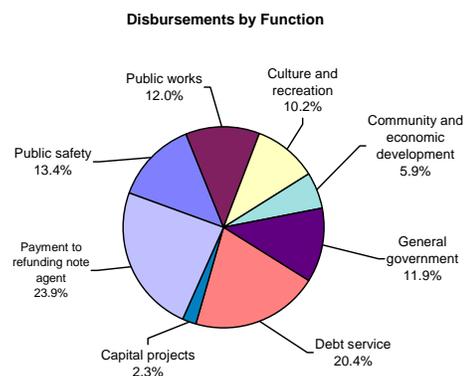
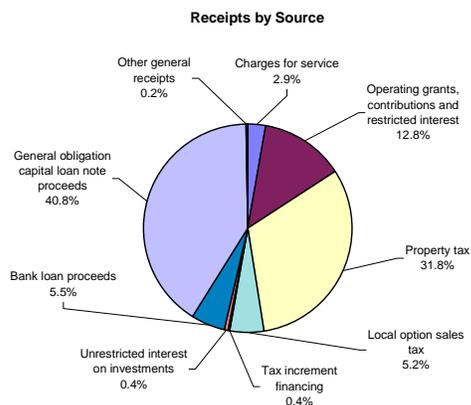
The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, from approximately \$515,000 to approximately \$1,331,000. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2008	2007
<b>Receipts:</b>		
Program receipts:		
Charges for service	\$ 77	74
Operating grants, contributions and restricted interest	337	280
General receipts:		
Property tax	834	832
Local option sales tax	137	-
Tax increment financing	10	-
Unrestricted interest on investments	10	10
Bank loan proceeds	144	25
General obligation capital loan note proceeds	1,073	-
Other general receipts	4	15
<b>Total receipts</b>	<b>2,626</b>	<b>1,236</b>
<b>Disbursements:</b>		
Public safety	241	262
Public works	216	227
Culture and recreation	184	208
Community and economic development	107	43
General government	215	165
Debt service	368	293
Capital projects	41	100
Payment to refunding note agent	430	-
<b>Total disbursements</b>	<b>1,802</b>	<b>1,298</b>
Change in cash basis net assets before transfers	824	(62)
Transfers, net	(8)	(69)
<b>Change in cash basis net assets</b>	<b>816</b>	<b>(131)</b>
Cash basis net assets beginning of year, as restated	515	646
<b>Cash basis net assets end of year</b>	<b>\$ 1,331</b>	<b>515</b>



The City's total receipts for governmental activities increased 112%, or approximately \$1,390,000. The total cost of all programs and services increased approximately \$504,000 or 39%, with no new programs added this year. The significant increase in disbursements was primarily the result of replacement of a boiler in Memorial Hall, the purchase of a street sweeper, contracted street repairs which rolled over from prior years and current refunding of \$430,000 of notes.

The City did not increase property tax rates for 2008. Based on increases in the total taxable valuation, property tax receipts are budgeted to increase an additional \$140,391 next year.

The cost of all governmental activities this year was approximately \$1.802 million compared to approximately \$1.298 million last year. However, as shown in the Statement of Activities and Net Assets on pages 14-15, the amount taxpayers ultimately financed for these activities was only \$959,000 because some of the cost was paid by those directly benefited from the programs (\$77,000) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$337,000). Overall, the City's governmental activities receipts, including intergovernmental aid and fees for service, increased in 2008 from approximately \$354,000 to approximately \$414,000, principally due to corrections in classifications. The City paid for the remaining "public benefit" portion of governmental activities with approximately \$981,000 in tax (some of which could only be used for certain programs) and other receipts, such as interest and general entitlements.

Changes in Cash Basis Net Assets of Business Type Activities		
(Expressed in Thousands)		
	Year ended June 30,	
	2008	2007
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 479	430
Sewer	288	281
Sanitation	154	118
Operating grants, contributions and restricted interest	4	3
Capital grants, contributions and restricted interest	194	-
General receipts:		
General obligation capital loan note proceeds	180	-
Revenue bond proceeds	412	-
Bank loan proceeds	3	-
Unrestricted interest on investments	30	23
Total receipts	<u>1,744</u>	<u>855</u>
Disbursements:		
Water	958	368
Sewer	308	261
Sanitation	122	116
Total disbursements	<u>1,388</u>	<u>745</u>
Change in cash basis net assets before transfers	356	110
Transfers, net	<u>8</u>	<u>69</u>
Change in cash basis net assets	364	179
Cash basis net assets beginning of year	<u>933</u>	<u>754</u>
Cash basis net assets end of year	<u>\$ 1,297</u>	<u>933</u>

Total business type activities receipts for the fiscal year were approximately \$1,744,000 compared to approximately \$855,000 last year. This increase was due primarily to an increase in water, sewer and sanitation charges for service and the issuance of debt. Total disbursements for the fiscal year increased 86% to a total of approximately \$1,388,000.

## **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of Sigourney completed the year, its governmental funds reported a combined fund balance of \$1,265,663, an increase of \$810,588 over last year's total of \$455,075. 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 \$150,910 over the prior year to \$341,476 due primarily to the City setting funds aside to cover legal expenses for the issuance of general obligation capital loan notes and to update the urban renewal plan. Disbursements remained consistent with the prior year.
- The Special Revenue, Road Use Tax Fund cash balance increased \$5,200 to \$18,084 during the fiscal year. Receipts remained consistent with the prior year. Disbursements increased \$11,758, related to the ice storm cleanup and additional snow removal.
- The Special Revenue, Employee Benefits Fund cash balance was \$82,898, an increase of \$50,801 over the previous year. The increase was the result of less transfers out to funds to reimburse for employee benefit costs.
- The Special Revenue, Urban Renewal Tax Increment Fund cash balance was \$133,074 at the end of the fiscal year, an increase of \$130,000 over the previous year. This was due to the issuance of general obligation capital loan notes.
- The Debt Service Fund cash balance increased \$38,325 to \$41,415 during the fiscal year. This increase was due to transfers from other funds to pay the debt payments.
- The Capital Projects Fund cash balance increased \$325,806 to \$434,975 during the fiscal year. The increase is the result of proceeds from general obligation capital loan notes of \$373,000 and bank loan proceeds of \$32,000 which have not yet been disbursed.

## **INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

- The Water Fund cash balance increased \$127,401 to \$523,954, due primarily to the increase in a new water surcharge and the receipt of intergovernmental revenue and revenue bond proceeds.
- The Sewer Fund cash balance increased \$197,003 to \$607,014, due primarily to the adoption of increased sewer rates and a new sewer surcharge and the receipt of general obligation capital loan note proceeds.
- The Sanitation Fund cash balance increased \$27,506 to \$60,309, due primarily to the adoption of increased collection rates.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget two times. The first amendment was approved on December 19, 2007 and resulted in an increase in operating disbursements related to the purchase of a new boiler for Memorial Hall. The second amendment was approved on June 4, 2008 to provide for the receipt and disbursement of bond proceeds.

The City's receipts were \$1,403,234 less than budgeted. This was primarily due to the City receiving less in intergovernmental receipts than anticipated, even after the amendments.

Total disbursements were \$2,521,061 less than the amended budget. Actual disbursements for the capital projects, business type activities and community and economic development functions were \$398,370, \$885,655 and \$559,620, respectively, less than the

amended budget. This was primarily due to the City having fewer capital projects and other disbursements than anticipated.

The City exceeded the amount budgeted in the public works function for the year ended June 30, 2008 prior to the budget amendment.

**DEBT ADMINISTRATION**

At June 30, 2008, the City had approximately \$4,555,000 in notes and other long-term debt outstanding, compared to approximately \$3,551,000 last year, as shown below.

Outstanding Debt at Year-End (Expressed in Thousands)		
	June 30,	
	2008	2007
General obligation notes	\$ 2,670	2,020
Revenue notes/bonds	1,768	1,464
Other obligations	117	67
Total	\$ 4,555	3,551

Debt increased as a result of issuing general obligation capital loan notes to refinance old debt and various other City projects. The City also issued water revenue bonds and various bank loans for additional projects and purchases. Additional information about the City’s long-term debt is presented in Note 3 to the financial statements.

The City continues to carry a general obligation bond rating of A3 assigned by national rating agencies to the City’s debt. 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 debt of \$2,787,000 is below its constitutional debt limit of \$3.6 million.

**ECONOMIC FACTORS AND NEXT YEAR’S BUDGET AND RATES**

The City’s elected and appointed officials and citizens considered many factors when setting the fiscal year 2009 budget, tax rates and fees charged for various City activities. One of those factors is the economy. Unemployment in the City now stands at 8.2%, versus 5.3% a year ago. This compares with the State’s unemployment rate of 3.9% and the national rate of 5.5%.

These indicators were taken into account when adopting the budget for fiscal year 2009. Amounts available for appropriation in the operating budget are approximately \$3.9 million, a decrease of 31% from the final 2008 budget. Intergovernmental receipts are expected to lead this decrease. Budgeted disbursements are expected to decrease approximately \$1.9 million from the final 2008 budget. Decreases in the business type function related to the well project represent the largest decrease.

If these estimates are realized, the City’s budgeted cash balance is expected to increase \$83,370 by the close of 2009.

**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, 120 N. Jefferson, Sigourney, Iowa 52591-1540.

## **Basic Financial Statements**

City of Sigourney

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2008

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>				
Governmental activities:				
Public safety	\$ 240,710	10,030	63,247	-
Public works	216,013	-	189,251	-
Culture and recreation	183,933	49,847	64,031	-
Community and economic development	107,300	-	4,055	-
General government	215,215	12,735	-	-
Debt service	368,160	3,901	1,055	-
Capital projects	41,040	-	15,167	-
Total governmental activities	1,372,371	76,513	336,806	-
Business type activities:				
Water	957,642	478,575	-	194,406
Sewer	308,608	288,223	3,817	-
Sanitation	121,900	154,096	-	-
Total business type activities	1,388,150	920,894	3,817	194,406
Total	\$ 2,760,521	997,407	340,623	194,406
<b>General Receipts:</b>				
Property and other city tax levied for:				
General purposes				
Tax increment financing				
Debt service				
Local option sales tax				
Unrestricted interest on investments				
General obligation capital loan note proceeds (net of \$2,000 discount)				
Payment to refunding note agent				
Revenue bond proceeds (net of \$7,500 discount)				
Bank loan proceeds				
Miscellaneous				
Transfers				
Total general receipts and transfers				
Change in cash basis net assets				
Cash basis net assets beginning of year				
Cash basis net assets end of year				
<b>Cash Basis Net Assets</b>				
Restricted:				
Streets				
Urban renewal purpose				
Capital projects				
Debt service				
Other purposes				
Unrestricted				
<b>Total cash basis net assets</b>				

See notes to financial statements.

Net (Disbursements) Receipts and  
Changes in Cash Basis Net Assets

Governmental Activities	Business Type Activities	Total
(167,433)	-	(167,433)
(26,762)	-	(26,762)
(70,055)	-	(70,055)
(103,245)	-	(103,245)
(202,480)	-	(202,480)
(363,204)	-	(363,204)
(25,873)	-	(25,873)
(959,052)	-	(959,052)
-	(284,661)	(284,661)
-	(16,568)	(16,568)
-	32,196	32,196
-	(269,033)	(269,033)
(959,052)	(269,033)	(1,228,085)
575,035	-	575,035
10,483	-	10,483
259,137	-	259,137
137,048	-	137,048
12,090	33,159	45,249
1,073,000	180,000	1,253,000
(430,000)	-	(430,000)
-	411,505	411,505
142,000	-	142,000
4,453	-	4,453
(8,270)	8,270	-
1,774,976	632,934	2,407,910
815,924	363,901	1,179,825
514,942	932,802	1,447,744
\$ 1,330,866	1,296,703	2,627,569
\$ 18,084	-	18,084
133,074	-	133,074
434,975	-	434,975
41,415	229,907	271,322
296,639	28,066	324,705
406,679	1,038,730	1,445,409
\$ 1,330,866	1,296,703	2,627,569

City of Sigourney

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

As of and for the year ended June 30, 2008

	Special Revenue			
	General	Road Use Tax	Employee Benefits	Urban Renewal Tax Increment
Receipts:				
Property tax	\$ 377,826	-	157,105	-
Tax increment financing	-	-	-	10,483
Other city tax	29,007	-	10,240	-
Licenses and permits	11,040	-	-	-
Use of money and property	12,996	-	-	-
Intergovernmental	64,108	189,251	-	-
Charges for service	31,102	-	-	-
Special assessments	-	-	-	-
Miscellaneous	72,651	-	-	-
Total receipts	598,730	189,251	167,345	10,483
Disbursements:				
Operating:				
Public safety	245,805	-	-	-
Public works	2,909	197,941	-	-
Culture and recreation	150,049	-	-	-
Community and economic development	6,119	-	-	9,686
General government	213,400	-	-	-
Debt service	-	24,767	-	-
Capital projects	-	-	-	-
Total disbursements	618,282	222,708	-	9,686
Excess (deficiency) of receipts over (under) disbursements	(19,552)	(33,457)	167,345	797
Other financing sources (uses):				
General obligation capital loan note proceeds (net of \$2,000 discount)	100,000	-	-	130,000
Bank loan proceeds	35,000	-	-	-
Payments to refunding note agent	-	-	-	-
Operating transfers in	104,689	38,657	-	-
Operating transfers out	(69,227)	-	(116,544)	(797)
Total other financing sources (uses)	170,462	38,657	(116,544)	129,203
Net change in cash balances	150,910	5,200	50,801	130,000
Cash balances beginning of year	190,566	12,884	32,097	3,074
Cash balances end of year	\$ 341,476	18,084	82,898	133,074
<b>Cash Basis Fund Balances</b>				
Reserved for debt service	\$ -	-	-	-
Unreserved:				
General fund	341,476	-	-	-
Special revenue funds	-	18,084	82,898	133,074
Capital projects fund	-	-	-	-
Permanent funds	-	-	-	-
Total cash basis fund balances	\$ 341,476	18,084	82,898	133,074

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
249,096	-	857	784,884
-	-	-	10,483
10,041	-	137,048	186,336
-	-	-	11,040
1,055	2,842	4,368	21,261
-	-	3,480	256,839
-	-	-	31,102
3,901	-	-	3,901
-	12,325	18,955	103,931
264,093	15,167	164,708	1,409,777
-	-	-	245,805
-	-	15,163	216,013
-	-	33,884	183,933
-	-	91,495	107,300
-	-	1,815	215,215
343,393	-	-	368,160
-	41,040	-	41,040
343,393	41,040	142,357	1,377,466
(79,300)	(25,873)	22,351	32,311
470,000	373,000	-	1,073,000
-	32,000	75,000	142,000
(430,000)	-	-	(430,000)
77,625	50,628	60,000	331,599
-	(103,949)	(47,805)	(338,322)
117,625	351,679	87,195	778,277
38,325	325,806	109,546	810,588
3,090	109,169	104,195	455,075
41,415	434,975	213,741	1,265,663
41,415	-	-	41,415
-	-	-	341,476
-	-	208,066	442,122
-	434,975	-	434,975
-	-	5,675	5,675
41,415	434,975	213,741	1,265,663

**City of Sigourney**

City of Sigourney

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

As of and for the year ended June 30, 2008

**Total governmental funds cash balances (page 17)** \$ 1,265,663

***Amounts reported for governmental activities in the Statement of  
Activities and Net Assets 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 assets of the Internal Service Fund is included in governmental activities in the Statement of Net Assets.

65,203

**Cash basis net assets of governmental activities (page 15)** \$ 1,330,866

**Net change in cash balances (page 17)**

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

\$ 810,588

The Internal Service Fund is used by management to charge the costs of vehicle replacement to individual funds. A portion of the change in net assets of the Internal Service Fund is reported with governmental activities.

5,336

**Change in cash basis net assets of governmental activities (page 15)** \$ 815,924

See notes to financial statements.

**Exhibit D**

## City of Sigourney

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

As of and for the year ended June 30, 2008

	Enterprise				Internal Service
	Water	Sewer	Sanitation	Total	Vehicle Replacement
Operating receipts:					
Charges for service	\$ 471,537	281,201	122,529	875,267	40,800
Miscellaneous	7,038	10,839	31,567	49,444	-
Total operating receipts	<u>478,575</u>	<u>292,040</u>	<u>154,096</u>	<u>924,711</u>	<u>40,800</u>
Operating disbursements:					
Governmental activities:					
Public safety	-	-	-	-	3,905
Business type activities	254,604	205,005	129,255	588,864	-
Total operating disbursements	<u>254,604</u>	<u>205,005</u>	<u>129,255</u>	<u>588,864</u>	<u>3,905</u>
Excess of operating receipts over operating disbursements	<u>223,971</u>	<u>87,035</u>	<u>24,841</u>	<u>335,847</u>	<u>36,895</u>
Non-operating receipts (disbursements):					
Community development block grants	194,406	-	-	194,406	-
Interest on investments	14,680	14,692	995	30,367	4,580
Revenue bond proceeds (net of \$7,500 initiation fee)	411,505	-	-	411,505	-
General obligation capital loan note proceeds	-	180,000	-	180,000	-
Capital projects	(641,021)	(14,870)	-	(655,891)	-
Debt service	(76,217)	(95,733)	(3,245)	(175,195)	-
Net non-operating receipts (disbursements)	<u>(96,647)</u>	<u>84,089</u>	<u>(2,250)</u>	<u>(14,808)</u>	<u>4,580</u>
Excess of receipts over disbursements	<u>127,324</u>	<u>171,124</u>	<u>22,591</u>	<u>321,039</u>	<u>41,475</u>
Other financing sources (uses):					
Operating transfers in	3,757	25,879	4,915	34,551	-
Operating transfers out	(3,680)	-	-	(3,680)	(24,148)
Total other financing sources (uses)	<u>77</u>	<u>25,879</u>	<u>4,915</u>	<u>30,871</u>	<u>(24,148)</u>
Net change in cash balances	127,401	197,003	27,506	351,910	17,327
Cash balances beginning of year	396,553	410,011	32,803	839,367	153,302
Cash balances end of year	<u>\$ 523,954</u>	<u>607,014</u>	<u>60,309</u>	<u>1,191,277</u>	<u>170,629</u>
<b>Cash Basis Fund Balances</b>					
Reserved for:					
Debt service	\$ 79,567	150,340	-	229,907	-
Water deposits	28,066	-	-	28,066	-
Unreserved	416,321	456,674	60,309	933,304	170,629
Total cash basis fund balances	<u>\$ 523,954</u>	<u>607,014</u>	<u>60,309</u>	<u>1,191,277</u>	<u>170,629</u>

See notes to financial statements.

City of Sigourney

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

As of and for the year ended June 30, 2008

**Total enterprise funds cash balances (page 20)** \$ 1,191,277

***Amounts reported for business type activities in the Statement of Activities and Net Assets 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 assets of the Internal Service Fund is included in business type activities in the Statement of Net Assets.

105,426

**Cash basis net assets of business type activities (page 15)**

\$ 1,296,703

**Net change in cash balances (page 20)**

***Amounts reported for business type activities in the Statement of Activities and Net Assets are different because:***

\$ 351,910

The Internal Service Fund is used by management to charge the costs of vehicle replacement to individual funds. A portion of the change in net assets of the Internal Service Fund is reported with business type activities.

11,991

**Change in cash basis net assets of business type activities (page 15)**

\$ 363,901

See notes to financial statements.

City of Sigourney

Notes to Financial Statements

June 30, 2008

**(1) Summary of Significant Accounting Policies**

The City of Sigourney is a political subdivision of the State of Iowa located in Keokuk County. It was first incorporated in 1844 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

Friends of the Sigourney Public Library is legally separate from the City but is so intertwined with the City it is, in substance, the same as the City. The component unit is reported as part of the City and blended into the Special Revenue 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, Keokuk County Emergency Management Commission and Keokuk County Joint E911 Service Board.

B. Basis of Presentation

Government-wide Financial Statement - The Statement of Activities and Net Assets 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 Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets not meeting the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets 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 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 road construction and maintenance.

The Employee Benefits Fund is used to account for the employee benefits tax levied to pay employee benefits.

The Urban Renewal Tax Increment Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

The Debt Service Fund is utilized to account 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 Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Sanitation Fund accounts for the operation and maintenance 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 assets 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.

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. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, disbursements exceeded the amount budgeted in the public works function prior to a budget amendment.

**(2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2008 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 insure 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 has no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

**(3) Long Term Debt**

On May 1, 2008, the City issued \$1,255,000 of general obligation refunding capital loan notes with an interest rate of 4.50% per annum. The notes were issued for the purpose of refunding the general obligation capital loan notes, series 2001 and for paying the costs of various City projects.

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

Year Ending June 30,	General Obligation Capital Loan Notes		Revenue Capital Loan Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 200,000	116,438	118,000	43,362	318,000	159,800
2010	215,000	109,168	125,000	39,403	340,000	148,571
2011	235,000	100,404	129,000	35,110	364,000	135,514
2012	245,000	90,702	133,000	30,662	378,000	121,364
2013	250,000	80,517	140,000	26,060	390,000	106,577
2014 - 2018	615,000	287,715	384,000	83,190	999,000	370,905
2019 - 2023	510,000	162,350	320,000	23,040	830,000	185,390
2024 - 2028	400,000	58,590	-	-	400,000	58,590
Total	\$ 2,670,000	1,005,884	1,349,000	280,827	4,019,000	1,286,711

Revenue Notes/Bonds

On December 20, 2007, the City entered into an agreement with the Iowa Finance Authority, the Iowa Department of Natural Resources and Wells Fargo Bank, Iowa, N.A. for the issuance of \$750,000 of water revenue bonds with interest at 3.0% per annum. The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance. The bonds were issued pursuant to the provisions of Chapter 384.24A of the Code of Iowa to pay the cost of constructing improvements and extensions to the water treatment plant. The City will draw down funds from the Trustee upon request to reimburse the City for costs as they are incurred. At June 30, 2008, the City had drawn down \$419,005 of the authorized amount. An initiation fee of 1% of the authorized borrowing for the water revenue bonds was charged by the Iowa Finance Authority. The total initiation fee was withheld from the first proceeds of the water revenue bonds drawn by the City during the year ended June 30, 2008. A final repayment scheduled has not yet been adopted. However, during fiscal year 2008, the City began making interest payments under the preliminary repayment schedule. During the year ended June 30, 2008, the City paid \$4,670 of interest.

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$1,540,000 of water revenue notes and bonds issued in October 2001, February 2002, May 2002 and December 2007. Proceeds from the notes and bonds provided financing for the construction of water main extensions. The notes and bonds are payable solely from water customer net receipts and are payable through 2021. Annual principal and interest payments on the notes and bonds required 31% of

net receipts. The total principal and interest remaining to be paid on the notes is \$585,727. The revenue bonds issued in December 2007 are not included since a repayment schedule has not been adopted. For the current year, principal and interest paid and total customer net receipts were \$73,107 and \$238,651, respectively.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$1,395,000 in sewer revenue notes issued in November 1992 and 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 required 92% of net receipts. The total principal and interest remaining to be paid on the notes is \$1,044,100. For the current year, principal and interest paid and total customer net receipts were \$93,750 and \$101,727, respectively.

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

- (a) The bonds/notes will only be redeemed from the future earnings of the enterprise activity and the bond/note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to a separate water revenue note sinking account within the Enterprise Funds for the purpose of making the bond/note principal and interest payments when due.
- (c) A total of \$41,940 shall be set aside in a water reserve account for the notes issued in May 2002. This account is restricted for the purpose of paying the principal and interest on the notes whenever the funds in the sinking account are insufficient. In addition, a total of \$75,000 shall be set aside in a water reserve account for the bonds issued in December 2007. The proceeds have not been completely drawn, so the reserve has not been established.
- (d) Water user rates shall be established at a level which produces and maintains net revenues at a level not less than 110% of the amount of principal and interest on the bonds falling due in the same year for the bonds issued in December 2007 and not less than 1.25 times the maximum amount that will be required in any fiscal year prior to the respective longest maturity of each issue of water revenue notes.
- (e) Sewer user rates shall be established at a level which produces and maintains net revenues at a level not less than 110% of the amount of principal and interest on the notes falling due in the same year.

The City's sewer net revenues for the year ended June 30, 2008 are less than the required 110% of principal and interest on bonds falling due during the year.

#### Bank Loans

On June 22, 2007, the City entered into a loan agreement for pool repair. The loan of \$25,000, with interest at 5.25% per annum, is payable over a two-year period.

On August 17, 2007, the City entered into a loan agreement for a demolition project. The loan of \$75,000, with interest at 5.00% per annum, is payable over a five-year period.

On October 25, 2007, the City entered into a loan agreement for a new street sweeper. The loan of \$32,000, with interest at 5.25% per annum, is payable over a five-year period.

On January 7, 2008, the City entered into a loan agreement for a new boiler. The loan of \$35,000, with interest at 5.00% per annum, was payable over a five-year period. After receiving insurance proceeds, the City repaid the loan with interest of \$445.

Solid Waste Alternative Program (SWAP) Loan

In May 2003, the City entered into a loan agreement with the Iowa Department of Natural Resources to provide funds to assist with the cost of expanding the City's recycling program. The agreement awarded up to \$36,225 in the form of a forgivable loan of \$20,000 and a zero interest loan of \$16,225. The term of the loan is 20 months and requires monthly payments of \$811 which began March 15, 2004. At June 30, 2008, there are no unmet conditions to be achieved for loan forgiveness.

Details of the City's SWAP loan at June 30, 2008 are as follows:

Year Ending June 30,	Interest Rate	Principal
2009	0%	<u>\$ 1,623</u>

The City paid \$3,245 in principal under the agreement during the year ended June 30, 2008.

RISE Paving Repayment

In September 2000, the City entered into an agreement with the Iowa Department of Transportation for up to \$454,000 in the form of a grant of \$347,200 and a loan of \$106,800 to provide funds for the construction of certain transportation improvements which were necessary for the development of a new business. The loan bears 5% per annum interest. The term of the loan requires five annual payments which began August 27, 2004. In addition to the annual payment of \$20,056, the City is also paying \$4,711 per year due to a default on the agreement. The default payment is not included in the balance reported in the schedule below, nor is it included in Schedule 2.

Details of the City's RISE paving repayment at June 30, 2008 are as follows:

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2009	5%	<u>\$ 19,101</u>	955	<u>20,056</u>

**(4) Pension and Retirement Benefits**

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute 3.90% of their annual covered salary and the City is required to contribute 6.05% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2008, 2007 and 2006 were \$27,379, \$24,756 and \$25,498, respectively, equal to the required contributions for each year.

**(5) 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, 2008, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 26,000
Personal leave	2,000
Compensatory time	<u>6,000</u>
Total	<u>\$ 34,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2008.

**(6) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Employee Benefits	\$ 99,719
	Emergency	857
	Capital Projects	2,566
	Internal Service:	
	Vehicle Replacement	<u>1,547</u>
		<u>104,689</u>
Special Revenue:		
Road Use Tax	General	21,832
	Special Revenue:	
	Employee Benefits	<u>16,825</u>
		<u>38,657</u>
Restricted Gifts	Capital Projects	<u>60,000</u>
Debt Service	General	35,445
	Special Revenue:	
	Urban Renewal Tax Increment	797
	Capital Projects	<u>41,383</u>
		<u>77,625</u>
Capital Projects	Special Revenue:	
	Local Option Sales Tax	46,948
	Enterprise:	
	Water	<u>3,680</u>
		<u>50,628</u>
Enterprise:		
Water	General	<u>3,757</u>
Enterprise:		
Sewer	General	3,278
	Internal Service:	
	Vehicle Replacement	<u>22,601</u>
		<u>25,879</u>
Enterprise:		
Sanitation	General	<u>4,915</u>
Total		<u>\$ 366,150</u>

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

**(7) Risk Management**

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 563 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 operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current 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 to equal 200 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or 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 insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2008 were \$25,358.

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 in an amount not to exceed \$2,650,000 per claim and \$10,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2008, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty

capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$1,000,000 and \$50,000, 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.

**(8) Development Agreements**

The City entered into two development agreements to assist in urban renewal projects, as follows:

The City agreed to make payments to C, B and D Development, Inc. under Chapter 403 of the Code of Iowa. 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 constructed by the Developer on or before December 31, 2015 or \$1,000,000. Each payment represents the incremental property tax revenues received by the City with respect to the incremental value of the property. As of June 30, 2008, \$109,686 has been paid to the Developer.

The City agreed to assist in urban renewal projects for the development of improvements to the Belva Deer Inn, L.L.C. in the form of a cash grant in the amount of \$130,000. The City will also construct sewer improvements up to a maximum cost of \$140,000.

**Required Supplementary 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

Required Supplementary Information

Year ended June 30, 2008

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
<b>Receipts:</b>			
Property tax	\$ 784,884	-	-
Tax increment financing	10,483		
Other city tax	186,336	-	-
Licenses and permits	11,040	-	-
Use of money and property	21,261	34,947	4,646
Intergovernmental	256,839	194,406	-
Charges for service	31,102	916,067	40,800
Special assessments	3,901	-	-
Miscellaneous	103,931	49,444	5,781
Total receipts	<u>1,409,777</u>	<u>1,194,864</u>	<u>51,227</u>
<b>Disbursements:</b>			
Public safety	245,805	3,905	3,905
Public works	216,013	-	-
Culture and recreation	183,933	-	5,863
Community and economic development	107,300	-	-
General government	215,215	-	-
Debt service	368,160	-	-
Capital projects	41,040	-	-
Business type activities	-	1,419,950	-
Total disbursements	<u>1,377,466</u>	<u>1,423,855</u>	<u>9,768</u>
Excess (deficiency) of receipts over (under) disbursements	32,311	(228,991)	41,459
Other financing sources (uses), net	<u>778,277</u>	<u>598,228</u>	<u>(24,148)</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	810,588	369,237	17,311
Balances beginning of year	<u>455,075</u>	<u>992,669</u>	<u>158,217</u>
Balances end of year	<u>\$ 1,265,663</u>	<u>1,361,906</u>	<u>175,528</u>

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
784,884	792,976	792,976	(8,092)
10,483	20,965	12,108	(1,625)
186,336	221,620	166,325	20,011
11,040	23,800	23,800	(12,760)
51,562	44,350	54,512	(2,950)
451,245	1,782,575	1,820,315	(1,369,070)
906,369	869,302	869,637	36,732
3,901	76,500	76,500	(72,599)
147,594	132,000	140,475	7,119
<u>2,553,414</u>	<u>3,964,088</u>	<u>3,956,648</u>	<u>(1,403,234)</u>
245,805	274,888	285,650	39,845
216,013	185,236	242,033	26,020
178,070	213,329	257,188	79,118
107,300	479,786	666,920	559,620
215,215	196,147	354,649	139,434
368,160	291,159	761,159	392,999
41,040	10,000	439,410	398,370
1,419,950	2,155,155	2,305,605	885,655
<u>2,791,553</u>	<u>3,805,700</u>	<u>5,312,614</u>	<u>2,521,061</u>
(238,139)	158,388	(1,355,966)	1,117,827
<u>1,400,653</u>	<u>4,858</u>	<u>1,259,304</u>	<u>141,349</u>
1,162,514	163,246	(96,662)	1,259,176
<u>1,289,527</u>	<u>1,366,640</u>	<u>1,366,640</u>	<u>(77,113)</u>
<u>2,452,041</u>	<u>1,529,886</u>	<u>1,269,978</u>	<u>1,182,063</u>

City of Sigourney

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2008

The budgetary comparison is presented as Required Supplementary Information 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 blended component unit and the Internal Service Fund. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. 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, two budget amendments increased budgeted disbursements by \$1,506,914. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2008, disbursements exceeded the amount budgeted in the public works function prior to a budget amendment.

**Other 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, 2008

	Restricted Gifts	CDBG Housing	LHAP Program	CLG History Presentation
Receipts:				
Property tax	\$ -	-	-	-
Other city tax	-	-	-	-
Use of money and property	2,226	493	-	82
Intergovernmental	-	3,480	-	-
Miscellaneous	3,904	-	-	-
Total receipts	6,130	3,973	-	82
Disbursements:				
Operating:				
Public works	-	-	-	-
Culture and recreation	16,668	-	-	-
Community and economic development	-	91,456	-	-
General government	-	-	-	-
Total disbursements	16,668	91,456	-	-
Excess (deficiency) of receipts over (under) disbursements	(10,538)	(87,483)	-	82
Other financing sources (uses):				
Bank loan proceeds	-	75,000	-	-
Operating transfers in	60,000	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	60,000	75,000	-	-
Net change in cash balances	49,462	(12,483)	-	82
Cash balances beginning of year	26,429	17,338	1	2,621
Cash balances end of year	\$ 75,891	4,855	1	2,703
<b>Cash Basis Fund Balances</b>				
Unreserved:				
Special revenue funds	\$ 75,891	4,855	1	2,703
Permanent funds	-	-	-	-
Total cash basis fund balances	\$ 75,891	4,855	1	2,703

See accompanying independent auditor's report.

Special Revenue				Permanent			
Emergency	Local Option Sales Tax	Lewis Memorial Fountain	Year 2044	Friends of the Sigourney Public Library	Lewis Memorial Trust	Library Memorial Trust	Total
857	-	-	-	-	-	-	857
-	137,048	-	-	-	-	-	137,048
-	-	1,434	67	66	-	-	4,368
-	-	-	-	-	-	-	3,480
-	-	847	8,423	5,781	-	-	18,955
857	137,048	2,281	8,490	5,847	-	-	164,708
-	15,163	-	-	-	-	-	15,163
-	3,911	7,442	-	5,863	-	-	33,884
-	39	-	-	-	-	-	91,495
-	1,815	-	-	-	-	-	1,815
-	20,928	7,442	-	5,863	-	-	142,357
857	116,120	(5,161)	8,490	(16)	-	-	22,351
-	-	-	-	-	-	-	75,000
-	-	-	-	-	-	-	60,000
(857)	(46,948)	-	-	-	-	-	(47,805)
(857)	(46,948)	-	-	-	-	-	87,195
-	69,172	(5,161)	8,490	(16)	-	-	109,546
-	-	46,280	936	4,915	4,675	1,000	104,195
-	69,172	41,119	9,426	4,899	4,675	1,000	213,741
-	69,172	41,119	9,426	4,899	-	-	208,066
-	-	-	-	-	4,675	1,000	5,675
-	69,172	41,119	9,426	4,899	4,675	1,000	213,741

City of Sigourney  
Schedule of Indebtedness  
Year ended June 30, 2008

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation capital loan notes:			
Series 2001	Jul 12, 2001	5.05-5.50%	\$ 620,000
Refunding Series 2002	May 1, 2002	2.60-4.75	635,000
Refunding Series 2004	Nov 17, 2004	3.375-3.75	635,000
Series 2005	May 1, 2005	4.0-5.0	750,000
Refunding Series 2008	May 1, 2008	4.5	1,255,000
Total			
Revenue capital loan notes:			
Sewer - Series 1992	Nov 25, 1992	3.00-4.37%	\$ 436,000
Water - Series 2001	Oct 1, 2001	3.00	390,000
Water - Series 2002	Feb 7, 2002	3.00	50,000
Water - Series 2002B	May 1, 2002	2.55-4.90	350,000
Sewer - Series 2002	Dec 6, 2002	3.00	959,000
Total			
Revenue bonds:			
Water	Dec 20, 2007 *	3.00	\$ 750,000
Other obligations:			
SWAP loan	May 15, 2003	0.00%	\$ 16,225
RISE paving repayment	Sept 20, 2000	5.00	86,833
Bank loan - pool repair	Jun 22, 2007	5.25	25,000
Bank loan - demolition project	Aug 17, 2007	5.00	75,000
Bank loan - street sweeper	Oct 25, 2007	5.25	32,000
Bank loan - boiler	Jan 7, 2008	5.00	35,000
Total			

\* - The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance.

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
460,000	-	460,000	-	23,535
380,000	-	55,000	325,000	17,070
465,000	-	60,000	405,000	16,108
715,000	-	30,000	685,000	33,077
-	1,255,000	-	1,255,000	-
<b>\$ 2,020,000</b>	<b>1,255,000</b>	<b>605,000</b>	<b>2,670,000</b>	<b>89,790</b>
165,000	-	25,000	140,000	4,950
296,000	-	17,000	279,000	8,880
38,000	-	2,000	36,000	1,140
205,000	-	30,000	175,000	9,417
760,000	-	41,000	719,000	22,800
<b>1,464,000</b>	<b>-</b>	<b>115,000</b>	<b>1,349,000</b>	<b>47,187</b>
<b>\$ -</b>	<b>419,005</b>	<b>-</b>	<b>419,005</b>	<b>4,670</b>
4,868	-	3,245	1,623	-
37,293	-	18,192	19,101	1,865
25,000	-	12,160	12,840	1,364
-	75,000	17,511	57,489	3,010
-	32,000	6,176	25,824	1,162
-	35,000	35,000	-	445
<b>\$ 67,161</b>	<b>142,000</b>	<b>92,284</b>	<b>116,877</b>	<b>7,846</b>

City of Sigourney  
 Bond and Note Maturities  
 June 30, 2008

Year Ending June 30,	General Obligation Capital Loan Notes					
	Refunding Series 2002		Refunding Series 2004		Series 2005	
	Issued May 1, 2002		Issued Nov 17, 2004		Issued May 1, 2005	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2009	4.30%	\$ 60,000	3.375%	\$ 60,000	4.00%	\$ 30,000
2010	4.45	60,000	3.375	65,000	4.00	30,000
2011	4.55	65,000	3.375	65,000	4.00	35,000
2012	4.65	70,000	3.400	70,000	4.00	35,000
2013	4.75	70,000	3.600	75,000	4.25	35,000
2014	-	-	3.700	70,000	4.25	40,000
2015	-	-	-	-	4.25	40,000
2016	-	-	-	-	5.00	40,000
2017	-	-	-	-	5.00	40,000
2018	-	-	-	-	5.00	45,000
2019	-	-	-	-	5.00	45,000
2020	-	-	-	-	5.00	50,000
2021	-	-	-	-	5.00	50,000
2022	-	-	-	-	5.00	55,000
2023	-	-	-	-	5.00	55,000
2024	-	-	-	-	4.65	60,000
2025	-	-	-	-	-	-
2026	-	-	-	-	-	-
2027	-	-	-	-	-	-
2028	-	-	-	-	-	-
Total		<u>\$ 325,000</u>		<u>\$ 405,000</u>		<u>\$ 685,000</u>

Year Ending June 30,	Revenue Capital Loan Notes					
	Sewer - Series 1992		Water - Series 2001		Water - Series 2002	
	Issued Nov 25, 1992		Issued Oct 1, 2001		Issued Jun 1, 2002	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2009	3.00%	\$ 26,000	3.00%	\$ 18,000	3.00%	\$ 2,000
2010	3.00	27,000	3.00	18,000	3.00	2,000
2011	3.00	28,000	3.00	19,000	3.00	2,000
2012	3.00	29,000	3.00	20,000	3.00	3,000
2013	3.00	30,000	3.00	20,000	3.00	3,000
2014	-	-	3.00	21,000	3.00	3,000
2015	-	-	3.00	21,000	3.00	3,000
2016	-	-	3.00	22,000	3.00	3,000
2017	-	-	3.00	23,000	3.00	3,000
2018	-	-	3.00	23,000	3.00	3,000
2019	-	-	3.00	24,000	3.00	3,000
2020	-	-	3.00	25,000	3.00	3,000
2021	-	-	3.00	25,000	3.00	3,000
2022	-	-	-	-	-	-
Total		<u>\$ 140,000</u>		<u>\$ 279,000</u>		<u>\$ 36,000</u>

See accompanying independent auditor's report.

Refunding Series 2008		
Issued May 7, 2008		
Interest		
Rates	Amount	Total
4.50%	\$ 50,000	200,000
4.50	60,000	215,000
4.50	70,000	235,000
4.50	70,000	245,000
4.50	70,000	250,000
4.50	75,000	185,000
4.50	75,000	115,000
4.50	80,000	120,000
4.50	55,000	95,000
4.50	55,000	100,000
4.50	55,000	100,000
4.50	55,000	105,000
4.50	65,000	115,000
4.50	40,000	95,000
4.50	40,000	95,000
4.50	40,000	100,000
4.50	50,000	50,000
4.50	50,000	50,000
4.50	50,000	50,000
4.50	150,000	150,000
	<u>\$ 1,255,000</u>	<u>2,670,000</u>

Water - Series 2002B			Sewer - Series 2002		
Issued May 1, 2002			Issued Dec 6, 2002		
Interest			Interest		
Rates	Amount		Rates	Amount	Total
4.40%	\$ 30,000		3.00%	\$ 42,000	118,000
4.55	35,000		3.00	43,000	125,000
4.65	35,000		3.00	45,000	129,000
4.75	35,000		3.00	46,000	133,000
4.85	40,000		3.00	47,000	140,000
	-		3.00	49,000	73,000
	-		3.00	50,000	74,000
	-		3.00	52,000	77,000
	-		3.00	53,000	79,000
	-		3.00	55,000	81,000
	-		3.00	57,000	84,000
	-		3.00	58,000	86,000
	-		3.00	60,000	88,000
	-		3.00	62,000	62,000
	<u>\$ 175,000</u>			<u>\$ 719,000</u>	<u>1,349,000</u>

**Schedule 4**

## City of Sigourney

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

For the Last Six Years

	2008	2007	2006	2005	2004	2003
Receipts:						
Property tax	\$ 784,884	785,493	679,216	638,995	619,563	615,710
Tax increment financing	10,483	-	-	-	-	-
Other city tax	186,336	46,111	26,141	25,636	36,143	34,991
Licenses and permits	11,040	5,105	10,313	2,629	7,545	7,439
Use of money and property	21,261	23,248	17,836	14,372	16,253	25,067
Intergovernmental	256,839	217,157	209,547	304,306	326,862	734,362
Charges for service	31,102	32,736	47,183	39,524	46,035	97,253
Special assessments	3,901	6,634	9,289	8,698	10,681	14,629
Miscellaneous	103,931	81,432	193,803	496,157	398,183	231,347
<b>Total</b>	<b>\$ 1,409,777</b>	<b>1,197,916</b>	<b>1,193,328</b>	<b>1,530,317</b>	<b>1,461,265</b>	<b>1,760,798</b>
Disbursements:						
Operating:						
Public safety	\$ 245,805	254,442	217,030	223,059	240,328	227,472
Public works	216,013	200,569	180,334	223,551	207,252	336,016
Culture and recreation	183,933	208,531	308,714	567,785	268,299	169,227
Community and economic development	107,300	43,576	17,865	109,899	125,589	70,891
General government	215,215	165,318	209,372	175,003	159,057	159,196
Debt service	368,160	292,897	302,292	881,616	268,166	210,140
Capital projects	41,040	99,620	638,454	5,000	170,439	1,322,428
<b>Total</b>	<b>\$ 1,377,466</b>	<b>1,264,953</b>	<b>1,874,061</b>	<b>2,185,913</b>	<b>1,439,130</b>	<b>2,495,370</b>

See accompanying independent auditor's report.

City of Sigourney  
 Schedule of Expenditures of Federal Awards  
 Year ended June 30, 2008

Grantor/Program	CFDA Number	Agency Pass-through Number	Program Expenditures
Indirect:			
U.S. Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	07-WS-003	\$ 197,958
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	06-HSG-110	30,525
			<u>228,483</u>
U.S. Department of Transportation:			
Iowa Department of Public Safety:			
Safety Belt Performance Grants	20.609	08-157,Task155	<u>594</u>
U.S. Environmental Protection Agency:			
Iowa Department of Natural Resources:			
Capitalization Grants for Drinking Water State Revolving Funds	66.468	D0009R	<u>267,585</u>
U.S. Department of Homeland Security:			
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency Management Division:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-1737-DRIA	<u>13,662</u>
Total			<u>\$ 510,324</u>

**Basis of Presentation** – The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Sigourney and is presented in conformity with an other comprehensive basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

**City of Sigourney**



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

David A. Vaudt, CPA  
Auditor of State

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Des Moines, Iowa 50319-0004

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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 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, 2008, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated April 10, 2009. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Sigourney's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City of Sigourney's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Sigourney's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, including deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Sigourney's ability to initiate, authorize, record, process or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of the City of Sigourney's financial statements that is more than inconsequential will not be prevented or detected by the City of Sigourney's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City of Sigourney's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items II-A-08 and II-B-08 are 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 that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2008 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 findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit the City of Sigourney's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Sigourney and other parties to whom the City of Sigourney may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

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.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

April 10, 2009



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

David A. Vaudt, CPA  
Auditor of State

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Independent Auditor's Report on Compliance with Requirements  
Applicable to Each Major Program and on Internal Control over Compliance  
in Accordance with OMB Circular A-133

To the Honorable Mayor and  
Members of the City Council:

Compliance

We have audited the compliance of the City of Sigourney, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2008. The City of Sigourney's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal program is the responsibility of the City of Sigourney's management. Our responsibility is to express an opinion on the City of Sigourney's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Sigourney's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Sigourney's compliance with those requirements.

In our opinion, the City of Sigourney complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2008.

Internal Control Over Compliance

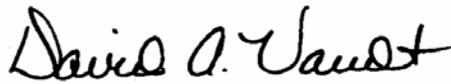
The management of the City of Sigourney is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered the City of Sigourney's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Sigourney's internal control over compliance.

A control deficiency in the City's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the City's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City's internal control.

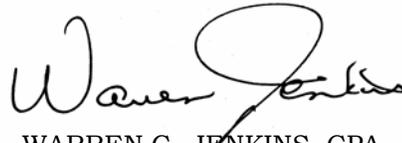
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the City's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the City's internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report, a public record by law, is intended solely for the information and use of the officials, employees and constituents of the City of Sigourney and other parties to whom the City of Sigourney may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

April 10, 2009

City of Sigourney

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

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

- (a) Unqualified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major program were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit did not disclose audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 66.468 – Capitalization Grants for Drinking Water State Revolving Funds.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Sigourney did not qualify as a low-risk auditee.

City of Sigourney

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

**Part II: Findings Related to the Financial Statements:**

**SIGNIFICANT DEFICIENCIES:**

II-A-08 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. When duties are properly segregated, the activities of one employee act as a check of those of another. One person has control over each of the following areas for the City:

- (1) Cash – reconciling bank accounts, initiating cash receipts, handling and recording cash and signing checks. Bank reconciliations were not reviewed by an independent person for propriety.
- (2) Investments – detailed record keeping, custody of investments and reconciling earnings.
- (3) Receipts – collecting, depositing, journalizing and posting.
- (4) Utility receipts – billing, collecting, depositing, posting and reconciling.
- (5) Disbursements – preparing checks, signing checks and access to accounting records.
- (6) Payroll – timesheets are not approved by department heads, with the exception of the streets department.

In addition, cash and receipts are not protected in a secure area during the day.

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.

Response – 1) The Mayor and/or a Council member will review bank reconciliations and investments. 2) The City Clerk will reconcile investments and earnings. The original investments will be kept in the City's vault. 3 and 4) The City Clerk's staff is trying different approaches as to who does the posting, depositing and reconciling. 5) The Deputy City Clerk prepares checks, but the Mayor and/or City Clerk signs the checks. 6) A signature line has been added to the time sheets for department heads to sign approval. The desk drawer with the money and receipts is locked when no one is monitoring the desk.

Conclusion – Response accepted.

City of Sigourney

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

II-B-08 Reconciliation of Utility Billings, Collections and Delinquencies – Utility billings, collections and delinquent accounts were not reconciled throughout the year. Also, utility collections were not reconciled to deposits.

Recommendation – Procedures should be established to reconcile utility billings, collections and delinquencies for each billing period and to reconcile collections to deposits. The Council or a Council-designated independent person should review the reconciliations and monitor delinquencies.

Response – The City Clerk and Deputy City Clerk will further develop a reconciliation report and have the Mayor and/or a Council member review.

Conclusion – Response accepted.

II-C-08 Information Systems – The following weaknesses in the City’s computer based systems were noted:

The City does not have written policies for:

- password privacy and confidentiality.
- requiring password changes every 60 – 90 days.
- usage of the internet.
- ensuring only software licensed to the City is installed on computers.

Also, the City does not have a written disaster recovery plan and weekly backup tapes are not stored offsite.

Recommendation – The City should develop written policies and procedures addressing the above items in order to improve the City’s control over computer based systems. A written disaster recovery plan should be developed and weekly backup tapes should be stored offsite.

Response – The City Clerk will research and develop written policies for Council approval. The City Clerk has started arrangements to have daily backups of data at an off-site storage site (other than the bank).

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

City of Sigourney

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

**Part III: Findings and Questioned Costs for Federal Awards:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**SIGNIFICANT DEFICIENCIES:**

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

City of Sigourney

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

**Part IV: Findings Related to Required Statutory Reporting:**

IV-A-08 Certified Budget – Disbursements during the year ended June 30, 2008 exceeded the amount budgeted in the public works function prior to a budget amendment. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

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

Response – The City Clerk will better monitor these issues.

Conclusion – Response accepted.

IV-B-08 Questionable Disbursements – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s Opinion dated April 25, 1979 were noted.

IV-C-08 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

IV-D-08 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, Police Reserve Officer, owner of PTL The Shop	Tires and services	\$ 852
Jarid Bain, Street Department employee, father owns Bain Electric	Services	229

In accordance with Chapter 362.5(10) of the Code of Iowa, these transactions do not appear to represent a conflict of interest since total transactions with each individual were less than \$1,500 during the fiscal year.

IV-E-08 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 insure the coverage is adequate for current operations.

IV-F-08 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

IV-G-08 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 and Questioned Costs

Year ended June 30, 2008

IV-H-08 Revenue Notes – The provisions of the sewer revenue notes require sewer user rates be established at a level which produces and maintains net revenues at a level not less than 110% of the amount of principal and interest on the bonds falling due in the same year.

During the year ended June 30, 2008, the City was not in compliance with the net revenue requirement for the sewer revenue notes as required by the note resolution.

Recommendation – The City should ensure sewer user rates are established at a level which produce net revenues of 110% of annual principal and interest payments on the notes.

Response – The City is in the process of reviewing the utility rates and will calculate this factor into the possible rate increases.

Conclusion – Response accepted.

IV-I-08 Depository Resolution – The City was not able to locate a depository resolution.

Recommendation – The City Council should establish and approve a depository resolution.

Response – A depository resolution was Council approved in August 2008.

Conclusion – Response accepted.

IV-J-08 Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the City to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The City retains cancelled checks through electronic image, but does not obtain an image of the back of each cancelled check as required.

Recommendation – The City should obtain and retain an image of both the front and back of each cancelled check as required.

Response – This requirement has been met by one of the two banks the City is currently doing business with. Arrangements will be made with the other bank before July 1, 2010.

Conclusion – Response accepted.

IV-K-08 Annual Financial Report – The City prepared the annual financial report for the fiscal year ended June 30, 2008. However, the report did not accurately reflect the activity of the City.

Recommendation – The Annual Financial Report should accurately reflect the activity of the City.

Response – The City Clerk will better monitor these issues.

Conclusion – Response accepted.

City of Sigourney

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

IV-L-08 Unclaimed Property – Chapter 556.1(10) of the Code of Iowa requires City Clerk’s to report and remit outstanding obligations, including checks held for more than two years, to the State Treasurer’s Office annually.

Recommendation – The City should report and remit all outstanding obligations, including checks held for more than two years, to the State Treasurer’s Office annually.

Response – The City Clerk and Deputy City Clerk will work through the outstanding obligations and try to have those remitted to the State Treasurer’s Office by June 30, 2009.

Conclusion – Response accepted.

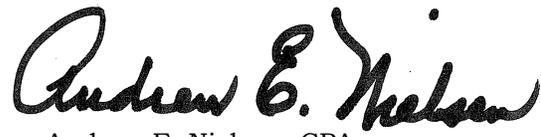
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City of Sigourney

Staff

This audit was performed by:

Pamela J. Bormann, CPA, Manager  
Selina V. Johnson, CPA, Senior Auditor II  
Paula J. Smothers, Staff Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large initial 'A' and a distinct dot over the 'i' in Nielsen.

Andrew E. Nielsen, CPA  
Deputy Auditor of State