

**CITY OF SIGOURNEY**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS**  
**JUNE 30, 2004**



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City of Sigourney

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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**(Before January 2004)**

John I. Ballensky	Mayor	Jan 2006
Patricia Miletich	Mayor Pro tem	Jan 2004
Edward M. Conrad	Council Member 1st Ward	Jan 2004
Jeffrey A. Winn	Council Member 2nd Ward	Jan 2006
Daniel J. Schuster	Council Member 3rd Ward	Jan 2004
Lyle G. Van Fleet	Council Member 4th Ward	Jan 2006
Jeff Wallerich	Council Member at large	Jan 2004
Patricia Miletich	Council Member at large	Jan 2006

**(After January 2004)**

John I. Ballensky	Mayor	Jan 2006
Jeff Wallerich	Mayor Pro tem	Jan 2007
Edward M. Conrad	Council Member 1st Ward	Jan 2007
Jeffrey A. Winn	Council Member 2nd Ward	Jan 2006
Daniel J. Schuster	Council Member 3rd Ward	Jan 2007
Lyle G. Van Fleet	Council Member 4th Ward	Jan 2006
Jeff Wallerich	Council Member at large	Jan 2007
Patricia Miletich	Council Member at large	Jan 2006

Marilyn D. Wells	Clerk	Indefinite
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Janet Ward	Treasurer	Indefinite
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John N. Wehr	Attorney	Indefinite
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City of Sigourney

## Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council:

I 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, 2004, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Sigourney's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

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

In my 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, 2004, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

As described in Note 14, during the year ended June 30, 2004, the City adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statements Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences.

In accordance with Government Auditing Standards, I have also issued my report dated October 29, 2004 on my consideration of the City of Sigourney's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 13 and 32 through 34 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. I did not audit the information and express no opinion on it.

My audit was performed for the purpose of forming opinion on the financial statements that collectively comprise the City of Sigourney's basic financial statements. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2003 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Fredrick J. Hensel, P.C.  
August 26, 2004

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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The City of Sigourney provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

Because the City of Sigourney is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the City's financial position and results of operations.

### 2004 FINANCIAL HIGHLIGHTS

- Revenues of the City's governmental activities decreased 8%, or approximately \$121,000 from fiscal 2003 to fiscal 2004. Property tax increased approximately \$3,853 and bond proceeds decreased \$50,000.
- Disbursements decreased 42%, or approximately \$1,054,373, in fiscal 2004 from fiscal 2003. Public safety and debt service disbursements increased approximately \$12,762 and \$58,026 respectively.
- The City's total cash basis net assets decreased 8%, or approximately \$110,154, from June 30, 2003 to June 30, 2004. Of this amount, the assets of the governmental activities decreased approximately \$28,681 and the assets of the business type activities increased by approximately \$138,235.

### USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

## **Basis of Accounting**

The City of Sigourney 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, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statement*

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

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

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

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

### *Fund Financial Statements*

The City has two kinds of funds:

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

The required financial statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased slightly from a year ago, decreasing from \$931,404 to \$902,723. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2004	2003
Receipts and transfers:		
Program receipts:		
Charges for service	\$46	97
Operating grants, contributions and restricted interest		
Capital grants, contributions and restricted interest		
General receipts:		
Property tax	620	616
Other tax	36	35
Grants and contributions not restricted to specific purposes	116	424
Unrestricted investment earnings	--	22
Bond proceeds	632	50
Other general receipts	(56)	509
Transfers, net		(222)
Total receipts and transfers	1,410	1,531
Disbursements:		
Public safety	240	227
Public works	207	336
Culture and recreation	268	169
Community and economic development	126	70
General government	159	159
Debt service	268	210
Capital projects	170	1,322
Total disbursements	1,438	2,493
Increase (decrease) in cash basis net assets	(28)	(962)
Cash basis net assets beginning of year	931	1,893
Cash basis net assets end of year	\$903	931

The City's total receipts for governmental activities decreased by 121,000. The total cost of all programs and services decreased by approximately \$1,055,00, with no new programs added this year. The ??? was primarily the result of proceeds received from the issuance of urban renewal tax increment financing revenue bonds.

The City increased property tax rates for 2004 by an average of 1 percent. This increase raised the City's property tax receipts by approximately \$5,000 in 2004.

The cost of all governmental activities this year was \$1.436 million compared to \$2.493 million last year. However, as shown in the Statement of Activities and Net Assets on pages 18-19, the amount taxpayers ultimately financed for these activities was only \$.7 million because some of the cost was paid by those directly benefited from the programs or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest. Overall, the City's governmental activities receipts, including intergovernmental aid and fees for service, decreased in 2004 from approximately \$1.??? million to approximately \$1.???

Changes in Cash Basis Net Assets of Business Type Activities (Expressed in Thousands)		
	Year ended June 30,	
	2004	2003
Receipts:		
Program receipts:		
Charges for service:		
Water	\$368	380
Sewer	221	222
Sanitation	145	63
General receipts:		
Unrestricted interest on investments	4	6
Bond proceeds	--	758
Transfers	56	270
Total receipts and transfers	794	1,666
Disbursements and transfers:		
Water	273	365
Sewer	127	1,236
Sanitation	155	75
Total disbursements	655	1,676
Increase (decrease) in cash balance	139	23
Cash basis net assets beginning of year	371	348
Cash basis net assets end of year	\$510	1,699

Total business type activities receipts for the fiscal year were \$.794 million compared to \$1.699 million last year. The cash balance increased by approximately \$139,000 from the prior year. Total disbursements and transfers for the fiscal year decreased by \$.1,021,000 to a total of \$652,000.

### INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Sigourney completed the year, its governmental funds reported a combined fund balance of \$1,890,760 a decrease of \$640,00 below last year's total of \$2,530,761. 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 decreased \$41,794 from the prior year to \$257,167.
- The Road Use Tax Fund cash balance decreased by \$82,843 to \$52,425 during the fiscal year.
- The Debt Service Fund cash balance decreased by \$8,469 to \$100,027 during the fiscal year.

**INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

- The Water Fund cash balance increased by \$18,088 to \$147,301, due primarily to an increase in the sale of water.
- The Sewer Fund cash balance increased by \$111,600 to \$359,613.

**BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget one time. The amendment was approved on May 19, 2004, and resulted in an increase in operating disbursements. \$122,745.

**DEBT ADMINISTRATION**

At June 30, 2004, the City had approximately \$3,759,205 in bonds and other long-term debt, compared to approximately \$3,931,194 last year, as shown below.

	Outstanding Debt at Year-end (Expressed in Thousands)	
	June 30,	
	2004	2003
General obligation bonds	\$1,773	1,937
Revenue notes	1,859	1,994
Other obligations	127	--
Total	\$3,759	3,931

Debt increased as a result of general obligation from prior construction projects.

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 \$1,773,246 is significantly below its constitutional debt limit of \$3.3 million.

**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 Marilyn D. Wells, City Clerk, 120 North Jefferson Street, Sigourney, Iowa.

**City of Sigourney**

## **Basic Financial Statements**

City of Sigourney  
Statement of Activities and Net Assets – Cash Basis  
As of and for the year ended June 30, 2004

	Disbursements	Charges for Service	Program Receipts	
			Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Functions / Programs:</b>				
Governmental Activities:				
Public safety	\$240,238	4,155	--	--
Public works	207,252	--	--	--
Culture and recreation	268,299	41,880	240,056	--
Community and economic development	125,589	--	--	--
General government	159,057	--	--	--
Debt service	268,166	--	--	--
Capital projects	170,439	--	--	--
Total governmental activities	1,439,040	46,035	240,056	--
Business type activities:				
Water	373,166	369,097	--	--
Sewer	1,263,557	224,208	--	--
Sanitation	155,121	144,610	--	--
Total business type activities	654,844	737,915	--	--
<b>Total</b>	<b>\$2,046,734</b>	<b>783,950</b>	<b>240,056</b>	<b>--</b>

**General Receipts:**

Property tax levied for:  
    General purposes  
    Tax increment financing  
    Debt service  
Unrestricted interest on investments  
Bond proceeds  
Miscellaneous  
Sale of assets  
Transfers  
Total general receipts and transfers  
Change in cash basis net assets  
Cash basis net assets beginning of year, as restated  
Cash basis net assets end of year

**Cash Basis Net Assets**

Restricted:  
    Streets  
    Urban renewal purposes  
    Debt service  
    Other purposes  
Unrestricted

**Total cash basis net assets**

See notes to financial statements.

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

Governmental Activities	Business Type Activities	Total
(236,083)	--	(236,083)
(207,250)	--	(207,250)
13,637	--	13,637
(125,589)	--	(125,589)
(159,057)	--	(159,057)
(268,166)	--	(125,589)
(170,439)	--	(125,589)
(1,152,949)	--	(1,152,949)
--	(4,064)	(4,064)
--	99,651	99,651
--	(10,511)	(10,511)
--	83,071	83,071
(1,152,949)	83,071	(1,069,878)

460,755	--	460,755
--	--	--
194,951	--	194,951
13,973	--	13,973
--	--	--
505,495	00	505,495
4,848	--	4,848
(55,764)	55,764	--
1,124,268	55,764	1,180,032
(28,681)	138,835	110,154
931,404	371,098	1,302,502
\$902,723	509,933	1,412,656

\$52,425	--	52,425
--	--	--
91,558	--	91,558
--	--	--
758,740	509,933	1,268,673
\$902,723	509,933	1,412,656

City of Sigourney

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Governmental Funds  
As of and for the year ended June 30, 2004

	Special Revenue		
	General	Road Use Tax	Employee Benefits
Receipts:			
Property tax	\$315,330	--	109,282
Tax increment financing collections	--	--	--
Other city tax	18,639	--	8,584
Licenses and permits	7,545	--	--
Use of money and property	6,585	--	--
Intergovernmental	28,273	183,982	--
Charges for service	46,035	--	--
Special assessments	--	--	--
Miscellaneous	54,227	--	--
Total receipts	<u>976,634</u>	<u>183,982</u>	<u>117,866</u>
Disbursements:			
Operating:			
Public safety	240,238	--	--
Public works	--	202,614	--
Culture and recreation	163,164	--	--
Community and economic development	6,462	--	--
General government	159,057	--	--
Debt service	--	60,061	--
Capital projects	--	4,150	--
Total disbursements	<u>568,921</u>	<u>266,825</u>	<u>--</u>
Excess of receipts over disbursements	<u>(92,287)</u>	<u>(82,843)</u>	<u>117,866</u>
Other financing sources (uses):			
Bond proceeds	--	--	--
Sale of capital assets	4,858	--	--
Operating transfers in	55,224	--	--
Operating transfers out	(9,589)	--	(104,988)
Total other financing sources (uses)	<u>50,493</u>	<u>--</u>	<u>(104,988)</u>
Net change in cash balances	(41,794)	(82,843)	12,878
Cash balances beginning of year	298,961	135,218	--
Cash balances end of year	<u>\$257,167</u>	<u>52,425</u>	<u>12,878</u>
<b>Cash Basis Fund Balances</b>			
Reserved:			
Debt service	\$--	--	--
Unreserved:			
General fund	257,167	--	--
Special revenue funds	--	52,425	12,878
Capital projects fund	--	--	--
Permanent fund	--	--	--
Total cash basis fund balances	<u>\$257,167</u>	<u>52,425</u>	<u>12,878</u>

See notes to financial statements.

Housing Programs	Vehicle Department	Debt Service	Other Nonmajor Governmental Funds	Total
--	--	194,951	--	619,563
--	--	--	--	--
--	--	8,920	--	36,143
--	--	--	--	7,545
473	872	673	7,650	16,253
--	--	--	114,607	326,862
--	--	--	--	46,035
--	--	10,681	--	80,681
131	69,963	--	273,862	398,183
604	70,835	215,225	396,119	1,461,265
--	--	--	--	240,238
--	--	--	4,638	207,252
--	--	--	105,135	268,299
510	--	--	118,617	125,589
--	--	--	--	159,057
--	--	208,105	--	263,166
--	27,637	--	138,652	170,439
510	27,637	208,105	367,042	1,439,840
94	43,198	7,120	29,077	22,225
--	--	--	--	--
--	--	--	--	4,858
--	--	--	19,178	74,402
--	--	(15,589)	--	(130,166)
--	--	(15,589)	19,178	(50,906)
94	43,198	(8,469)	48,255	(28,681)
34,668	82,832	100,027	278,648	931,404
34,762	126,030	91,558	327,903	902,723
--	--	91,558	--	91,558
--	--	--	--	257,167
34,762	126,030	--	11,486	237,581
--	--	--	272,474	272,474
--	--	--	43,943	43,943
34,762	126,030	91,558	327,903	902,723

City of Sigourney

Reconciliation of the Statement of Cash  
 Receipts, Disbursements and Changes in Cash Balances  
 to the Statement of Activities and Net Assets –  
 Governmental Funds  
 As of and for the year ended June 30, 2004

<b>Total governmental funds cash balances (page 19)</b>	\$902,723
<i>Amounts reported for governmental activities in the Statement of Activities and Net Assets are difference because:</i>	None
<b>Cash basis net assets of governmental activities (page 17)</b>	<u>\$902,723</u>
<b>Net changes in cash balances (page 19)</b>	\$(28,681)
<i>Amounts reported for governmental activities in the Statement of Activities and Net Assets are difference because:</i>	None
<b>Change in cash balance of governmental activites (page 17)</b>	<u>\$(28,681)</u>

See notes to financial statements.

City of Sigourney

**Exhibit D**

## City of Sigourney

## Statement of Cash Receipts, Disbursements and Changes in Cash Balances

## Proprietary Funds

As of and for the year ended June 30, 2004

	Enterprise Funds			
	Water	Sewer	Sanitation	Total
<i>Operating receipts:</i>				
Use of money and property	\$1,626	2,931	--	4,557
Charges for service	367,471	221,277	144,610	733,358
Miscellaneous	--	--	--	--
Total operating receipts	369,097	224,208	144,610	737,915
<i>Operating disbursements:</i>				
Governmental activities:				
Business type activities:	342,998	126,557	138,139	607,694
Total operating disbursements	342,998	126,557	138,139	607,694
Excess (deficiency) of operating receipts over (under) operating disbursements	26,099	97,651	6,571	130,221
<i>Non-operating receipts (disbursements):</i>				
Debt service	(30,168)	--	(16,982)	(47,150)
Total non-operating receipts (disbursements)	(30,168)	--	(16,982)	(47,150)
Excess (deficiency) of receipts over (under) disbursements	(4,069)	97,651	(10,511)	83,071
Operating transfers in (out)	22,157	13,949	19,658	55,764
Net change in cash balance	18,088	111,600	9,147	138,835
Cash balances beginning of year	129,213	248,013	(6,128)	371,098
Cash balances end of year	\$147,301	359,613	3,019	509,933
<b>Cash Basis Fund Balances</b>				
Reserved for debt service	\$--	--	--	--
Unreserved	147,301	359,613	3,019	509,933
Total cash basis fund balances	\$147,301	359,613	3,019	509,933

See notes to financial statements.

City of Sigourney

Reconciliation of the Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
to the Statement of Activities and Net Assets –  
Proprietary Funds  
As of and for the year ended June 30, 2004

<b>Total enterprise funds cash balances (page 22)</b>	\$509,933
<i>Amounts reported for business type activities in the Statement of Activities and Net Assets are difference because:</i>	None
<b>Cash basis net assets of business type activities (page 17)</b>	\$509,933
 <b>Net changes in cash balances (page 22)</b>	 \$138,835
<i>Amounts reported for business type activities in the Statement of Activities and Net Assets are difference because:</i>	None
<b>Change in cash balance of business type activites (page 17)</b>	\$138,835

See notes to financial statements.

City of Sigourney

Notes to Financial Statements

June 30, 2004

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

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

A. Reporting Entity

For financial reporting purposes, the City of 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. The City has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

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

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

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

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

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

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

The City reports the following major governmental funds:

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

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

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

The City reports the following major proprietary funds:

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

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

C. Measurement Focus and Basis of Accounting

The City of Sigourney 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.

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

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements exceeded the amounts budgeted in the culture and recreation and debt service activities functions.

(2) **Cash and Pooled Investments**

The City's deposits in banks at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The City's investments are categorized to give an indication of the level of risk assumed by the City at year end. The City's investments are all Category 1, which means the investments are insured or registered or the securities are held by the City or its agent in the City's name.

The City's investments at June 30, 2004 are as follows:

Type	Carrying Amount	Fair Value
U.S. Government Securities	\$54,984	\$55,000
Stocks	6,009	8,740
Mutual Fund	71,230	82,966
Total	\$132,223	146,706

In addition, the City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$1,974,683 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization.

### (3) Bond and Notes Payable

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

Year Ending June 30	General Obligation Bonds		Revenue Capital Loan Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$158,913	85,322	110,000	63,048	268,913	148,370
2006	161,785	78,503	108,000	59,282	269,785	137,785
2007	147,548	71,176	116,000	55,527	263,548	126,703
2008	140,000	64,658	118,000	51,403	258,000	116,061
2009	150,000	58,165	121,000	47,146	271,000	105,311
2010	165,000	51,070	129,000	42,739	294,000	93,809
2011	170,000	43,065	132,000	37,922	302,000	80,987
2012	180,000	34,708	137,000	32,966	317,000	67,674
2013	185,000	25,758	144,000	27,811	329,000	53,569
2014	120,000	18,438	77,000	22,320	197,000	40,758
2015	45,000	10,153	78,000	20,010	123,000	30,163
2016	45,000	7,880	81,000	17,670	126,000	25,550
2017	20,000	5,585	84,000	15,240	104,000	20,825
2018	20,000	4,555	85,000	12,720	105,000	17,275
2019	20,000	3,515	88,000	10,170	108,000	13,685
2020	20,000	2,455	91,000	7,530	111,000	9,985
2021	25,000	1,375	93,000	4,800	118,000	6,175
2022	--	--	67,000	2,010	67,000	2,010
	<u>\$1,773,246</u>	<u>566,381</u>	<u>1,859,000</u>	<u>530,314</u>	<u>3,632,246</u>	<u>1,096,695</u>

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

- (a) The notes will only be redeemed from the future earnings of the 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 for the purpose of making the note principal and interest payments when due.
- (c) Additional transfers to water and sewer revenue reserve accounts shall be made until specific minimum balances have been accumulated.
- (d) All funds remaining in the water and sewer revenue account after the payment of all maintenance and operating expenses and required transfers shall be placed in a water and sewer revenue surplus account.

**(4) Pension and Retirement Benefits**

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

Plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of annual covered payroll except for police employees, in which case the percentages are 5.93% and 8.90%, respectively. For the year ended June 30, 2003, the contribution rates for police employees and the City were 6.04% and 9.07%, respectively, and for the year ended June 30, 2002, the contribution rates for police employees and the City were 6.04% and 9.07%, respectively, and for the year ended June 30, 2002, the contribution rates for police employees and the City were 6.20% and 9.29%, respectively. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$32,695, \$28,064 and \$25,731, respectively, equal to the required contributions for each year.

**(5) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation and sick leave 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 termination payments payable to employees at June 30, 2004, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$24,862

This liability has been computed based on rates of pay as of June 30, 2004.

**(6) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2004 is as follows:

Transfer to	Transfer from	Amount
Enterprise:	Special revenue:	
Water	Employee benefits	\$22,137
Sewer		13,944
Sanitation		13,658
Sanitation	General	6,000
Total		\$55,764

**(7) Related Party Transactions**

The City did not have any business transactions between the City and City officials during the year ended June 30, 2004.

**(8) Risk Management**

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

**(9) Accounting Change and Restatements**

Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statements Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences, were implemented for the year ended June 30, 2004. The statements create new basic financial statements for reporting the City’s financial activities. The financial statements now include a government-wide financial statement and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

**City of Sigourney**

**Required Supplementary Information**

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

Required Supplementary Information

Year ended June 30, 2004

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$619,563	--	--
Tax increment financing collections	--	--	--
Other city tax	36,143	--	--
Licenses and permits	7,545	--	--
Use of money and property	16,253	4,557	567
Intergovernmental	326,862	--	--
Charges for service	46,035	733,358	--
Special assessments	10,681	--	--
Miscellaneous	398,183	--	4,710
Total receipts	<u>1,461,965</u>	<u>737,915</u>	<u>5,277</u>
Disbursements:			
Public safety	240,238	--	--
Public works	207,252	--	--
Culture and recreation	268,299	--	7,364
Community and economic development	125,589	--	--
General government	159,057	--	--
Debt service	268,166	--	--
Capital projects	170,439	--	--
Business type activities	--	654,844	--
Total disbursements	<u>1,939,040</u>	<u>654,844</u>	<u>7,364</u>
Excess of receipts over disbursements	22,225	83,071	(2,087)
Other financing sources, net	(50,906)	55,764	--
Excess of receipts and other financing sources over disbursements and other financing uses	(28,681)	138,835	(2,087)
Balances beginning of year	931,404	371,098	46,030
Balances end of year	<u>\$902,723</u>	<u>509,933</u>	<u>43,943</u>

See accompanying independent auditor's report.

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
619,563	633,434	633,434	(13,871)
--	--	--	--
36,143	36,523	36,523	(380)
7,454	22,900	22,900	(15,355)
20,243	57,100	57,354	(37,111)
326,862	443,400	452,755	(125,893)
779,393	676,850	676,850	102,543
10,681	12,000	27,900	(17,219)
393,473	454,775	418,913	(25,440)
2,193,903	2,336,982	2,326,629	(132,726)
240,238	228,777	244,815	4,577
207,252	246,261	254,166	46,914
260,935	191,670	107,549	(153,386)
125,589	222,300	219,300	93,711
159,057	192,799	197,449	38,392
268,166	220,105	220,978	(47,188)
170,439	377,000	427,000	256,561
654,844	786,752	911,152	256,308
2,086,520	2,459,664	2,582,409	495,889
107,383	(122,682)	(255,780)	363,163
4,858	--	111,320	(106,462)
112,241	(122,682)	(144,460)	256,701
1,344,358	1,066,082	1,256,471	87,887
1,456,599	943,400	1,112,011	344,588

City of Sigourney

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2004

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 Internal Services Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$122,745. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2004, disbursements exceeded the amounts budgeted in the culture and recreation and debt service functions.

## **Other Supplementary Information**

**City of Sigourney**

**Schedule I**

City of Washington

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

As of and for the year ended June 30, 2004

	Special Revenue	Capital Projects	Fiduciary	
	????? Program	Capital Projects	Trusts	Total
<b>Receipts:</b>				
Property tax	\$--	--	--	--
Other city tax	--	--	--	--
Use of money and property	--	7,083	567	7,650
Intergovernmental	114,607	--	--	114,607
Special assessments	--	--	--	--
Miscellaneous	--	269,152	4,710	273,860
Total receipts	114,607	276,235	5,277	396,115
<b>Disbursements:</b>				
Operating:				
Public safety	--	--	--	--
Public works	--	--	4,638	4,638
Community / economic development	118,617	--	--	118,617
Culture and recreation	--	102,409	2,726	105,135
General government	--	--	--	--
Debt service	--	--	--	--
Capital projects	--	138,652	--	138,652
Total disbursements	118,617	241,061	7,364	367,042
Excess (deficiency) of receipts over (under) disbursements	(4,010)	35,174	(2,087)	29,077
<b>Other financing uses:</b>				
Operating transfers out	--	19,178	--	19,178
Net change in cash balances	(4,010)	54,352	(2,087)	48,255
Cash balances beginning of year	15,496	218,122	46,030	279,648
Cash balances end of year	\$11,486	272,474	43,943	327,903
<b>Cash Basis Fund Balances</b>				
Unreserved:				
Special revenue funds	\$11,486	--	--	11,486
Capital project fund	--	272,474	--	272,474
Permanent fund	--	--	43,943	43,943
Total cash basis fund balances	\$11,486	272,474	43,943	327,903

See accompanying independent auditor's report.

City Of Sigourney  
Schedule of Indebtedness  
Year Ended June 30, 2004

Obligation	Date of Issue	Interest Rates
General Obligation Capital Loan Notes:		
Series 1998	Jun 1, 1998	4.20-5.35
Series 2001	Jul 12, 2001	5.05-5.50
Series 2002	May 1, 2002	2.60-4.75
Endloader	Nov 15, 1999	6.0
Sanitation Truck	Nov 7, 2001	4.75
Street Sweeper	Apr 15, 2002	5.0
Revenue Capital Loan Notes:		
Sewer - Series 1992	Nov 25, 1992	4.37
Water - RC2000 Loan	May 31, 1994	2.00
Water - Series 2001	Oct 1, 2001	3.00
Water - Series 2002	Jun 1, 2002	3.00
Water - Series 2002B	May 1, 2002	2.55-4.90
Sewer - Series 2002	Dec 1, 2002	3.00
Other Obligations:		
Swap grant loan	May 15, 2003	0.00
Rise paving repayment	Jun 30, 2004	5.00
1DDOT	Mar 15, 2004	0.00

See notes to financial statements.

Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
\$875,000	665,000	--	45,000	620,000	33,610	--
620,000	570,000	--	25,000	545,000	29,808	--
635,000	590,000	--	50,000	540,000	24,505	--
89,205	27,992	--	19,506	8,486	1,201	--
68,000	99,261	--	13,258	36,003	2,101	--
47,000	34,654	--	10,897	23,757	2,042	--
	<u>1,936,907</u>	<u>--</u>	<u>163,661</u>	<u>1,773,246</u>	<u>92,549</u>	<u>--</u>
\$523,000	255,000	--	21,000	234,000	11,144	--
259,174	28,287	--	28,287	--	566	--
390,000	36,000	--	15,000	345,000	10,800	--
50,000	46,000	--	2,000	44,000	1,380	--
350,000	320,000	--	30,000	290,000	13,578	--
1,023,000	985,000	--	39,000	946,000	23,172	--
	<u>1,994,287</u>	<u>--</u>	<u>135,287</u>	<u>1,858,000</u>	<u>60,640</u>	<u>--</u>
\$16,225	--	16,225	1,622	14,603	--	--
86,611	--	86,611	--	86,611	--	--
38,617	--	38,617	12,872	25,745	--	--
	<u>--</u>	<u>141,453</u>	<u>14,494</u>	<u>126,959</u>	<u>--</u>	<u>--</u>

City Of Sigourney  
 Bond and Notes Maturities  
 June 30, 2004

General Obligation Note						
Essential Corporate Purpose						
Year Ending June 30	Issued June 1, 1998		Issued Jul 12, 2001		Issued May 1, 2002	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2005	4.75%	\$50,000	5.05%	\$25,000	3.40%	\$50,000
2006	4.80	50,000	5.05	300,000	3.70	55,000
2007	4.85	55,000	5.05	30,000	4.00	55,000
2008	4.90	55,000	5.05	30,000	4.15	55,000
2009	5.00	60,000	5.05	30,000	4.30	60,000
2010	5.10	65,000	5.05	40,000	4.45	60,000
2011	5.20	65,000	5.05	40,000	4.55	60,000
2012	5.25	70,000	5.05	40,000	4.65	70,000
2013	5.30	75,000	5.05	40,000	4.75	70,000
2014	5.35	75,000	5.05	45,000		--
2015		--	5.05	45,000		--
2016		--	5.10	45,000		--
2017		--	5.15	45,000		--
2018		--	5.20	20,000		--
2019		--	5.30	20,000		--
2020		--	5.40	20,000		--
2021		--	5.50	25,000		--
		\$620,000		\$545,000		\$540,000

See accompanying independent auditor's report.

Issued Nov 15, 1999		Issued Nov 7, 2001		Issued Apr 15, 2002		Total
Interest Rates	Amount	Interest Rates	Amount	Amount	Interest Rates	
6.00%	\$8,486	4.75%	\$13,894	5.06	\$11,539	\$158,919
	--	4.75	14,566	5.06	12,218	161,784
	--	4.75	7,548		--	147,548
	--		--		--	140,000
	--		--		--	150,000
	--		--		--	165,000
	--		--		--	170,000
	--		--		--	180,000
	--		--		--	185,000
	--		--		--	120,000
	--		--		--	45,000
	--		--		--	45,000
	--		--		--	20,000
	--		--		--	20,000
	--		--		--	20,000
	--		--		--	20,000
	--		--		--	25,000
	\$8,486		\$36,008		\$23,757	\$1,773,252

See accompanying independent auditor's report.

City Of Sigourney  
 Bond and Notes Maturities  
 June 30, 2004

Year Ending June 30	Revenue Notes			
	Sewer Revenue		Water Revenue	
	Issued June 1, 1998		Issued Jul 12, 2001	
	Interest Rates	Amount	Interest Rates	Amount
2005	4.37%	\$22,000	3.00%	\$16,000
2006	4.37	23,000	3.00	16,000
2007	4.37	24,000	3.00	17,000
2008	4.37	25,000	3.00	17,000
2009	4.37	26,000	3.00	18,000
2010	4.37	27,000	3.00	18,000
2011	4.37	28,000	3.00	19,000
2012	4.37	29,000	3.00	20,000
2013	4.37	30,000	3.00	20,000
2014		--	3.00	21,000
2015		--	3.00	21,000
2016		--	3.00	22,000
2017		--	3.00	23,000
2018		--	3.00	23,000
2019		--	3.00	24,000
2020		--	3.00	25,000
2021		--	3.00	25,000
2022		--	3.00	--
		<u>\$234,000</u>		<u>\$345,000</u>

See accompanying independent auditor's report.

Water Revenue		Water Revenue		Sewer Revenue		Total
Issued June 1, 2002		Issued May 1, 2002		Issued Dec 6, 2002		
Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
3.00%	\$2,000	2.55%	\$30,000	3.00%	\$40,000	\$110,000
3.00	2,000	2.55	25,000	3.00	42,000	108,000
3.00	2,000	2.55	30,000	3.00	43,000	116,000
3.00	2,000	2.55	30,000	3.00	44,000	118,000
3.00	2,000	2.55	35,000	3.00	45,000	121,000
3.00	2,000	2.55	35,000	3.00	47,000	129,000
3.00	2,000	2.55	35,000	3.00	48,000	132,000
3.00	3,000	2.55	40,000	3.00	50,000	137,000
3.00	3,000	2.55	--	3.00	51,000	144,000
3.00	3,000		--	3.00	53,000	77,000
3.00	3,000		--	3.00	54,000	78,000
3.00	3,000		--	3.00	56,000	81,000
3.00	3,000		--	3.00	58,000	84,000
3.00	3,000		--	3.00	59,000	85,000
3.00	3,000		--	3.00	61,000	88,000
3.00	3,000		--	3.00	63,000	91,000
3.00	3,000		--	3.00	65,000	93,000
	--		--	3.00	67,000	67,000
	<u>\$44,000</u>		\$345,000		\$946,000	<u>\$1,859,000</u>

## City of Sigourney

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

For the Last Four Years

	2004	2003	2002	2001
<b>Receipts:</b>				
Property tax	\$619,563	615,710	578,963	454,570
Tax increment financing collections	36,143	34,991	36,093	28,600
Other city tax				
Licenses and permits	7,545	7,439	6,440	6,546
Use of money and property	16,253	31,792	37,661	89,221
Intergovernmental	326,862	734,362	333,424	744,417
Charges for service	46,035	97,253	149,640	119,556
Special assessments	10,681	14,629	–	–
Miscellaneous	398,183	270,551	513,863	176,237
<b>Total</b>	<b>\$1,461,265</b>	<b>2,431,417</b>	<b>1,656,084</b>	<b>1,619,147</b>
<b>Disbursements:</b>				
<b>Operating:</b>				
Public safety	\$240,328	227,472	224,759	234,024
Public works	207,252	336,016	266,740	1,305,713
Health and social services	–	–	–	–
Culture and recreation	268,299	169,227	186,476	232,423
Community and economic development	125,589	70,891	10,720	25,785
General government	159,057	159,196	165,697	146,142
Debt service	268,166	210,140	835,911	159,150
Capital projects	170,439	1,322,428	1,424,933	194,625
<b>Total</b>	<b>\$1,439,040</b>	<b>2,495,370</b>	<b>3,115,236</b>	<b>2,296,862</b>

See accompanying independent auditor's report.

Independent Auditor's Report on Compliance  
and on Internal Control over Financial Reporting

To the Honorable Mayor and  
Members of the City Council:

I have audited the financial statements of the City of Sigourney as of and for the year ended June 30, 2004, and have issued my report thereon, dated ???, 2004. My report expressed an unqualified opinion on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting. I conducted my audit in accordance with US generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Sigourney's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance that are described in Part IV of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the City. Since my 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. Prior year statutory comments have been resolved except for items IV-A-04, IV-G-04 and IV-H-04.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the City of Sigourney's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect the City of Sigourney's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, I believe item I-A-04 is a material weakness. Prior year reportable conditions have been resolved except for item I-B-04.

This report, a public record by law, is intended for the information and use of the officials, employes and citizens of the City of Sigourney and other parties to whom the City of Sigourney may report. This report is not intended to be and should not be used by anyone other than these specified parties.

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

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Fredrick J. Hensel, P.C.

August, 2004

City of Sigourney  
Schedule of Findings  
Year ended June 30, 2004

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**REPORTABLE CONDITIONS:**

I-A-04     Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Employees involved in the billing and recording functions were also involved with receiving receipts.

Recommendation - I realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will continue to monitor internal controls and will continue to adjust control procedures to the extent possible with existing personnel.

Conclusion - Response acknowledged. The City could segregate duties to the extent possible with the existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

**Part II: Other Findings Related to Statutory Reporting:**

II-A-04     Official Depositories - A resolution naming official depositories has been approved by the City. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.

II-B-04     Certified Budget - Disbursements during the year ended June 30, 2004, exceeded the amounts budgeted in the Culture and Recreation and Debt Service functions. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

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

Response - The budget will be amended in the future, if applicable.

Conclusion - Response acknowledged.

City of Sigourney  
Schedule of Findings  
Year ended June 30, 2004

- II-C-04 Questionable Disbursements – I noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.
- II-D-04 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- II-E-04 Business Transactions – No business transactions were noted between the City and City officials or employees.
- II-F-04 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- IV-G-03 Council Minutes - No transactions were found that I believe should have been approved in the Council minutes but were not.
- II-H-04 Deposits and Investments – I noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and City’s investment policy.