CITY OF SIGOURNEY

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

JUNE 30, 2005

TABLE OF CONTENTS

		Page
Officials		3
Independent Auditor's Report		5-6
Management's Discussion and Analysis		7-11
Basic Financial Statements:	Exhibit	
Government-wide Financial Statement:		
Statement of Activities and Net Assets – Cash Basis	A	14-15
Governmental Fund Financial Statements:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B	16-17
Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Cash Balances to the Statement of Activities and Net Assets	C	18
Proprietary Fund Financial Statements:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	D	20
Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Cash Balances to the Statement of Activities and Net Assets	E	21
Notes to Financial Statements		22-27
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds		30-31
Notes to Required Supplementary Information – Budgetary Reporting		32
Other Supplementary Information:	Schedule	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances – Nonmajor Governmental Funds	1	35
Schedule of Indebtedness	2	36-37
Bond and Note Maturities	3	38-41
Schedule of Receipts by Source and Disbursements by Function - All Governmental Funds	4	42
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters		43-44
Schedule of Findings		45-46

City of Sigourney

Officials

Name	Title	Term Expires
	(Before January 2005)	
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 (resigned 9/23/04)	Jan 2007
Jeff M. Johnson	Council Member 3rd Ward (appointed 10/20/04)	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
	(After January 2005)	
John I. Ballensky	Mayor	Jan 2006
Patricia Miletich	Mayor Pro tem	Jan 2006
Edward M. Conrad	Council Member 1st Ward	Jan 2007
Jeffrey A. Winn	Council Member 2nd Ward	Jan 2006
Jeff M. Johnson	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
Janet Ward	Treasurer	Indefinite
John N. Wehr	Attorney	Indefinite

City of Sigourney

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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, 2005, 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 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, 2005, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, I have also issued my report dated September 30, 2005 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 grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 11 and 30 through 31 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 inquires 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, 2004 (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, CPA
September 30, 2005

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, 2005. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2005 FINANCIAL HIGHLIGHTS

- Revenues of the City's governmental activities increased 89%, or approximately $1,304,606 from fiscal 2004 to fiscal 2005. Property tax increased approximately $19,432 and bond proceeds increased $1,285,174.
- Disbursements increased 52%, or approximately $746,873, in fiscal 2005 from fiscal 2004. Culture and recreation and debt service disbursements increased approximately $299,486 and $613,450 respectively.
- The City's total cash basis net assets decreased 50%, or approximately $701,291, from June 30, 2004 to June 30, 2005. Of this amount, the assets of the governmental activities decreased approximately $582,473 and the assets of the business type activities increased by approximately $118,818.

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. 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 increased slightly from a year ago, increasing from $902,723 to $1,472,242. 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,	
	2005	2004
Receipts and transfers:		
Program receipts:		
Charges for service	$40	46
Operating grants, contributions and restricted interest		
Capital grants, contributions and restricted interest		
General receipts:		
Property tax	639	620
Other city tax	26	36
Grants and contributions not restricted to specific purposes	96	116
Unrestricted investment earnings	14	16
Bond proceeds	1,285	-
Other general receipts	720	632
Transfers, net	(52)	(56)
Total receipts and transfers	2,768	1,410
Disbursements:		
Public safety	223	240
Public works	223	207
Culture and recreation	568	268
Community and economic development	110	126
General government	175	159
Debt service	882	268
Capital projects	5	170
Total disbursements	2,186	1,438
Increase (decrease) in cash basis net assets	582	(28)
Cash basis net assets beginning of year	890	931
Cash basis net assets end of year	$1,472	903

The City's total receipts for governmental activities increased by $69,000. The total cost of all programs and services increased by approximately $746,000, with no new programs added this year.

The City increased property tax rates for 2005 by an average of 3 percent. This increase raised the City's property tax receipts by approximately $19,000 in 2005.

The cost of all governmental activities this year was $2.185 million compared to $1.439 million last year. However, as shown in the Statement of Activities and Net Assets on pages 16-17, 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, increased in 2005 from approximately $1.461 million to approximately $1.530 million.

Changes in Cash Basis Net Assets of Business Type Activities
(Expressed in Thousands)

	Year ended June 30,	
	2005	2004
Receipts:		
Program receipts:		
Charges for service:		
Water	$416	368
Sewer	214	221
Sanitation	118	145
General receipts:		
Unrestricted interest on investments	6	4
Miscellaneous	14	--
Bond proceeds	--	--
Transfers	224	56
Total receipts and transfers	992	794
Disbursements and transfers:		
Water	523	373
Sewer	224	127
Sanitation	127	155
Total disbursements	874	655
Increase (decrease) in cash balance	118	139
Cash basis net assets beginning of year	523	371
Cash basis net assets end of year	$641	510

Total business type activities receipts for the fiscal year were $.992 million compared to $.794 million last year. The cash balance increased by approximately $118,000 from the prior year. Total disbursements and transfers for the fiscal year increased by $219,000 to a total of $874,000.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Sigourney completed the year, its governmental funds reported a combined fund balance of $1,472,242 an increase of $582,473 above last year's total of $889,769. 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 $9,707 from the prior year to $246,808.
- The Road Use Tax Fund cash balance decreased by $2,918 to $49,507 during the fiscal year.
- The Debt Service Fund cash balance decreased by $27,069 to $64,489 during the fiscal year.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance increased by $54,730 to $253,033, due primarily to bond proceeds.
- The Sewer Fund cash balance increased by $58,912 to $380,477.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on May 19, 2005, and resulted in an increase in operating disbursements of $1,056,941.

DEBT ADMINISTRATION

At June 30, 2005, the City had approximately $4,205,579 in bonds and other long-term debt, compared to approximately $3,759,205 last year, as shown below.

Outstanding Debt at Year-End
(Expressed in Thousands)

	June 30,	
	2005	2004
General obligation bonds	$2,374	1,773
Revenue notes	1,749	1,859
Other obligations	82	127
Total	$4,205	3,759

Debt increased as a result of general obligations 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 $2,374,325 is significantly below its constitutional debt limit of $3.4 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, 2005

		Program Receipts		
	Disbursements	Charges for Service	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions / Programs:				
Governmental Activities:				
Public safety	$223,059	--	--	--
Public works	223,551	--	--	--
Culture and recreation	567,785	1,741	--	--
Community and economic development	109,899	--	95,738	--
General government	175,003	37,783	--	--
Debt service	881,616	--	--	--
Capital projects	5,000	--	--	--
Total governmental activities	2,185,913	39,524	95,738	--
Business type activities:				
Water	523,381	416,063	--	--
Sewer	223,588	214,319	--	--
Sanitation	126,962	118,134	--	--
Total business type activities	873,931	748,516	--	--
Total	$3,059,844	788,040	95,738	--
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
(223,059)	--	(223,059)
(223,551)	--	(223,551)
(566,044)	--	(566,044)
(14,161)	--	(14,161)
(137,220)	--	(137,220)
(881,616)	--	(881,616)
(5,000)	--	(5,000)
(2,050,651)	--	(2,050,651)
--	(107,318)	(107,318)
--	(9,269)	(9,269)
--	(8,828)	(8,828)
--	(125,415)	(125,415)
(2,050,651)	(125,415)	(2,176,066)
494,267	--	494,267
--	--	--
170,364	--	170,364
2,629	6,173	8,802
1,285,174	172,370	1,457,544
727,795	13,727	741,522
4,858	--	4,858
(51,963)	51,963	--
2,633,124	244,233	2,877,357
582,473	118,818	701,291
889,769	522,887	1,412,656
1,472,242	641,705	2,113,947
$49,507	--	49,507
--	--	--
64,489	--	64,489
--	--	--
1,358,246	641,705	1,999,951
$1,472,242	641,705	2,113,947

City of Sigourney
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Governmental Funds
As of and for the year ended June 30, 2005

		Special Revenue		
	General	Resticted Gift	Road Use Tax	Employee Benefits
Receipts:				
Property tax	$350,741	--	--	124,892
Tax increment financing collections	--	--	--	--
Other city tax	13,590	--	--	5,044
Licenses and permits	2,629	--	--	--
Use of money and property	7,913	--	--	--
Intergovernmental	24,899	--	183,669	--
Charges for service	39,524	--	--	--
Special assessments	--	--	--	--
Miscellaneous	30,991	117,094	185	--
Total receipts	470,287	117,094	183,854	129,936
Disbursements:				
Operating:				
Public safety	223,059	--	--	--
Public works	--	--	223,551	--
Culture and recreation	137,446	61,180	--	--
Community and economic development	4,982	--	--	--
General government	169,700	--	--	--
Debt service	--	--	45,382	--
Capital projects	--	--	--	--
Total disbursements	535,187	61,180	268,933	--
Excess of receipts over disbursements	(64,900)	55,914	(85,079)	129,936
Other financing sources (uses):				
Bond proceeds	--	--	56,062	--
Sale of capital assets	4,858	--	--	--
Operating transfers in	111,413	--	26,099	--
Operating transfers out	(61,078)	--	--	(128,397)
Total other financing sources (uses)	55,193	--	82,161	(128,397)
Net change in cash balances	(9,707)	55,914	(2,918)	1,539
Cash balances beginning of year	256,545	--	52,425	12,878
Cash balances end of year	$246,838	55,914	49,507	14,417
Cash Basis Fund Balances				
Reserved:				
Debt service	$ --	--	--	--
Unreserved:				
General fund	246,838	--	--	--
Special revenue funds	--	55,914	49,507	14,417
Capital projects fund	--	--	--	--
Permanent fund	--	--	--	--
Total cash basis fund balances	$246,838	55,914	49,507	14,417

Housing Programs	Vehicle Replacement	Urban Renewal	Debt Servce	Other Nonmajor Governmental Funds	Total
--	--	--	163,362	--	638,995
--	--	--	--	--	--
--	--	--	7,002	--	25,636
--	--	--	--	--	2,629
371	399	--	991	4,698	14,372
--	--	--	--	95,738	304,306
--	--	--	--	--	39,524
--	--	--	8,698	--	8,698
18	19,198	--	--	328,671	496,157
389	19,597	--	180,053	429,107	1,530,317
--	--	--	--	--	223,059
--	--	--	--	--	223,551
--	--	--	--	369,159	567,785
96	--	--	--	104,821	109,899
--	--	--	--	5,303	175,003
--	--	--	836,234	--	881,616
--	5,000	--	--	--	5,000
96	5,000	--	836,234	479,283	2,185,913
293	14,597	--	(656,181)	(50,176)	(655,596)
--	--	100,000	629,112	500,000	1,285,174
--	--	--	--	--	4,858
--	--	--	--	--	137,512
--	--	--	--	--	(189,475)
--	--	100,000	629,112	500,000	1,238,069
293	14,597	100,000	(27,069)	449,824	582,473
34,762	126,030	--	91,558	315,571	889,769
35,055	140,627	100,000	64,489	765,395	1,472,242
--	--	--	64,489	--	64,489
--	--	--	--	--	246,838
35,055	140,627	100,000	--	2,403	397,923
--	--	--	--	650,477	650,477
--	--	--	--	112,515	112,515
35,055	140,627	100,000	64,489	765,395	1,472,242

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, 2005

Total governmental funds cash balances (page 17)	$1,472,242
Amounts reported for governmental activities in the Statement of Activities and Net Assets are different because:	None
Cash basis net assets of governmental activities (page 15)	$1,472,242
Net change in cash balances (page 17)	$582,473
Amounts reported for governmental activities in the Statement of Activities and Net Assets are different because:	None
Change in cash balance of governmental activities (page 15)	$582,473

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, 2005

	Enterprise Funds			
	Water	Sewer	Sanitation	Total
Operating receipts:				
Use of money and property	$2,108	4,065	--	6,173
Charges for service	416,063	214,319	118,134	748,516
Miscellaneous	701	11,378	1,648	13,727
Total operating receipts	418,872	229,762	119,782	768,416
Operating disbursements:				
Governmental activities:	--	--	--	--
Business type activities:	523,381	223,588	108,358	855,327
Total operating disbursements	523,381	223,588	108,358	855,327
Excess (deficiency) of operating receipts over (under) operating disbursements	(104,509)	6,174	11,424	(86,911)
Non-operating receipts (disbursements):				
Debt service	100,000	72,370	(18,604)	153,766
Total non-operating receipts (disbursements)	100,000	72,370	(18,604)	153,766
Excess (deficiency) of receipts over (under) disbursements	(4,509)	78,544	(7,180)	66,855
Operating transfers in (out)	59,239	(19,632)	12,356	51,963
Net change in cash balance	54,730	58,912	5,176	118,818
Cash balances beginning of year	198,303	321,565	3,019	522,887
Cash balances end of year	$253,033	380,477	8,195	641,705
Cash Basis Fund Balances				
Reserved for debt service	$--	67,272	--	67,272
Unreserved	253,033	313,205	8,195	574,433
Total cash basis fund balances	$253,033	380,477	8,195	641,705

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, 2005

Total enterprise funds cash balances (page 20)	$641,705
Amounts reported for business type activities in the Statement of Activities and Net Assets are different because:	None
Cash basis net assets of business type activities (page 15)	$641,705
Net changes in cash balances (page 20)	$118,818
Amounts reported for business type activities in the Statement of Activities and Net Assets are different because:	None
Change in cash balance of business type activities (page 15)	$118,818

See notes to financial statements.

(1) Summary of Significant Accounting Policies

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

The Sanitation Fund accounts for the operation of the City's sanitation collection 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, 2005, 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, 2005 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.

(3) Bond and Notes Payable

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

Year Ending June 30	General Obligation Notes		Revenue Capital Loan Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	$176,785	51,640	108,000	59,172	284,785	110,812
2007	177,541	47,481	116,000	55,417	293,541	102,898
2008	175,000	43,830	118,000	51,278	293,000	95,108
2009	180,000	40,033	121,000	47,021	301,000	87,054
2010	195,000	36,106	129,000	42,614	324,000	78,720
2011	205,000	31,616	132,000	37,832	337,000	69,448
2012	215,000	26,825	137,000	32,911	352,000	59,736
2013	220,000	21,958	144,000	27,791	364,000	49,749
2014	155,000	18,715	77,000	22,320	232,000	41,035
2015	85,000	11,853	78,000	20,010	163,000	31,863
2016	85,000	9,880	81,000	17,670	166,000	27,550
2017	60,000	7,585	84,000	15,240	144,000	22,825
2018	65,000	6,805	85,000	12,720	150,000	19,525
2019	65,000	5,765	88,000	10,170	153,000	15,935
2020	70,000	4,955	91,000	7,530	161,000	12,485
2021	75,000	3,875	93,000	4,800	168,000	8,675
2022	55,000	2,750	67,000	2,010	122,000	4,760
2023	55,000	2,750	--	--	55,000	2,750
2024	60,000	2,790	--	--	60,000	2,790
	$2,374,326	377,212	1,749,000	466,506	4,123,326	843,718

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 6.16% and 9.23%, respectively. For the year ended June 30, 2004, the contribution rates for police employees and the City were 5.93% and 8.907%, respectively, and for the year ended June 30, 2003, the contribution rates for police employees and the City were 6.04% and 9.07%, respectively. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2005, 2004 and 2003 were $25,797, $32,695 and $28,064, 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, 2005, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	$25,266

This liability has been computed based on rates of pay as of June 30, 2005.

(6) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2005 is as follows:

Transfer to	Transfer from	Amount
Enterprise:	Special revenue:	
Water	Employee benefits	$25,017
Sewer		14,590
Sanitation		12,356
Total		$51,963

(7) Related Party Transactions

The City did not have any business transactions between the City and City officials during the year ended June 30, 2005.

(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.

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, 2005

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	$638,995	--	--
Tax increment financing collections	--	--	--
Other city tax	25,636	--	--
Licenses and permits	2,629	--	--
Use of money and property	14,372	6,173	902
Intergovernmental	304,306	--	--
Charges for service	39,524	748,516	--
Special assessments	8,698	--	--
Miscellaneous	496,157	13,727	82,576
Total receipts	1,530,317	768,416	83,478
Disbursements:			
Public safety	223,059	--	--
Public works	223,551	--	10,232
Culture and recreation	567,785	--	--
Community and economic development	109,899	--	5,303
General government	175,003	--	--
Debt service	881,616	--	--
Capital projects	5,000	--	--
Business type activities	--	855,327	--
Total disbursements	2,185,913	855,327	15,535
Excess of receipts over disbursements	(655,596)	(86,911)	67,943
Other financing sources, net	1,238,069	205,729	--
Excess of receipts and other financing sources over disbursements and other financing uses	582,473	118,818	67,943
Balances beginning of year	889,769	522,887	43,943
Balances end of year	$1,472,242	641,705	111,886

See accompanying independent auditor's report.

Net	Budgeted Amounts Original	Final	Final to Net Variance
638,995	640,996	640,996	(2,001)
--	--	--	--
25,636	27,864	27,864	(2,228)
2,629	25,580	25,580	(22,951)
19,643	51,250	49,250	(29,607)
304,306	245,125	308,265	(3,959)
788,040	686,980	686,980	101,060
8,698	32,600	60,600	(51,902)
427,308	175,576	434,121	(6,813)
2,215,255	1,885,971	2,233,656	(18,401)
223,059	233,593	239,991	16,932
223,551	227,267	248,665	25,114
557,553	169,025	336,525	(221,028)
104,596	57,950	106,450	1,854
175,003	192,273	201,925	26,922
881,616	236,396	866,888	(14,728)
5,000	266,000	391,000	386,000
855,327	731,387	779,387	(75,940)
3,025,705	2,113,891	3,170,831	145,126
(810,450)	(227,920)	(937,175)	(126,725)
1,443,798	200,000	1,651,516	207,718
633,348	(27,920)	714,341	80,993
1,368,713	1,275,963	1,406,705	37,992
2,002,061	1,248,043	2,121,046	118,985

City of Sigourney

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2005

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

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except 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 $1,056,940. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2005, disbursements exceeded the amounts budgeted in the culture and recreation, debt service and business type functions.

Other Supplementary Information

City of Sigourney

Schedule I

City of Sigourney
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds
As of and for the year ended June 30, 2005

	Special Revenue	Capital Projects	Fiduciary	General	
	LAHAP Program	Capital Projects	Trusts	Dare	Total
Receipts:					
Property tax	$--	--	--	--	--
Other city tax	--	--	--	--	--
Use of money and property	--	3,796	902	--	4,698
Intergovernmental	95,738	--	--	--	95,738
Special assessments	--	--	--	--	--
Miscellaneous	--	246,088	82,576	7	328,671
Total receipts	95,738	249,884	83,478	7	429,107
Disbursements:					
Operating:					
Public safety	--	--	--	--	--
Public works	--	--	--	--	--
Community Economic Development	104,821	--	--	--	104,821
Culture and recreation	--	358,927	10,232	--	369,159
General government	--	--	5,303	--	5,303
Debt service	--	--	--	--	--
Capital projects	--	--	--	--	--
Total disbursements	104,821	358,927	15,535	--	479,283
Excess (deficiency) of receipts over (under) disbursements	(9,083)	(109,043)	67,943	7	(50,176)
Other financing uses:					
Bond proceeds	--	500,000	--	--	500,000
Net change in cash balances	(9,083)	390,957	67,943	7	449,824
Cash balances beginning of year	11,486	259,520	43,943	622	315,571
Cash balances end of year	$2,403	650,477	111,886	629	765,395
Cash Basis Fund Balances					
Unreserved:					
Special revenue funds	$2,403	--	--	--	2,403
Capital project fund	--	650,477	--	--	650,477
Permanent fund	--	--	111,886	629	112,515
Total cash basis fund balances	$2,403	650,477	111,886	629	765,395

See accompanying independent auditor's report.

City Of Sigourney

Schedule of Indebtedness

Year Ended June 30, 2005

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
Refunding Series 2004	Nov 17, 2004	3.375-3.75
Series 2005	May 1, 2005	4.0-5.0
Revenue Capital Loan Notes:		
Sewer - Series 1992	Nov 25, 1992	4.37
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
IADOT	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	Unpaid Interest
$875,000	620,000	--	620,000	--	15,748	--
620,000	545,000	--	25,000	520,000	27,828	--
635,000	540,000	--	50,000	490,000	23,005	--
89,205	8,486	--	8,486	--	131	--
68,000	36,003	--	13,896	22,107	1,464	--
47,000	23,757	--	11,539	12,218	1,400	--
635,000	--	635,000	55,000	580,000	12,743	--
750,000	--	750,000	--	750,000	--	--
	1,773,246	1,385,000	783,921	2,374,325	82,319	--
$523,000	234,000	--	22,000	212,000	10,226	--
390,000	345,000	--	16,000	329,000	10,350	--
50,000	44,000	--	2,000	42,000	1,320	--
350,000	290,000	--	30,000	260,000	12,648	--
1,023,000	946,000	--	40,000	906,000	26,147	--
	1,859,000	--	110,000	1,749,000	60,691	--
$16,225	14,603	--	3,245	11,358	--	--
86,611	86,611	--	15,715	70,896	4,342	--
38,617	25,745	--	25,745	--	--	--
	126,959	--	44,705	82,254	4,342	--

City Of Sigourney

Bond and Notes Maturities

June 30, 2005

General Obligation Note						
Essential Corporate Purpose						
Year Ending June 30	Issued Jul 12, 2001		Issued May 1, 2002		Issued Nov 17, 2004	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2006	5.05%	$30,000	3.70%	$55,000	3.375%	55,000
2007	5.05	30,000	4.00	55,000	3.375	60,000
2008	5.05	30,000	4.15	55,000	3.375	60,000
2009	5.05	30,000	4.30	60,000	3.375	60,000
2010	5.05	40,000	4.45	60,000	3.375	65,000
2011	5.05	40,000	4.55	65,000	3.375	65,000
2012	5.05	40,000	4.65	70,000	3.400	70,000
2013	5.05	40,000	4.75	70,000	3.600	75,000
2014	5.05	45,000		--	3.700	70,000
2015	5.05	45,000		--		--
2016	5.10	45,000		--		--
2017	5.15	20,000		--		--
2018	5.20	20,000		--		--
2019	5.30	20,000		--		--
2020	5.40	20,000		--		--
2021	5.50	25,000		--		--
2022		--		--		--
2023		--		--		--
2024		--		--		--
		$520,000		$490,000		$580,000

See accompanying independent auditor's report.

Issued May 1, 2005		Issued Nov 7, 2001		Issued Apr 15, 2002		
Interest Rates	Amount	Interest Rates	Amount	Amount	Interest Rates	Total
4.00%	$10,000	4.75%	$14,566	5.06%	$12,218	176,784
4.00	25,000	4.75	7,541		--	177,541
4.00	30,000		--		--	175,000
4.00	30,000		--		--	180,000
4.00	30,000		--		--	195,000
4.00	35,000		--		--	205,000
4.00	35,000		--		--	215,000
4.25	35,000		--		--	220,000
4.25	40,000		--		--	155,000
4.25	40,000		--		--	85,000
5.00	40,000		--		--	85,000
5.00	40,000		--		--	60,000
5.00	45,000		--		--	65,000
5.00	45,000		--		--	65,000
5.00	50,000					70,000
5.00	50,000					75,000
5.00	55,000					55,000
5.00	55,000		--		--	55,000
4.65	60,000		--		--	60,000
	$750,000		$22,107		$12,218	$2,374,325

City Of Sigourney

Bond and Notes Maturities

June 30, 2005

	Revenue Notes			
	Sewer Revenue		Water Revenue	
Year	Issued Nov 25, 1992		Issued Oct 1, 2001	
Ending	Interest		Interest	
June 30	Rates	Amount	Rates	Amount
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	--
		$212,000		$329,000

See accompanying independent auditor's report.

Water Revenue Issued June 1, 2002		Water Revenue Issued May 1, 2002		Sewer Revenue Issued Dec 6, 2002		
Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Total
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	30,000	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	35,000	3.00	50,000	137,000
3.00	3,000	2.55	40,000	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
	$42,000		$260,000		$906,000	$1,749,000

Schedule 4

City of Sigourney

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

For the Last Four Years

	2005	2004	2003	2002
Receipts:				
Property tax	$638,995	619,563	615,710	578,963
Tax increment financing collections	--	--	--	--
Other city tax	25,636	36,143	34,991	36,093
Licenses and permits	2,629	7,545	7,439	6,440
Use of money and property	14,372	16,253	25,067	37,661
Intergovernmental	304,306	326,862	734,362	333,424
Charges for service	39,524	46,035	97,253	149,640
Special assessments	8,698	10,681	14,629	–
Miscellaneous	496,157	398,183	231,347	513,863
Total	$1,530,317	1,461,265	1,760,798	1,656,084
Disbursements:				
Operating:				
Public safety	$223,059	240,328	227,472	224,759
Public works	223,551	207,252	336,016	266,740
Health and social services	--	–	–	–
Culture and recreation	567,785	268,299	169,227	186,476
Community and economic development	109,899	125,589	70,891	10,720
General government	175,003	159,057	159,196	165,697
Debt service	881,616	268,166	210,140	835,911
Capital projects	5,000	170,439	1,322,428	1,424,933
Total	$2,185,913	1,439,130	2,495,370	3,115,236

See accompanying independent auditor's report.

FREDRICK J. HENSEL, P.C.
Certified Public Accountant
1052 West Madison Suite B • P.O. Box 842 • Washington, IA 52353 • (319) 653-7617 • FAX (319) 653-5739

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:

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, 2005, which collectively comprise the City's basic financial statements listed in the table of contents and have issued my report thereon dated September 30,2005. 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing 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 opinions on the financial statements and not to provide an opinion 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 I 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 caused by error or fraud 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-05 is a material weakness.

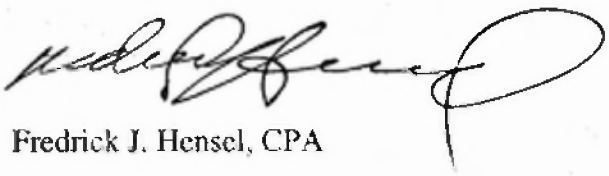
Compliance and Other Matters

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 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2005 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 statues.

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

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.



Fredrick J. Hensel, CPA

September 30, 2005

City of Sigourney

Schedule of Findings

Year ended June 30, 2005

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

I-A-05 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-05 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, 2005.

II-B-05 Certified Budget - Disbursements during the year ended June 30, 2005, 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, 2005

II-C-05 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-05 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-E-05 Business Transactions – No business transactions were noted between the City and City officials or employees.

II-F-05 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.

II-G-05 Council Minutes - No transactions were found that I believe should have been approved in the Council minutes but were not.

II-H-05 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.