



**OFFICE OF AUDITOR OF STATE
STATE OF IOWA**

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NEWS RELEASE

FOR RELEASE

May 22, 2008

Contact: Andy Nielsen
515/281-5834

Auditor of State David A. Vaudt today released an audit report on the City of Sigourney, Iowa.

The City's receipts totaled \$2,090,735 for the year ended June 30, 2007, a 5 percent increase over 2006. The receipts included \$831,604 in property tax, \$903,401 from charges for service, \$279,969 from operating grants, contributions and restricted interest, \$3,250 from capital grants, contributions and restricted interest, \$32,653 from unrestricted interest on investments, \$25,000 from bank loan proceeds and \$14,858 from other general receipts.

Disbursements for the year totaled \$2,043,450, a 24 percent decrease from the prior year, and included \$292,897 for debt service, \$262,141 for public safety and \$226,954 for public works. Also, disbursements for business type activities totaled \$745,413.

The significant decrease in disbursements is due primarily to completion of a street project in the prior year.

A copy of the audit report is available for review in the City Clerk's Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/reports.htm>.

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

JUNE 30, 2007

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City of Sigourney

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Patricia Miletich	Mayor	Jan 2010
Jeffrey Johnson	Mayor Pro tem	Jan 2008
Edward Conrad	Council Member	Jan 2008
Jeffrey Wallerich	Council Member	Jan 2008
Genna Moore	Council Member	Jan 2010
Patrick Peters	Council Member	Jan 2010
Charles Williams	Council Member	Jan 2010
Angela Alderson	City Clerk	Indefinite
Janet Ward	City Treasurer	Indefinite
John Wehr	Attorney	Indefinite

City of Sigourney



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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Sigourney, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City'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.

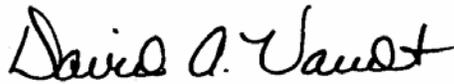
As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Sigourney as of June 30, 2007, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated April 24, 2008 on our consideration of the City'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 considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 13 and 34 through 36 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Sigourney's basic financial statements. The financial statements for the four years ended June 30, 2006 (which are not presented herein) were audited by another auditor who expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. 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 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.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

April 24, 2008

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, 2007. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

During fiscal year 2007, the City reclassified certain funds and included the Friends of the Sigourney Public Library, a blended component unit, in the reporting entity. These resulted in restatements to beginning balances in both the governmental and business type activities. To facilitate and enhance comparability in this discussion and analysis, fiscal year 2006 amounts have been revised to reflect the changes as if they had been made in the prior year.

2007 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased 6%, or approximately \$71,000, from fiscal year 2006 to fiscal year 2007. Property tax increased approximately \$127,000 and bank loan proceeds increased \$25,000.
- Disbursements of the City's governmental activities decreased 30%, or approximately \$565,000, in fiscal year 2007 from fiscal year 2006. Capital projects and general government disbursements decreased approximately \$538,000 and \$44,000, respectively.
- Receipts of the City's business type activities increased 9%, or approximately \$68,000, from fiscal year 2006 to fiscal year 2007. Sewer charges for service increased approximately \$53,000.
- Disbursements of the City's business type activities decreased 10%, or approximately \$63,000, from fiscal year 2006 to fiscal year 2007. Water disbursements and sewer disbursements decreased approximately \$49,000 and \$12,000, respectively.
- The City's total cash basis net assets increased 3%, or approximately \$47,000, from June 30, 2006 to June 30, 2007. Of this amount, the assets of the governmental activities decreased approximately \$131,000 and the assets of the business type activities increased approximately \$178,000.

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 and the City's indebtedness.

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, readers 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 sewer system and the sanitary disposal 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 Funds. 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 statement for governmental funds is 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. The Internal Service Fund is an accounting device used to accumulate and allocate costs internally among the City's various functions.

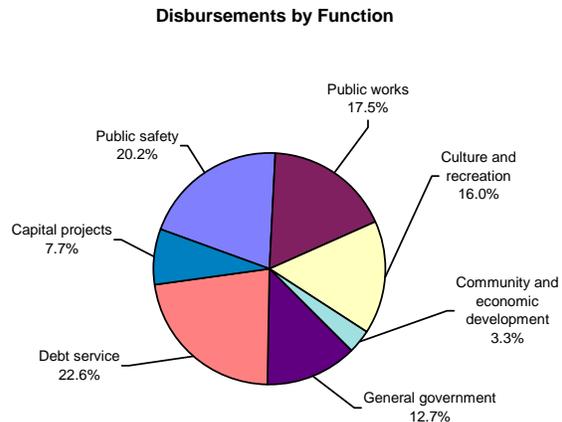
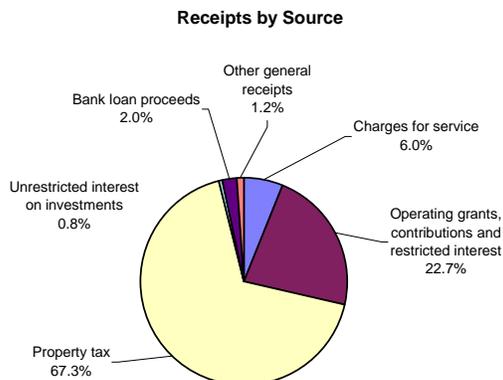
The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, from approximately \$646,000 to approximately \$515,000. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2007	2006
Receipts:		
Program receipts:		
Charges for service	\$ 74	47
Operating grants, contributions and restricted interest	280	196
General receipts:		
Property tax	832	705
Unrestricted interest on investments	10	14
Bank loan proceeds	25	-
Other general receipts	15	203
Total receipts	1,236	1,165
Disbursements:		
Public safety	262	208
Public works	227	180
Culture and recreation	208	308
Community and economic development	43	18
General government	165	209
Debt service	293	302
Capital projects	100	638
Total disbursements	1,298	1,863
Change in cash basis net assets before transfers	(62)	(698)
Transfers, net	(69)	(62)
Change in cash basis net assets	(131)	(760)
Cash basis net assets beginning of year, as restated	646	1,406
Cash basis net assets end of year	\$ 515	646



The City's total receipts for governmental activities increased 6%, or approximately \$71,000. The total cost of all programs and services decreased approximately \$565,000, or 30%, with no new programs added this year. The significant decrease in disbursements was primarily the result of construction and completion of a street project during fiscal year 2006.

The City increased property tax rates for 2007 by an average of 10%. This increase raised the City's property tax receipts approximately \$127,000 in 2007. Based on increases in the total taxable valuation, property tax receipts are budgeted to increase an additional \$7,597 next year.

The cost of all governmental activities this year was \$1.298 million compared to \$1.863 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 \$944,000 because some of the cost was paid by those directly benefited from the programs (\$74,000) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$280,000). Overall, the City's governmental activities receipts, including intergovernmental aid and fees for service, increased in 2007 from approximately \$243,000 to approximately \$354,000, principally due to corrections in classifications. The City paid for the remaining "public benefit" portion of governmental activities with approximately \$813,000 in tax (some of which could only be used for certain programs) and other receipts, such as interest and general entitlements.

Changes in Cash Basis Net Assets of Business Type Activities		
(Expressed in Thousands)		
	Year ended June 30,	
	2007	2006
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 430	422
Sewer	281	228
Sanitation	118	119
Capital grants, contributions and restricted interest	3	-
General receipts:		
Unrestricted interest on investments	23	15
Miscellaneous	-	3
Total receipts	<u>855</u>	<u>787</u>
Disbursements:		
Water	368	417
Sewer	261	273
Sanitation	116	118
Total disbursements	<u>745</u>	<u>808</u>
Change in cash basis net assets before transfers	110	(21)
Transfers, net	<u>69</u>	<u>62</u>
Change in cash basis net assets	179	41
Cash basis net assets beginning of year, as restated	<u>754</u>	<u>713</u>
Cash basis net assets end of year	<u>\$ 933</u>	<u>754</u>

Total business type activities receipts for the fiscal year were approximately \$855,000 compared to approximately \$787,000 last year. This increase was due primarily to an increase in sewer charges for service. Total disbursements for the fiscal year decreased 8% to a total of approximately \$745,000.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Sigourney completed the year, its governmental funds reported a combined fund balance of \$455,075, a decrease of more than \$100,000 from last year's total of \$555,917. 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 \$5,037 from the prior year to \$190,566. Receipts and disbursements remained consistent from the prior year.
- The Special Revenue, Road Use Tax Fund cash balance decreased \$12,743 to \$12,884 during the fiscal year. Receipts remained consistent from the prior year. Disbursements decreased \$14,766, related to the final repayment to the Iowa Department of Transportation for a resurfacing project.
- The Special Revenue, Employee Benefits Fund cash balance was \$32,097, an increase of \$10,958 over the previous year. The increase was the result of increased property tax rates and collections.
- The Debt Service Fund cash balance increased \$5,465 to \$3,090 during the fiscal year. This increase was due to an increase in property tax rates, from \$4.55120 to \$6.51220 per \$1,000 of taxable valuation. Bond principal and interest payments increased \$11,220 in fiscal 2007.
- The Capital Projects Fund cash balance decreased \$67,979 to \$109,169 during the fiscal year. As the street reconstruction project was completed in fiscal year 2006, receipts and disbursements related to the project decreased.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance increased \$94,430 to \$396,553, due primarily to the completion of a project in the prior year.
- The Sewer Fund cash balance increased \$51,725 to \$410,011, due primarily to the adoption of increased sewer rates and a new sewer surcharge.
- The Sanitation Fund cash balance increased \$10,698 to \$32,803. Receipts and disbursements remained consistent with the prior year.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget two times. The first amendment was approved on May 16, 2007 and resulted in an increase in operating disbursements related to the purchase of a snow plow and repair to the City swimming pool. The second amendment was approved on June 25, 2007 to provide for the receipt and disbursement of grant proceeds.

The City's receipts were \$79,336 less than budgeted. This was primarily due to the City receiving less in intergovernmental and miscellaneous receipts than anticipated, even after the amendments.

Total disbursements were \$250,189 less than the amended budget. Actual disbursements for the capital projects, business type activities and culture and recreation functions were \$113,414, \$44,724 and \$39,000, respectively, less than the amended budget. This was primarily due to the City having fewer capital projects and other disbursements than anticipated.

The City exceeded the amount budgeted in the public works function for the year ended June 30, 2007 due to project repayments not budgeted correctly.

DEBT ADMINISTRATION

At June 30, 2007, the City had \$3,551,000 in notes and other long-term debt outstanding, compared to \$3,837,000 last year, as shown below.

	Outstanding Debt at Year-End (Expressed in Thousands)	
	June 30,	
	2007	2006
General obligation notes	\$ 2,020	2,190
Revenue notes	1,464	1,577
Other obligations	67	70
Total	\$ 3,551	3,837

City debt payments in FY2007 reduced outstanding debt by \$286,000. New debt was issued for repair to the City swimming pool.

The City continues to carry a general obligation bond rating of A3 assigned by national rating agencies to the City's debt. 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 \$2,086,939 is below its constitutional debt limit of \$3.6 million.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City's elected and appointed officials and citizens considered many factors when setting the fiscal year 2008 budget, tax rates and fees charged for various City activities. One of those factors is the economy. The City's employment growth has mirrored its population growth during 2001-2006, averaging per year gains of 2.2%. Unemployment in the City now stands at 6.1%, versus 4.9% a year ago. This compares with the State's unemployment rate of 3.5% and the national rate of 5.1%.

These indicators were taken into account when adopting the budget for fiscal year 2008. Amounts available for appropriation in the operating budget are approximately \$4 million, an increase of 86% over the final 2007 budget. Local option sales tax and intergovernmental receipts are expected to lead this increase. The City will use these increases in receipts to finance programs we currently offer for the well project. Budgeted disbursements are expected to rise by approximately \$1,528,000. Increases in the community and economic development function related to the Community Development Block Grant and the well project represent the largest increases.

If these estimates are realized, the City's budgeted cash balance is expected to increase \$163,246 by the close of 2008.

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 Alderson, City Clerk, 120 N. Jefferson, Sigourney, Iowa 52591-1540.

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, 2007

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 262,141	9,583	10,047	-
Public works	226,954	-	184,109	-
Culture and recreation	207,531	49,522	58,722	-
Community and economic development	43,576	2,438	26,498	-
General government	165,318	6,248	222	-
Debt service	292,897	6,634	371	-
Capital projects	99,620	-	-	-
Total governmental activities	1,298,037	74,425	279,969	-
Business type activities:				
Water	368,126	429,719	-	1,250
Sewer	261,389	280,928	-	2,000
Sanitation	115,898	118,329	-	-
Total business type activities	745,413	828,976	-	3,250
Total	\$ 2,043,450	903,401	279,969	3,250

General Receipts:

Property and other city tax levied for:
 General purposes
 Debt service
 Unrestricted interest on investments
 Bank loan proceeds
 Sale of assets
 Miscellaneous
 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
(242,511)	-	(242,511)
(42,845)	-	(42,845)
(99,287)	-	(99,287)
(14,640)	-	(14,640)
(158,848)	-	(158,848)
(285,892)	-	(285,892)
(99,620)	-	(99,620)
(943,643)	-	(943,643)
-	62,843	62,843
-	21,539	21,539
-	2,431	2,431
-	86,813	86,813
(943,643)	86,813	(856,830)
575,772	-	575,772
255,832	-	255,832
10,005	22,648	32,653
25,000	-	25,000
10,000	-	10,000
4,858	-	4,858
(68,805)	68,805	-
812,662	91,453	904,115
(130,981)	178,266	47,285
645,923	754,536	1,400,459
\$ 514,942	932,802	1,447,744
\$ 12,884	-	12,884
3,074	-	3,074
3,090	123,506	126,596
245,461	-	245,461
250,433	809,296	1,059,729
\$ 514,942	932,802	1,447,744

City of Sigourney

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

As of and for the year ended June 30, 2007

	Special Revenue		
	General	Road Use Tax	Employee Benefits
Receipts:			
Property tax	\$ 373,536	-	156,125
Other city tax	29,285	-	6,068
Licenses and permits	5,105	-	-
Use of money and property	10,240	-	-
Intergovernmental	12,360	184,109	-
Charges for service	32,656	-	-
Special assessments	-	-	-
Miscellaneous	42,427	-	-
Total receipts	505,609	184,109	162,193
Disbursements:			
Operating:			
Public safety	254,442	-	-
Public works	14,386	186,183	-
Culture and recreation	172,025	-	-
Community and economic development	7,807	-	-
General government	165,318	-	-
Debt service	-	24,767	-
Capital projects	-	-	-
Total disbursements	613,978	210,950	-
Excess (deficiency) of receipts over (under) disbursements	(108,369)	(26,841)	162,193
Other financing sources (uses):			
Bank loan proceeds	25,000	-	-
Sale of capital assets	10,000	-	-
Operating transfers in	68,332	14,098	-
Operating transfers out	-	-	(151,235)
Total other financing sources (uses)	103,332	14,098	(151,235)
Net change in cash balances	(5,037)	(12,743)	10,958
Cash balances beginning of year, as restated	195,603	25,627	21,139
Cash balances end of year	\$ 190,566	12,884	32,097
Cash Basis Fund Balances			
Reserved for debt service	\$ -	-	-
Unreserved:			
General fund	190,566	-	-
Special revenue funds	-	12,884	32,097
Capital projects fund	-	-	-
Permanent funds	-	-	-
Total cash basis fund balances	\$ 190,566	12,884	32,097

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
255,832	-	-	785,493
10,758	-	-	46,111
-	-	-	5,105
371	3,408	9,229	23,248
-	-	20,688	217,157
-	-	80	32,736
6,634	-	-	6,634
-	36,053	2,952	81,432
<u>273,595</u>	<u>39,461</u>	<u>32,949</u>	<u>1,197,916</u>
-	-	-	254,442
-	-	-	200,569
-	-	36,506	208,531
-	-	35,769	43,576
-	-	-	165,318
268,130	-	-	292,897
-	99,620	-	99,620
<u>268,130</u>	<u>99,620</u>	<u>72,275</u>	<u>1,264,953</u>
5,465	(60,159)	(39,326)	(67,037)
-	-	-	25,000
-	-	-	10,000
-	-	7,820	90,250
-	(7,820)	-	(159,055)
<u>-</u>	<u>(7,820)</u>	<u>7,820</u>	<u>(33,805)</u>
5,465	(67,979)	(31,506)	(100,842)
(2,375)	177,148	138,775	555,917
<u>3,090</u>	<u>109,169</u>	<u>107,269</u>	<u>455,075</u>
3,090	-	-	3,090
-	-	-	190,566
-	-	101,594	146,575
-	109,169	-	109,169
-	-	5,675	5,675
<u>3,090</u>	<u>109,169</u>	<u>107,269</u>	<u>455,075</u>

City of Sigourney

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, 2007

Total governmental funds cash balances (page 19) \$ 455,075

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

The Internal Service Fund is used by management to charge the costs of vehicle replacement to individual funds. A portion of the assets of the Internal Service Fund are included in governmental activities in the Statement of Net Assets.

59,867

Cash basis net assets of governmental activities (page 17)

\$ 514,942

Net change in cash balances (page 19)

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

(100,842)

The Internal Service Fund is used by management to charge the costs of vehicle replacement to individual funds. A portion of the change in net assets of the Internal Service Fund is reported with governmental activities.

(30,139)

Change in cash basis net assets of governmental activities (page 17)

\$ (130,981)

See notes to financial statements.

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, 2007

	Enterprise				Internal Service
	Water	Sewer	Sanitation	Total	Vehicle Replacement
Operating receipts:					
Charges for service	\$ 417,315	276,832	87,684	781,831	51,200
Miscellaneous	12,404	4,096	30,645	47,145	-
Total operating receipts	<u>429,719</u>	<u>280,928</u>	<u>118,329</u>	<u>828,976</u>	<u>51,200</u>
Operating disbursements:					
Governmental activities:					
Public safety	-	-	-	-	25,699
Public works	-	-	-	-	29,385
Business type activities	302,791	170,229	113,172	586,192	10,115
Total operating disbursements	<u>302,791</u>	<u>170,229</u>	<u>113,172</u>	<u>586,192</u>	<u>65,199</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>126,928</u>	<u>110,699</u>	<u>5,157</u>	<u>242,784</u>	<u>(13,999)</u>
Non-operating receipts (disbursements):					
Intergovernmental	-	2,000	-	2,000	-
Interest on investments	9,665	11,905	-	21,570	5,273
Debt service	(71,520)	(95,860)	(10,926)	(178,306)	-
Net non-operating receipts (disbursements)	<u>(61,855)</u>	<u>(81,955)</u>	<u>(10,926)</u>	<u>(154,736)</u>	<u>5,273</u>
Excess (deficiency) of receipts over (under) disbursements	<u>65,073</u>	<u>28,744</u>	<u>(5,769)</u>	<u>88,048</u>	<u>(8,726)</u>
Operating transfers in	<u>29,357</u>	<u>22,981</u>	<u>16,467</u>	<u>68,805</u>	<u>-</u>
Net change in cash balances	<u>94,430</u>	<u>51,725</u>	<u>10,698</u>	<u>156,853</u>	<u>(8,726)</u>
Cash balances beginning of year, as restated	<u>302,123</u>	<u>358,286</u>	<u>22,105</u>	<u>682,514</u>	<u>162,028</u>
Cash balances end of year	<u>\$ 396,553</u>	<u>410,011</u>	<u>32,803</u>	<u>839,367</u>	<u>153,302</u>
Cash Basis Fund Balances					
Reserved for:					
Debt service	\$ 47,817	75,689	-	123,506	-
Water deposits	25,063	-	-	25,063	-
Unreserved	<u>323,673</u>	<u>334,322</u>	<u>32,803</u>	<u>690,798</u>	<u>153,302</u>
Total cash basis fund balances	<u>\$ 396,553</u>	<u>410,011</u>	<u>32,803</u>	<u>839,367</u>	<u>153,302</u>

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, 2007

Total enterprise funds cash balances (page 22)	\$ 839,367
<i>Amounts reported for business type activities in the Statement of Activities and Net Assets are different because:</i>	
The Internal Service Fund is used by management to charge the costs of vehicle replacement to individual funds. A portion of the assets of the Internal Service Fund are included in business type activities in the Statement of Net Assets.	93,435
Cash basis net assets of business type activities (page 17)	\$ 932,802
Net change in cash balances (page 22)	
<i>Amounts reported for business type activities in the Statement of Activities and Net Assets are different because:</i>	
The Internal Service Fund is used by management to charge the costs of vehicle replacement to individual funds. A portion of the change in net assets of the Internal Service Fund is reported with business type activities.	156,853
Change in cash basis net assets of business type activities (page 17)	\$ 178,266

See notes to financial statements.

City of Sigourney

Notes to Financial Statements

June 30, 2007

(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 first incorporated in 1844 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water, sewer and sanitation 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.

These financial statements present the City of Sigourney (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

Blended Component Unit

Friends of the Sigourney Public Library is legally separate from the City but is so intertwined with the City it is, in substance, the same as the City. The component unit is reported as part of the City and blended into the special revenue funds.

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: Keokuk County Assessor's Conference Board, Keokuk County Emergency Management Commission and Keokuk County Joint E911 Service Board.

B. Basis of Presentation

Government-wide Financial Statement - 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 service.

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 not meeting 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 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 the employee benefits tax levied to pay employee benefits.

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 Projects 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 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 and maintenance of the City's sanitary disposal system.

The City also reports the following proprietary fund:

An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the City and provided to other departments or agencies on a cost reimbursement basis.

C. Measurement Focus and 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.

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, 2007, disbursements exceeded the amount budgeted in the public works function.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2007 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 has no investments meeting the disclosure requirement of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

(3) Long Term Debt

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

Year Ending June 30,	General Obligation Capital Loan Notes		Revenue Capital Loan Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
	2008	\$ 175,000	89,790	115,000	47,188	290,000
2009	180,000	82,768	118,000	43,362	298,000	126,130
2010	195,000	75,447	125,000	39,403	320,000	114,850
2011	205,000	67,364	129,000	35,110	334,000	102,474
2012	215,000	58,792	133,000	30,662	348,000	89,454
2013 - 2017	605,000	178,630	443,000	97,220	1,048,000	275,850
2018 - 2022	330,000	77,600	401,000	35,070	731,000	112,670
2023 - 2024	115,000	8,330	-	-	115,000	8,330
Total	<u>\$ 2,020,000</u>	<u>638,721</u>	<u>1,464,000</u>	<u>328,015</u>	<u>3,484,000</u>	<u>966,736</u>

The resolutions providing for the issuance of the revenue capital loan 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 a separate water revenue note sinking account within the Enterprise Funds for the purpose of making the note principal and interest payments when due.
- (c) A total of \$41,940 shall be set aside in a water reserve account. This account is restricted for the purpose of paying the principal and interest on the notes whenever the funds in the sinking account are insufficient.

Bank Loan

On June 22, 2007, the City entered into a loan agreement for pool repair. The loan of \$25,000, with interest at 5.25% per annum, is payable over a two-year period.

Solid Waste Alternative Program (SWAP) Loan

In May 2003, the City entered into a loan agreement with the Iowa Department of Natural Resources to provide funds to assist with the cost of expanding the City's recycling program. The agreement awarded up to \$36,225 in the form of a forgivable loan of \$20,000 and a zero interest loan of \$16,225. The term of the loan is 20 months and requires monthly payments of \$811 which began March 15, 2004. At June 30, 2007, there are no unmet conditions to be achieved for loan forgiveness.

Details of the City's SWAP loan at June 30, 2007 are as follows:

Year Ending June 30,	Interest Rate	Principal
2008	0%	\$ 3,245
2009	0%	<u>1,623</u>
Total		<u>\$ 4,868</u>

The City paid \$3,245 in principal under the agreement during the year ended June 30, 2007.

RISE Paving Repayment

In September 2000, the City entered into an agreement with the Iowa Department of Transportation for up to \$454,000 in the form of a grant of \$347,200 and a loan of \$106,800 to provide funds for the construction of certain transportation improvements which were necessary for the development of a new business. The loan bears 5% per annum interest. The term of the loan requires five annual payments which began August 27, 2004. In addition to the annual payment of \$20,056, the City is also paying \$4,711 per year due to a default on the agreement. The default payment is not included in the balance reported in the schedule below, nor is it included in Schedule 2.

Details of the City's RISE paving repayment at June 30, 2007 are as follows:

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2008	5%	\$ 18,192	1,864	20,056
2009	5%	<u>19,101</u>	<u>955</u>	<u>20,056</u>
Total		<u>\$ 37,293</u>	<u>2,819</u>	<u>40,112</u>

(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.

Most regular plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$24,756, \$25,498 and \$25,797, respectively, equal to the required contributions for each year.

(5) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation, personal leave and compensatory time 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, personal leave and compensatory time payable to employees at June 30, 2007, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 23,000
Personal leave	3,000
Compensatory time	<u>6,000</u>
Total	<u>\$ 32,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2007.

(6) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2007 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue: Employee Benefits	<u>\$ 68,332</u>
Special Revenue: Road Use Tax	Special Revenue: Employee Benefits	<u>14,098</u>
Restricted Gifts	Capital Projects	<u>7,820</u>
Enterprise: Water	Special Revenue: Employee Benefits	29,357
Sewer	Employee Benefits	22,981
Sanitation	Employee Benefits	<u>16,467</u>
		<u>68,805</u>
Total		<u>\$ 159,055</u>

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

(7) Risk Management

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 556 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability,

automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

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

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

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2007 were \$24,377.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2007, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

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

The City also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of

\$1,000,000 and \$50,000, respectively. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(8) Restatement of Beginning Balances

During fiscal year 2007, the City reclassified several funds and included Friends of the Sigourney Public Library, a blended component unit, in the reporting entity as a Special Revenue Fund. The Vehicle Replacement Fund was reclassified from a Special Revenue Fund to an Internal Service Fund. The Water Customer Deposit Account was reclassified from a Permanent Fund to the Water Fund. The Lewis Memorial Fountain and Year 2044 Funds of \$55,876 and \$936, respectively, were reclassified from Permanent Funds to individual Special Revenue Funds. These changes resulted in adjustments to beginning cash basis net assets as follows:

	Statement of Net Assets		Proprietary Funds	
	Governmental	Business Type	Internal	
	Activities	Activities	Water Fund	Service Fund
Balances at June 30, 2006	\$ 734,891	660,425	280,034	-
Allocation of Vehicle Replacement Fund	(72,022)	72,022	-	162,028
Reclassification of Water Customer Deposit Account	(22,089)	22,089	22,089	-
Addition of component unit	5,143	-	-	-
Balances at July 1, 2006, as restated	\$ 645,923	754,536	302,123	162,028

(9) Subsequent Event

In December 2007, the City entered into an agreement with the Iowa Finance Authority and the Iowa Department of Natural Resources for a loan of \$750,000 from the Iowa Drinking Water Facilities Financing Program.

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, 2007

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 785,493	-	-
Other city tax	46,111	-	-
Licenses and permits	5,105	-	-
Use of money and property	23,248	26,843	5,422
Intergovernmental	217,157	2,000	-
Charges for service	32,736	833,031	51,200
Special assessments	6,634	-	-
Miscellaneous	81,432	47,145	1,420
Total receipts	<u>1,197,916</u>	<u>909,019</u>	<u>58,042</u>
Disbursements:			
Public safety	254,442	25,699	25,699
Public works	200,569	29,385	29,385
Culture and recreation	208,531	-	1,797
Community and economic development	43,576	-	-
General government	165,318	-	-
Debt service	292,897	-	-
Capital projects	99,620	-	-
Business type activities	-	774,613	10,115
Total disbursements	<u>1,264,953</u>	<u>829,697</u>	<u>66,996</u>
Excess (deficiency) of receipts over (under) disbursements	(67,037)	79,322	(8,954)
Other financing sources (uses), net	<u>(33,805)</u>	<u>68,805</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(100,842)	148,127	(8,954)
Balances beginning of year, as restated	<u>555,917</u>	<u>844,542</u>	<u>167,171</u>
Balances end of year	<u>\$ 455,075</u>	<u>992,669</u>	<u>158,217</u>

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
785,493	785,379	785,379	114
46,111	32,869	32,869	13,242
5,105	20,800	19,800	(14,695)
44,669	47,550	70,050	(25,381)
219,157	196,614	258,892	(39,735)
814,567	690,015	701,395	113,172
6,634	60,000	80,000	(73,366)
127,157	161,730	179,844	(52,687)
<u>2,048,893</u>	<u>1,994,957</u>	<u>2,128,229</u>	<u>(79,336)</u>
254,442	270,711	273,543	19,101
200,569	174,884	198,134	(2,435)
206,734	175,282	247,531	40,797
43,576	18,677	46,115	2,539
165,318	182,611	184,911	19,593
292,897	292,899	305,353	12,456
99,620	246,000	213,034	113,414
764,498	866,790	809,222	44,724
<u>2,027,654</u>	<u>2,227,854</u>	<u>2,277,843</u>	<u>250,189</u>
21,239	(232,897)	(149,614)	170,853
35,000	204,858	164,580	(129,580)
56,239	(28,039)	14,966	41,273
<u>1,233,288</u>	<u>1,035,706</u>	<u>1,035,706</u>	<u>197,582</u>
<u>1,289,527</u>	<u>1,007,667</u>	<u>1,050,672</u>	<u>238,855</u>

City of Sigourney

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2007

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 the blended component unit and the Internal Service Fund. 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. 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, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Funds and the Enterprise 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, two budget amendments increased budgeted disbursements by \$49,989. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2007, disbursements exceeded the amount budgeted in the public works function.

Other Supplementary Information

City of Sigourney

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

As of and for the year ended June 30, 2007

	Restricted Gifts	CDBG Housing	LHAP Program
Receipts:			
Use of money and property	\$ 4,145	1,169	-
Intergovernmental	-	7,351	13,337
Charges for services	-	80	-
Miscellaneous	1,422	-	-
Total receipts	5,567	8,600	13,337
Disbursements:			
Operating:			
Culture and recreation	23,692	-	-
Community and economic development	-	22,432	13,337
Total disbursements	23,692	22,432	13,337
Excess (deficiency) of receipts over (under) disbursements	(18,125)	(13,832)	-
Other financing sources:			
Operating transfers in	7,820	-	-
Net change in cash balances	(10,305)	(13,832)	-
Cash balances beginning of year, as restated	36,734	31,170	1
Cash balances end of year	\$ 26,429	17,338	1
Cash Basis Fund Balances			
Unreserved:			
Special revenue funds	\$ 26,429	17,338	1
Permanent funds	-	-	-
Total cash basis fund balances	\$ 26,429	17,338	1

See accompanying independent auditor's report.

Special Revenue					Permanent			
CLG History Presentation	Urban Renewal Tax Increment	Lewis Memorial Fountain	Year 2044	Friends of the Sigourney Public Library	Lewis Memorial Trust	Library Memorial Trust	Total	
58	2,397	1,311	-	149	-	-	9,229	
-	-	-	-	-	-	-	20,688	
-	-	-	-	-	-	-	80	
-	-	110	-	1,420	-	-	2,952	
58	2,397	1,421	-	1,569	-	-	32,949	
-	-	11,017	-	1,797	-	-	36,506	
-	-	-	-	-	-	-	35,769	
-	-	11,017	-	1,797	-	-	72,275	
58	2,397	(9,596)	-	(228)	-	-	(39,326)	
-	-	-	-	-	-	-	7,820	
58	2,397	(9,596)	-	(228)	-	-	(31,506)	
2,563	677	55,876	936	5,143	4,675	1,000	138,775	
2,621	3,074	46,280	936	4,915	4,675	1,000	107,269	
2,621	3,074	46,280	936	4,915	-	-	101,594	
-	-	-	-	-	4,675	1,000	5,675	
2,621	3,074	46,280	936	4,915	4,675	1,000	107,269	

City of Sigourney
Schedule of Indebtedness
Year ended June 30, 2007

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation capital loan notes:			
Series 2001	Jul 12, 2001	5.05-5.50%	\$ 620,000
Refunding Series 2002	May 1, 2002	2.60-4.75	635,000
Refunding Series 2004	Nov 17, 2004	3.375-3.75	635,000
Series 2005	May 1, 2005	4.0-5.0	750,000
Total			
Revenue capital loan notes:			
Sewer - Series 1992	Nov 25, 1992	3.00-4.37%	\$ 436,000
Water - Series 2001	Oct 1, 2001	3.00	390,000
Water - Series 2002	Feb 7, 2002	3.00	50,000
Water - Series 2002B	May 1, 2002	2.55-4.90	350,000
Sewer - Series 2002	Dec 6, 2002	3.00	959,000
Total			
Other obligations:			
SWAP loan	May 15, 2003	0.00%	\$ 16,225
RISE paving repayment	Sept 20, 2000	5.00	86,833
Bank loan - sanitation truck	Nov 7, 2001	4.75	68,000
Bank loan - pool repair	Jun 22, 2007	5.25	25,000
Total			

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
490,000	-	30,000	460,000	25,050
435,000	-	55,000	380,000	19,270
525,000	-	60,000	465,000	18,132
740,000	-	25,000	715,000	34,078
<u>\$ 2,190,000</u>	<u>-</u>	<u>170,000</u>	<u>2,020,000</u>	<u>96,530</u>
189,000	-	24,000	165,000	5,670
313,000	-	17,000	296,000	9,390
40,000	-	2,000	38,000	1,200
235,000	-	30,000	205,000	10,648
800,000	-	40,000	760,000	23,958
<u>\$ 1,577,000</u>	<u>-</u>	<u>113,000</u>	<u>1,464,000</u>	<u>50,866</u>
8,113	-	3,245	4,868	-
54,618	-	17,325	37,293	2,731
7,544	-	7,544	-	137
-	25,000	-	25,000	-
<u>\$ 70,275</u>	<u>25,000</u>	<u>28,114</u>	<u>67,161</u>	<u>2,868</u>

City of Sigourney
 Bond and Note Maturities
 June 30, 2007

Year Ending June 30,	General Obligation Notes					
	Capital Loan		Capital Loan		Capital Loan	
	Issued Jul 12, 2001		Refunding Issued May 1, 2002		Refunding Issued Nov 17, 2004	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
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	-	-	-	-	-	-
Total		<u>\$ 460,000</u>		<u>\$ 380,000</u>		<u>\$ 465,000</u>

Year Ending June 30,	Revenue Capital					
	Sewer		Water		Water	
	Issued Nov 25, 1992		Issued Oct 1, 2001		Issued Jun 1, 2002	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2008	3.00%	\$ 25,000	3.00%	\$ 17,000	3.00%	\$ 2,000
2009	3.00	26,000	3.00	18,000	3.00	2,000
2010	3.00	27,000	3.00	18,000	3.00	2,000
2011	3.00	28,000	3.00	19,000	3.00	2,000
2012	3.00	29,000	3.00	20,000	3.00	3,000
2013	3.00	30,000	3.00	20,000	3.00	3,000
2014	-	-	3.00	21,000	3.00	3,000
2015	-	-	3.00	21,000	3.00	3,000
2016	-	-	3.00	22,000	3.00	3,000
2017	-	-	3.00	23,000	3.00	3,000
2018	-	-	3.00	23,000	3.00	3,000
2019	-	-	3.00	24,000	3.00	3,000
2020	-	-	3.00	25,000	3.00	3,000
2021	-	-	3.00	25,000	3.00	3,000
2022	-	-	-	-	-	-
Total		<u>\$ 165,000</u>		<u>\$ 296,000</u>		<u>\$ 38,000</u>

See accompanying independent auditor's report.

Capital Loan		
Issued May 1, 2005		
Interest Rates	Amount	Total
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
	<u>\$ 715,000</u>	<u>2,020,000</u>

Loan Notes					
Water			Sewer		
Issued May 1, 2002			Issued Dec 6, 2002		
Interest Rates	Amount	Total	Interest Rates	Amount	Total
4.25%	\$ 30,000	115,000	3.00%	\$ 41,000	115,000
4.40	30,000	118,000	3.00	42,000	118,000
4.55	35,000	125,000	3.00	43,000	125,000
4.65	35,000	129,000	3.00	45,000	129,000
4.75	35,000	133,000	3.00	46,000	133,000
4.85	40,000	140,000	3.00	47,000	140,000
-	-	73,000	3.00	49,000	73,000
-	-	74,000	3.00	50,000	74,000
-	-	77,000	3.00	52,000	77,000
-	-	79,000	3.00	53,000	79,000
-	-	81,000	3.00	55,000	81,000
-	-	84,000	3.00	57,000	84,000
-	-	86,000	3.00	58,000	86,000
-	-	88,000	3.00	60,000	88,000
-	-	62,000	3.00	62,000	62,000
	<u>\$ 205,000</u>			<u>\$ 760,000</u>	<u>1,464,000</u>

Schedule 4

City of Sigourney

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

For the Last Five Years

	2007	2006	2005	2004	2003
Receipts:					
Property tax	\$ 785,493	679,216	638,995	619,563	615,710
Other city tax	46,111	26,141	25,636	36,143	34,991
Licenses and permits	5,105	10,313	2,629	7,545	7,439
Use of money and property	23,248	17,836	14,372	16,253	25,067
Intergovernmental	217,157	209,547	304,306	326,862	734,362
Charges for service	32,736	47,183	39,524	46,035	97,253
Special assessments	6,634	9,289	8,698	10,681	14,629
Miscellaneous	81,432	193,803	496,157	398,183	231,347
Total	<u>\$ 1,197,916</u>	<u>1,193,328</u>	<u>1,530,317</u>	<u>1,461,265</u>	<u>1,760,798</u>
Disbursements:					
Operating:					
Public safety	\$ 254,442	217,030	223,059	240,328	227,472
Public works	200,569	180,334	223,551	207,252	336,016
Culture and recreation	208,531	308,714	567,785	268,299	169,227
Community and economic development	43,576	17,865	109,899	125,589	70,891
General government	165,318	209,372	175,003	159,057	159,196
Debt service	292,897	302,292	881,616	268,166	210,140
Capital projects	99,620	638,454	5,000	170,439	1,322,428
Total	<u>\$ 1,264,953</u>	<u>1,874,061</u>	<u>2,185,913</u>	<u>1,439,130</u>	<u>2,495,370</u>

See accompanying independent auditor's report.



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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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:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Sigourney, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated April 24, 2008. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Sigourney's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City of Sigourney's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Sigourney's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, including deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Sigourney's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of the City of Sigourney's financial statements that is more than inconsequential will not be prevented or detected by the City of Sigourney's internal control. We consider the deficiencies in internal control described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City of Sigourney's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items (A) and (B) are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Sigourney's financial statements are free of material misstatement, we 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 our audit and, accordingly, we do not express such an opinion. The results of our tests 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 the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Sigourney's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City of Sigourney's responses and, accordingly, we express no opinion on them.

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. 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 Sigourney 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.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

April 24, 2008

City of Sigourney

Schedule of Findings

Year ended June 30, 2007

Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

- (A) 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. When duties are properly segregated, the activities of one employee act as a check of those of another. One person has control over each of the following areas for the City:
- (1) Cash – reconciling bank accounts, initiating cash receipts and handling and recording cash.
 - (2) Investments – detailed record keeping, custody of investments and reconciling earnings.
 - (3) Receipts – collecting, depositing, journalizing and posting.
 - (4) Utility receipts – billing, collecting, depositing, posting and reconciling.

In addition, cash and receipts are not protected in a secure area during the day.

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 –

- (1) The Finance Committee will start checking the bank reconciliations in March 2008.
- (2) The original investment records will be stored in the City's vault (the Treasurer will keep copies) and the Finance Committee will review monthly beginning in March.
- (3), (4) The City Clerk's Office will review the present process used and try to delegate the responsibilities among all the office employees.

In addition, the City Clerk's Office is looking at different options such as a cash drawer or a lock box separate from the one used in the vault.

Conclusion – Response accepted.

City of Sigourney

Schedule of Findings

Year ended June 30, 2007

- (B) Reconciliation of Utility Billings, Collections and Delinquencies – Utility billings, collections and delinquent accounts were not reconciled throughout the year. Also, utility collections were not reconciled to deposits.

Recommendation – Procedures should be established to reconcile utility billings, collections and delinquencies for each billing period and to reconcile collections to deposits. The Council or a Council-designated independent person should review the reconciliations and monitor delinquencies.

Response – The Utility Billing Clerk has already started creating reports starting with July 2007 and working forward. The City Clerk will ask the Finance Committee (or a designee) to review this report on a monthly basis.

Conclusion – Response accepted.

- (C) Information Systems – The following weaknesses in the City's computer based systems were noted:

The City does not have written policies for:

- password privacy and confidentiality.
- requiring password changes every 60 – 90 days.
- time-out or log-off functions to protect unattended terminals. Screen saver passwords are not used to protect unattended terminals.
- usage of the internet.
- ensuring only software licensed to the City is installed on computers.

Also, the City does not have a written disaster recovery plan and weekly backup tapes are not stored offsite.

Recommendation – The City should develop written policies and procedures addressing the above items in order to improve the City's control over computer based systems. A written disaster recovery plan should be developed and weekly backup tapes should be stored offsite.

Response – The City Clerk's Office has already started using passwords correctly and confidentially. A written policy should be in place by the end of fiscal year 2008 for each of these items.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

City of Sigourney

Schedule of Findings

Year ended June 30, 2007

Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2007 exceeded the amount budgeted in the public works function. Chapter 384.20 of the Code of Iowa states, in part, “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 City Clerk’s Office will monitor this closely and try to avoid these types of situations in the future.

Conclusion – Response accepted.

- (2) Questionable Disbursements – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s Opinion dated April 25, 1979 were noted.

- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

- (4) Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Jarid Bain, Street Department employee, father owns Bain Electric	Services	\$ 2,455
Brent Jennings, Police Reserve Officer, owner of PTL The Shop	Tires and services	679

In accordance with Chapter 362.5(10) of the Code of Iowa, the transactions with Brent Jennings do not appear to represent a conflict of interest since total transactions were less than \$1,500 during the fiscal year. The transaction with Bain Electric may represent a conflict of interest since the total transactions were more than \$1,500 during the fiscal year.

Recommendation – The City should consult legal counsel to determine the disposition of this matter.

Response – The City Clerk and Deputy City Clerk will carefully monitor transactions which could be considered conflicts of interest and in the future use the competitive bidding process if/when necessary.

Conclusion – Response acknowledged. The City should consult legal counsel to determine the disposition of this matter.

City of Sigourney

Schedule of Findings

Year ended June 30, 2007

(5) 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 the coverage is adequate for current operations.

(6) Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

(7) Deposits and Investments – The City renewed a certificate of deposit (CD) at a rate less than the minimum approved rate.

Recommendation – The City should renew CD's at no less than the minimum approved rate.

Response – The City Clerk will put the CD in question before the Finance Committee and discuss possible reimbursement from the institution which held the CD.

Conclusion – Response acknowledged. The City should also be aware of the current allowable rates to ensure the minimum allowable rate is received for all investments.

(8) Revenue Notes – No instances of non-compliance with the revenue note resolutions were noted.

(9) Depository Resolution – The City was not able to locate a depository resolution.

Recommendation – The City Council should establish and approve a depository resolution.

Response – A depository resolution will be completed in fiscal year 2008 and then added to the list of annual appointments and resolutions done at the beginning of each calendar year.

Conclusion – Response accepted.

(10) Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the City to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The City retains cancelled checks through electronic image, but does not obtain an image of the back of each cancelled check as required.

Recommendation – The City should obtain and retain an image of both the front and back of each cancelled check as required.

Response – The City Clerk will speak with both bank representatives about this situation and ask what can be done.

Conclusion – Response accepted.

City of Sigourney

Schedule of Findings

Year ended June 30, 2007

- (11) Emergency Fund Tax Levy – The City records the proceeds of the emergency tax levy in the Special Revenue, Employee Benefits Fund. The disbursements related to the emergency levy are paid from the General Fund. However, the City has not transferred the funds collected from the emergency tax levy to the General Fund.

Recommendation – The City should make a corrective transfer to repay the General Fund. The City should also set up a separate fund to account for the emergency tax levy.

Response – The City Clerk will put a resolution before the City Council to have a corrective transfer made. The City will also create a new Special Revenue Fund for the emergency tax levy funds and then transfer these funds each month to the General Fund for pay out.

Conclusion – Response accepted.

- (12) Employee Benefits –City Finance Committee rules state an employee benefits tax levy may only be used for employees whose salary is paid from the General Fund or Road Use Tax Fund. The City has used the employee benefits tax levy for employees whose salary is paid from the Water, Sewer, and Sanitation Funds.

Recommendation – The City should only use the employee benefits tax levy for employees paid from the General Fund or Road Use Tax Fund. In addition, the City should make corrective transfers to repay the Special Revenue, Employee Benefits Fund for unallowable transfers made in the current and preceding years.

Response – The employee benefits tax levy was done correctly for fiscal year 2009. The City Clerk will research the records to determine the amounts which were incorrectly transferred and levied and then discuss with the State Auditor how corrective transfers should be made. This should be accomplished during fiscal year 2008.

Conclusion – Response accepted.

- (13) Annual Financial Report – The City prepared the annual financial report for the fiscal year ended June 30, 2007. However, the report did not accurately reflect the activity of the City.

Recommendation – The Annual Financial Report should accurately reflect the activity of the City.

Response – The City Clerk will redo the report for fiscal year 2007 after the City has received the audit for the year ended June 30, 2007.

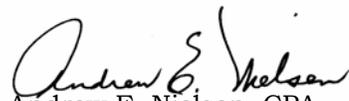
Conclusion – Response accepted.

City of Sigourney

Staff

This audit was performed by:

Pamela J. Bormann, CPA, Manager
Selina V. Johnson, Senior Auditor II
Karen J. Kibbe, Senior Auditor
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Deputy Auditor of State