CITY OF SIGOURNEY

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

JUNE 30, 2006

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City of Sigourney

Officials

Name	Title	Term Expires
	(Before January 2006)	
John I. Ballensky	Mayor	Jan 2006
Patricia Miletich	Mayor Pro tem	Jan 2006
Edward M. Conrad	Council Member 1st Ward	Jan 2007
Jeffrey A. Winn	Council Member 2nd Ward	Jan 2006
Jeff M. Johnson	Council Member 3rd Ward	Jan 2007
Lyle G. Van Fleet	Council Member 4th Ward	Jan 2006
Jeff Wallerich	Council Member at large	Jan 2007
Patricia Miletich	Council Member at large	Jan 2006
	(After January 2006)	
John I. Ballensky	Mayor	Jan 2010
Patricia Miletich	Mayor Pro tem	Jan 2007
Edward M. Conrad	Council Member 1st Ward	Jan 2008
Jill Moore	Council Member 2nd Ward	Jan 2010
Jeff M. Johnson	Council Member 3rd Ward	Jan 2008
Charlie Williams	Council Member 4th Ward	Jan 2010
Jeff Wallerich	Council Member at large	Jan 2008
Patricia Miletich	Council Member at large	Jan 2010
Marilyn D. Wells	Clerk (resigned 7/7/06)	Indefinite
Angela K. Alderson	Clerk (appointed 7/7/06)	Indefinite
Janet Ward	Treasurer	Indefinite
John N. Wehr	Attorney	Indefinite

City of Sigourney

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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Sigourney, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Sigourney's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

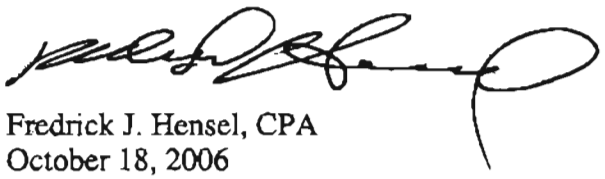
As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Sigourney as of June 30, 2006, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, I have also issued my report dated October 18, 2006, on my consideration of the City of Sigourney's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 11 and 30 through 31 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I applied limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the supplementary information. I did not audit the information and express no opinion on it.

My audit was performed for the purpose of forming opinion on the financial statements that collectively comprise the City of Sigourney's basic financial statements. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2005 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Fredrick J. Hensel, CPA
October 18, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Sigourney provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2006 FINANCIAL HIGHLIGHTS

- Revenues of the City's governmental activities decreased 59%, or approximately $1,629,672 from fiscal 2005 to fiscal 2006. Property tax increased approximately $49,726 and bond proceeds decreased $1,284,174.
- Disbursements decreased 14%, or approximately $311,852, in fiscal 2006 from fiscal 2005. General government and capital projects disbursements increased approximately $34,369 and $633,454 respectively.
- The City's total cash basis net assets decreased 50%, or approximately $718,631, from June 30, 2005 to June 30, 2006. Of this amount, the assets of the governmental activities decreased approximately $737,351 and the assets of the business type activities increased by approximately $18,720.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

Basis of Accounting

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

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

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

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

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

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

Fund Financial Statements

The City has two kinds of funds:

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased slightly from a year ago, decreased from $1,472,272 to $734,891. 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,	
	2006	2005
Receipts and transfers:		
Program receipts:		
Charges for service	$47	$40
Operating grants, contributions and restricted interest		
Capital grants, contributions and restricted interest		
General receipts:		
Property tax	679	639
Other city tax	26	26
Grants and contributions not restricted to specific purposes	13	96
Unrestricted investment earnings	15	14
Bond proceeds	--	1,285
Other general receipts	418	720
Transfers, net	(62)	(52)
Total receipts and transfers	1,136	2,768
Disbursements:		
Public safety	217	223
Public works	180	223
Culture and recreation	309	568
Community and economic development	18	110
General government	209	175
Debt service	302	882
Capital projects	638	5
Total disbursements	1,873	2,186
Increase (decrease) in cash basis net assets	(737)	582
Cash basis net assets beginning of year	1,472	890
Cash basis net assets end of year	$735	1,472

The City's total receipts for governmental activities decreased by $1,347,000. The total cost of all programs and services decreased by approximately $313,000, with no new programs added this year.

The City increased property tax rates for 2006 by an average of 6 percent. This increase raised the City's property tax receipts by approximately $40,723 in 2006.

The cost of all governmental activities this year was $1.87 million compared to $2.186 million last year. However, as shown in the Statement of Activities and Net Assets on pages 16-17, the amount taxpayers ultimately financed for these activities was only $.7 million because some of the cost was paid by those directly benefited from the programs or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest. Overall, the City's governmental activities receipts, including intergovernmental aid and fees for service, decreased in 2006 from approximately $1.630 million to approximately $1.360 million.

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

	Year ended June 30,	
	2006	2005
Receipts:		
Program receipts:		
Charges for service:		
Water	$422	$416
Sewer	228	214
Sanitation	119	118
General receipts:		
Unrestricted interest on investments	14	6
Miscellaneous	3	14
Transfers	61	224
Total receipts and transfers	847	992
Disbursements and transfers:		
Water	426	523
Sewer	283	224
Sanitation	119	127
Total disbursements	828	874
Increase (decrease) in cash balance	19	118
Cash basis net assets beginning of year	641	523
Cash basis net assets end of year	$660	641

Total business type activities receipts for the fiscal year were $.847 million compared to $.992 million last year. The cash balance increased by approximately $19,000 from the prior year. Total disbursements and transfers for the fiscal year decreased by $46,000 to a total of $828,644.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Sigourney completed the year, its governmental funds reported a combined fund balance of $734,891 a decrease of $737,351 below last year's total of $1,472,242. 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 $51,872 from the prior year to $194,967.
- The Road Use Tax Fund cash balance decreased by $23,880 to $25,627 during the fiscal year.
- The Debt Service Fund cash balance decreased by $66,864 to $(2,375) during the fiscal year.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance increased by $27,001 to $280,034, due primarily to operating transfers in.
- The Sewer Fund cash balance decreased by $22,191 to $358,286.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on May 17, 2006, and resulted in an increase in operating disbursements of $337,127.

DEBT ADMINISTRATION

At June 30, 2006, the City had approximately $3,898,053 in bonds and other long-term debt, compared to approximately $4,205,579 last year, as shown below.

Outstanding Debt at Year-End
(Expressed in Thousands)

	June 30,	
	2006	2005
General obligation bonds	$2,198	2,374
Revenue notes	1,641	1,749
Other obligations	63	82
Total	$3,902	$4,205

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of $2,197,544 is significantly below its constitutional debt limit of $3.4 million.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Angela K. Alderson, City Clerk, 120 North Jefferson Street, Sigourney, Iowa.

City of Sigourney

Basic Financial Statements

City of Sigourney

Statement of Activities and Net Assets – Cash Basis
As of and for the year ended June 30, 2006

		Program Receipts		
	Disbursements	Charges for Service	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions / Programs:				
Governmental Activities:				
Public safety	$217,030	--	--	--
Public works	180,334	--	--	--
Culture and recreation	308,714	3,749	--	--
Community and economic development	17,865	--	10,755	--
General government	209,372	43,434	--	--
Debt service	302,292	--	--	--
Capital projects	638,454	--	--	--
Total governmental activities	1,874,061	47,183	10,755	--
Business type activities:				
Water	426,092	421,549	--	--
Sewer	283,132	228,022	--	--
Sanitation	119,420	119,040	--	--
Total business type activities	828,644	768,611	--	--
Total	$2,702,705	815,794	10,755	--
General Receipts:				
Property tax levied for:				
General purposes				
Tax increment financing				
Debt service				
Unrestricted interest on investments				
Bond proceeds				
Miscellaneous				
Sale of assets				
Transfers				
Total general receipts and transfers				
Change in cash basis net assets				
Cash basis net assets beginning of year, as restated				
Cash basis net assets end of year				
Cash Basis Net Assets				
Restricted:				
Streets				
Urban renewal purposes				
Debt service				
Other purposes				
Unrestricted				
Total cash basis net assets				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
(217,030)	--	(217,030)
(180,334)	--	(180,334)
(304,965)	--	(304,965)
(7,110)	--	(7,110)
(165,938)	--	(165,938)
(302,292)	--	(302,292)
(638,454)	--	(638,454)
(1,816,123)	--	(1,816,123)
--	(4,543)	(4,543)
--	(55,110)	(55,110)
--	(380)	(380)
--	(60,033)	(60,033)
(1,816,123)	(60,033)	(1,876,156)
526,509	--	526,509
--	--	--
178,848	--	178,848
15,041	14,043	29,084
414,992	3,084	418,076
5,008	--	5,008
(61,626)	61,626	--
1,078,772	78,753	1,157,525
(737,351)	18,720	(718,631)
1,472,242	641,705	2,113,947
734,891	660,425	1,395,316
$25,627	--	25,627
677	--	677
--	--	--
--	--	--
708,587	660,425	1,369,012
$734,891	660,425	1,395,316

City of Sigourney
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Governmental Funds
As of and for the year ended June 30, 2006

		Special Revenue		
	General	Restricted Gift	Road Use Tax	Employee Benefits
Receipts:				
Property tax	$366,214	--	--	141,118
Tax increment financing collections	--	--	--	--
Other city tax	13,881	--	--	5,296
Licenses and permits	10,313	--	--	--
Use of money and property	7,823	--	--	--
Intergovernmental	13,842	--	184,950	--
Charges for service	47,183	--	--	--
Special assessments	--	--	--	--
Miscellaneous	26,216	775	130	--
Total receipts	485,472	775	185,080	146,414
Disbursements:				
Operating:				
Public safety	217,030	--	--	--
Public works	--	--	180,334	--
Culture and recreation	178,560	--	--	--
Community and economic development	4,708	--	--	--
General government	203,363	--	--	--
Debt service	--	--	45,382	--
Capital projects	--	19,955	--	--
Total disbursements	603,661	19,955	225,716	--
Excess of receipts over disbursements	(118,189)	(19,180)	(40,636)	146,414
Other financing sources (uses):				
Sale of capital assets	5,008	--	--	--
Operating transfers in	113,060	--	16,756	--
Operating transfers out	(51,750)	--	--	(139,692)
Total other financing sources (uses)	66,318	--	16,756	(139,692)
Net change in cash balances	(51,871)	(19,180)	(23,880)	6,722
Cash balances beginning of year	246,838	55,914	49,507	14,417
Cash balances end of year	$194,967	36,734	25,627	21,139
Cash Basis Fund Balances				
Reserved:				
Debt service	$ --	--	--	--
Unreserved:				
General fund	194,967	--	--	--
Special revenue funds	--	36,734	25,627	21,139
Capital projects fund	--	--	--	--
Permanent fund	--	--	--	--
Total cash basis fund balances	$194,967	36,734	25,627	21,139

See notes to financial statements.

Housing Programs	Vehicle Replacement	Urban Renewal	Debt Service	Other Nonmajor Governmental Funds	Total
--	--	--	171,884	--	679,216
--	--	--	--	--	--
--	--	--	6,964	--	26,141
--	--	--	--	--	10,313
613	2,492	677	1,909	4,322	17,836
--	--	--	--	10,755	209,547
--	--	--	--	--	47,183
--	--	--	9,289	--	9,289
--	31,848	--	--	134,834	193,803
613	34,340	677	190,046	149,911	1,193,328
--	--	--	--	--	217,030
--	--	--	--	--	180,334
1,935	--	100,000	--	28,219	308,714
--	--	--	--	13,157	17,865
--	--	--	--	6,009	209,372
--	--	--	256,910	--	302,292
--	12,939	--	--	605,560	638,454
1,935	12,939	100,000	256,910	652,945	1,874,061
(1,322)	21,401	(99,323)	(66,864)	(503,034)	(680,733)
--	--	--	--	--	5,008
--	--	--	--	--	129,816
--	--	--	--	--	(191,442)
--	--	--	--	--	(56,618)
(1,322)	21,401	(99,323)	(66,864)	(503,034)	(737,351)
35,055	140,627	100,000	64,489	765,395	1,472,242
33,733	162,028	677	(2,375)	262,361	734,891
--	--	--	(2,375)	--	(2,375)
--	--	--	--	--	194,967
33,733	162,028	677	--	1	279,939
--	--	--	--	177,148	177,148
--	--	--	--	85,212	85,212
33,733	162,028	677	(2,375)	262,361	734,891

City of Sigourney

Reconciliation of the Statement of Cash
Receipts, Disbursements and Changes in Cash Balances
to the Statement of Activities and Net Assets –
Governmental Funds
As of and for the year ended June 30, 2006

Total governmental funds cash balances (page 17)	$734,891
Amounts reported for governmental activities in the Statement of Activities and Net Assets are different because:	None
Cash basis net assets of governmental activities (page 15)	$734,891
Net change in cash balances (page 17)	$(737,351)
Amounts reported for governmental activities in the Statement of Activities and Net Assets are different because:	None
Change in cash balance of governmental activities (page 15)	$(737,351)

See notes to financial statements.

City of Sigourney

Exhibit D

City of Sigourney

Statement of Cash Receipts, Disbursements and Changes in Cash Balances

Proprietary Funds

As of and for the year ended June 30, 2006

	Enterprise Funds			
	Water	Sewer	Sanitation	Total
Operating receipts:				
Use of money and property	$4,670	9,373	--	14,043
Charges for service	421,549	228,022	119,040	768,611
Miscellaneous	3,084	--	--	3,084
Total operating receipts	429,303	237,395	119,040	785,738
Operating disbursements:				
Governmental activities	--	--	--	--
Business type activities	359,037	182,749	100,816	642,602
Total operating disbursements	359,037	182,749	100,816	642,602
Excess (deficiency) of operating receipts over (under) operating disbursements	70,266	54,646	18,224	143,136
Non-operating receipts (disbursements):				
Debt service	(67,055)	(100,383)	(18,604)	(186,042)
Total non-operating receipts (disbursements)	(67,055)	(100,383)	(18,604)	(186,042)
Excess (deficiency) of receipts over (under) disbursements	3,211	(45,737)	(380)	(42,906)
Operating transfers in (out)	23,790	23,546	14,290	61,626
Net change in cash balance	27,001	(22,191)	13,910	18,720
Cash balances beginning of year	253,033	380,477	8,195	641,705
Cash balances end of year	$280,034	358,286	22,105	660,425
Cash Basis Fund Balances				
Reserved for debt service	$ 1,155	70,704	--	71,859
Unreserved	278,879	287,582	22,105	588,566
Total cash basis fund balances	$280,034	358,286	22,105	660,425

See notes to financial statements.

City of Sigourney

Reconciliation of the Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
to the Statement of Activities and Net Assets –
Proprietary Funds
As of and for the year ended June 30, 2006

Total enterprise funds cash balances (page 20)	$660,425
Amounts reported for business type activities in the Statement of Activities and Net Assets are different because:	None
Cash basis net assets of business type activities (page 15)	$660,425
Net changes in cash balances (page 20)	$18,720
Amounts reported for business type activities in the Statement of Activities and Net Assets are different because:	None
Change in cash balance of business type activities (page 15)	$18,720

See notes to financial statements.

(1) Summary of Significant Accounting Policies

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

A. Reporting Entity

For financial reporting purposes, the City of Sigourney has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

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

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

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

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

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

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

The City reports the following major governmental funds:

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

Special Revenue:

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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, 2006, disbursements exceeded the amounts budgeted in the culture and recreation and debt service activities functions.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2006 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

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

(3) Bond and Notes Payable

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

Year Ending June 30	General Obligation Notes		Revenue Capital Loan Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	177,544	47,481	116,000	55,417	293,544	102,898
2008	175,000	43,830	118,000	51,278	293,000	95,108
2009	180,000	40,033	121,000	47,021	301,000	87,054
2010	195,000	36,106	129,000	42,614	324,000	78,720
2011	205,000	31,616	132,000	37,832	337,000	69,448
2012	215,000	26,825	137,000	32,911	352,000	59,736
2013	220,000	21,958	144,000	27,791	364,000	49,749
2014	155,000	18,715	77,000	22,320	232,000	41,035
2015	85,000	11,853	78,000	20,010	163,000	31,863
2016	85,000	9,880	81,000	17,670	166,000	27,550
2017	60,000	7,585	84,000	15,240	144,000	22,825
2018	65,000	6,805	85,000	12,720	150,000	19,525
2019	65,000	5,765	88,000	10,170	153,000	15,935
2020	70,000	4,955	91,000	7,530	161,000	12,485
2021	75,000	3,875	93,000	4,800	168,000	8,675
2022	55,000	2,750	67,000	2,010	122,000	4,760
2023	55,000	2,750	--	--	55,000	2,750
2024	60,000	2,790	--	--	60,000	2,790
	$2,197,544	325,572	1,641,000	407,334	3,838,544	732,906

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

(a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.

(b) Sufficient monthly transfers shall be made to separate water and sewer revenue note sinking accounts for the purpose of making the note principal and interest payments when due.

(c) Additional transfers to water and sewer revenue reserve accounts shall be made until specific minimum balances have been accumulated.

(d) All funds remaining in the water and sewer revenue account after the payment of all maintenance and operating expenses and required transfers shall be placed in a water and sewer revenue surplus account.

(4) Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of annual covered payroll, except for police employees, in which case the percentages are 6.16% and 9.23%, respectively. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2006, 2005 and 2004 were $25,498, $25,797 and $32,695, respectively, equal to the required contributions for each year.

(5) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation termination payments payable to employees at June 30, 2006, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	$22,270

This liability has been computed based on rates of pay as of June 30, 2006.

(6) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2006 is as follows:

Transfer to	Transfer from	Amount
Enterprise:	Special revenue:	
Water	Employee benefits	$23,790
Sewer		23,546
Sanitation		14,290
General		61,310
Road use		16,756
Total		$139,692

(7) Related Party Transactions

The City did not have any business transactions between the City and City officials during the year ended June 30, 2006.

(8) Risk Management

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

(9) Deficit Balance

The Debt Service Fund had a deficit balance of $2,375 at June 30, 2006.

City of Sigourney

Required Supplementary Information

City of Sigourney

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

Required Supplementary Information

Year ended June 30, 2006

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	$679,216	--	--
Tax increment financing collections	--	--	--
Other city tax	26,141	--	--
Licenses and permits	10,313	--	--
Use of money and property	17,836	14,043	1,588
Intergovernmental	209,547	--	--
Charges for service	47,183	768,611	--
Special assessments	9,289	--	--
Miscellaneous	193,803	3,084	6,105
Total receipts	1,193,328	785,738	7,693
Disbursements:			
Public safety	217,030	--	--
Public works	180,334	--	--
Culture and recreation	308,714	--	28,219
Community and economic development	17,865	--	--
General government	209,372	--	6,009
Debt service	302,292	--	--
Capital projects	638,454	--	19,955
Business type activities	--	828,644	--
Total disbursements	1,874,061	828,644	54,183
Excess of receipts over disbursements	(680,733)	(42,906)	(46,490)
Other financing sources, net	(56,618)	61,626	--
Excess of receipts and other financing sources over disbursements and other financing uses	(737,351)	18,720	(46,490)
Balances beginning of year	1,472,242	641,705	111,886
Balances end of year	$ 734,891	660,425	65,396

See accompanying independent auditor's report.

Net	Budgeted Amounts Original	Final	Final to Net Variance
679,216	676,227	676,227	2,989
--	--	--	--
26,141	30,066	30,066	(3,925)
10,313	24,400	24,400	(14,087)
30,291	45,250	49,050	(18,759)
209,547	197,950	220,352	(10,805)
815,794	691,700	698,850	116,944
9,289	60,000	60,000	(50,711)
190,782	207,263	237,163	(46,381)
1,971,373	1,932,856	1,996,108	(24,735)
217,030	246,629	256,579	39,549
180,334	225,455	227,455	47,121
280,495	181,041	278,476	(2,019)
17,865	15,750	138,152	120,287
203,363	193,337	209,607	6,244
302,292	297,057	297,057	(5,235)
618,499	714,825	740,325	121,826
828,644	953,699	967,269	138,625
2,648,522	2,827,793	3,114,920	466,398
(677,149)	(894,937)	(1,118,812)	(441,663)
5,008	114,858	149,757	144,749
(672,141)	(780,079)	(969,055)	(296,914)
2,002,061	2,157,918	2,113,216	111,155
1,329,920	1,377,839	1,144,161	(185,759)

City of Sigourney

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2006

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

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

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by $337,127. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2006, disbursements exceeded the amounts budgeted in the debt service function and the culture and recreation function.

Other Supplementary Information

City of Sigourney

Schedule I

City of Sigourney
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds
As of and for the year ended June 30, 2006

	Special Revenue	Capital Projects	Fiduciary	General	
	LAHAP Program	Capital Projects	Trusts	Dare	Total
Receipts:					
Property tax	$ --	--	--	--	--
Other city tax	--	--	--	--	--
Use of money and property	--	2,727	1,588	7	4,322
Intergovernmental	10,755	--	--	--	10,755
Special assessments	--	--	--	--	--
Miscellaneous	--	129,504	5,330	--	134,834
Total receipts	10,755	132,231	6,918	7	149,911
Disbursements:					
Operating:					
Public safety	--	--	--	--	--
Public works	--	--	--	--	--
Community Economic Development	13,157	--	--	--	13,157
Culture and recreation	--	--	28,219	--	28,219
General government	--	--	6,009	--	6,009
Debt service	--	--	--	--	--
Capital projects	--	605,560	--	--	605,560
Total disbursements	13,157	605,560	34,228	--	652,945
Excess (deficiency) of receipts over (under) disbursements	(2,402)	(473,329)	(27,310)	7	(503,034)
Other financing uses:					
Bond proceeds	--	--	--	--	--
Net change in cash balances	(2,402)	(473,329)	(27,310)	7	(503,034)
Cash balances beginning of year	2,403	650,477	111,886	629	765,395
Cash balances end of year	$1	177,148	84,576	636	262,361
Cash Basis Fund Balances					
Unreserved:					
Special revenue funds	$1	--	--	--	1
Capital project fund	--	177,148	--	--	177,148
Permanent fund	--	--	84,576	636	85,212
Total cash basis fund balances	$1	177,148	84,576	636	262,361

See accompanying independent auditor's report.

City Of Sigourney

Schedule of Indebtedness

Year Ended June 30, 2006

Obligation	Date of Issue	Interest Rates
General Obligation Capital Loan Notes:		
Series 2001	Jul 12, 2001	5.05-5.50
Series 2002	May 1, 2002	2.60-4.75
Sanitation Truck	Nov 7, 2001	4.75
Street Sweeper	Apr 15, 2002	5.0
Refunding Series 2004	Nov 17, 2004	3.375-3.75
Series 2005	May 1, 2005	4.0-5.0
Revenue Capital Loan Notes:		
Sewer - Series 1992	Nov 25, 1992	4.37
Water - Series 2001	Oct 1, 2001	3.00
Water - Series 2002	Jun 1, 2002	3.00
Water - Series 2002B	May 1, 2002	2.55-4.90
Sewer - Series 2002	Dec 1, 2002	3.00
Other Obligations:		
Swap grant loan	May 15, 2003	0.00
Rise paving repayment	Jun 30, 2004	5.00

See notes to financial statements.

Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Unpaid Interest
$620,000	520,000	--	30,000	490,000	26,565	--
635,000	490,000	--	55,000	435,000	21,305	--
68,000	22,107	--	14,563	7,544	795	--
47,000	12,218	--	12,218	--	720	--
635,000	580,000	--	55,000	525,000	19,989	--
750,000	750,000	--	10,000	740,000	37,351	--
	2,374,325	--	176,781	2,197,544	106,725	--
$436,000	212,000	--	23,000	189,000	7,812	--
390,000	329,000	--	16,000	313,000	9,870	--
50,000	42,000	--	2,000	40,000	1,260	--
350,000	260,000	--	25,000	235,000	11,598	--
1,023,000	906,000	--	42,000	864,000	25,200	--
	1,749,000	--	108,000	1,641,000	55,740	--
$16,225	11,358	--	3,245	8,113	--	--
86,611	70,896	--	16,500	54,396	3,556	--
	82,254	--	19,745	62,509	3,556	--

City Of Sigourney

Bond and Notes Maturities

June 30, 2006

General Obligation Note						
Essential Corporate Purpose						
Year Ending June 30	Issued Jul 12, 2001		Issued May 1, 2002		Issued Nov 17, 2004	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2007	5.05%	30,000	4.00%	55,000	3.375%	60,000
2008	5.05	30,000	4.15	55,000	3.375	60,000
2009	5.05	30,000	4.30	60,000	3.375	60,000
2010	5.05	40,000	4.45	60,000	3.375	65,000
2011	5.05	40,000	4.55	65,000	3.375	65,000
2012	5.05	40,000	4.65	70,000	3.400	70,000
2013	5.05	40,000	4.75	70,000	3.600	75,000
2014	5.05	45,000		--	3.700	70,000
2015	5.05	45,000		--		--
2016	5.10	45,000		--		--
2017	5.15	20,000		--		--
2018	5.20	20,000		--		--
2019	5.30	20,000		--		--
2020	5.40	20,000		--		--
2021	5.50	25,000		--		--
2022		--		--		--
2023		--		--		--
2024		--		--		--
		$490,000		$435,000		$525,000

See accompanying independent auditor's report.

Issued May 1, 2005		Issued Nov 7, 2001		
Interest Rates	Amount	Interest Rates	Amount	Total
4.00%	$25,000	4.75%	$7,544	177,544
4.00	30,000		--	175,000
4.00	30,000		--	180,000
4.00	30,000		--	195,000
4.00	35,000		--	205,000
4.00	35,000		--	215,000
4.25	35,000		--	220,000
4.25	40,000		--	155,000
4.25	40,000		--	85,000
5.00	40,000		--	85,000
5.00	40,000		--	60,000
5.00	45,000		--	65,000
5.00	45,000		--	65,000
5.00	50,000			70,000
5.00	50,000			75,000
5.00	55,000			55,000
5.00	55,000		--	55,000
4.65	60,000		--	60,000
	$740,000		$7,544	$2,197,544

City Of Sigourney

Bond and Notes Maturities

June 30, 2006

	Revenue Notes			
	Sewer Revenue		Water Revenue	
Year	Issued Nov 25, 1992		Issued Oct 1, 2001	
Ending	Interest		Interest	
June 30	Rates	Amount	Rates	Amount
2007	4.37%	$24,000	3.00%	$17,000
2008	4.37	25,000	3.00	17,000
2009	4.37	26,000	3.00	18,000
2010	4.37	27,000	3.00	18,000
2011	4.37	28,000	3.00	19,000
2012	4.37	29,000	3.00	20,000
2013	4.37	30,000	3.00	20,000
2014		--	3.00	21,000
2015		--	3.00	21,000
2016		--	3.00	22,000
2017		--	3.00	23,000
2018		--	3.00	23,000
2019		--	3.00	24,000
2020		--	3.00	25,000
2021			3.00	25,000
2022		--	3.00	--
		$189,000		$313,000

See accompanying independent auditor's report.

Water Revenue Issued June 1, 2002		Water Revenue Issued May 1, 2002		Sewer Revenue Issued Dec 6, 2002		
Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Total
3.00%	$2,000	2.55%	$30,000	3.00%	$43,000	$116,000
3.00	2,000	2.55	30,000	3.00	44,000	118,000
3.00	2,000	2.55	30,000	3.00	45,000	121,000
3.00	2,000	2.55	35,000	3.00	47,000	129,000
3.00	2,000	2.55	35,000	3.00	48,000	132,000
3.00	3,000	2.55	35,000	3.00	50,000	137,000
3.00	3,000	2.55	40,000	3.00	51,000	144,000
3.00	3,000		--	3.00	53,000	77,000
3.00	3,000		--	3.00	54,000	78,000
3.00	3,000		--	3.00	56,000	81,000
3.00	3,000		--	3.00	58,000	84,000
3.00	3,000		--	3.00	59,000	85,000
3.00	3,000		--	3.00	61,000	88,000
3.00	3,000		--	3.00	63,000	91,000
3.00	3,000		--	3.00	65,000	93,000
	--		--	3.00	67,000	67,000
	$40,000		$235,000		$864,000	$1,641,000

Schedule 4

City of Sigourney

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

For the Last Four Years

	2006	2005	2004	2003
Receipts:				
Property tax	$679,216	638,995	619,563	615,710
Tax increment financing collections	--	--	--	--
Other city tax	26,141	25,636	36,143	34,991
Licenses and permits	10,313	2,629	7,545	7,439
Use of money and property	17,836	14,372	16,253	25,067
Intergovernmental	209,547	304,306	326,862	734,362
Charges for service	47,183	39,524	46,035	97,253
Special assessments	9,289	8,698	10,681	14,629
Miscellaneous	193,803	496,157	398,183	231,347
Total	$1,193,328	$1,530,317	1,461,265	1,760,798
Disbursements:				
Operating:				
Public safety	$217,030	$223,059	240,328	227,472
Public works	180,334	223,551	207,252	336,016
Health and social services	--	--	--	--
Culture and recreation	308,714	567,785	268,299	169,227
Community and economic development	17,865	109,899	125,589	70,891
General government	209,372	175,003	159,057	159,196
Debt service	302,292	881,616	268,166	210,140
Capital projects	638,454	5,000	170,439	1,322,428
Total	$1,874,061	$2,185,913	1,439,130	2,495,370

See accompanying independent auditor's report.

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

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

To the Honorable Mayor and
Members of the City Council:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Sigourney, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements listed in the table of contents and have issued my report thereon dated October 18, 2006. My report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. I conducted my audit in accordance with US generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, I believe item I-A-06 is a material weakness.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the City. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statues.

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

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

Fredrick J. Hensel, CPA

October 18, 2006

City of Sigourney

Schedule of Findings

Year ended June 30, 2006

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

I-A-06 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Employees involved in the billing and recording functions were also involved with receiving receipts.

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

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

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

Part II: Other Findings Related to Statutory Reporting:

II-A-06 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, 2006.

II-B-06 Certified Budget - Disbursements during the year ended June 30, 2006, exceeded the amounts budgeted in the Culture and Recreation and Debt Service functions. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

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

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

Conclusion - Response acknowledged.

City of Sigourney

Schedule of Findings

Year ended June 30, 2006

II-C-06 Questionable Disbursements – I noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-D-06 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-E-06 Business Transactions – No business transactions were noted between the City and City officials or employees.

II-F-06 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-G-06 Council Minutes - No transactions were found that I believe should have been approved in the Council minutes but were not.

II-H-06 Deposits and Investments – I noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and City's investment policy.

II-H-06 Financial Condition – The Debt Service Fund had a deficit balance at June 30, 2006 of $2,375.

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

Response – The City will look into complying with this recommendation.

Conclusion - Response accepted.