

**CITY OF SIDNEY**

**INDEPENDENT AUDITORS' REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS**

**JUNE 30, 2005**

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**City of Sidney**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
R. Douglas Hobbie	Mayor	January 2006
Steve Jorgenson	Council Member	January 2006
Randy Moreland	Council Member	January 2006
Joe Travis	Council Member - appointed	January 2008
Jill Travis	Council Member	January 2008
Ryan Kersten	Council Member	January 2006
Suzanne C. Moores	City Clerk	Indefinite
T.J. Patterman	Attorney	Indefinite

**City of Sidney**

September 22, 2005

Independent Auditors' 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 and each major fund of the City of Sidney, 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 Sidney's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2004.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2004, as discussed in the preceding paragraph, 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, and each major fund information of the City of Sidney 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.

Continued...

September 22, 2005  
City of Sidney  
Independent Auditors' Report

As described in Note 14, during the year ended June 30, 2005, the City adopted Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*; Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*; Statement No. 38, *Certain Financial Statement Note Disclosures*; and Statement No. 41, *Budgetary Comparison Schedule – Perspective Differences*.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2005 on our consideration of the City of Sidney's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 11 and 28 through 30 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 Sidney's basic financial statements. Other supplementary information included in Schedules 1 through 3, 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.

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

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City of Sidney 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 increased 34.2%, or approximately \$705,000, from fiscal 2003 to fiscal 2005. Property tax increased approximately \$48,000 and bond proceeds increased \$515,000.
- Disbursements increased 5.2%, or approximately \$90,000, in fiscal 2005 from fiscal 2003. Public safety, debt service and capital projects disbursements increased approximately \$16,000, \$34,000 and \$17,000, respectively.
- The City's total cash basis net assets increased 75%, or approximately \$1,712,000, from June 30 2003 to June 30, 2005. Of this amount, the assets of the governmental activities increased approximately \$956,000 and the assets of the business type activities increased by approximately \$756,000.

### **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 waterworks and 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 two Enterprise Funds to provide separate information for the water and sewer 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 sharply from a year ago, increasing from \$1.689 million to \$2.645 million. The analysis that follows focuses on the changes in cash balances for governmental activities.

The City's total receipts for governmental activities increased by 34.2%, or \$705,000. The total cost of all programs and services increased by approximately \$90,000, or 5.2%, with no new programs added this year. The significant increase in receipts was primarily the result of proceeds received from the issuance of urban renewal tax increment financing revenue bonds.

The City increased property tax rates for 2005 by an average of 4 percent. This increase, the first in three years, raised the City's property tax receipts by approximately \$48,000 in 2005. Based on increases in the total assessed valuation, property tax receipts are budgeted to increase by an additional \$50,000 next year.

The cost of all governmental activities this year was \$1.806 million compared to \$1.716 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 \$1.229 million because some of the cost was paid by those directly benefited from the programs (\$206,000) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$372,000). Overall, the City's governmental activities receipts, including intergovernmental aid and fees for service, increased in 2005 from approximately \$460,000 to approximately \$577,000, principally due to receiving grant proceeds to complete the City Hall renovation project. The City paid for the remaining "public benefit" portion of governmental activities with approximately \$1,229,000 in tax (some of which could only be used for certain programs) and with other receipts, such as interest and general entitlements.

Total business type activities receipts for the fiscal year were \$2.469 million compared to \$1.632 million last year. This significant increase was due primarily to the receipt of \$750,000 in sewer construction general obligation bond proceeds. The cash balance increased by approximately \$756,000 from the prior year because most of the bond proceeds received will not be spent until next fiscal year for the approved sewer construction project. Total disbursements and transfers for the fiscal year increased by 9.4% to a total of \$1.713 million.

## **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As City of Sidney completed the year, its governmental funds reported a combined fund balance of \$2,634,039, an increase of more than \$950,000 above last year's total of \$1,679,848. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$239,808 from the prior year to \$1,555,623. Approximately \$95,000 of this increase was due to local option sales tax received for the first time this fiscal year. The City intends to use these receipts to help offset future property tax increases.
- The Road Use Tax Fund cash balance increased by \$122,922 to \$333,330 during the fiscal year. This increase was also attributable to approximately \$95,000 from local option sales

tax received this fiscal year. The City intends to use this money to upgrade the condition of all City roads.

- The Urban Renewal Tax Increment Fund was established in the previous fiscal year to account for a major urban renewal project within the City's business district. At the end of the fiscal year, the cash balance was \$636,340, an increase of \$595,029 from the previous year. The increase was the result of proceeds of \$515,000 received from the issuance of urban renewal tax increment financing revenue bonds. These proceeds will be used for various construction and refurbishing projects within the urban renewal district. The bonds and interest will be redeemed with incremental property tax generated from the increased taxable valuation in the district.
- The Debt Service Fund cash balance increased by \$45,093 to \$56,583 during the fiscal year. This increase was due to an increase in property tax. Bond principal and interest payments increased by \$34,058 in fiscal 2005.

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

- The Water Fund cash balance increased by \$64,050 to \$190,101, due primarily to an increase in the sale of water and reductions in debt service payments over the prior year.
- The Sewer Fund cash balance increased by \$690,535 to \$1,160,340, due primarily to the receipt of \$750,000 in general obligation bond proceeds.

#### **BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget two times. The first amendment was approved on March 25, 2005 and resulted in an increase in operating disbursements related to a cost overrun of approximately \$10,000 on various maintenance projects involving City Hall. The second amendment was approved on May 24, 2005 to provide for additional disbursements in certain City departments. The City had sufficient cash balances to absorb these additional costs.

#### **DEBT ADMINISTRATION**

At June 30, 2005, the City had approximately \$3,695,000 in bonds and other long-term debt, compared to approximately \$2,815,000 last year, as shown below.

Debt increased as a result of issuing general obligation bonds for a sewer construction project. In addition, the City issued urban renewal tax increment financing revenue bonds for the purpose of defraying a portion of the costs of carrying out an urban renewal project of the City.

The City continues to carry a general obligation bond rating of A3 assigned by national rating agencies to the City's debt since 1995. 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 \$1,690,000 is significantly below its constitutional debt limit of \$12 million.

#### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

City of Sidney'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 2003-2005.

These indicators were taken into account when adopting the budget for fiscal year 2005. Amounts available for appropriation in the operating budget are \$4.0 million, an increase of 3% over the final 2005 budget. Property tax (benefiting from the 2005 rate increases and increases in assessed valuations) and proceeds from the urban renewal tax increment financing revenue bonds are expected to lead this increase. The City will use these increases in receipts to finance programs we currently offer and to defray a portion of the costs of carrying out a major urban renewal project of the City. Budgeted disbursements are expected to rise by approximately \$600,000. Increased wage and cost-of-living adjustments, increases in street construction and maintenance and the urban renewal project represent the largest increases. The City has added no major new programs or initiatives to the 2005 budget.

If these estimates are realized, the City's budgeted cash balance is expected to decrease by approximately \$600,000 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 Marilyn Martin, City Clerk, 101 Main Street, City of Sidney, Iowa.

**City of Sidney**  
**Basic Financial Statements**

City of Sidney  
Statement of Activities and Net Assets – Cash Basis  
As of and for the year ended June 30, 2005

	Disbursements	Program Charges for Service
<b>Functions/Programs:</b>		
Governmental activities:		
Public safety	\$ 61,334	1,626
Public works	131,875	18,291
Culture and recreation	88,095	15,664
Community and economic development	22,590	-
General government	123,873	-
Debt service	73,323	-
Capital projects	325,394	-
Total governmental activities	826,484	35,581
Business type activities		
Water	152,072	101,645
Sewer	55,924	76,439
Total business type activities	207,996	178,084
 Total	\$ 1,034,480	213,413

**General Receipts:**

Property tax levied for:  
    General purposes  
    Debt service  
Local option sales tax  
Unrestricted interest on investments  
Grants and contributions not restricted to specific purpose  
Miscellaneous  
Sale of assets  
    Total general receipts and transfers

Change in cash basis net assets

Cash basis net assets beginning of year

Cash basis net assets end of year

**Cash Basis Net Assets:**

Restricted:  
    Streets  
    Employee benefits  
    Debt service  
    Capital projects  
    Other purposes  
Unrestricted

    Total cash basis net assets

See notes to financial statements

**Exhibit A**

Receipts		Net (Disbursement) Receipts and Changes in Cash Basis Net Assets		
Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
-	-	(59,708)	-	(59,708)
108,090	-	(5,494)	-	(5,494)
1,575	39,251	(31,605)	-	(31,605)
-	-	(22,590)	-	(22,590)
-	-	(123,873)	-	(123,873)
-	-	(73,323)	-	(73,323)
-	101,744	(223,650)	-	(223,650)
<u>109,665</u>	<u>140,995</u>	<u>(540,243)</u>	<u>-</u>	<u>(540,243)</u>
-	-	-	(50,427)	(50,427)
-	-	-	20,515	20,515
-	-	-	(29,912)	(29,912)
<u>109,665</u>	<u>140,995</u>	<u>(540,243)</u>	<u>(29,912)</u>	<u>(570,155)</u>
		183,100	-	183,100
		48,654	-	48,654
		80,017	-	80,017
		10,898	891	11,789
		4,537	-	4,537
		14,425	797	15,222
		6,447	-	6,447
		<u>348,078</u>	<u>1,688</u>	<u>349,766</u>
		(192,165)	(28,224)	(220,389)
		<u>745,172</u>	<u>253,014</u>	<u>998,186</u>
		<u>\$ 553,007</u>	<u>224,790</u>	<u>777,797</u>
		\$ 172,866	-	172,866
		42,725	-	42,725
		7,905	-	7,905
		125,269	-	125,269
		98,539	20,325	118,864
		<u>105,703</u>	<u>204,465</u>	<u>310,168</u>
		<u>\$ 553,007</u>	<u>224,790</u>	<u>777,797</u>

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

	General	Special Revenue		
		Road Use	Employee Benefits	Local Option Sales Tax
Receipts:				
Property tax	\$ 169,914	-	5,828	-
Other city tax	7,134	-	224	80,017
Licenses and permits	1,626	-	-	-
Use of money and property	21,545	-	-	-
Intergovernmental	6,225	108,090	-	-
Charges for service	32,863	-	-	-
Special assessments	252	-	-	-
Miscellaneous	49,283	-	-	-
Total receipts	288,842	108,090	6,052	80,017
Disbursements:				
Operating:				
Public safety	61,334	-	-	-
Public works	34,582	97,293	-	-
Culture and recreation	88,095	-	-	-
Community and economic development	22,590	-	-	-
General government	116,207	-	7,666	-
Debt service	21,482	-	-	-
Capital projects	0	-	-	-
Total disbursements	344,290	97,293	7,666	-
Excess (deficiency) of receipts over (under) disbursements	(55,448)	10,797	(1,614)	80,017
Other financing sources (uses):				
Operating transfers in	80,017	-	-	-
Operating transfers out	(223,650)	-	-	(80,017)
Total other financing sources (uses)	(143,633)	-	-	0
Net change in cash balances	(199,081)	10,797	(1,614)	-
Cash balances beginning of year	304,784	162,069	44,339	-
Cash balances end of year	\$ 105,703	172,866	42,725	-
<b>Cash Basis Fund Balances</b>				
Reserved:				
Debt service	-	-	-	-
Unreserved:				
General fund	105,703	-	-	-
Special revenue fund	-	172,866	42,725	-
Capital project fund	-	-	-	-
Permanent fund	-	-	-	-
Total cash basis fund balances	\$ 105,703	172,866	42,725	-

See notes to financial statements

Debt Service	Capital Projects	Permanent Cemetery Perpetual Care	Total
46,687	-	-	222,429
1,967	-	-	89,342
-	-	-	1,626
-	-	-	21,545
-	101,744	-	216,059
-	-	-	32,863
-	-	-	252
-	-	920	50,203
<u>48,654</u>	<u>101,744</u>	<u>920</u>	<u>634,319</u>
-	-	-	61,334
-	-	-	131,875
-	-	-	88,095
-	-	-	22,590
-	-	-	123,873
51,841	-	-	73,323
-	325,394	-	325,394
<u>51,841</u>	<u>325,394</u>	<u>-</u>	<u>826,484</u>
(3,187)	(223,650)	920	(192,165)
-	-	-	80,017
-	223,650	-	(80,017)
<u>-</u>	<u>223,650</u>	<u>-</u>	<u>-</u>
(3,187)	-	920	(192,165)
<u>11,092</u>	<u>125,269</u>	<u>97,619</u>	<u>745,172</u>
<u>7,905</u>	<u>125,269</u>	<u>98,539</u>	<u>553,007</u>
7,905	-	-	7,905
-	-	-	105,703
-	-	-	215,591
-	125,269	-	125,269
-	-	98,539	98,539
<u>7,905</u>	<u>125,269</u>	<u>98,539</u>	<u>553,007</u>

City of Sidney  
 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

<b>Total governmental funds cash balances (page 16)</b>	\$	553,007
 <i>Adjustments</i>		
None		-
<b>Cash basis net assets of governmental activities (page 14)</b>	\$	553,007
<b>Net change in cash balances (page 16)</b>	\$	(192,165)
 <i>Adjustments</i>		
None		-
<b>Change in cash balance of governmental activities (page 14)</b>	\$	(192,165)

See notes to financial statements

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

	<u>Water</u>	<u>Enterprise Sewer</u>	<u>Total</u>
Operating receipts:			
Charges for service	\$ 101,645	76,439	178,084
Miscellaneous	<u>3,226</u>	<u>-</u>	<u>3,226</u>
Total operating receipts	104,871	76,439	181,310
Operating disbursements:			
Business type activities	<u>152,072</u>	<u>55,924</u>	<u>207,996</u>
Total operating disbursements	<u>152,072</u>	<u>55,924</u>	<u>207,996</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	(47,201)	20,515	(26,686)
Non-operating receipts (disbursements):			
Interest on investments	188	703	891
Miscellaneous	<u>(2,429)</u>	<u>-</u>	<u>(2,429)</u>
Total non-operating receipts (disbursements)	<u>(2,241)</u>	<u>703</u>	<u>(1,538)</u>
Excess (deficiency) of receipts over (under) disbursements	(49,442)	21,218	(28,224)
Operating transfers in (out)	<u>61,123</u>	<u>(61,123)</u>	<u>-</u>
Net change in cash balances	11,681	(39,905)	(28,224)
Cash balances beginning of year	<u>50,517</u>	<u>202,497</u>	<u>253,014</u>
Cash balances end of year	<u>\$ 62,198</u>	<u>162,592</u>	<u>224,790</u>
 <b>Cash Basis Fund Balances</b>			
Reserved for meter deposits	\$ 20,325	-	20,325
Unreserved	<u>41,873</u>	<u>162,592</u>	<u>204,465</u>
	<u>\$ 62,198</u>	<u>162,592</u>	<u>224,790</u>

See notes to financial statements

City of Sidney  
 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

<b>Total enterprise funds cash balances (page 16)</b>	\$	224,790
<i>Adjustments</i>		
None		-
<b>Cash basis net assets of business type activities (page 14)</b>	\$	224,790
<b>Net change in cash balances (page 16)</b>	\$	(28,224)
<i>Adjustments</i>		
None		-
<b>Change in cash balance of business type activities (page 14)</b>	\$	(28,224)

See notes to financial statements

City of Sidney  
Notes to Financial Statements  
June 30, 2005

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

The City of Sidney is a political subdivision of the State of Iowa located in Fremont County 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 Sidney 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: Fremont County Assessor's Conference Board, Fremont County Emergency Management Commission, Fremont County Landfill Commission and Fremont County Joint E911 Service Board.

City of Sidney  
Notes to Financial Statements  
June 30, 2005

**NOTE (1) Summary of Significant Accounting Policies - Continued**

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 funds were determined to be major funds.

City of Sidney  
Notes to Financial Statements  
June 30, 2005

**NOTE (1) Summary of Significant Accounting Policies - Continued**

B. Basis of Presentation - Continued

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 Employee Benefits Fund is used to account for employee benefit expenses for government fund employees.

The Local Option Sales Tax Fund is used to account for the receipts from the tax authorized by referendum and used for property tax relief, infrastructure, and community betterment.

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

The Capital Project Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those financed through enterprise funds.

The Permanent Funds are used to account for monies and properties received and held by the City in a trustee capacity.

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.

City of Sidney  
Notes to Financial Statements  
June 30, 2005

**NOTE (1) Summary of Significant Accounting Policies - Continued**

C. Measurement Focus and Basis of Accounting

The City of Sidney 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 debt service, capital project and business type activities functions.

E. Property Tax Calendar

The City's property tax rates were extended against the assessed valuation of the City as of January 1, 2003 to compute the amounts which became liens on property on July 1, 2004. These taxes were due and payable in two installments on September 30, 2004 and March 31, 2005, at the Fremont County Treasurer's Office. These taxes are recognized as income to the City when they are received from the county.

**NOTE (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.

City of Sidney  
Notes to Financial Statements  
June 30, 2005

**NOTE (2) Cash and Pooled Investments - Continued**

Interest rate risk - The City's investments policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

Cash, which consists of cash in bank and certificates of deposits, totaled \$777,797 at June 30, 2005.

**NOTE (3) Bonds and Notes Payable**

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

Year Ending June 30,	General Obligation Bonds	
	Principal	Interest
2006	\$ 77,069	22,795
2007	78,899	19,581
2008	80,811	16,218
2009	111,296	11,080
2010	72,716	7,840
2011-2012	90,000	6,705
	\$ 510,791	84,219

The Code of Iowa requires principal and interest on general obligation bonds be paid from the Debt Service Fund. However, during the year, \$3,350 of general obligation loan interest was paid from the General Fund.

**NOTE (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. Contribution requirements are established by state statute. The City's contribution to IPERS for the year ended June 30, 2005, was \$8,384, equal to the required contribution for the year.

City of Sidney  
Notes to Financial Statements  
June 30, 2005

**NOTE (5) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation hours and comp time 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 and comp time	<u>\$ 9,439</u>

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

**NOTE (6) Interfund Transfers**

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

Transfer to	Transfer from	Amount
General	Special Revenue	\$ 80,017
Enterprise: Water	Enterprise: Sewer Sinking	<u>61,123</u>
		<u>\$ 141,140</u>

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

**NOTE (7) Construction Contract Commitments**

The City had the following commitments at June 30, 2005 for a construction project:

Project	Contract Amount	Paid to Date	Remaining Commitment	Retainage Payable
Library project: Construction	\$ 395,222	\$ 312,918	\$ <u>82,304</u>	\$ <u>39,522</u>

In addition, the City paid out a total of \$42,263 in architect fees on the project as of June 30, 2005.

The Library project is being funded in part by a Vision Iowa CAT Grant of \$115,000.

City of Sidney  
Notes to Financial Statements  
June 30, 2005

**NOTE (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.

**NOTE (9) Subsequent Events**

In August 2005, the City was notified that the Library had been awarded a \$5,000 matching grant for furnishings in the Community Room from Iowa West Foundation.

In September 2005, the City signed two separate contracts for street repairs for a total commitment of \$53,026.

**NOTE (10) Law Enforcement Contract**

In July 1994, the City entered into a 28E agreement with Fremont County, Iowa whereby the County provides law enforcement services within the City of Sidney through the office of the Sheriff of Fremont County, Iowa in consideration of the sum of \$25,000 per year with 5% increase each year over the amount paid for the preceding fiscal year. The contract has been extended for successive one-year terms. During the year ended June 30, 2005, the City paid the County \$40,724 on the contract.

**NOTE (11) Accounting Change and Restatements**

Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*; Statement No. 37, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus*; Statement No. 38, *Certain Financial Statement Note Disclosures*, and Statement No. 41, *Budgetary Comparison Schedule – Perspective Differences*, were implemented for the year ended June 30, 2005. The statements create new basic financial statements for reporting the City’s financial activities. The financial statements now include a government-wide financial statement and fund financial statements which present information for individual major funds rather than by fund type.

The City has no Internal Service Fund so the restatement of beginning cash basis net assets is not required.

**Required Supplementary Information**

City of Sidney  
 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	Net
Receipts:	\$		
Property tax	222,429	-	222,429
Other city tax	89,342	-	89,342
Licenses and permits	1,626	-	1,626
Use of money and property	21,797	891	22,688
Intergovernmental	216,059	-	216,059
Charges for service	32,863	178,084	210,947
Special assessments	252	-	252
Miscellaneous	49,951	3,226	53,177
Total receipts	<u>634,319</u>	<u>182,201</u>	<u>816,520</u>
Disbursements:			
Public safety	61,334	-	61,334
Public works	131,875	-	131,875
Culture and recreation	88,095	-	88,095
Community and economic development	22,590	-	22,590
General government	123,873	-	123,873
Debt service	73,323	-	73,323
Capital projects	325,394	-	325,394
Business type activities	-	210,425	210,425
Total disbursements	<u>826,484</u>	<u>210,425</u>	<u>1,036,909</u>
Deficiency of receipts under disbursements	(192,165)	(28,224)	(220,389)
Balances beginning of year	<u>745,172</u>	<u>253,014</u>	<u>998,186</u>
Balances end of year	<u>\$ 553,007</u>	<u>224,790</u>	<u>777,797</u>

See accompanying independent auditors' report.

<u>Budgeted Amounts</u>	<u>Final to Net Variance</u>
222,668	(239)
89,613	(271)
1,175	451
-	22,688
107,300	108,759
286,535	(75,588)
-	252
<u>20,000</u>	<u>33,177</u>
727,291	89,229
83,524	22,190
168,064	36,189
133,460	45,365
50,000	27,410
150,642	26,769
48,940	(24,383)
15,000	(310,394)
<u>201,796</u>	<u>(8,629)</u>
<u>851,426</u>	<u>(185,483)</u>
(124,135)	(96,254)
<u>633,097</u>	<u>365,089</u>
<u>508,962</u>	<u>268,835</u>

City of Sidney  
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 (GASB) 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 nine major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, 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 the budget was not amended.

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

**Other Supplementary Information**

City of Sidney  
Combining Schedule of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Capital Project Funds  
As of and for the year ended June 30, 2005

	Road Project	Library Construction Project	Total
Receipts:			
Intergovernmental	\$ -	101,744	101,744
Total receipts	<u>-</u>	<u>101,744</u>	<u>101,744</u>
Disbursements:			
Operating:			
Culture and recreation	-	325,394	325,394
Total disbursements	<u>-</u>	<u>325,394</u>	<u>325,394</u>
Deficiency of receipts under disbursements	-	(223,650)	(223,650)
Other financing sources:			
Operating transfers in	-	223,650	223,650
Net change in cash balances	-	-	-
Cash balances beginning of year	<u>125,269</u>	<u>-</u>	<u>125,269</u>
Cash balances end of year	<u>\$ 125,269</u>	<u>-</u>	<u>125,269</u>
<b>Cash basis fund balances</b>			
Unreserved:			
Capital project funds	<u>\$ 125,269</u>	<u>-</u>	<u>125,269</u>

See accompanying independent auditors' report.

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

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General obligation bonds:			
Street improvement	Feb 28, 2002	3.75-5.00 %	\$ 340,000
General purpose – demolition	Jun 24, 2004	6.00 %	115,000
General purpose – demolition	Jun 24, 2004	6.00 %	35,000
General purpose – ambulance	Nov 9, 2003	3.99 %	113,638
Total			

See accompanying independent auditors' report

**Schedule 2**

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
310,000	-	35,000	275,000	13,938	-
-	115,000	-	115,000	4,293	-
-	35,000	-	35,000	1,960	-
<u>99,884</u>	<u>-</u>	<u>14,093</u>	<u>85,791</u>	<u>4,040</u>	<u>-</u>
<u>99,884</u>	<u>150,000</u>	<u>14,093</u>	<u>510,791</u>	<u>24,231</u>	<u>-</u>

City of Sidney  
Bond and Note Maturities  
June 30, 2005

Year Ending June 30,	<b>General Obligation</b>					
	<u>Street Improvement</u>		<u>Demolition</u>		<u>Demolition</u>	
	<u>Issued Feb 28, 2002</u>		<u>Issued Jun 24, 2004</u>		<u>Issued Jun 24, 2004</u>	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2006	4.00 %	\$ 35,000	6.00 %	\$ 21,197	6.00 %	\$ 6,209
2007	4.20 %	35,000	6.00 %	22,062	6.00 %	6,581
2008	4.40 %	35,000	6.00 %	22,963	6.00 %	6,976
2009	4.60 %	40,000	6.00 %	23,901	6.00 %	7,395
2010	4.80 %	40,000	6.00 %	24,877	6.00 %	7,839
2011	4.90 %	45,000	-	-	-	-
2012	5.00 %	45,000	-	-	-	-
		<u>\$ 275,000</u>		<u>\$ 115,000</u>		<u>\$ 35,000</u>

See accompanying independent auditors' report

**Bonds**

<u>Ambulance</u>		
<u>Issued Nov 9, 2003</u>		
<u>Interest</u>		
<u>Rates</u>	<u>Amount</u>	<u>Total</u>
3.99 %	\$ 14,663	\$ 77,069
3.99 %	15,256	78,899
3.99 %	15,872	80,811
3.99 %	40,000	111,296
-	-	72,716
-	-	45,000
-	-	45,000
	<u>\$ 85,791</u>	<u>\$ 510,791</u>

**City of Sidney**

September 22, 2005

Independent Auditors' Report on Internal Control over  
Financial Reporting and on Compliance and Other Matters

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 and each major fund in formation of the City of Sidney, 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 September 22, 2005. Our report expressed a qualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting as we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2004. Except as noted in the Independent Auditors' Report, 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 Sidney's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion 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 Sidney'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 reportable conditions 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. 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 I-A-05 and I-B-05 are material weaknesses.

Continued...

September 22, 2005  
City of Sidney  
Report on Internal Control

### Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operation 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 test 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.

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 Sidney and other parties to whom the City of Sidney may report. 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 Sidney 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.

City of Sidney  
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. The cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal 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 – The City Clerk and the Assistant Clerk share duties so that the office activity can continue when one is out of the office. We try to separate the duties, as much as possible.

Conclusion – Response acknowledged. The City should continue to attempt to segregate actual duties, since there are usually two employees in the office most of the time. The City should also utilize administrative personnel to provide additional control through review of financial transactions and reports.

I-B-05 Statistical Information

Gallons of water pumped during the year ended June 30, 2005: 52,280,000

Gallons of water billed during the year ended June 30, 2005: 32,793,017

Comment – The water loss between gallons pumped and gallons billed is about 44%.

Recommendation – As this loss represents considerable lost revenues for the City, we suggest that the City monitor the situation to determine the causes for the loss. Metering of City facilities that are not billed for water use would provide useful information to account for differences.

Response – We will monitor the situation as best we can.

Conclusion – Response accepted.

City of Sidney  
Schedule of Findings  
Year ended June 30, 2005

**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 exceeded at one depository during the year ended June 30, 2005.

Recommendation – Chapter 12C2 of the Code of Iowa requires a written resolution be passed authorizing the maximum amount which may be kept on deposit at each depository. The City should deposit funds in accordance with the resolution.

Response – We passed a new resolution in June 2005 to increase the maximum amount allowed.

Conclusion – Response accepted.

II-B-05 Certified Budget – Disbursements during the year ended June 30, 2005 exceeded the amounts budgeted in the debt service, capital projects and business 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.

II-C-05 Questionable Disbursements – We noted no disbursements for parties, banquets, or other entertaining for employees that we believe may constitute an unlawful expenditure from public funds 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 – We noted no business transactions 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.

City of Sidney  
Schedule of Findings  
Year ended June 30, 2005

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

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

The Council went into closed session on December 13, 2004. However, the minutes record did not document the specific information regarding the closed session as required by Chapter 21 of the Code of Iowa, commonly known as the open-meetings law.

In addition, the Council went into closed session on January 20, 2005. However, the minutes record again did not document the specific information regarding the closed sessions including the specific code section and votes of Council members.

Recommendation – The City should comply with Chapter 21 of the Code of Iowa regarding closed sessions.

Response – We will comply with the Code requirements for closed sessions.

Conclusion – Response accepted.

- II-H-05 Deposits and Investments – We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

- II-I-05 Revenue Bonds and Notes – The City has no revenue bonds or notes.

- II-J-05 Excess Balances – The balances in the Special Revenue Fund-Road Use and Employee Benefit Accounts, and Enterprise Fund-Sewer Account at June 30, 2005, were in excess of the disbursements made from those funds during the year.

Recommendation – Although the City indicated that the balances would be used for future projects, the City should consider the necessity of maintaining these substantial balances and, where financially feasible, consider deducting the balances in an orderly manner through revenue reductions.

Response – We will review this further.

Conclusion – Response accepted.

City of Sidney  
Schedule of Findings  
Year ended June 30, 2005

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

II-K-05 Employee Benefit Levy – We noted that the benefits for General Fund and Road Use Tax Account employees were not being paid out of the Special Revenue Fund-Employee Benefits. According to City Finance Committee rules, the levy for employee benefits is to be used for benefits for employees whose salary is paid from the General Fund or Road Use Tax Account.

Recommendation – The City should pay the benefits for employees whose salary relates to the General Fund and the Road Use Tax Account from the Employee Benefits Account or reduce the levy accordingly.

Response – We will do this.

Conclusion – Response accepted.

II-L-05 Notice of Public Hearing for Public Improvements – The City did not publish a notice of public hearing and bid letters on the street repair and patching projects as required by Chapters 384.102 and 362.3 of the Code of Iowa.

Recommendation – Before entering into any contract for road construction work where the cost is \$35,000 or more, the Council should set a date for public hearing and give notice at least four but not more than twenty days prior to the hearing as provided in Chapter 362.3 of the Code of Iowa.

Response – We will do this.

Conclusion – Response accepted.

II-M-05 Vehicle Use Policy – The City has adopted a formal written policy regarding vehicle usage by employees. However, this policy is not included in the employee handbook.

Recommendation – The City should update their employee handbook to include the Vehicle Use Policy so all employees are aware of the City's policy.

Response – We will do this.

Conclusion – Response accepted.

II-N-05 Inactive Accounts – The Capital Projects – Road Project Account is considered complete.

Recommendation – The City should transfer monies to close out the account.

Response – We will do this.

Conclusion – Response accepted.

# **News Release**

## **City of Sidney, Iowa**

Schroer & Associates, P.C. today released an audit report on the City of Sidney, Iowa.

The City has implemented new reporting standards for the year ended June 30, 2005, with significant changes in content and structure of the financial statements. The new financial statements now include a Statement of Activities and Net Assets which provides information about the activities of the City as a whole. Also included is Management's Discussion and Analysis of the City's financial statements.

The City's receipts totaled \$813,839 for the year ended June 30, 2005, a 14.7 percent decrease from 2004. The receipts included \$231,754 in property tax, \$213,413 from charges for service, \$109,665 from operating grants, contributions and restricted interest, \$140,995 from capital grants, contributions and restricted interest, \$80,017 from local option sales tax, \$11,789 from unrestricted investment earnings and \$26,206 from other general receipts.

Disbursements for the year totaled \$1,034,480, a 25.5 percent increase from the prior year, and included \$325,394 for capital projects, \$131,875 for public works, and \$123,873 for general government. Also, disbursements for business type activities totaled \$207,996.

A copy of the audit report is available for review in the Office of Auditor of State and the City Clerk's office.

City of Sidney  
Schedule of Findings  
Year ended June 30, 2005

