



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

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NEWS RELEASE

FOR RELEASE

March 21, 2019

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515/281-5834

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

The City's receipts totaled \$3,083,803 for the year ended June 30, 2018, a 43.6% decrease from the prior year. The receipts included \$698,364 of property tax, \$321,101 of tax increment financing, \$1,458,052 of charges for service, \$385,370 of operating grants, contributions and restricted interest, \$1,421 of capital grants, contributions and restricted interest, \$155,860 of local option sales tax, \$28,276 of commercial/industrial tax replacement, \$24,764 of unrestricted interest on investments, and \$10,595 of other general receipts.

Disbursements for the year ended June 30, 2018 totaled \$2,907,055, a 40.1% decrease from the prior year, and included \$421,510 for public safety, \$343,233 for public works and \$322,494 for debt service. Also, disbursements for business type activities totaled \$1,060,476.

The decrease in receipts and disbursements is primarily due to use of refunding note proceeds in the prior year to refund several outstanding notes.

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

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

JUNE 30, 2018

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City of Sigourney

Officials

(Before January 2018)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Douglas L. Glandon	Mayor	Jan 2018
William Bender	Council Member	Jan 2018
Rick Landgrebe	Council Member	Jan 2018
Randall Schultz	Council Member	Jan 2018
Edward Conrad	Council Member	Jan 2020
Connie McLaughlin	Council Member	Jan 2020
Jimmy Morlan	Council Member	Nov 2019
Angela Alderson	City Clerk	Indefinite
John Wehr	Attorney	Indefinite

(After January 2018)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Douglas L. Glandon	Mayor	Jan 2022
Edward Conrad	Council Member	Jan 2020
Connie McLaughlin	Council Member	Jan 2020
Jimmy Morlan	Council Member	Jan 2020
William Bender	Council Member	Jan 2022
Rick Landgrebe	Council Member	Jan 2022
Randall Schultz	Council Member	Jan 2022
Angela Alderson	City Clerk	Indefinite
John Wehr	Attorney	Indefinite

City of Sigourney



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Independent Auditor's Report

To the Honorable Mayor and Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Sigourney, Iowa, as of and for the year ended June 30, 2018, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Sigourney as of June 30, 2018, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

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

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Sigourney's basic financial statements. We previously audited, in accordance with standards referred to in the third paragraph of this report, the financial statements for the two years ended June 30, 2017 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The financial statements for the seven years ended June 30, 2015 (which are not presented herein) were audited by other auditors who expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

The other information, Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 9 through 14 and 36 through 42, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 5, 2019 on our consideration of the City of Sigourney's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Sigourney's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "Rob Sand". The signature is stylized and cursive.

ROB SAND
Auditor of State

March 5, 2019

City of Sigourney

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Sigourney provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2018. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2018 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities decreased 58.5%, or approximately \$2,438,000, from fiscal year 2017 to fiscal year 2018. This is due to the issuance of refunding notes in the prior fiscal year with no such issuance in the current year.
- Disbursements of the City's governmental activities decreased 52.5%, or approximately \$2,038,000, in fiscal year 2018 from fiscal year 2017. This is primarily due to a refunding of debt during fiscal year 2017 with no like refunding in the current year.
- The City's total cash basis net position decreased 3.8%, or approximately \$176,000, from June 30, 2017 to June 30, 2018. Of this amount, the cash basis net position of the governmental activities decreased approximately \$91,000 and the cash basis net position of the business type activities increased approximately \$267,000.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

BASIS OF ACCOUNTING

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

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

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

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

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

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

Fund Financial Statements

The City has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax, Local Option Sales 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 view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

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

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

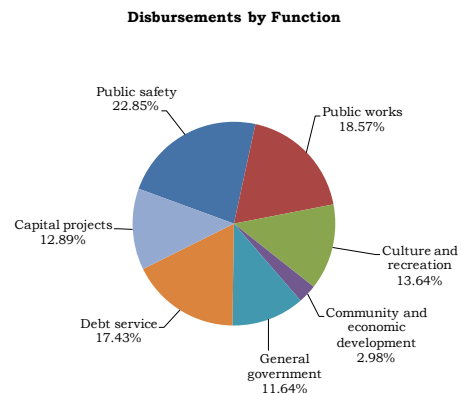
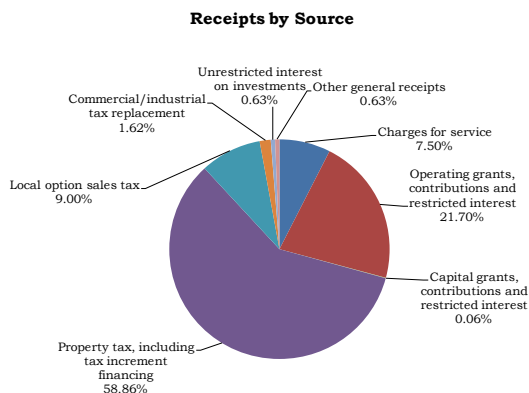
The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, decreasing from approximately \$2.179 million to approximately \$2.088 million. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities (Expressed in Thousands)		
	Year ended June 30	
	2018	2017
Receipts:		
Program receipts:		
Charges for service	\$ 130	93
Operating grants, contributions and restricted interest	376	456
Capital grants, contributions and restricted interest	1	3
General receipts:		
Property tax, including tax increment financing	1,020	960
Local option sales tax	156	180
Commercial/industrial tax replacement	28	90
Unrestricted interest on investments	11	11
Note proceeds	-	2,373
Other general receipts	11	5
Total receipts	1,733	4,171
Disbursements:		
Public safety	422	474
Public works	343	331
Culture and recreation	252	289
Community and economic development	55	73
General government	215	187
Debt service	322	2,338
Capital projects	238	193
Total disbursements	1,847	3,885
Change in cash basis net position before transfers	(114)	286
Transfers, net	23	23
Change in cash basis net position	(91)	309
Cash basis net position beginning of year	2,179	1,870
Cash basis net position end of year	\$ 2,088	2,179



The City's total receipts for governmental activities decreased 58.5%, or approximately \$2.438 million, from the prior year. The total cost of all programs and services decreased approximately \$2.038 million, or 52.5%, with no new programs added this year. The decrease in receipts and disbursements was primarily the result of a debt refinancing in the prior year.

The cost of all governmental activities this year was approximately \$1.847 million compared to approximately \$3.885 million last year. However, as shown in the Statement of Activities and Net Position on pages 16-17, the amount taxpayers ultimately financed for these activities was approximately \$1.339 million because some of the cost was paid by those who directly benefited from the programs (approximately \$130,000) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (approximately \$377,000). The City paid for the remaining "public benefit" portion of governmental activities with property tax (some of which could only be used for certain programs) and with other receipts, such as interest, local option sales tax and miscellaneous receipts. Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, decreased from approximately \$552,000 in fiscal year 2017 to approximately \$507,000 in fiscal year 2018.

Changes in Cash Basis Net Position of Business Type Activities (Expressed in Thousands)		
	Year ended June 30,	
	2018	2017
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 554	534
Sewer	581	558
Sanitation	193	192
Operating grants, contributions and restricted interest	9	9
General receipts:		
Unrestricted interest on investments	13	7
Total receipts	<u>1,350</u>	<u>1,300</u>
Disbursements:		
Water	505	484
Sewer	394	348
Sanitation	161	135
Total disbursements	<u>1,060</u>	<u>967</u>
Change in cash basis net position before transfers	290	333
Transfers, net	<u>(23)</u>	<u>(23)</u>
Change in cash basis net position	267	310
Cash basis net position beginning of year	<u>2,517</u>	<u>2,207</u>
Cash basis net position end of year	<u>\$ 2,784</u>	<u>2,517</u>

Total business type activities receipts for the fiscal year were approximately \$1.350 million compared to approximately \$1.300 million last year. Total business type activities disbursements increased approximately \$93,000. The cash balance increased approximately \$267,000 over the prior year.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Sigourney completed the year, its governmental funds reported a combined fund balance of \$1,896,522, a decrease of more than \$84,000 below last year's total of \$1,980,826. 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 \$61,345 over the prior year to \$700,173. The increase is primarily due to a decrease in equipment purchases when compared to fiscal year 2017. Also, receipts decreased due to the City having less Federal and State grant funds.
- The Special Revenue, Road Use Tax Fund cash balance increased \$53,419 to \$188,681. The increase was primarily due to a decrease in the amount expensed to the vehicle replacement account from the Road Use Tax Fund.
- The Special Revenue, Local Option Sales Tax Fund cash balance increased \$32,693 over the prior year to \$588,959. The balance is increasing as the City is planning road construction projects in the near future.
- The Special Revenue, Employee Benefits Fund cash balance decreased \$27,102 to \$137,828. The increase is primarily due to an increase in disbursements from various departments.
- The Debt Service Fund cash balance increased \$37,554 to \$115,921.
- The Capital Projects Fund cash balance decreased \$236,322 to \$61,161. The decrease was due to the City's Jackson Street storm sewer capital project that occurred in fiscal year 2018.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Fund cash balance increased \$58,453 to \$799,949, due primarily to an increase in the charges for services of \$19,007. Disbursements increased approximately \$21,000.
- The Enterprise, Sewer Fund cash balance increased \$183,152 to \$1,397,201, due primarily to an increase in charges for service of \$23,167 due to annual rate increase of 3%. In addition, there was a decrease in operating disbursements of \$68,553 and capital projects disbursements of \$114,082.
- The Enterprise, Sanitation Fund cash balance increased \$35,137 to \$265,516. The increase is primarily due to an excess of receipts over disbursements.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on May 16, 2018 and resulted in an increase in budgeted disbursements in several City departments.

The City's receipts were \$5,126 more than budgeted.

With the budget amendment, total disbursements were \$1,333,704 less than the amended budget. This was primarily due to the delay in projects related to improvements to the sanitary sewer system for business type activities.

DEBT ADMINISTRATION

At June 30, 2018, the City had \$3,317,000 of notes outstanding, compared to \$3,684,000 last year, as shown below.

Outstanding Debt at Year-End (Expressed in Thousands)		
	June 30,	
	2018	2017
General obligation notes	\$ 2,570	2,820
Revenue capital loan notes	747	864
Total	\$ 3,317	3,684

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 \$2,570,000 is significantly below its constitutional debt limit of approximately \$4.5 million. Additional information about the City's long-term debt is presented in Note 3 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Sigourney's elected and appointed officials and citizens considered many factors when setting the fiscal year 2019 budget, tax rates and fees charged for various City activities. One of those factors is the economy. Unemployment in the City is at 2.5%. This compares with the State's unemployment rate of 3.2% and the national rate of 4.0%.

These indicators were taken into account when adopting the budget for fiscal year 2019. There were no major changes to the fiscal year 2019 budget. The City of Sigourney is still using the annual 3% increase in sewer utility rates toward the wastewater treatment plant upgrade that will occur in the next couple years. The City has added no major new programs or initiatives to the fiscal year 2019 budget.

If these estimates are realized, the City's cash balance is expected to decrease approximately \$745,000 by the close of fiscal year 2019.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

Basic Financial Statements

City of Sigourney

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2018

	Program Receipts			
	Disbursements	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 421,510	4,561	25,874	-
Public works	343,233	28,230	268,327	-
Culture and recreation	251,542	38,794	70,699	-
Community and economic development	54,807	38,755	100	-
General government	215,173	20,015	11,036	-
Debt service	322,494	-	-	-
Capital projects	237,820	-	-	1,420
Total governmental activities	1,846,579	130,355	376,036	1,420
Business type activities:				
Water	504,899	553,749	5,016	-
Sewer	394,200	581,109	540	-
Sanitation	161,377	192,839	3,779	-
Total business type activities	1,060,476	1,327,697	9,335	-
Total	\$ 2,907,055	1,458,052	385,371	1,420
General Receipts and Transfers:				
Property and other city tax levied for:				
General purposes				
Debt service				
Tax increment financing				
Local option sales tax				
Commercial/industrial tax replacement				
Unrestricted interest on investments				
Miscellaneous				
Transfers				
Total general receipts and transfers				
Change in cash basis net position				
Cash basis net position beginning of year				
Cash basis net position end of year				
Cash Basis Net Position				
Restricted:				
Nonexpendable:				
Lewis Memorial Trust				
Library Memorial Trust				
Expendable:				
Streets				
Debt service				
Capital projects				
Other purposes				
Unrestricted				
Total cash basis net position				

See notes to financial statements.

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

Governmental Type Activities	Business Type Activities	Total
(391,075)	-	(391,075)
(46,676)	-	(46,676)
(142,049)	-	(142,049)
(15,952)	-	(15,952)
(184,122)	-	(184,122)
(322,494)	-	(322,494)
(236,400)	-	(236,400)
(1,338,768)	-	(1,338,768)
-	53,866	53,866
-	187,449	187,449
-	35,241	35,241
-	276,556	276,556
(1,338,768)	276,556	(1,062,212)
645,853	-	645,853
321,101	-	321,101
52,511	-	52,511
155,860	-	155,860
28,276	-	28,276
10,876	13,888	24,764
10,595	-	10,595
23,216	(23,216)	-
1,248,288	(9,328)	1,238,960
(90,480)	267,228	176,748
2,178,864	2,517,251	4,696,115
\$ 2,088,384	2,784,479	4,872,863
\$ 4,675	-	4,675
1,000	-	1,000
188,681	-	188,681
139,388	120,833	260,221
61,161	-	61,161
804,491	-	804,491
888,988	2,663,646	3,552,634
\$ 2,088,384	2,784,479	4,872,863

City of Sigourney

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

As of and for the year ended June 30, 2018

	Special Revenue			
	General	Road Use Tax	Local Option Sales Tax	Employee Benefits
Receipts:				
Property tax	\$ 534,160	-	-	89,893
Tax increment financing	-	-	-	-
Local option sales tax	-	-	155,860	-
Other city tax	18,657	-	-	3,143
Licenses and permits	75,920	-	-	-
Use of money and property	19,775	-	3,111	-
Intergovernmental	33,639	262,708	-	2,392
Charges for service	24,348	-	-	-
Miscellaneous	64,469	-	6,457	-
Total receipts	770,968	262,708	165,428	95,428
Disbursements:				
Operating:				
Public safety	313,860	-	8,422	86,904
Public works	8,090	209,289	96,079	14,861
Culture and recreation	186,680	-	8,924	18,364
Community and economic development	-	-	18,535	-
General government	200,993	-	775	25,617
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total disbursements	709,623	209,289	132,735	145,746
Excess (deficiency) of receipts over (under) disbursements	61,345	53,419	32,693	(50,318)
Other financing sources (uses):				
Transfers in	-	-	-	23,216
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	23,216
Change in cash balances	61,345	53,419	32,693	(27,102)
Cash balances beginning of year	638,828	135,262	556,266	164,930
Cash balances end of year	\$ 700,173	188,681	588,959	137,828
Cash Basis Fund Balances				
Nonspendable:				
Lewis Memorial Trust	\$ -	-	-	-
Library Memorial Trust	-	-	-	-
Restricted for:				
Streets	-	188,681	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Other purposes	-	-	588,959	137,828
Unassigned	700,173	-	-	-
Total cash basis fund balances	\$ 700,173	188,681	588,959	137,828

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
321,101	-	-	945,154
-	-	52,511	52,511
-	-	-	155,860
-	-	-	21,800
-	-	1,912	77,832
-	78	778	23,742
8,008	1,420	3,678	311,845
-	-	900	25,248
-	-	46,964	117,890
<u>329,109</u>	<u>1,498</u>	<u>106,743</u>	<u>1,731,882</u>
-	-	7,850	417,036
-	-	-	328,319
-	-	37,573	251,541
-	-	36,272	54,807
-	-	-	227,385
322,494	-	-	322,494
-	237,820	-	237,820
<u>322,494</u>	<u>237,820</u>	<u>81,695</u>	<u>1,839,402</u>
<u>6,615</u>	<u>(236,322)</u>	<u>25,048</u>	<u>(107,520)</u>
30,939	-	-	54,155
-	-	(30,939)	(30,939)
<u>30,939</u>	<u>-</u>	<u>(30,939)</u>	<u>23,216</u>
37,554	(236,322)	(5,891)	(84,304)
78,367	297,483	109,690	1,980,826
<u>115,921</u>	<u>61,161</u>	<u>103,799</u>	<u>1,896,522</u>
-	-	4,675	4,675
-	-	1,000	1,000
-	-	-	188,681
115,921	-	23,467	139,388
-	61,161	-	61,161
-	-	77,704	804,491
-	-	(3,047)	697,126
<u>115,921</u>	<u>61,161</u>	<u>103,799</u>	<u>1,896,522</u>

City of Sigourney

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

As of and for the year ended June 30, 2018

Total governmental funds cash balances (page 19) \$ 1,896,522

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

The Internal Service Fund is used by management to charge the costs of vehicle replacement and partial self funding of the City's health benefit plan to individual funds. A portion of the cash balance of the Internal Service Fund is included in governmental activities in the Cash Basis Statement of Activities and Net Position.

191,862

Cash basis net position of governmental activities (page 17) \$ 2,088,384

Change in cash balances (page 19) \$ (84,304)

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

The Internal Service Fund is used by management to charge the costs of vehicle replacement and partial self funding of the City's health benefit plan to individual funds. A portion of the change in the cash balance of the Internal Service Fund is reported with governmental activities in the Cash Basis Statement of Activities and Net Position.

(6,176)

Change in cash basis net position of governmental activities (page 17) \$ (90,480)

See notes to financial statements.

City of Sigourney

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

As of and for the year ended June 30, 2018

	Enterprise				Internal Service
	Water	Sewer	Sanitation	Total	Total
Operating receipts:					
Charges for service	\$ 543,374	581,109	192,839	1,317,322	157,800
Miscellaneous	15,391	540	3,779	19,710	-
Total operating receipts	558,765	581,649	196,618	1,337,032	157,800
Operating disbursements:					
Governmental activities:					
Public safety	-	-	-	-	19,474
Public works	-	-	-	-	64,915
General Government	-	-	-	-	3,888
Business type activities	357,590	202,671	157,004	717,265	87,214
Total operating disbursements	357,590	202,671	157,004	717,265	175,491
Excess (deficiency) of operating receipts over (under) operating disbursements	201,175	378,978	39,614	619,767	(17,691)
Non-operating receipts (disbursements):					
Interest on investments	4,837	6,851	1,200	12,888	2,001
Debt service	(79,228)	(60,840)	-	(140,068)	-
Capital projects	(58,299)	(134,330)	-	(192,629)	-
Net non-operating receipts (disbursements)	(132,690)	(188,319)	1,200	(319,809)	2,001
Excess (deficiency) of receipts over (under) disbursements	68,485	190,659	40,814	299,958	(15,690)
Transfers out	(10,032)	(7,507)	(5,677)	(23,216)	-
Change in cash balances	58,453	183,152	35,137	276,742	(15,690)
Cash balances beginning of year	741,496	1,214,049	230,379	2,185,924	529,365
Cash balances end of year	\$ 799,949	1,397,201	265,516	2,462,666	513,675
Cash Basis Fund Balances					
Restricted for debt service	\$ 40,060	73,358	-	113,418	-
Unrestricted	759,889	1,323,843	265,516	2,349,248	513,675
Total cash basis fund balances	\$ 799,949	1,397,201	265,516	2,462,666	513,675

See notes to financial statements.

City of Sigourney

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

As of and for the year ended June 30, 2018

Total enterprise funds cash balances (page 21) \$ 2,462,666

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

The Internal Service Fund is used by management to charge the costs of vehicle replacement and partial self funding of the City's health benefit plan to individual funds. A portion of the cash balance of the Internal Service Fund is included in business type activities in the Cash Basis Statement of Activities and Net Position.

321,813

Cash basis net position of business type activities (page 17) \$ 2,784,479

Change in cash balances (page 21) \$ 276,742

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

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

(9,514)

Change in cash basis net position of business type activities (page 17) \$ 267,228

See notes to financial statements.

City of Sigourney

Notes to Financial Statements

June 30, 2018

(1) Summary of Significant Accounting Policies

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

A. Reporting Entity

For financial reporting purposes, the City of Sigourney has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

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

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

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Keokuk County Assessor's Conference Board, City Assessor's Conference Board, Keokuk County Emergency Management Commission, Keokuk County Landfill Commission and Keokuk County Joint 911 Service Board.

B. Basis of Presentation

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

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

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

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

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

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

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

The City reports the following major governmental funds:

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

Special Revenue:

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

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

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

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities with the exception of those financed through Enterprise Funds.

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

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

The City also reports the following proprietary funds:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

D. Governmental Cash Basis Fund Balances

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

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

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

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

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

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2018 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

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

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

(3) Notes Payable

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

Year Ending June 30,	General Obligation Notes		Revenue Capital Calital Loan Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 255,000	65,244	121,000	13,073	376,000	78,317
2020	270,000	59,794	124,000	10,955	394,000	70,749
2021	275,000	54,044	127,000	8,785	402,000	62,829
2022	210,000	48,194	102,000	6,563	312,000	54,757
2023	210,000	43,469	42,000	4,778	252,000	48,247
2024-2028	940,000	153,650	231,000	12,692	1,171,000	166,342
2029-2033	410,000	42,469	-	-	410,000	42,469
Total	\$ 2,570,000	466,864	747,000	56,846	3,317,000	523,710

General Obligation Refunding Notes

On August 17, 2016, the City issued \$2,385,000 of general obligation refunding notes for the current refunding of \$1,935,000 of general obligation notes, street construction projects and the construction of and renovation to city buildings and facilities. The notes bear interest at rates ranging from 2.00% to 2.50% per annum and mature June 1, 2030. As of June 30, 2018, the total principal remaining on the notes is \$1,940,000.

Revenue Capital Loan Notes

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$1,177,000 of water revenue capital loan notes issued in October 2001, May 2002 and December 2007. Proceeds from the notes provided financing for the construction of water main extensions. The notes are payable solely from water customer net receipts and are payable through 2028. Annual principal and interest payments on the notes are expected to required less than 40% of net receipts. The total principal and interest remaining to be paid on the notes is \$556,328. For the current year, principal and interest paid and total customer net receipts were \$77,798 and \$201,175, respectively.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$959,000 of sewer revenue capital loan notes issued in December 2002. Proceeds from the notes provided financing for the construction of improvements to the sewer treatment plant. The notes are payable solely from sewer customer net receipts and are payable through 2022. Annual principal and interest payments on the notes are expected to require less than 20% of net receipts. The total principal and interest remaining to be paid on the notes is \$247,518. For the current year, principal and interest paid and total customer net receipts were \$60,110 and \$378,978, respectively.

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

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

(4) Pension Plan

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

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

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

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

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

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

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

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

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

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

In fiscal year 2018, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the City contributed 8.93% of covered payroll, for a total rate of 14.88%. Protection occupation members contributed 6.56% of covered payroll and the City contributed 9.84% of covered payroll, for a total rate of 16.40%.

The City's contributions to IPERS for the year ended June 30, 2018 totaled \$54,790.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2018, the City reported a liability of \$365,755 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2017, the City's proportion was 0.005491%, which was an decrease of 0.000098% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the City's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$64,770, \$181,301 and \$104,458, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, as follows:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study dated March 24, 2017.

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

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

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	24.0%	6.25%
International equity	16.0	6.71
Core plus fixed income	27.0	2.25
Public credit	3.5	3.46
Public real assets	7.0	3.27
Cash	1.0	(0.31)
Private equity	11.0	11.15
Private real assets	7.5	4.18
Private credit	3.0	4.25
Total	100.0%	

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

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability	\$ 691,288	365,755	92,338

IPERS' Fiduciary Net Position – Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

(5) 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, 2018, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 44,000
Compensatory time	17,000
Personal leave	4,000
Total	<u>\$ 21,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2018.

(6) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2018 is as follows:

Transfer to	Transfer from	Amount
Special Revenue:	Enterprise:	
Employee Benefits	Water	\$ 10,032
	Sewer	7,507
	Sanitation	5,677
		<u>23,216</u>
Debt Service:	Special Revenue:	
	TIF Program	<u>30,939</u>
Total		<u>\$ 54,155</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 of the Iowa Community Assurance Pool, as followed by Chapter 670.7 of the Code of Iowa. The Iowa Community Assurance Pool (Pool) is a local government risk-sharing pool whose 775 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials' liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

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

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

The City's property and casualty contributions to the Pool are recorded as disbursements from its operating funds at the time of payment to the Pool. The City's contributions to the Pool for the year ended June 30, 2018 were \$30,552.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$500,000 per claim. Claims exceeding \$500,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate.

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

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

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

(8) Developer Agreement

In May 2006, the City and CB&D Development, Inc. (Developer) entered into a development agreement to construct a subdivision. The total to be paid by the City under this agreement shall be equal to the lesser of the sum of the total applicable percentage of all tax increments collected with respect to the assessments imposed on the development property and minimum improvements as of January 1, 2006 and January 1 of each of the following fourteen years, the actual cost of the public improvements (including reasonable interest cost) for which bills and proof of payment have been submitted to the City and construction is completed on or before December 31, 2016 or \$1,000,000. Each payment represents the incremental property tax received by the City with respect to the incremental value of the property. The obligation is not a general obligation of the City, but the debt is subject to the constitutional debt limitation of the City. During the year ended June 30, 2018, the City paid \$25,250 to the developer, for a cumulative amount paid of \$241,744.

(9) City Tax Abatements

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

For the year ended June 30, 2018, the City abated \$9,327 of property tax under the urban renewal and economic development agreements.

(10) Deficit Balance

The Special Revenue, COBG Housing Fund had a deficit balance of \$3,047 at June 30, 2018. The City is investigating alternatives to eliminate this deficit.

City of Sigourney

Other Information

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

Other Information

Year ended June 30, 2018

	Governmental Funds Actual	Enterprise Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 945,154	-	-
Tax increment financing	52,511	-	-
Other city tax	190,928	-	-
Licenses and permits	64,564	-	-
Use of money and property	23,742	12,888	2
Intergovernmental	311,845	-	-
Charges for service	25,248	1,317,322	-
Special assessments	-	-	-
Miscellaneous	117,890	19,710	2,334
Total receipts	1,731,882	1,349,920	2,336
Disbursements:			
Public safety	417,036	-	-
Public works	328,319	-	-
Culture and recreation	251,541	-	2,852
Community and economic development	54,807	-	-
General government	227,385	-	-
Debt service	322,494	-	-
Capital projects	237,820	-	-
Business type activities	-	1,049,962	-
Total disbursements	1,839,402	1,049,962	2,852
Excess (deficiency) of receipts over (under) disbursements	(107,520)	299,958	(516)
Other financing sources, net	23,216	(23,216)	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(84,304)	276,742	(516)
Balances beginning of year	1,980,826	2,185,924	3,377
Balances end of year	\$ 1,896,522	2,462,666	2,861

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to
	Original	Final	Total Variance
945,154	934,509	934,509	10,645
52,511	57,000	57,000	(4,489)
190,928	200,750	200,750	(9,822)
64,564	7,900	19,900	44,664
36,628	24,922	29,204	7,424
311,845	266,450	266,450	45,395
1,342,570	1,238,600	1,313,600	28,970
-	97,300	97,300	(97,300)
135,266	453,123	155,627	(20,361)
3,079,466	3,280,554	3,074,340	5,126
417,036	560,700	566,200	149,164
328,319	399,550	427,800	99,481
248,689	333,069	345,519	96,830
54,807	144,000	259,000	204,193
227,385	280,170	300,170	72,785
322,494	322,500	322,500	6
237,820	415,200	415,200	177,380
1,049,962	1,540,550	1,583,827	533,865
2,886,512	3,995,739	4,220,216	1,333,704
192,954	(715,185)	(1,145,876)	1,338,830
-	-	-	-
192,954	(715,185)	(1,145,876)	1,338,830
4,163,373	3,284,275	3,284,275	879,098
4,356,327	2,569,090	2,138,399	2,217,928

City of Sigourney

Notes to Other Information – Budgetary Reporting

June 30, 2018

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

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except the Internal Service Fund and blended component unit. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Funds and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendments increased budgeted disbursements by \$224,477. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2018, disbursements did not exceed the amounts budgeted.

City of Sigourney

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

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

Other Information

	2018	2017	2016	2015
City's proportion of the net pension liability	0.005491%	0.005589%	0.004973%	0.004451%
City's proportionate share of the net pension liability	\$ 366	352	246	176
City's covered payroll	\$ 564	544	486	486
City's proportionate share of the net pension liability as a percentage of its covered payroll	64.89%	64.71%	50.62%	36.21%
IPERS' net position as a percentage of the total pension liability	82.21%	81.82%	85.19%	87.61%

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

See accompanying independent auditor's report.

City of Sigourney

City of Sigourney

Schedule of City Contributions

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

Other Information

	2018	2017	2016	2015	2014
Statutorily required contribution	\$ 55	52	55	45	45
Contributions in relation to the statutorily required contribution	(55)	(52)	(55)	(45)	(45)
Contribution deficiency (excess)	\$ -	-	-	-	-
City's covered payroll	\$ 594	564	544	486	486
Contributions as a percentage of covered payroll	9.26%	9.22%	10.11%	9.26%	9.26%

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

See accompanying independent auditor's report.

City of Sigourney

Notes to Other Information – Pension Liability

Year ended June 30, 2018

Changes of benefit terms:

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

Changes of assumptions:

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

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

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

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2015. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

Supplementary Information

City of Sigourney

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

As of and for the year ended June 30, 2018

	Restricted Gifts	Urban Renewal Tax Increment	CDBG Housing	TIF Program	Special CLG History Presentation
Receipts:					
Tax increment financing	\$ -	-	-	52,511	-
Licenses and permits	1,416	-	496	-	-
Use of money and property	99	5	-	-	7
Intergovernmental	-	-	-	3,678	-
Charges for services	-	-	900	-	-
Miscellaneous	34,762	-	256	-	-
Total receipts	36,277	5	1,652	56,189	7
Disbursements:					
Operating:					
Public safety	4,806	-	3,044	-	-
Cultures and recreation	22,226	-	-	-	-
Community and economic development	11,022	-	-	25,250	-
Total disbursements	38,054	-	3,044	25,250	-
Excess (deficiency) of receipts over (under) disbursements	(1,777)	5	(1,392)	30,939	7
Other financing sources (uses):					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	(30,939)	-
Total other financing sources (uses)	-	-	-	(30,939)	-
Change in cash balances	(1,777)	5	(1,392)	-	7
Cash balances beginning of year	32,168	3,107	(1,655)	20,355	2,222
Cash balances end of year	\$ 30,391	3,112	(3,047)	20,355	2,229
Cash Basis Fund Balances					
Nonspendable:					
Lewis Memorial Trust	\$ -	-	-	-	-
Library Memorial Trust	-	-	-	-	-
Restricted for:					
Debt service	-	3,112	-	20,355	-
Other purposes	30,391	-	-	-	2,229
Unassigned	-	-	(3,047)	-	-
Total cash basis fund balances	\$ 30,391	3,112	(3,047)	20,355	2,229

See accompanying independent auditor's report.

Revenue		Permanent			
Lewis Memorial Fountain	Year 2044	Friends of the Sigourney Public Library	Lewis Memorial Trust	Library Memorial Trust	Total
-	-	-	-	-	52,511
-	-	-	-	-	1,912
554	111	2	-	-	778
-	-	-	-	-	3,678
-	-	-	-	-	900
9,612	-	2,334	-	-	46,964
10,166	111	2,336	-	-	106,743
-	-	-	-	-	7,850
12,495	-	2,852	-	-	37,573
-	-	-	-	-	36,272
12,495	-	2,852	-	-	81,695
(2,329)	111	(516)	-	-	25,048
-	-	-	-	-	-
-	-	-	-	-	(30,939)
-	-	-	-	-	(30,939)
(2,329)	111	(516)	-	-	(5,891)
33,950	10,491	3,377	4,675	1,000	109,690
31,621	10,602	2,861	4,675	1,000	103,799
-	-	-	4,675	-	4,675
-	-	-	-	1,000	1,000
-	-	-	-	-	23,467
31,621	10,602	2,861	-	-	77,704
-	-	-	-	-	(3,047)
31,621	10,602	2,861	4,675	1,000	103,799

City of Sigourney

City of Sigourney

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

As of and for the year ended June 30, 2018

	Internal Service		Total
	Vehicle Replacement	Medical Self Fund	
Operating receipts:			
Charges for service	\$ 130,000	27,800	157,800
Operating disbursements:			
Governmental activities:			
Public safety	19,474	-	19,474
Public works	64,915	-	64,915
General government	-	3,888	3,888
Business type activities	84,389	2,825	87,214
Total operating disbursements	168,778	6,713	175,491
Excess (deficiency) of operating receipts over (under) operating disbursements	(38,778)	21,087	(17,691)
Non-operating receipts:			
Interest on investments	2,001	-	2,001
Change in cash balances	(36,777)	21,087	(15,690)
Cash balances beginning of year	509,769	19,596	529,365
Cash balances end of year	\$ 472,992	40,683	513,675
Cash Basis Fund Balances			
Unrestricted	\$ 472,992	40,683	513,675

See notes to financial statements.

City of Sigourney
Schedule of Indebtedness
Year ended June 30, 2018

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation notes:			
Series 2013	Aug 22, 2013	2.00-4.50%	\$ 750,000
Series 2016	Aug 17, 2016	2.00-2.50	2,385,000
Total			
Revenue capital loan notes:			
Water Series 2001	Oct 1, 2001	3.00%	\$ 390,000
Water Series 2002	May 3, 2002	3.00	50,000
Sewer Series 2002	Dec 6, 2002	3.00	959,000
Water Series 2007	Dec 20, 2007	1.75	737,000
Total			

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
660,000	-	30,000	630,000	25,500
2,160,000	-	220,000	1,940,000	44,744
<u>\$ 2,820,000</u>	-	<u>250,000</u>	<u>2,570,000</u>	<u>70,244</u>
97,000	-	23,000	74,000	1,698
12,000	-	3,000	9,000	210
292,000	-	55,000	237,000	5,110
463,000	-	36,000	427,000	13,890
<u>\$ 864,000</u>	-	<u>117,000</u>	<u>747,000</u>	<u>20,908</u>

Supplementary Information

City of Sigourney

Note Maturities

June 30, 2018

General Obligation Notes						
Year Ending June 30,	Series 2013 Street Improvements Issued Aug 22, 2013		Capital Loan Notes Principal Issued Aug 17, 2016		Total	
	Interest		Interest			
	Rates	Amount	Rates	Amount		
2019	3.00%	\$ 35,000	2.00%	\$ 220,000	255,000	
2020	3.00	35,000	2.00	235,000	270,000	
2021	3.00	35,000	2.00	240,000	275,000	
2022	3.50	35,000	2.00	175,000	210,000	
2023	3.50	35,000	2.00	175,000	210,000	
2024	3.50	40,000	2.00	115,000	155,000	
2025	4.00	40,000	2.00	130,000	170,000	
2026	4.00	40,000	2.00	125,000	165,000	
2027	4.00	40,000	2.125	135,000	175,000	
2028	4.38	45,000	2.25	230,000	275,000	
2029	4.38	45,000	2.25	80,000	125,000	
2030	4.38	50,000	2.50	80,000	130,000	
2031	4.50	50,000	-	-	50,000	
2032	4.50	50,000	-	-	50,000	
2033	4.50	55,000	-	-	55,000	
Total		<u>\$ 630,000</u>		<u>\$ 1,940,000</u>	<u>2,570,000</u>	

Revenue Notes									
Year Ending June 30,	Water Series 2001 Issued Oct 1, 2001		Water Series 2002 Issued May 3, 2002		Sewer Series 2002 Issued Dec 6, 2002		Water Series 2007 Issued Dec 20, 2007		Total
	Interest		Interest		Interest		Interest		
	Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount	
2019	3.00%	\$ 24,000	3.00%	\$ 3,000	3.00%	\$ 57,000	1.75%	\$ 37,000	121,000
2020	3.00	25,000	3.00	3,000	3.00	58,000	1.75	38,000	124,000
2021	3.00	25,000	3.00	3,000	3.00	60,000	1.75	39,000	127,000
2022	-	-	-	-	3.00	62,000	1.75	40,000	102,000
2023	-	-	-	-	-	-	1.75	42,000	42,000
2024	-	-	-	-	-	-	1.75	43,000	43,000
2025	-	-	-	-	-	-	1.75	45,000	45,000
2026	-	-	-	-	-	-	1.75	46,000	46,000
2027	-	-	-	-	-	-	1.75	48,000	48,000
2028	-	-	-	-	-	-	1.75	49,000	49,000
Total		<u>\$ 74,000</u>		<u>\$ 9,000</u>		<u>\$ 237,000</u>		<u>\$ 427,000</u>	<u>747,000</u>

See accompanying independent auditor's report.

City of Sigourney

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

For the Last Ten Years

	2018	2017	2016	2015
Receipts:				
Property tax	\$ 945,154	860,385	938,893	981,899
Tax increment financing	52,511	69,288	58,497	70,909
Local option sales tax	155,860	180,365	166,194	*
Other city tax	35,068	30,406	17,142	285,088
Licenses and permits	64,564	36,650	33,664	20,344
Use of money and property	23,742	21,449	19,065	16,771
Intergovernmental	311,845	458,284	461,201	278,480
Charges for service	25,248	28,897	28,646	49,316
Special assessments	-	-	-	-
Miscellaneous	117,890	97,037	141,325	189,791
Total	\$ 1,731,882	1,782,761	1,864,627	1,892,598
Disbursements:				
Operating:				
Public safety	\$ 417,036	464,196	425,087	333,973
Public works	328,319	364,345	356,362	254,631
Culture and recreation	251,541	288,943	301,388	308,082
Community and economic development	54,807	73,050	52,393	48,279
General government	227,385	198,670	219,489	215,201
Debt service	322,494	2,338,305	366,587	363,987
Capital projects	237,820	193,236	139,570	366,996
Total	\$ 1,839,402	3,920,745	1,860,876	1,891,149

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

See accompanying independent auditor's report.

2014	2013	2012	2011	2010	2009
992,155	937,369	928,955	818,502	685,848	813,584
64,142	67,115	69,622	63,365	17,693	15,971
*	227,601	210,372	*	212,421	206,852
228,537	37,575	23,557	247,351	33,422	46,850
19,853	19,745	20,030	40,371	38,563	13,868
19,480	16,242	21,899	19,936	23,725	20,446
245,751	256,200	250,266	366,922	848,772	542,350
78,990	58,231	68,580	47,514	45,167	31,475
-	-	-	6,024	168	2,920
154,058	59,956	79,036	184,035	26,441	75,015
1,802,966	1,680,034	1,672,317	1,794,020	1,932,220	1,769,331
388,254	346,968	339,216	351,163	310,067	280,382
206,563	290,637	310,151	247,193	253,342	190,944
233,455	206,843	286,534	226,056	262,065	199,791
129,394	65,154	75,746	149,782	184,089	398,302
218,427	246,743	265,434	202,362	336,149	221,767
381,978	440,820	436,472	1,711,621	396,923	411,910
321,558	156,200	443,551	338,685	886,367	349,142
1,879,629	1,753,365	2,157,104	3,226,862	2,629,002	2,052,238

City of Sigourney



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

To the Honorable Mayor and Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Sigourney, Iowa, as of and for the year ended June 30, 2018, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 5, 2019. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2018 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Sigourney's Responses to the Findings

The City of Sigourney's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The City of Sigourney's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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



ROB SAND
Auditor of State

March 5, 2019

City of Sigourney

Schedule of Findings

Year ended June 30, 2018

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

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

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

- (1) Cash – reconciling bank accounts, cash disbursement functions and recording cash.
- (2) Receipts – opening mail, collecting, recording/accounting for cash receipts and deposit preparation.
- (3) Utilities – utility billing, collecting, depositing, posting to customer accounts and maintaining accounts receivable records.
- (4) Accounting system – performing all general accounting functions and having custody of City assets.

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

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

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

Response – The City will continue to review its control procedures to obtain the maximum internal control possible under the circumstances.

Conclusion – Response accepted.

City of Sigourney

Schedule of Findings

Year ended June 30, 2018

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

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

Condition – Utility billings, collections and delinquent accounts were not reconciled six months of the year. For the six remaining months, utility reconciliations were not reviewed by an independent person.

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

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

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

Response – The City Clerk's office will continue to reconcile the utility billings and have the Mayor or a Council Member sign or initial and date documenting their review.

Conclusion – Response accepted.

(C) Payroll

Criteria – An effective internal control system provides for internal controls related to supervisory review of timesheets for all employees. Supervisory review of timesheets can help ensure the accuracy of recorded hours worked.

Condition – One employee's timesheet tested was not approved by supervisory personnel.

Cause – Policies have not been established and procedures have not been implemented to require timesheets be reviewed and approved by supervisory personnel prior to the preparation of payroll.

Effect – The lack of supervisory review of timesheets increases the probability of staff errors in recording hours or leave will go undetected.

Recommendation – All timesheets should be reviewed and approved by the employee and employee's supervisor prior to the preparation of payroll.

City of Sigourney

Schedule of Findings

Year ended June 30, 2018

Response – All timesheets will be approved by Department heads.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Sigourney

Schedule of Findings

Year ended June 30, 2018

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2018 did not exceed the amounts budgeted.
- (2) Questionable Disbursements – Certain disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented were noted. These disbursements are detailed as follows:

Paid to	Purpose	Amount
Sigourney Area Development	Sigourney bucks-door prizes	\$ 100

According to the opinion, it is possible for such disbursements to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and improper purpose is very thin.

Recommendation – The City Council should determine and document the public purpose served by this disbursement before authorizing any further payments. If this practice is continued, the City should establish written policies and procedures, including the requirement for proper documentation.

Response – The City will review their policy and procedures and document the public purpose of all disbursements before authorizing such future payments.

Conclusion – Response accepted.

- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Rick Landgrebe, Council Member, manages Brother's Market	Various items for a number City departments	\$ 10,137
Ashley Hammes, Office Assistant, Father and brother own Hammes Bulldozing	Various bulldozing services	3,500
Julie Tremmel, Pool Assistant Manager, husband owns Tremmel Backhoe Service	Various projects, including fixing water main and sewer breaks. No projects were for Parks and Recreation Department.	60,190
William Bender, Council Member, Grandson owns MidPros	Various items for the pool, soccer program and City hall	59

In accordance with Chapter 362.5(3)(k) of the Code of Iowa, the transactions with MidPros do not appear to represent a conflict of interest since the transactions did not exceed \$2,500 during the fiscal year. The transactions with Brother’s Market and Hammes Bulldozing may represent a conflict of interest since total transactions with each vendor exceeded \$2,500 and the services were not competitively bid.

City of Sigourney

Schedule of Findings

Year ended June 30, 2018

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

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

Response – The City will contact legal counsel.

Conclusion – Response accepted.

- (5) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.
- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- (8) Revenue Notes – No instances of non-compliance with the revenue note resolutions were noted.
- (9) Annual Urban Renewal Report – The Annual Urban Renewal Report was approved and certified to the Iowa Department of Management on or before December 1. However, the City understated the amount reported as TIF debt outstanding by \$41,442 due to inputting the amount paid rather than the amount outstanding for one general obligation bond.

Recommendation – The City should ensure the amounts reported as TIF debt outstanding agree with the City's records.

Response – The City will ensure future reporting of outstanding debt is accurately reported on the Annual Urban Renewal Report.

Conclusion – Response accepted.

- (10) Financial Condition – At June 30, 2018, the City had a deficit balance of \$3,047 in the Special Revenue, CDBG Housing Fund.

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

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

Conclusion – Response accepted.

City of Sigourney

Staff

This audit was performed by:

Deborah J. Moser, CPA, Manager
Alex N. Kawamura, CPA, Senior Auditor
Ronica H. Drury, Assistant Auditor

A handwritten signature in black ink that reads "Marlys K. Gaston". The signature is written in a cursive, flowing style.

Marlys K. Gaston, CPA
Deputy Auditor of State