

CITY OF SIBLEY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2005

Table of Contents

	<u>Exhibit</u>	<u>Page</u>
Officials		3
Independent Auditor's Report		4 - 5
Management's' Discussion and Analysis		6 - 11
Basic Financial Statements:		
Government-wide Financial Statements:		
Statement of Activities and Net Assets - Cash Basis	A	14 - 15
Government 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	19
Proprietary Fund Financial Statements:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	D	20 - 21
Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Cash Balances to the Statement of Activities and Net Assets	E	22
Notes to Financial Statements		23 - 29
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Fund		32 - 33
Notes to Required Supplementary Information - Budgetary Reporting		34
Other Supplementary Information:		
	<u>Schedule</u>	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor governmental Funds	1	36 - 37
Schedule of Indebtedness	2	38 - 39
Bond and Note Maturities	3	40
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	4	41
Schedule of Expenditures of Federal Awards	5	42
Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting		44 - 45
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance		46 - 47
Schedule of Findings and Questioned Costs		48 - 53

CITY OF SIBLEY

OFFICIALS

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
(Before January 2005)		
Jerry Johnson	Mayor	January 1, 2006
Larry Pedley	Mayor Pro tem	January 1, 2006
Dan Janssen	Council Member	January 1, 2008
Vicky Plotz Van Westen	Council Member	January 1, 2006
Richard Matoloni	Council Member	January 1, 2008
Mike Schulte	Council Member	January 1, 2008
(After January 2005)		
Jerry Johnson	Mayor	January 1, 2006
Larry Pedley	Mayor Pro tem	January 1, 2006
Dan Janssen	Council Member	January 1, 2008
Vicky Plotz Van Westen	Council Member	January 1, 2006
Richard Matoloni	Council Member	January 1, 2008
Mike Schulte	Council Member	January 1, 2008
Dan Zulkosky	Administrator	Indefinite
Dianne Gruis	Clerk/Treasurer	Indefinite
Harold D. Dawson	Attorney	Indefinite

Dan Heard, CPA
David O. Halse, CPA
Kyle Ebel, CPA
Aleene Williams, CPA

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WELLS HEARD HALSE & CO.
Certified Public Accountants
710 SOUTH UNION STREET, P.O. BOX 108
ROCK RAPIDS, IOWA 51246

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Sibley, 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 Sibley's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Sibley 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, we have also issued our reports dated August 4, 2005 on our consideration of the City of Sibley's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 6 through 11 and 34 through 36 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted principally of inquiries of management regarding the

methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Sibley's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the 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 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Wells Heard Halse & Co.

August 4, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Sibley 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.

Because the City 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.

2005 FINANCIAL HIGHLIGHTS

- Revenues of the City's governmental activities decreased 13.7%, or approximately \$316,000, from fiscal 2004 to fiscal 2005. Property tax increased approximately \$16,000 and grant proceeds decreased \$105,000.
- Disbursements increased 8.9%, or approximately \$220,000, in fiscal 2005 from fiscal 2004. Public works and capital projects disbursements increased approximately \$176,000 and \$210,000, respectively.
- The City's total cash basis net assets decreased 36.4%, or approximately \$921,000, from June 30 2004 to June 30, 2005. Of this amount, the assets of the governmental activities decreased approximately \$535,000 and the assets of the business type activities decreased by approximately \$248,000.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, 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 electric, garbage, water, sanitary sewer system, transit service and golf course. 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 fifteen Enterprise Funds to provide separate information for the electric, garbage, water, sanitary sewer system, transit service and golf course funds. Electric, water and golf funds are 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 from a year ago, decreasing from \$520,000 to \$(168,000). 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 transfer:		
Program receipts:		
Charges for service	\$ 207	\$ 211
Operating grants, contributions and restricted interest	296	289
Capital grants, contributions and restricted interest	508	613
General receipts:		
Property tax	947	931
Unrestricted investment earnings	3	3
Other general receipts	25	123
Transfers, net	10	142
Total receipts and transfers	<u>1,996</u>	<u>2,312</u>
Disbursements:		
Public safety	272	316
Public works	471	295
Health and social services	2	2
Culture and recreation	291	297
Community and economic development	327	487
General government	267	215
Debt service	482	491
Capital projects	572	362
Total disbursements	<u>2,684</u>	<u>2,465</u>
Increase (decrease) in cash basis net assets	(688)	(153)
Cash basis net assets beginning of year	<u>520</u>	<u>672</u>
Cash basis net assets end of year	<u>\$ (168)</u>	<u>\$ 519</u>

The City's total receipts for governmental activities decreased by 13.7%, or \$316,000 from the prior year. The total cost of all programs and services increased by approximately \$219,000, or 8.9%, with no new programs added this year. The significant decrease in receipts was primarily the result of no new grants during the current year.

The City increased property tax rates for 2005 by an average of 13 percent. This increase raised the City's property tax receipts by approximately \$16,000 in 2005. Based on decreases in the total assessed valuation, property tax receipts are budgeted to increase by \$14,000 next year.

The cost of all governmental activities this year was \$2.693 million compared to \$2.464 million last year. However, as shown in the Statement of Activities and Net Assets on pages 14-15, the amount taxpayers ultimately financed for these activities was only \$1.673 million because some of the cost was paid by those directly benefited from the programs (\$207,000) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$804,000). Overall, the City's governmental

activities receipts, including intergovernmental aid and fees for service, decreased in 2005 from approximately \$1,113,000 to approximately \$1,011,000, principally due to completion of two Community Development Block Grants for Hope Haven Project and Day Care Project. The City paid for the remaining “public benefit” portion of governmental activities with approximately \$1,673,000 in tax (some of which could only be used for certain programs) and with other receipts, such as interest and general entitlements.

Changes in Cash Basis Net Assets of Business Type Activities (Expressed in Thousands)		
	Year ended June 30,	
	2005	2004
Receipts and transfer:		
Program receipts:		
Charges for service		
Electric	\$ 2,000	\$ 1,921
Water	474	475
Golf	272	266
Other nonmajor	538	761
General receipts:		
Unrestricted investment earnings	29	27
Total receipts	<u>3,313</u>	<u>3,450</u>
Disbursements:		
Electric	1,829	1,650
Water	447	539
Golf	333	316
Other nonmajor	927	835
Transfers	10	142
Total disbursements	<u>3,546</u>	<u>3,482</u>
Increase (decrease) in cash basis net assets	(233)	(32)
Cash basis net assets beginning of year	<u>2,014</u>	<u>2,045</u>
Cash basis net assets end of year	<u>\$ 1,781</u>	<u>\$ 2,013</u>

Total business type activities receipts for the fiscal year were \$3.313 million compared to \$3.450 million last year. This decrease was due primarily to a reduction of miscellaneous receipts in the Electric Improvement Fund of \$236,617. The cash balance decreased by approximately \$233,000 from the prior year because of decrease in revenues and increase in expenses. Total disbursements and transfers for the fiscal year increased by 1.84% to a total of \$3.546 million.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As City of Sibley completed the year, its governmental funds reported a combined fund balance of \$(168,596), a decrease of more than \$688,000 below last year’s total of \$519,644. 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 \$300,770 from the prior year to \$(1,104,540). This decrease was due to general increases in expenses and reduced earnings on cash investments during the fiscal year. The City intends to continue close monitoring of the expenditures to insure only necessary purchase is made.
- The Road Use Tax Fund cash balance decreased by \$138,137 to \$134,089 during the fiscal year. This increase was attributable to increased expenditures during the fiscal year.

- The Urban Renewal Tax Increment Fund was established to account for urban renewal projects within the City’s business district. At the end of the fiscal year, the cash balance was \$37, an increase of \$447 from the previous year. The increase was the result of increase in revenue.
- The Debt Service Fund cash balance decreased by \$51,585 to \$4,945 during the fiscal year. This decrease was due to a decrease in funds transferred in to make debt payments. Bond principal and interest payments decreased by \$51,710 in fiscal 2005.
- The Capital Projects Funds cash balance decreased by \$230,722 due mainly to the Housing Rehab expenditures and equipment purchases from the reserve.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance decreased by \$1,263 to \$74,353, due primarily to a decrease in the revenues and increase in salaries.
- The Sewer Fund cash balance decreased by \$63,416 to \$94,187, due primarily to an increase in the plant repairs, supplies, health insurance and construction costs.
- The Electric Fund cash balance decreased by \$176,982 to \$8,564, due primarily to an increase in the cost of wholesale purchased power, repairs, supplies and health insurance.
- The Golf Course Fund cash balance decreased by \$70,366 to \$(128,953), due primarily to equipment purchased during the year.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on May 9, 2005 and resulted in an increase in operating income and disbursements related to add the grants.

DEBT ADMINISTRATION

At June 30, 2005, the City had approximately \$3,132,000 in bonds and other long-term debt, compared to approximately \$3,634,000 last year, as shown below.

Outstanding Debt at Year-End (Expressed in Thousands)		
	June 30,	
	2005	2004
General obligation bonds	\$ -	\$ 130,000
Capital Loan Notes	1,390,000	1,570,000
Revenue notes	1,685,000	1,890,000
Capital Leases	56,939	44,079
Total	\$ 3,131,939	\$ 3,634,079

Debt decreased as a result of making payments of \$502,140. The City continues to carry a general obligation bond rating of A3 assigned by national rating agencies to the City’s debt since 1990. 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 \$1,390,000 is significantly below its constitutional debt limit of \$2.4 million.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

City of Sibley's elected and appointed officials and citizens considered many factors when setting the fiscal year 2005 budget, tax rates, and fees that will be charged for various City activities. One of those factors is the economy. The City's employment growth has mirrored its population growth during 1999-2005, averaging per year gains of 2.2 percent. Unemployment in the City now stands at 3.1 percent, versus 3.2 percent a year ago. This compares with the State's unemployment rate of 3.4 percent and the national rate of 3.9 percent.

Inflation in the State continues to be somewhat lower than the national Consumer Price Index increase. The State's CPI increase was 3.2 percent for fiscal year 2005 compared with the national rate of 3.4 percent. Inflation has been modest here due in part to the slowing of the residential housing market and modest increases in energy prices in 2004-2005.

These indicators were taken into account when adopting the budget for fiscal year 2006. Amounts available for appropriation in the operating budget are \$5.0 million, a decrease of 10% over the final 2005 budget. Budgeted disbursements are expected to go down approximately \$587,000. Decreases in construction projects represent the largest decreases. The City has added no major new programs or initiatives to the 2006 budget.

If these estimates are realized, the City's budgeted cash balance is expected to increase by approximately \$90,000 by the close of 2005.

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 Dianne Gruis, City Clerk, 808 Third Ave., Sibley, Iowa, 51249.

City of Sibley, Iowa

Basic Financial Statements

City of Sibley
Statement of Activities and Net Assets - Cash Basis
June 30, 2005

Functions/Programs	Disbursements	Program Revenues		
		Charges for Service	Operating Grants Contributions and Restricted Interest	Capital Grants Contributions and Restricted Interest
Governmental activities:				
Public safety	\$ 271,709	\$ -	\$ 11,344	\$ -
Public works	470,917		256,426	-
Health and social services	1,830	-	-	-
Culture and recreation	291,395	69,936	9,154	-
Community and economic development	327,432	-	3,327	322,319
General government	266,909	20,720	103	-
Debt service	482,075	-	4,763	1,618
Capital projects	572,264	116,322	11,134	184,186
Total governmental activities	2,684,531	206,978	296,251	508,123
Business type activities:				
Electric	1,829,123	1,999,797	-	-
Water	447,010	473,689	-	-
Golf	332,757	271,891	-	-
Other nonmajor	926,527	537,782	-	-
Total business type activities	3,535,417	3,283,159	-	-
Total	6,219,948	3,490,137	296,251	508,123
General Receipts:				
Property tax levied for:				
General purposes				
Tax incremental financing				
Unrestricted interest on investment				
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				
Unrestricted				
Total cash basis net assets				

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business Type Activities	Total
\$ (260,365)	\$ -	\$ (260,365)
(214,491)	-	(214,491)
(1,830)	-	(1,830)
(212,305)	-	(212,305)
(1,786)	-	(1,786)
(246,086)	-	(246,086)
(475,694)	-	(475,694)
(260,622)	-	(260,622)
<u>(1,673,179)</u>	<u>-</u>	<u>(1,673,179)</u>
-	170,674	170,674
-	26,679	26,679
-	(60,866)	(60,866)
-	(388,745)	(388,745)
-	<u>(252,258)</u>	<u>(252,258)</u>
<u>(1,673,179)</u>	<u>(252,258)</u>	<u>(1,925,437)</u>
748,678	-	748,678
198,285	-	198,285
3,048	29,097	32,145
9,428	-	9,428
15,500	-	15,500
10,000	(10,000)	-
<u>984,939</u>	<u>19,097</u>	<u>1,004,036</u>
<u>(688,240)</u>	<u>(233,161)</u>	<u>(921,401)</u>
<u>519,559</u>	<u>2,013,611</u>	<u>2,533,170</u>
<u>\$ (168,681)</u>	<u>\$ 1,780,450</u>	<u>\$ 1,611,769</u>
\$ 134,089		\$ 134,089
37		37
33,032	391,075	424,107
(335,839)	1,389,375	1,053,536
<u>\$ (168,681)</u>	<u>\$ 1,780,450</u>	<u>\$ 1,611,769</u>

See notes to financial statements.

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

	General	Road Use Tax	Urban Renewal Tax Increment
Receipts:			
Property tax	\$ 441,548	\$ -	\$ -
Tax increment financing collections	-	-	198,285
Other city tax	3,327	-	-
Licenses and permits	20,720	-	-
Use of money and property	3,049	-	667
Intergovernmental	20,498	232,476	-
Charges for service	69,936	-	-
Special assessments	23,950	-	-
Miscellaneous	9,428	-	-
Total Receipts	<u>592,456</u>	<u>232,476</u>	<u>198,952</u>
Disbursements:			
Operating:			
Public safety	271,709	-	-
Public works	100,305	370,612	-
Health and social services	1,830	-	-
Culture and recreation	279,138	-	-
Community and economic development	325,635	-	-
General government	212,928	-	-
Debt service	-	-	198,505
Capital projects	-	-	-
Total Disbursements	<u>1,191,545</u>	<u>370,612</u>	<u>198,505</u>
Excess of receipts over disbursements	<u>(599,089)</u>	<u>(138,136)</u>	<u>447</u>
Other financing sources (uses):			
Grant proceeds	322,319	-	-
Sale of capital assets	-	-	-
Operating transfers in	-	-	-
Operating transfers out	(24,000)	-	-
Total other financing sources (uses)	<u>298,319</u>	<u>-</u>	<u>-</u>
Net change in cash balances	<u>(300,770)</u>	<u>(138,136)</u>	<u>447</u>
Cash balances beginning of year	<u>(803,770)</u>	<u>272,225</u>	<u>(410)</u>
Cash balances end of year	<u>\$ (1,104,540)</u>	<u>\$ 134,089</u>	<u>\$ 37</u>
Cash Basis Fund Balances			
Reserved:			
Debt service	-	-	-
Unreserved:			
General fund	(1,104,540)	-	-
Special revenue funds	-	134,089	37
Capital projects funds	-	-	-
Total cash basis fund balances	<u>(1,104,540)</u>	<u>134,089</u>	<u>37</u>

See notes to financial statements.

	Debt Service	Other Nonmajor Governmental Funds	Total
\$	230,367	\$ 76,763	\$ 748,678
	-	-	198,285
	-	-	3,327
	-	-	20,720
	1,618	11,236	16,570
	-	-	252,974
	-	116,322	186,258
	-	4,096	28,046
	-	-	9,428
	<u>231,985</u>	<u>208,417</u>	<u>1,464,286</u>
	-	-	271,709
	-	-	470,917
	-	-	1,830
	-	12,257	291,395
	-	1,797	327,432
	-	62,409	275,337
	283,570	-	482,075
	-	572,264	572,264
	<u>283,570</u>	<u>648,727</u>	<u>2,692,959</u>
	<u>(51,585)</u>	<u>(440,310)</u>	<u>(1,228,673)</u>
	-	184,186	506,505
	-	15,500	15,500
	-	34,000	34,000
	-	-	(24,000)
	-	233,686	532,005
	<u>(51,585)</u>	<u>(206,624)</u>	<u>(696,668)</u>
	56,530	979,450	504,025
\$	<u>4,945</u>	<u>\$ 772,826</u>	<u>\$ (192,643)</u>
	4,945	28,087	33,032
	-	-	(1,104,540)
	-	32,940	167,066
	-	711,799	711,799
	<u>4,945</u>	<u>772,826</u>	<u>(192,643)</u>

See notes to financial statements.

City of Sibley, Iowa

City of Sibley, Iowa
 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

Exhibit C

Total governmental funds cash balances (page 17) \$ (192,643)

**Amounts reported for governmental activities in the
 Statements of Net Assets are different because:**

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health insurance benefit plan to individual funds. The assets of the Internal Service Fund are included in governmental activities in the Statement of Net Assets.

23,962

Cash basis net assets of governmental activities (page 15) \$ (168,681)

Net change in cash balances (page 17) \$ (696,668)

**Amounts reported for governmental activities in the
 Statements of Net Assets are different because:**

The Internal Service Fund is used by management to charge the costs of employee health benefits to individual funds. The change on net assets of the Internal Service Fund is reported with governmental activities

8,428

Change in cash balance of governmental activities (page 15) \$ (688,240)

See notes to financial statements.

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

	Enterprise Funds		
	Electric	Water	Golf
Operating receipts:			
Use of money and property	\$ 3,247	\$ 2,078	\$ -
Licenses and permits	-	-	-
Charge for service	1,999,797	473,689	271,891
Miscellaneous	-	-	-
Total operating receipts	2,003,044	475,767	271,891
Operating disbursements:			
Governmental activities:			
Public works	-	-	-
Health and social services	-	-	-
Community and economic development	-	-	-
General government	-	-	-
Capital projects	-	11,420	-
Business type activities	1,844,106	435,590	332,757
Total operating disbursements	1,844,106	447,010	332,757
Excess (deficiency) of operating receipts over (under)	158,938	28,757	(60,866)
Non-operating receipts (disbursements):			
Debt service	-	-	-
Total non-operating receipts (disbursements)	-	-	-
Excess (deficiency) of receipts over (under) disbursement	158,938	28,757	(60,866)
Operating transfers in	-	-	-
Operating transfers out	(335,920)	(30,020)	(9,500)
Net change in cash balances	(176,982)	(1,263)	(70,366)
Cash balances beginning of year	185,546	75,616	(58,587)
Cash balances end of year	\$ 8,564	\$ 74,353	\$ (128,953)
Cash Basis Fund Balances			
Reserved for debt service	\$ -	\$ -	\$ -
Unreserved	8,564	74,353	(128,953)
Total cash basis fund balances	\$ 8,564	\$ 74,353	\$ (128,953)

See notes to financial statements.

Enterprise Funds		Internal Service Funds		
Other Nonmajor Enterprise	Total	Employee Health	Payroll	Total
\$ 23,772	\$ 29,097	\$ 193	\$ -	\$ 193
11,023	11,023	-	-	-
526,759	3,272,136	184,572	860,176	1,044,748
-	-	6,226	-	6,226
561,554	3,312,256	190,991	860,176	1,051,167
6,860	6,860	-	-	-
1,838	1,838	-	-	-
-	-	-	-	-
-	-	165,089	862,668	1,027,757
126,982	138,402	-	-	-
487,211	3,099,664	-	-	-
622,891	3,246,764	165,089	862,668	1,027,757
(61,337)	65,492	25,902	(2,492)	23,410
(303,636)	(303,636)	-	-	-
(303,636)	(303,636)	-	-	-
(364,973)	(238,144)	25,902	(2,492)	23,410
370,281	370,281	-	-	-
(4,841)	(380,281)	-	-	-
467	(248,144)	25,902	(2,492)	23,410
1,783,420	1,985,995	38,632	4,519	43,151
\$ 1,783,887	\$ 1,737,851	\$ 64,534	\$ 2,027	\$ 66,561
\$ 391,075	\$ 391,075	\$ -	\$ -	\$ -
1,392,812	1,346,776	64,534	2,027	66,561
\$ 1,783,887	\$ 1,737,851	\$ 64,534	\$ 2,027	\$ 66,561

See notes to financial statements.

City of Sibley, Iowa
Reconciliation of the Statement of Cash Receipts, Disbursements and
Changes in Cash Balances to the Statement of Activities and
Net Assets - Proprietary Funds
Year ended June 30, 2005

Exhibit E

Total enterprise funds cash balances (page 21) \$ 1,737,851

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

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health insurance benefit plan to individual funds. The assets of the Internal Service Fund are included in business type activities in the Statement of Net Assets.

42,599

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

\$ 1,780,450

Net change in cash balances (page 21)

\$ (248,144)

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

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health insurance benefit to individual funds. The change on net assets of the Internal Service Fund is reported with business type activities.

14,983

Change in cash balance of business type activities (page 15)

\$ (233,161)

See notes to financial statements.

City of Sibley, Iowa
Notes to Financial Statements
June 30, 2005

(1) Summary of Significant Accounting Policies

The City of Sibley is a political subdivision of the State of Iowa located in Sample County. It was first incorporated in 1875 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides electric, garbage, water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Sibley 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.

Jointly Governed Organizations

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

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 Urban Renewal Tax Increment Fund is used to account for urban renewal projects financed by tax increment financing.

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 Electric Fund accounts for the operation and maintenance of the City's electricity and generator substation system.

The Golf Course Fund accounts for the operation and maintenance of the City's golf course and clubhouse.

The City also reports the following additional proprietary funds:

An Internal Service Fund is utilized to account for the processing of employee health and payroll of the City.

C. Measurement Focus and Basis of Accounting

The City of Sibley 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 general government and business type 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 at June 30, 2005 are as follows:

Type	Carrying Amount	Fair Value
GNMA Mortgage Securities	\$ -	\$ -

(3) Bonds and Notes Payable

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

Year Ending June 30,	Revenue Bonds		Capital Loan Notes		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 175,000	\$ 86,618	\$ 304,440	\$ 70,607	\$ 479,440	\$ 157,225
2007	185,000	77,211	280,547	54,903	465,547	132,114
2008	190,000	67,320	296,717	39,951	486,717	107,271
2009	200,000	56,935	128,296	23,698	328,296	80,633
2010	215,000	45,780	105,000	17,665	320,000	63,445
2011 - 2014	720,000	61,868	275,000	28,320	995,000	90,188
Totals	\$ 1,685,000	\$ 395,732	\$ 1,390,000	\$ 235,144	\$ 3,075,000	\$ 630,876

The Code of Iowa requires principal and interest on general obligation bonds be paid from the Debt Service Fund.

The resolutions providing for the issuance of the water revenue bonds include the following provisions.

- (a) The bonds will only be redeemed from the future earnings of the enterprise activity and the bondholders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly cash transfers shall be made to separate water revenue bond sinking accounts within the Enterprise Funds for the purpose of making the bond principal and interest payments when due.
- (c) The bond requires a reserve in the water revenue bond sinking account of \$39,500.

(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 \$43,368, \$43,063 and \$36,880, 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 and sick leave termination payments payable to employees at June 30, 2005, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 36,010
Sick leave	248,955
Totals	<u>\$ 284,965</u>

This liability has been computed based on rates of pay in effect at June 30, 2005.

(6) Anticipatory Warrants

Anticipatory warrants are warrants which are legally drawn on City funds but are not paid for lack of funds, in accordance with Chapter 74 of the Code of Iowa. The warrants bear interest at rates in effect at the time the warrants are first presented for redemption. There were no unpaid anticipatory warrants at the end of the year.

(7) Interfund Transfers

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

Transfer to:	Transfer from:	Amount
Revolving Loan	Sewer	2,420
	Garbage	2,421
	Water	2,420
		<u>7,261</u>
Electric Revenue Reserve	Electric	<u>65,100</u>
Electric Revenue Sinking	Electric	<u>260,820</u>
Electric Improvement	Electric	<u>9,500</u>
Water Revenue Sinking	Water	<u>27,600</u>
Capital Reserve	Electric	10,000
	General	
	Miscellaneous Recreation	4,000
	Fire	10,000
	Street Department	5,000
	Airport	5,000
		<u>34,000</u>
Total		<u>\$ 404,281</u>

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

(8) Related Party Transactions

The City had business transactions between the City and City officials totaling \$379.90 during the year ended June 30, 2005.

(9) Risk Management

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 509 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

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

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2005 were \$82,327.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2005, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution, which the withdrawing member would have made for the one-year period following withdrawal.

(10) Deficit Fund Balance

The Capital Project, Airport Apron Improvement has a deficit balance of \$32,919 at June 30, 2005. This occurred as the expenses have incurred and will be reimbursed with a grant from the State of Iowa. Also Street Improvement project has a deficit balance of \$3,662 at June 30, 2005. This project has just started and the deficit will be eliminated as the project is completed.

The General Fund had a deficit balance of \$1,104,540 at June 30, 2005. The deficit balance occurred over several years while the golf course was being developed. The city is working towards eliminating this deficit over the next several years.

The Enterprise Funds, Transit Service Fund, had a deficit balance of \$2,084 at June 30, 2005. This occurred as the City is starting the transit service and plans to have it self-sufficient in the future years.

The Enterprise Funds, Golf Course Fund, had a deficit balance of \$128,953 at June 30, 2005. This is the second year that the golf course fund is operating as an enterprise fund. The City goal is to make the golf course self-sufficient in the future years.

(11) Contingency

The City has a self-insurance program in place for the medical insurance that it provides to its employees. Under the program, the employee pays a deductible of \$100 for family coverage and \$50 for single coverage. The insurance policies that the City maintains provide for a \$500 deductible. The City is therefore, liable for the difference in these deductible amounts for each employee. As of June 30, 2005, this total difference amounts to a potential liability to the City of \$6,950.

City of Sibley, Iowa

Required Supplementary Information

City of Sibley, Iowa
 Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances -
 Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Fund
 Required Supplementary Information
 Year ended June 30, 2005

	Governmental Funds Actual	Proprietary Funds Actual
	<u>Actual</u>	<u>Actual</u>
Receipts:		
Property tax	\$ 748,678	\$ -
Tax increment financing collections	198,285	-
Other city tax	3,327	-
Licenses and permits	20,720	-
Use of money and property	16,570	29,097
Intergovernmental	252,974	-
Charges for service	186,258	3,272,136
Special assessments	28,046	-
Miscellaneous	9,428	-
Total receipts	<u>1,464,286</u>	<u>3,301,233</u>
Disbursements:		
Public safety	271,709	-
Public works	470,917	6,860
Health and social services	1,830	1,838
Culture and recreation	291,395	-
Community and economic development	327,432	-
General government	275,337	-
Debt service	482,075	303,636
Capital projects	572,264	138,402
Business type activities	-	3,099,664
Total disbursements	<u>2,692,959</u>	<u>3,550,400</u>
Excess of receipts over disbursements	(1,228,673)	(249,167)
Other financing sources, net	<u>532,005</u>	
Excess of receipts and other financing sources over disbursements and other financing uses	(696,668)	(249,167)
Balances beginning of year	<u>504,025</u>	<u>1,985,995</u>
Balances end of year	<u>\$ (192,643)</u>	<u>\$ 1,736,828</u>

See accompanying independent auditor's report.

Less Funds not Required to be Budgeted	Total Actual	Budgeted Amounts		Final to Actual Variance
		Original	Final	
\$ -	\$ 748,678	\$ 736,597	\$ 736,597	\$ 12,081
-	198,285	198,000	198,000	285
-	3,327	11,513	11,513	(8,186)
-	20,720	14,000	14,000	6,720
-	45,667	81,000	81,000	(35,333)
-	252,974	362,956	362,956	(109,982)
-	3,458,394	3,589,775	3,589,775	(131,381)
-	28,046	4,500	4,500	23,546
-	9,428	83,000	405,319	(395,891)
-	4,765,519	5,081,341	5,403,660	(638,141)
-	271,709	288,343	288,343	(16,634)
-	477,777	494,928	494,928	(17,151)
-	3,668	1,830	1,830	1,838
-	291,395	294,065	294,065	(2,670)
-	327,432	25,000	347,319	(19,887)
-	275,337	132,192	132,192	143,145
-	785,711	409,260	409,260	376,451
-	710,666	-	-	710,666
-	3,099,664	3,403,037	3,403,037	(303,373)
-	6,243,359	5,048,655	5,370,974	872,385
-	(1,477,840)	32,686	32,686	(1,510,526)
-	532,005	-	1,291,175	(759,170)
-	(945,835)	32,686	1,323,861	(2,269,696)
-	2,490,020	2,104,866	2,697,924	(207,904)
\$ -	\$ 1,544,185	\$ 2,137,552	\$ 4,021,785	\$ (2,477,600)

See accompanying independent auditor's report.

City of Sibley, Iowa
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 Service 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 revenues and disbursements by \$322,319. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2005, disbursements exceeded the amounts budgeted in the health and social services, general government, capital projects and debt service functions

Other Supplementary Information

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

	Special Revenue Employee Benefit	Debt Services Special Assessments
Receipts:		
Property tax	\$ 76,763	\$ -
Use of money and property	102	-
Charges for service	-	-
Special assessments	-	4,096
Total Receipts	76,865	4,096
Disbursements:		
Operating:		
Public safety	-	-
Culture and recreation	-	-
Community and economic development	-	-
General government	56,863	-
Capital projects	-	-
Total Disbursements	56,863	-
Excess of receipts over disbursements	20,002	4,096
Other financing sources (uses):		
Grant proceeds	-	-
Sale of capital assets	-	-
Operating transfers in	-	-
Operating transfers out	-	-
Total other financing sources (uses)	-	-
Net change in cash balances	20,002	4,096
Cash balances beginning of year	12,938	23,991
Cash balances end of year	32,940	28,087
Cash Basis Fund Balances		
Reserved:		
Debt service		28,087
Unreserved:		
Special revenue funds	32,940	
Capital projects fund		
Total cash basis fund balances	\$ 32,940	\$ 28,087

See accompanying independent auditor's report.

Schedule 1

Capital Projects		Nonmajor Capital Projects	Other Nonmajor Governmental Funds Totals
Housing Development	Capital Project Reserve		
\$ -	\$ -	\$ -	\$ 76,763
-	3,262	7,872	11,236
8,762	35,040	72,520	116,322
-	-	-	4,096
<u>8,762</u>	<u>38,302</u>	<u>80,392</u>	<u>208,417</u>
-	-	-	-
-	12,257	-	12,257
-	1,797	-	1,797
-	5,127	419	62,409
<u>202,573</u>	<u>185,954</u>	<u>183,737</u>	<u>572,264</u>
<u>202,573</u>	<u>205,135</u>	<u>184,156</u>	<u>648,727</u>
<u>(193,811)</u>	<u>(166,833)</u>	<u>(103,764)</u>	<u>(440,310)</u>
184,186	-	-	184,186
-	-	15,500	15,500
-	34,000	-	34,000
-	-	-	-
<u>184,186</u>	<u>34,000</u>	<u>15,500</u>	<u>233,686</u>
<u>(9,625)</u>	<u>(132,833)</u>	<u>(88,264)</u>	<u>(206,624)</u>
<u>10,237</u>	<u>442,477</u>	<u>489,807</u>	<u>979,450</u>
<u>612</u>	<u>309,644</u>	<u>401,543</u>	<u>772,826</u>
			28,087
			32,940
<u>612</u>	<u>309,644</u>	<u>401,543</u>	<u>711,799</u>
<u>\$ 612</u>	<u>\$ 309,644</u>	<u>\$ 401,543</u>	<u>\$ 772,826</u>

See accompanying independent auditor's report.

City of Sibley
Schedule of Indebtedness
Year ended June 30, 2005

Obligation	Date of Issue	Interest Rate	Amount Originally Issued	Balance Beginning of Year
General obligation bonds:				
Well # 6	11/1/1990	6.15 to 7 %	\$ 300,000	\$ 30,000
1994 Utility improvements	7/1/1994	4.3 to 5.1 %	720,000	100,000
Total				<u>130,000</u>
Capital Loan Notes:				
Sewer project	2/1/1996	3.5 to 4.6 %	265,000	65,000
Firetruck and golf course equipment	11/1/1997	4.4 to 5.15%	560,000	260,000
Urban renewal projects	1/1/1997	6.4 to 7.3%	590,000	285,000
Swimming pool and water tower	6/1/1998	5.50%	300,000	200,000
1999 Street and sewer project	5/1/2000	5.2 to 5.6%	160,000	140,000
Benjamin Franklin School Gym	1/18/2001	4.90%	145,000	90,000
2003 Capital Improvements	1/1/2003	2.1 to 4.4%	580,000	530,000
Golf Course Equipment	4/12/2005	5.55	85,000	-
Totals				<u>1,570,000</u>
Revenue bonds:				
2000 Electric revenue	12/1/2000	4.9 to 5.6%	2,300,000	1,850,000
Water project	4/27/1990	6.4 to 8.5%	395,000	40,000
Totals				<u>1,890,000</u>
Capital Leases:				
2003 Sterling truck w/leach rear loader #1	11/19/2002		96,850	44,079
Elgin street sweeper	9/8/2004	4.86%	43,750	-
Elgin street sweeper	9/8/2004	4.86%	43,750	-
Totals				<u>\$ 44,079</u>

See accompanying independent auditor's report.

Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
\$ -	\$ 30,000	\$ -	\$ 2,100	\$ -
-	100,000	-	5,100	-
-	130,000	-	7,200	-
-	30,000	35,000	2,960	134
-	60,000	200,000	13,203	850
-	65,000	220,000	20,502	1,326
-	20,000	180,000	11,000	825
-	20,000	120,000	7,675	550
-	20,000	70,000	4,410	286
-	50,000	480,000	19,325	1,508
85,000	-	85,000	-	1,047
85,000	265,000	1,390,000	79,075	6,526
-	165,000	1,685,000	95,416	7,218
-	40,000	-	2,600	-
-	205,000	1,685,000	98,016	7,218
-	44,079	-	3,163	-
43,750	15,280	28,470	-	1,153
43,750	15,281	28,469	-	1,153
\$ 87,500	\$ 74,640	\$ 56,939	\$ 3,163	\$ 2,306

See accompanying independent auditor's report.

City of Sibley
Bond and Note Maturities
June 30, 2005

Schedule 3

CAPITAL LEASES					REVENUE BONDS	
Year Ending June 30	Elgin Street Sweeper Issued September 8, 2004		Elgin Street Sweeper Issued September 8, 2004		Electric Project Issued Dec. 1, 2000	
	Interest		Interest		Interest	
	Rates	Amounts	Rates	Amounts	Rates	Amounts
2006	4.86%	13,897	4.86%	13,897	5.20%	175,000
2007	4.86%	14,572	4.86%	14,572	5.25%	185,000
2008		-		-	5.30%	190,000
2009		-		-	5.35%	200,000
2010		-		-	5.40%	215,000
2011		-		-	5.50%	225,000
2012		-		-	5.55%	240,000
2013		-		-	5.60%	255,000
TOTAL		<u>\$ 28,469</u>		<u>\$ 28,469</u>		<u>\$ 1,685,000</u>

CAPITAL LOAN NOTES						
Year Ending June 30	Sewer Project Issued February 1, 1996		Firetruck & Golf Course Issued November 1, 1997		Urban Renewal Projects Issued Nov. 1, 1997	
	Interest		Interest		Interest	
	Rates	Amounts	Rates	Amounts	Rates	Amounts
2006	4.60%	35,000	5.05%	65,000	7.15%	70,000
2007		-	5.10%	65,000	7.25%	70,000
2008		-	5.15%	70,000	7.30%	80,000
TOTAL		<u>\$ 35,000</u>		<u>\$ 200,000</u>		<u>\$ 220,000</u>

Year Ending June 30	Swimming Pool & Water Tower Issued June 1, 1998		Utility Improvements Issued January 1, 2003		Street & Sewer Project Issued June 1, 1999	
	Interest		Interest		Interest	
	Rates	Amounts	Rates	Amounts	Rates	Amounts
2006	5.50%	20,000	2.80%	55,000	5.50%	20,000
2007	5.50%	20,000	3.10%	55,000	5.50%	25,000
2008	5.50%	20,000	3.40%	55,000	5.50%	25,000
2009	5.50%	20,000	3.70%	60,000	5.50%	25,000
2010	5.50%	20,000	4.00%	60,000	5.50%	25,000
2011	5.50%	20,000	4.15%	60,000		-
2012	5.50%	20,000	4.30%	65,000		-
2013	5.50%	20,000	4.40%	70,000		-
2014	5.50%	20,000		-		-
TOTAL		<u>\$ 180,000</u>		<u>\$ 480,000</u>		<u>\$ 120,000</u>

Year Ending June 30	Franklin School Gym Issued Jan. 18, 2001	
	Interest	
	Rates	Amounts
2006	4.90%	20,000
2007	4.90%	25,000
2008	4.90%	25,000
TOTAL		<u>\$ 70,000</u>

See accompanying independent auditor's report.

City of Sibley
Schedule of Receipts by Source and Disbursements
By Function - All Governmental Funds
For the Last Four Years

Schedule 4

	2005	2004	2003	2002
Receipts:				
Property tax	\$ 748,678	\$ 791,530	\$ 694,102	\$ 674,849
Tax increment financing collections	198,285	139,212	134,590	170,584
Other city tax	3,327	15,379	-	-
Licenses and permits	20,720	22,965	14,602	14,416
Use of money and property	16,570	18,148	55,923	64,888
Intergovernmental	252,974	253,370	297,347	302,453
Charges for service	186,258	173,172	173,035	187,594
Special assessments	28,046	23,005	5,430	5,729
Miscellaneous	9,428	110,226	107,381	34,797
Total	<u>1,464,286</u>	<u>1,547,007</u>	<u>1,482,410</u>	<u>1,455,310</u>
Disbursements:				
Operating:				
Public safety	271,709	315,545	256,486	280,678
Public works	470,917	295,345	363,435	366,456
Health and social services	1,830	1,830	1,830	529,907
Culture and recreation	291,395	297,228	483,802	130,407
Community and economic development	327,432	6,104	-	-
General government	275,337	694,879	270,500	237,375
Debt service	482,075	491,450	444,798	250,343
Capital projects	572,264	361,990	505,595	92,095
Total	<u>\$ 2,692,959</u>	<u>\$ 2,464,371</u>	<u>\$ 2,326,446</u>	<u>\$ 1,887,261</u>

See accompanying independent auditor's report.

City of Sibley, Iowa
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2005

Schedule 5

Grantor/Program	CFDA Number	Grant Number	Expenditures
Indirect:			
U.S. Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
Community Development Block Grants	14.228	02-CF-024	<u>\$ 252,863</u>
Community Development Block Grants	14.228	03-CF-024	<u>69,456</u>
Community Development Block Grants	14.228	03-HSG-080	<u>184,186</u>
Total			<u><u>\$ 506,505</u></u>

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

See accompanying independent auditor’s report.

City of Sibley, Iowa

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

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Sibley, 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 our report thereon dated August 4, 2005. Our report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Sibley's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Sibley'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 and Questioned Costs.

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. Our 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, we believe items II-A-05 is material weaknesses. Prior year reportable conditions have been resolved except for item II-A-05.

Compliance

As part of obtaining reasonable assurance about whether the City of Sibley's financial statements are free of material misstatement, we 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 our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved except for items IV-B-05, IV-J-05 and IV-K-05.

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 Sibley and other parties to whom the City of Sibley may report including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

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

Wells Heard Halse & Co.

August 4, 2005

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

To the Honorable Mayor and
Members of the City Council:

Compliance

We have audited the compliance of the City of Sibley, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2005. City of Sibley's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the City of Sibley's management. Our responsibility is to express an opinion on the City of Sibley's compliance based on our audit.

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

In our opinion, the City of Sibley complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2005.

Internal Control Over Compliance

The management of the City of Sibley is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Sibley's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted a matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over

compliance that, in our judgment, could adversely affect the City of Sibley's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. The reportable condition is described as item III-A-05 in the accompanying Schedule of Findings and Questioned Costs.

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 non-compliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance 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, we believe item III-A-05 is a material weakness.

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 Sibley and other parties to whom the City of Sibley 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.

Wells Heard Halse & Co.

August 4, 2005

City of Sibley, Iowa
Schedule of Findings and Questioned Costs
Year ended June 30, 2005

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

- (a) An unqualified opinion was issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A reportable condition in internal control over the major program was disclosed by the audit of the financial statements, including a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed audit findings, which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 14.228 – Community Development Block Grants/State's Program.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Sibley did not qualify as a low-risk auditee.

City of Sibley, Iowa
Schedule of Findings and Questioned Costs
Year ended June 30, 2005

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

II-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. The posting of the cash receipts to the cash receipts' journal, reconciliation of the monthly bank statement, and reconciliation of CD amounts are all done by the same person.

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

Response – We will consider this.

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

City of Sibley, Iowa
Schedule of Findings and Questioned Costs
Year ended June 30, 2005

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCE OF NON-COMPLIANCE:

No matters were reported

REPORTABLE CONDITION:

**CFDA Number 14.228: Community Development Block Grants/State's Program
Pass-through Agency Number: 02-2F-024; 03-2F-024; and 03-HSG-080
Federal Award Year: 2005
Department of Housing and Urban Development
Passed through the Iowa Department of Economic Development**

III-A-05 Segregation of Duties over Federal Receipts – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The posting of the cash receipts to the cash receipts' journal, reconciliation of the monthly bank statement, and reconciliation of CD amounts are all done by the same person.

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

Response – We will consider this.

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

City of Sibley, Iowa
 Schedule of Findings and Questioned Costs
 Year ended June 30, 2005

Part IV: Other Findings Related to Statutory Reporting:

IV-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.

IV-B-05 Certified Budget – Disbursements during the year ended June 30, 2005 exceeded the amounts budgeted in the health and social services, general government, debt service, and capital projects type activities 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 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 accepted.

IV-C-05 Questionable Disbursements – No expenditures that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

IV-D-05 Travel Expense – The of City paid hotel accommodations for the entire family for the Golf Course Manager while attending a conference in Orlando Florida. The City should have only paid for the employee.

Recommendation – The City should obtain reimbursement from the employee for the overpayment of travel expenses regarding the accommodations for the family.

Response – The City will obtain the reimbursement for overpayment and will carefully monitor future reimbursements for employees’ travel.

Conclusion – Response accepted

IV-E-05 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Dick Mataloni, Owner of SS Mobile Glass	Replace screens, desk glass and side door glass	\$ 379.90

In accordance with Chapter 362.5(10) of the Code of Iowa, the transactions with the Council Member do not appear to represent conflicts of interest since total transactions with the individual wax less than \$1,500 during the fiscal year.

City of Sibley, Iowa
 Schedule of Findings and Questioned Costs
 Year ended June 30, 2005

Part IV: Other Findings Related to Statutory Reporting, con't.:

- IV-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.
- IV-G-05 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.
- IV-H-05 Deposits and Investments – No instances of non-compliance with the deposits and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the City’s investment policy were noted.
- IV-I-05 Revenue Bonds and Notes – The City has complied with the revenue bond and note resolutions.
- IV-J-05 Economic Development – The City made economic development disbursement which may not be an appropriate expenditure of public funds. Payments made were as follows:

Entity	Purpose	Amount
PJC Management, LLC	Tax Rebate	\$ 3,315.84
Osceola Co. Economic Development	Assessment	25,568.40
Sibley Chamber of Commerce	Funding	8,500.02
Osceola Community Hospital	Site Prep - Daycare	548.37
Bright Beginnings	Funding	1,250.00

In accordance with Chapter 15A of the Code of Iowa and an Attorney General’s opinion dated August 28, 1986, government financing of economic development may, in appropriate circumstances, serve a public purpose. The opinion advises the governing body to evaluate the public benefits to be obtained and discusses specific criteria to be considered in documenting the public purpose.

Recommendation – The Council should evaluate and document the public purpose served by the expenditure before authorizing further payments and should require the Development Committee to provide documentation of how the funds were used to accomplish economic development activities.

Response – We will do this.

Conclusion – Response accepted.

City of Sibley, Iowa
Schedule of Findings and Questioned Costs
Year ended June 30, 2005

Part IV: Other Findings Related to Statutory Reporting, con't.:

IV-K-05 Financial Condition – The Capital Projects, Airport Apron Improvement Fund had a deficit balance at June 30, 2005 of \$32,919. The Capital Projects, Street Improvement Fund had a deficit balance at June 30, 2005 of \$3,662. The General Fund had a deficit balance at June 30, 2005 of \$1,104,540. The Enterprise Funds, Transit Service Fund had a deficit balance at June 30, 2005 of \$2,084. The Enterprise Funds, Golf Course Fund had a deficit balance at June 30, 2005 of \$128,953.

Recommendation – The City should investigate alternatives to eliminate these deficits in order to return these funds to a sound financial position.

Response – The deficits are due to various reasons and the City is taking measures to eliminate the deficits in the funds.

Conclusion – Response accepted.