



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

March 9, 2010

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 \$3,418,981 for the year ended June 30, 2009, a 22 percent decrease from 2008. The receipts included \$860,434 in property tax, \$15,971 from tax increment financing, \$1,005,924 from charges for service, \$417,199 from operating grants, contributions and restricted interest, \$456,254 from capital grants, contributions and restricted interest, \$206,852 from local option sales tax, \$34,494 from unrestricted interest on investments, proceeds of \$416,995 from revenue bonds and bank loans and \$4,858 from other general receipts.

Disbursements for the year totaled \$3,605,339, a 13 percent increase over the prior year, and included \$411,910 for debt service, \$398,302 for community and economic development and \$349,142 for capital projects. In addition, disbursements for business type activities totaled \$1,560,026.

The significant decrease in receipts is due to receiving proceeds from general obligation loan notes during the previous year. The significant increase in disbursements is due primarily to construction of various projects, including water and sewer projects, during the 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/index.html>.

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CITY OF SIGOURNEY

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

JUNE 30, 2009

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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 2010
Genna Moore	Council Member	Jan 2010
Charles Williams	Council Member	Jan 2010
Edward Conrad	Council Member	Jan 2012
Amber Thompson	Council Member	Jan 2012
Jeffrey Wallerich	Council Member	Jan 2012
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, 2009, 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, 2009, 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 February 18, 2010 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 on 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 12 and 32 through 34 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. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two years ended June 30, 2008 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. 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 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 18, 2010

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, 2009. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2009 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities decreased 31.4%, or approximately \$825,000, from fiscal year 2008 to fiscal year 2009. Note proceeds decreased approximately \$1,073,000 and capital grants, contributions and restricted interest increased approximately \$174,000.
- Disbursements of the City's governmental activities increased 13.5%, or approximately \$243,000, in fiscal year 2009 over fiscal year 2008. Capital projects, community and economic development and debt service disbursements increased approximately \$308,000, \$291,000 and \$44,000, respectively, offset against a \$430,000 decrease resulting from the City refunding debt in the previous year.
- Receipts of the City's business type activities decreased 7.2%, or approximately \$127,000, from fiscal year 2008 to fiscal year 2009. Revenue bond proceeds decreased approximately \$95,000, capital loan note proceeds decreased approximately \$180,000, bank loan proceeds increased approximately \$67,000 and capital grants, contributions and restricted interest increased approximately \$88,000.
- Disbursements of the City's business type activities increased 12.4%, or approximately \$172,000, from fiscal year 2008 to fiscal year 2009. Sewer and sanitation disbursements increased approximately \$144,000 and \$94,000, respectively, and water disbursements decreased approximately \$66,000.
- The City's total cash basis net assets decreased 7%, or approximately \$187,000, from June 30, 2008 to June 30, 2009. Of this amount, the assets of the governmental activities decreased approximately \$213,000 and the assets of the business type activities increased approximately \$27,000.

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. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the City.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, 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, Urban Renewal Tax Increment, Local Option Sales and Services Tax and Employee Benefits, 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.

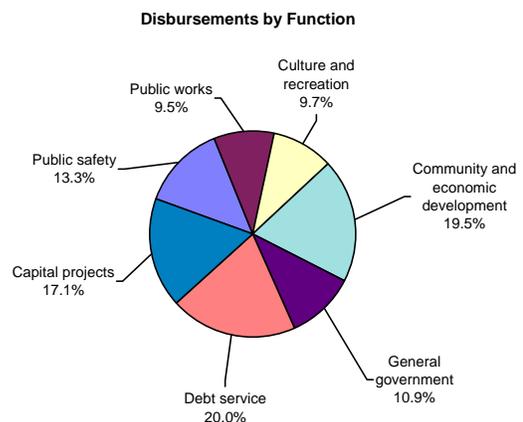
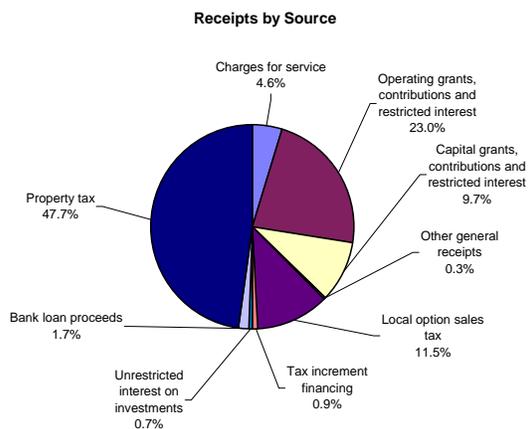
The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

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 \$1,331,000 to approximately \$1,118,000. 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,	
	2009	2008
Receipts:		
Program receipts:		
Charges for service	\$ 82	77
Operating grants, contributions and restricted interest	414	337
Capital grants, contributions and restricted interest	174	-
General receipts:		
Property tax	860	834
Local option sales tax	207	137
Tax increment financing	16	10
Unrestricted interest on investments	13	10
Bank loan proceeds	30	144
General obligation capital loan note proceeds	-	1,073
Other general receipts	5	4
Total receipts	1,801	2,626
Disbursements:		
Public safety	271	241
Public works	195	216
Culture and recreation	198	184
Community and economic development	398	107
General government	222	215
Debt service	412	368
Capital projects	349	41
Payment to refunding note agent	-	430
Total disbursements	2,045	1,802
Change in cash basis net assets before transfers	(244)	824
Transfers, net	31	(8)
Change in cash basis net assets	(213)	816
Cash basis net assets beginning of year	1,331	515
Cash basis net assets end of year	\$ 1,118	1,331



The City's total receipts for governmental activities decreased 31.4%, or approximately \$825,000. The total cost of all programs and services increased approximately \$243,000, or 13.5%, with no new programs added this year. The significant increase in disbursements was primarily the result of remitting an economic development grant to Belva Deer Inn and construction on the Keswick Road project.

The City decreased property tax rates for 2009. Based on increases in the total taxable valuation, property tax receipts are budgeted to decrease \$85,823 next year.

The cost of all governmental activities this year was approximately \$2.045 million compared to approximately \$1.802 million last year. However, as shown in the Statement of Activities and Net Assets on pages 14-15, the amount taxpayers ultimately financed for these activities was only \$1.376 million because some of the cost was paid by those directly benefited from the programs (\$82,000) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (\$588,000). Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, increased in 2009 from approximately \$414,000 to approximately \$670,000, principally due to capital grants, contributions and restricted interest. The City paid for the remaining "public benefit" portion of governmental activities with approximately \$1,376,000 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,	
	2009	2008
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 482	479
Sewer	285	288
Sanitation	157	154
Operating grants, contributions and restricted interest	3	4
Capital grants, contributions and restricted interest	282	194
General receipts:		
General obligation capital loan note proceeds	-	180
Revenue note proceeds	317	412
Bank loan proceeds	70	3
Unrestricted interest on investments	21	30
Total receipts	<u>1,617</u>	<u>1,744</u>
Disbursements:		
Water	892	958
Sewer	452	308
Sanitation	216	122
Total disbursements	<u>1,560</u>	<u>1,388</u>
Change in cash basis net assets before transfers	57	356
Transfers, net	<u>(31)</u>	<u>8</u>
Change in cash basis net assets	26	364
Cash basis net assets beginning of year	<u>1,297</u>	<u>933</u>
Cash basis net assets end of year	<u>\$ 1,323</u>	<u>1,297</u>

Total business type activities receipts for the fiscal year were approximately \$1,617,000 compared to approximately \$1,744,000 last year. This decrease was due primarily to the issuance of debt in the previous year. Total disbursements for the fiscal year increased 12.4% to a total of approximately \$1,560,000.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Sigourney completed the year, its governmental funds reported a combined fund balance of \$1,043,970, a decrease of \$221,693 from last year's total of \$1,265,663. 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 \$107,993 from the prior year to \$233,483, due primarily to increases in disbursements for police salaries and hiring a full-time librarian during fiscal 2009.
- The Special Revenue, Road Use Tax Fund cash balance decreased \$14,520 to \$3,564 during the fiscal year. Receipts and disbursements remained consistent with the prior year.
- The Special Revenue, Urban Renewal Tax Increment Fund cash balance was \$3,074 at the end of the fiscal year, a decrease of \$130,000 from the previous year. This was due to payments to developers in accordance with the City's development agreements.
- The Special Revenue, Local Option Sales and Services Tax Fund cash balance increased \$160,250 over the prior year to \$229,422. The increase was caused by an increase in local option sales and services tax receipts.
- The Special Revenue, Employee Benefits Fund cash balance was \$104,282, an increase of \$21,384 over the previous year. The increase was the result of less transfers out to funds to reimburse for employee benefit costs.
- The Debt Service Fund cash balance decreased \$13,120 to \$28,295 during the fiscal year. Debt principal and interest payments increased \$43,750 in fiscal 2009.
- The Capital Projects Fund cash balance decreased \$146,308 to \$288,667 during the fiscal year. Disbursements increased \$308,740, due primarily to work on the Keswick Road project.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance increased \$78,431 to \$602,385, due primarily to the near completion of the Jordan Well project in fiscal 2009, so disbursements were less in fiscal year 2009 than in fiscal year 2008.
- The Sewer Fund cash balance decreased \$83,430 to \$523,584, due primarily to an increase on capital projects spending for a new lift station.
- The Sanitation Fund cash balance increased \$25,067 to \$85,376, due primarily to the receipt of bank loan proceeds of \$70,000.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on May 6, 2009 and resulted in an increase in operating disbursements related to the construction of the sewer lift station, the Jordan Well project and various street projects.

The City's receipts were \$532,689 less than budgeted. This was primarily due to the City receiving less in intergovernmental receipts than anticipated, even after the amendment.

Total disbursements were \$724,786 less than the amended budget. Actual disbursements for the community and economic development, capital projects and business type activities functions were \$262,361, \$213,786 and \$108,019, 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 debt service function for the year ended June 30, 2009. The City also exceeded the amount budgeted in the business type activities function for the year ended June 30, 2009 prior to the budget amendment.

DEBT ADMINISTRATION

At June 30, 2009, the City had approximately \$4,541,000 in notes and other long-term debt outstanding, compared to approximately \$4,555,000 last year, as shown below.

Outstanding Debt at Year-End (Expressed in Thousands)		
	June 30,	
	2009	2008
General obligation notes	\$ 2,470	2,670
Revenue notes/bonds	1,939	1,768
Other obligations	132	117
Total	\$ 4,541	4,555

Debt decreased slightly during fiscal year 2009. The City issued water revenue capital loan notes and various bank loans for additional projects and purchases. Additional information about the City’s long-term debt is presented in Note 3 to the financial statements.

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 \$2,602,000 is below its constitutional debt limit of approximately \$3.8 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 2010 budget, tax rates and fees charged for various City activities. One of those factors is the economy. Unemployment in the City now stands at 7.8%, versus 5.8% a year ago. This compares with the State’s unemployment rate of 6.6% and the national rate of 10.0%.

These indicators were taken into account when adopting the budget for fiscal year 2010. Amounts available for appropriation in the operating budget are approximately \$3.7 million, a decrease of 3% from the final 2009 budget. Property tax, other city tax and miscellaneous receipts are expected to lead this decrease. Budgeted disbursements are expected to decrease approximately \$304,000 from the final 2009 budget. Decreases in the community and economic development function represent the largest decrease.

If these estimates are realized, the City’s budgeted cash balance is expected to decrease \$599,354 by the close of 2010.

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.

Basic Financial Statements

City of Sigourney

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2009

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 271,382	3,569	24,107	-
Public works	194,519	-	185,102	-
Culture and recreation	198,291	60,868	36,669	-
Community and economic development	398,302	-	163,581	-
General government	221,767	14,796	381	-
Debt service	411,910	2,920	-	-
Capital projects	349,142	-	3,962	173,850
Total governmental activities	2,045,313	82,153	413,802	173,850
Business type activities:				
Water	891,671	482,431	-	173,934
Sewer	452,433	284,694	3,397	108,470
Sanitation	215,922	156,646	-	-
Total business type activities	1,560,026	923,771	3,397	282,404
Total	\$ 3,605,339	1,005,924	417,199	456,254

General Receipts:

Property and other city tax levied for:
 General purposes
 Tax increment financing
 Debt service
 Local option sales tax
 Unrestricted interest on investments
 Revenue note proceeds
 Bank loan proceeds
 Miscellaneous
 Transfers
 Total general receipts and transfers
 Change in cash basis net assets
 Cash basis net assets beginning of year
 Cash basis net assets end of year

Cash Basis Net Assets

Restricted:
 Nonexpendable:
 Permanent funds
 Expendable:
 Streets
 Urban renewal purposes
 Capital projects
 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
(243,706)	-	(243,706)
(9,417)	-	(9,417)
(100,754)	-	(100,754)
(234,721)	-	(234,721)
(206,590)	-	(206,590)
(408,990)	-	(408,990)
(171,330)	-	(171,330)
(1,375,508)	-	(1,375,508)
-	(235,306)	(235,306)
-	(55,872)	(55,872)
-	(59,276)	(59,276)
-	(350,454)	(350,454)
(1,375,508)	(350,454)	(1,725,962)
560,513	-	560,513
15,971	-	15,971
299,921	-	299,921
206,852	-	206,852
13,141	21,353	34,494
-	316,995	316,995
30,000	70,000	100,000
4,858	-	4,858
31,214	(31,214)	-
1,162,470	377,134	1,539,604
(213,038)	26,680	(186,358)
1,330,866	1,296,703	2,627,569
\$ 1,117,828	1,323,383	2,441,211

\$ 5,675	-	5,675
3,564	-	3,564
3,074	-	3,074
288,667	-	288,667
28,295	233,370	261,665
482,128	96,899	579,027
306,425	993,114	1,299,539
\$ 1,117,828	1,323,383	2,441,211

City of Sigourney

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

As of and for the year ended June 30, 2009

	Special Revenue				
	General	Road Use Tax	Urban Renewal Tax Increment	Local Option Sales and Services Tax	Employee Benefits
Receipts:					
Property tax	\$ 409,731	-	-	-	104,094
Tax increment financing	-	-	15,971	-	-
Other city tax	31,204	-	-	206,852	4,065
Licenses and permits	13,868	-	-	-	-
Use of money and property	11,296	-	-	1,253	1,020
Intergovernmental	22,018	183,280	-	-	-
Charges for service	31,475	-	-	-	-
Special assessments	-	-	-	-	-
Miscellaneous	55,162	-	-	-	-
Total receipts	574,754	183,280	15,971	208,105	109,179
Disbursements:					
Operating:					
Public safety	280,382	-	-	-	-
Public works	3,342	187,602	-	-	-
Culture and recreation	187,120	-	-	3,976	-
Community and economic development	4,931	-	214,050	10,023	-
General government	220,395	-	-	1,372	-
Debt service	-	24,767	-	-	-
Capital projects	-	-	-	-	-
Total disbursements	696,170	212,369	214,050	15,371	-
Excess (deficiency) of receipts over (under) disbursements	(121,416)	(29,089)	(198,079)	192,734	109,179
Other financing sources (uses):					
Bank loan proceeds	30,000	-	-	-	-
Operating transfers in	86,176	14,569	70,000	5,565	-
Operating transfers out	(102,753)	-	(1,921)	(38,049)	(87,795)
Total other financing sources (uses)	13,423	14,569	68,079	(32,484)	(87,795)
Net change in cash balances	(107,993)	(14,520)	(130,000)	160,250	21,384
Cash balances beginning of year	341,476	18,084	133,074	69,172	82,898
Cash balances end of year	\$ 233,483	3,564	3,074	229,422	104,282
Cash Basis Fund Balances					
Reserved for debt service	\$ -	-	-	-	-
Unreserved:					
General fund	233,483	-	-	-	-
Special revenue funds	-	3,564	3,074	229,422	104,282
Capital projects fund	-	-	-	-	-
Permanent funds	-	-	-	-	-
Total cash basis fund balances	\$ 233,483	3,564	3,074	229,422	104,282

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
288,557	-	11,202	813,584
-	-	-	15,971
11,364	-	217	253,702
-	-	-	13,868
-	3,962	2,915	20,446
-	173,850	163,202	542,350
-	-	-	31,475
2,920	-	-	2,920
-	-	19,853	75,015
<u>302,841</u>	<u>177,812</u>	<u>197,389</u>	<u>1,769,331</u>
-	-	-	280,382
-	-	-	190,944
-	638	8,057	199,791
-	-	169,298	398,302
-	-	-	221,767
387,143	-	-	411,910
-	349,142	-	349,142
<u>387,143</u>	<u>349,780</u>	<u>177,355</u>	<u>2,052,238</u>
<u>(84,302)</u>	<u>(171,968)</u>	<u>20,034</u>	<u>(282,907)</u>
-	-	-	30,000
71,182	31,225	-	278,717
-	(5,565)	(11,420)	(247,503)
<u>71,182</u>	<u>25,660</u>	<u>(11,420)</u>	<u>61,214</u>
<u>(13,120)</u>	<u>(146,308)</u>	<u>8,614</u>	<u>(221,693)</u>
<u>41,415</u>	<u>434,975</u>	<u>144,569</u>	<u>1,265,663</u>
<u>28,295</u>	<u>288,667</u>	<u>153,183</u>	<u>1,043,970</u>
28,295	-	-	28,295
-	-	-	233,483
-	-	147,508	487,850
-	288,667	-	288,667
-	-	5,675	5,675
<u>28,295</u>	<u>288,667</u>	<u>153,183</u>	<u>1,043,970</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, 2009

Total governmental funds cash balances (page 17) \$ 1,043,970

***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 is included in governmental activities in the Statement of Net Assets.

73,858

Cash basis net assets of governmental activities (page 15)

\$ 1,117,828

Net change in cash balances (page 17)

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

\$ (221,963)

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.

8,655

Change in cash basis net assets of governmental activities (page 15)

\$ (213,308)

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, 2009

	Enterprise				Internal Service Vehicle Replacement
	Water	Sewer	Sanitation	Total	
Operating receipts:					
Charges for service	\$ 473,959	284,420	127,823	886,202	49,100
Miscellaneous	8,472	274	28,823	37,569	-
Total operating receipts	<u>482,431</u>	<u>284,694</u>	<u>156,646</u>	<u>923,771</u>	<u>49,100</u>
Operating disbursements:					
Governmental activities:					
Public safety	-	-	-	-	3,575
Business type activities	286,380	156,227	199,718	642,325	34,871
Total operating disbursements	<u>286,380</u>	<u>156,227</u>	<u>199,718</u>	<u>642,325</u>	<u>38,446</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>196,051</u>	<u>128,467</u>	<u>(43,072)</u>	<u>281,446</u>	<u>10,654</u>
Non-operating receipts (disbursements):					
Interest on investments	9,151	8,411	908	18,470	4,613
Community development block grants	173,934	-	-	173,934	-
Revenue note proceeds	316,995	-	-	316,995	-
Intergovernmental	-	3,397	-	3,397	-
Miscellaneous	-	108,470	-	108,470	-
Bank loan proceeds	-	-	70,000	70,000	-
Capital projects	(499,763)	(205,069)	-	(704,832)	-
Debt service	(118,028)	(95,637)	(2,933)	(216,598)	-
Net non-operating receipts (disbursements)	<u>(117,711)</u>	<u>(180,428)</u>	<u>67,975</u>	<u>(230,164)</u>	<u>4,613</u>
Excess (deficiency) of receipts over (under) disbursements	<u>78,340</u>	<u>(51,961)</u>	<u>24,903</u>	<u>51,282</u>	<u>15,267</u>
Other financing sources (uses):					
Operating transfers in	91	38,531	164	38,786	-
Operating transfers out	-	(70,000)	-	(70,000)	-
Total other financing sources (uses)	<u>91</u>	<u>(31,469)</u>	<u>164</u>	<u>(31,214)</u>	<u>-</u>
Net change in cash balances	<u>78,431</u>	<u>(83,430)</u>	<u>25,067</u>	<u>20,068</u>	<u>15,267</u>
Cash balances beginning of year	<u>523,954</u>	<u>607,014</u>	<u>60,309</u>	<u>1,191,277</u>	<u>170,629</u>
Cash balances end of year	<u>\$ 602,385</u>	<u>523,584</u>	<u>85,376</u>	<u>1,211,345</u>	<u>185,896</u>
Cash Basis Fund Balances					
Reserved for:					
Debt service	\$ 83,043	150,327	-	233,370	-
Water deposits	28,476	-	-	28,476	-
Sewer construction	-	68,423	-	68,423	-
Unreserved	<u>490,866</u>	<u>304,834</u>	<u>85,376</u>	<u>881,076</u>	<u>185,896</u>
Total cash basis fund balances	<u>\$ 602,385</u>	<u>523,584</u>	<u>85,376</u>	<u>1,211,345</u>	<u>185,896</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, 2009

Total enterprise funds cash balances (page 20) \$ 1,211,345

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

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

112,038

Cash basis net assets of business type activities (page 15) \$ 1,323,383

Net change in cash balances (page 20)

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

\$ 20,068

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.

6,612

Change in cash basis net assets of business type activities (page 15) \$ 26,680

See notes to financial statements.

City of Sigourney

Notes to Financial Statements

June 30, 2009

(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 three categories:

Nonexpendable net assets are subject to externally imposed stipulations they be maintained permanently by the City, including the City's Permanent Funds.

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. Net assets restricted through enabling legislation consist of \$68,423 for sewer construction.

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. 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 Urban Renewal Tax Increment Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

The Local Option Sales and Services Tax Fund is used to account for receipts from the local option sales and services tax. The receipts are used to finance infrastructure projects in the City.

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 wastewater 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, 2009, disbursements exceeded the amount budgeted in the debt service function. Disbursements also exceeded the amount budgeted in the business type activities function prior to a budget amendment.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2009 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 requirements 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/bonds are as follows:

Year Ending June 30,	General Obligation Capital Loan Notes		Revenue Capital Loan Notes/Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 215,000	109,168	153,000	60,658	368,000	169,826
2011	235,000	100,404	157,000	55,540	392,000	155,944
2012	245,000	90,702	162,000	50,252	407,000	140,954
2013	250,000	80,517	170,000	44,780	420,000	125,297
2014	185,000	69,855	104,000	38,940	289,000	108,795
2015 - 2019	530,000	260,175	568,000	146,130	1,098,000	406,305
2020 - 2024	510,000	138,125	438,000	60,210	948,000	198,335
2025 - 2028	300,000	40,500	187,000	14,310	487,000	54,810
Total	\$ 2,470,000	889,446	1,939,000	470,820	4,409,000	1,360,266

Revenue Notes/Bonds

On December 20, 2007, the City entered into an agreement with the Iowa Finance Authority, the Iowa Department of Natural Resources and Wells Fargo Bank, Iowa, N.A. for the issuance of \$737,000 of water revenue bonds with interest at 3.0% per annum. The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance. The bonds were issued pursuant to the provisions of Chapter 384.24A of the Code of Iowa to pay the cost of constructing improvements and extensions to the water treatment plant. The City will draw down funds from the Trustee upon request to reimburse the City for costs as they are incurred. At June 30, 2009, the City had drawn down \$736,000 of the authorized amount. An initiation fee of 1% of the authorized borrowing for the water revenue bonds was charged by the Iowa Finance Authority. The total initiation fee was withheld from the first proceeds of the water revenue bonds drawn by the City during the year ended June 30, 2008. During the year ended June 30, 2009, the City paid \$28,000 of principal and \$19,372 of interest.

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$1,527,000 of water revenue notes and bonds issued in October 2001, February 2002, May 2002 and December 2007. Proceeds from the notes and bonds provided financing for the construction of water main extensions. The notes and bonds are payable solely from water customer net receipts and are payable through 2028. Annual principal and interest payments on the notes and bonds required 56% of net receipts. The total principal and interest remaining to be paid on the notes is \$1,459,490. For the current year, principal and interest paid and total customer net receipts were \$114,965 and \$205,202, respectively.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$1,395,000 of sewer revenue notes issued in November 1992 and December 2002. Proceeds from the notes provided financing for the construction of improvements to the sewer treatment plant. The notes are payable solely from sewer customer net receipts and are payable through 2022. Annual principal and interest payments on the notes required 69% of net receipts. The total principal and interest remaining to be paid on the notes is \$950,330. For the current year, principal and interest paid and total customer net receipts were \$93,770 and \$136,878, respectively.

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

- (a) The bonds/notes will only be redeemed from the future earnings of the enterprise activity and the bond/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 bond/note principal and interest payments when due.
- (c) A total of \$41,940 shall be set aside in a water reserve account for the notes issued in May 2002. 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. In addition, a total of \$75,000 shall be set aside in a water reserve account for the bonds issued in December 2007. The proceeds have not been completely drawn, so the reserve has not been established.
- (d) Water user rates shall be established at a level which produces and maintains net revenues at a level not less than 110% of the amount of principal and interest on the bonds falling due in the same year for the bonds issued in December 2007 and not less than 1.25 times the maximum amount that will be required in any fiscal year prior to the respective longest maturity of each issue of water revenue notes.
- (e) Sewer user rates shall be established at a level which produces and maintains net revenues at a level not less than 110% of the amount of principal and interest on the notes falling due in the same year.

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, 2009, there are no unmet conditions to be achieved for loan forgiveness.

The City paid the remaining \$1,623 of principal under the agreement during the year ended June 30, 2009.

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 (actual loan was \$86,833) 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.

The City paid the remaining \$19,101 of principal and \$955 of interest under the agreement during the year ended June 30, 2009.

Bank Loans

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. The City repaid the loan during the year ended June 30, 2009.

On August 17, 2007, the City entered into a loan agreement for a demolition project. The loan of \$75,000, with interest at 5.00% per annum, is payable over a five-year period.

On October 25, 2007, the City entered into a loan agreement for a new street sweeper. The loan of \$32,000, with interest at 5.25% per annum, is payable over a five-year period.

On August 12, 2008, the City entered into a loan agreement for the Memorial Hall. The loan of \$30,000, with interest at 5.00% per annum, was payable in one year. The City repaid the loan with interest of \$1,212.

On April 16, 2009, the City entered into a loan agreement for a sanitation truck. The loan of \$70,000, with interest at 4.50% per annum, is payable over a five-year period.

(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 4.10% of their annual covered salary and the City is required to contribute 6.35% 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, 2009, 2008 and 2007 were \$29,228, \$27,379 and \$24,756, 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, 2009, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	28,000
Personal leave	4,000
Compensatory time	<u>8,000</u>
Total	<u>\$ 40,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2009.

(6) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2009 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Employee Benefits	\$ 74,756
	Emergency	11,419
	LHAP Program	<u>1</u>
		<u>86,176</u>
Special Revenue:	General	1,530
Road Use Tax	Special Revenue:	
	Employee Benefits	<u>13,039</u>
		<u>14,569</u>
Urban Renewal Tax Increment	Enterprise:	
	Sewer	<u>70,000</u>
Local Option Sales and Services Tax	Capital Projects	<u>5,565</u>
Debt Service	General	31,212
	Special Revenue:	
	Urban Renewal Tax Increment	1,921
	Local Option Sales and Services Tax	<u>38,049</u>
		<u>71,182</u>
Capital Projects	General	<u>31,225</u>
Enterprise:		
Water	General	<u>91</u>
Sewer	General	<u>38,531</u>
Sanitation	General	<u>164</u>
Total		<u>\$ 317,503</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 577 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 200 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, 2009 were \$26,302.

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 \$10,000,000 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 by The Travelers Insurance Company.

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, 2009, 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 casualty 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 casualty capital contributions. If a member withdraws after the sixth year, the member

is refunded 100 percent of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual casualty 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) Development Agreements

The City entered into two development agreements to assist in urban renewal projects, as follows:

The City agreed to make payments to C, B and D Development, Inc. under Chapter 403 of the Code of Iowa. The total to be paid by the City under this agreement shall be equal to the lesser of the sum of the total applicable percentage of all tax increments collected with respect to the assessments imposed on the development property and minimum improvements as of January 1, 2006 and January 1 of each of the following fourteen years, the actual cost of the public improvements (including reasonable interest cost) for which bills and proof of payment have been submitted to the City and constructed by the Developer on or before December 31, 2015 or \$1,000,000. Each payment represents the incremental property tax received by the City with respect to the incremental value of the property. As of June 30, 2009, \$123,736 has been paid to the Developer.

The City agreed to assist in urban renewal projects for the development of improvements to the Belva Deer Inn, L.L.C. in the form of a cash grant in the amount of \$200,000. As of June 30, 2009, \$200,000 has been paid to the Developer. The City will also construct sewer improvements estimated to cost \$217,000. The City and the Developer will each pay one-half of the actual total costs. As of June 30, 2009, the Developer has reimbursed the City \$108,000.

(9) Subsequent Events

In July 2009, the City received bank loan proceeds of \$120,000 to purchase a building. The City also issued \$350,000 of general obligation capital loan notes in September 2009 to be used towards street projects.

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, 2009

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 813,584	-	-
Tax increment financing	15,971	-	-
Other city tax	253,702	-	-
Licenses and permits	13,868	-	-
Use of money and property	20,446	23,083	4,682
Intergovernmental	542,350	177,331	-
Charges for service	31,475	928,398	49,100
Special assessments	2,920	-	-
Miscellaneous	75,015	152,943	2,152
Total receipts	1,769,331	1,281,755	55,934
Disbursements:			
Public safety	280,382	3,575	3,575
Public works	190,944	-	-
Culture and recreation	199,791	-	998
Community and economic development	398,302	-	-
General government	221,767	-	-
Debt service	411,910	-	-
Capital projects	349,142	-	-
Business type activities	-	1,598,626	34,871
Total disbursements	2,052,238	1,602,201	39,444
Excess (deficiency) of receipts over (under) disbursements	(282,907)	(320,446)	16,490
Other financing sources (uses), net	61,214	355,781	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(221,693)	35,335	16,490
Balances beginning of year	1,265,663	1,361,906	175,528
Balances end of year	\$ 1,043,970	1,397,241	192,018

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
813,584	814,068	814,068	(484)
15,971	15,138	16,641	(670)
253,702	193,977	246,727	6,975
13,868	21,750	12,750	1,118
38,847	45,879	52,464	(13,617)
719,681	574,849	1,242,101	(522,420)
910,773	840,340	836,890	73,883
2,920	76,000	80,050	(77,130)
225,806	142,065	226,150	(344)
<u>2,995,152</u>	<u>2,724,066</u>	<u>3,527,841</u>	<u>(532,689)</u>
280,382	292,536	306,466	26,084
190,944	182,438	230,967	40,023
198,793	233,914	246,978	48,185
398,302	754,952	660,663	262,361
221,767	245,055	275,071	53,304
411,910	341,954	384,934	(26,976)
349,142	502,584	562,928	213,786
1,563,755	917,121	1,671,774	108,019
<u>3,614,995</u>	<u>3,470,554</u>	<u>4,339,781</u>	<u>724,786</u>
(619,843)	(746,488)	(811,940)	192,097
416,995	829,858	17,304	399,691
(202,848)	83,370	(794,636)	591,788
<u>2,452,041</u>	<u>1,559,156</u>	<u>1,269,978</u>	<u>1,182,063</u>
<u>2,249,193</u>	<u>1,642,526</u>	<u>475,342</u>	<u>1,773,851</u>

City of Sigourney

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2009

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 nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, 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, one budget amendment increased budgeted disbursements by \$869,227. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2009, disbursements exceeded the amount budgeted in the debt service function. Disbursements also exceeded the amount budgeted in the business type activities function prior to a budget amendment.

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, 2009

	Special Revenue			
	Restricted Gifts	CDBG Housing	LHAP Program	CLG History Presentation
Receipts:				
Property tax	\$ -	-	-	-
Other city tax	-	-	-	-
Use of money and property	1,554	325	-	54
Intergovernmental	-	163,202	-	-
Miscellaneous	17,701	-	-	-
Total receipts	<u>19,255</u>	<u>163,527</u>	-	<u>54</u>
Disbursements:				
Operating:				
Culture and recreation	2,561	-	-	-
Community and economic development	-	169,298	-	-
Total disbursements	<u>2,561</u>	<u>169,298</u>	-	-
Excess (deficiency) of receipts over (under) disbursements	16,694	(5,771)	-	54
Other financing uses:				
Operating transfers out	-	-	(1)	-
Net change in cash balances	16,694	(5,771)	-	54
Cash balances beginning of year	75,891	4,855	1	2,703
Cash balances end of year	<u>\$ 92,585</u>	<u>(916)</u>	<u>1</u>	<u>2,757</u>
Cash Basis Fund Balances				
Unreserved:				
Special revenue funds	\$ 92,585	(916)	1	2,757
Permanent funds	-	-	-	-
Total cash basis fund balances	<u>\$ 92,585</u>	<u>(916)</u>	<u>1</u>	<u>2,757</u>

See accompanying independent auditor's report.

Emergency	Lewis Memorial Fountain	Year 2044	Friends of the Sigourney Public Library	Permanent		Total
				Lewis Memorial Trust	Library Memorial Trust	
11,202	-	-	-	-	-	11,202
217	-	-	-	-	-	217
-	669	244	69	-	-	2,915
-	-	-	-	-	-	163,202
-	-	-	2,152	-	-	19,853
11,419	669	244	2,221	-	-	197,389
-	-	-	-	-	-	-
-	4,498	-	998	-	-	8,057
-	-	-	-	-	-	169,298
-	4,498	-	998	-	-	177,355
11,419	(3,829)	244	1,223	-	-	20,034
(11,419)	-	-	-	-	-	(11,420)
-	(3,829)	244	1,223	-	-	8,614
-	41,119	9,426	4,899	4,675	1,000	144,569
-	37,290	9,670	6,122	4,675	1,000	153,183
-	37,290	9,670	6,122	-	-	147,509
-	-	-	-	4,675	1,000	5,675
-	37,290	9,670	6,122	4,675	1,000	153,184

City of Sigourney
Schedule of Indebtedness
Year ended June 30, 2009

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation capital loan notes:			
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
Refunding Series 2008	May 1, 2008	4.5	1,255,000
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
Water - Series 2007	Dec 20, 2007 *	3.00	737,000
Total			
Other obligations:			
SWAP loan	May 15, 2003	0.00%	\$ 16,225
RISE paving repayment	Sept 20, 2000	5.00	86,833
Bank loans:			
Pool repair	Jun 22, 2007	5.25	25,000
Demolition project	Aug 17, 2007	5.00	75,000
Street sweeper	Oct 25, 2007	5.25	32,000
Memorial Hall	Aug 12, 2008	5.00	30,000
Sanitation truck	Apr 16, 2009	4.50	70,000
Total			

* - The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance.

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
325,000	-	60,000	265,000	14,787
405,000	-	60,000	345,000	14,083
685,000	-	30,000	655,000	31,877
1,255,000	-	50,000	1,205,000	55,734
<u>\$ 2,670,000</u>	<u>-</u>	<u>200,000</u>	<u>2,470,000</u>	<u>116,481</u>
140,000	-	26,000	114,000	4,200
279,000	-	18,000	261,000	8,370
36,000	-	2,000	34,000	1,080
175,000	-	30,000	145,000	8,143
719,000	-	42,000	677,000	21,570
419,005	316,995	28,000	708,000	19,372
<u>\$ 1,768,005</u>	<u>316,995</u>	<u>146,000</u>	<u>1,939,000</u>	<u>62,735</u>
1,623	-	1,623	-	-
19,101	-	19,101	-	955
12,840	-	12,840	-	689
57,489	-	14,099	43,390	3,084
25,824	-	5,963	19,861	1,375
-	30,000	30,000	-	1,212
-	70,000	907	69,093	403
<u>\$ 116,877</u>	<u>100,000</u>	<u>84,533</u>	<u>132,344</u>	<u>7,718</u>

City of Sigourney
 Bond and Note Maturities
 June 30, 2009

Year Ending June 30,	General Obligation Capital Loan Notes					
	Refunding Series 2002		Refunding Series 2004		Series 2005	
	Issued May 1, 2002		Issued Nov 17, 2004		Issued May 1, 2005	
	Interest		Interest		Interest	
	Rates	Amount	Rates	Amount	Rates	Amount
2010	4.45%	\$ 60,000	3.375%	\$ 65,000	4.00%	\$ 30,000
2011	4.55	65,000	3.375	65,000	4.00	35,000
2012	4.65	70,000	3.400	70,000	4.00	35,000
2013	4.75	70,000	3.600	75,000	4.25	35,000
2014	-	-	3.700	70,000	4.25	40,000
2015	-	-	-	-	4.25	40,000
2016	-	-	-	-	5.00	40,000
2017	-	-	-	-	5.00	40,000
2018	-	-	-	-	5.00	45,000
2019	-	-	-	-	5.00	45,000
2020	-	-	-	-	5.00	50,000
2021	-	-	-	-	5.00	50,000
2022	-	-	-	-	5.00	55,000
2023	-	-	-	-	5.00	55,000
2024	-	-	-	-	4.65	60,000
2025	-	-	-	-	-	-
2026	-	-	-	-	-	-
2027	-	-	-	-	-	-
2028	-	-	-	-	-	-
Total		<u>\$ 265,000</u>		<u>\$ 345,000</u>		<u>\$ 655,000</u>

Year Ending June 30,	Revenue Capital Loan Notes					
	Sewer - Series 1992		Water - Series 2001		Water - Series 2002	
	Issued Nov 25, 1992		Issued Oct 1, 2001		Issued Jun 1, 2002	
	Interest		Interest		Interest	
	Rates	Amount	Rates	Amount	Rates	Amount
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	-	-	-	-	-	-
2023	-	-	-	-	-	-
2024	-	-	-	-	-	-
2025	-	-	-	-	-	-
2026	-	-	-	-	-	-
2027	-	-	-	-	-	-
2028	-	-	-	-	-	-
Total		<u>\$ 114,000</u>		<u>\$ 261,000</u>		<u>\$ 34,000</u>

See accompanying independent auditor's report

Refunding Series 2008		
Issued May 7, 2008		
Interest		
Rates	Amount	Total
4.50%	\$ 60,000	215,000
4.50	70,000	235,000
4.50	70,000	245,000
4.50	70,000	250,000
4.50	75,000	185,000
4.50	75,000	115,000
4.50	80,000	120,000
4.50	55,000	95,000
4.50	55,000	100,000
4.50	55,000	100,000
4.50	55,000	105,000
4.50	65,000	115,000
4.50	40,000	95,000
4.50	40,000	95,000
4.50	40,000	100,000
4.50	50,000	50,000
4.50	50,000	50,000
4.50	50,000	50,000
4.50	150,000	150,000
	<u>\$ 1,205,000</u>	<u>2,470,000</u>

Water - Series 2002B		Sewer - Series 2002		Water - Series 2007		
Issued May 1, 2002		Issued Dec 6, 2002		Issued Dec 20, 2007		
Interest		Interest		Interest		
Rates	Amount	Rates	Amount	Rates	Amount	Total
4.55%	\$ 35,000	3.00%	\$ 43,000	3.00%	\$ 28,000	153,000
4.65	35,000	3.00	45,000	3.00	28,000	157,000
4.75	35,000	3.00	46,000	3.00	29,000	162,000
4.85	40,000	3.00	47,000	3.00	30,000	170,000
-	-	3.00	49,000	3.00	31,000	104,000
-	-	3.00	50,000	3.00	32,000	106,000
-	-	3.00	52,000	3.00	33,000	110,000
-	-	3.00	53,000	3.00	35,000	114,000
-	-	3.00	55,000	3.00	36,000	117,000
-	-	3.00	57,000	3.00	37,000	121,000
-	-	3.00	58,000	3.00	38,000	124,000
-	-	3.00	60,000	3.00	39,000	127,000
-	-	3.00	62,000	3.00	40,000	102,000
-	-	-	-	3.00	42,000	42,000
-	-	-	-	3.00	43,000	43,000
-	-	-	-	3.00	45,000	45,000
-	-	-	-	3.00	46,000	46,000
-	-	-	-	3.00	48,000	48,000
-	-	-	-	3.00	48,000	48,000
	<u>\$ 145,000</u>		<u>\$ 677,000</u>		<u>\$ 708,000</u>	<u>1,939,000</u>

Schedule 4

City of Sigourney

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

For the Last Seven Years

	2009	2008	2007	2006	2005	2004	2003
Receipts:							
Property tax	\$ 813,584	784,884	785,493	679,216	638,995	619,563	615,710
Tax increment financing	15,971	10,483	-	-	-	-	-
Other city tax	253,702	186,336	46,111	26,141	25,636	36,143	34,991
Licenses and permits	13,868	11,040	5,105	10,313	2,629	7,545	7,439
Use of money and property	20,446	21,261	23,248	17,836	14,372	16,253	25,067
Intergovernmental	542,350	256,839	217,157	209,547	304,306	326,862	734,362
Charges for service	31,475	31,102	32,736	47,183	39,524	46,035	97,253
Special assessments	2,920	3,901	6,634	9,289	8,698	10,681	14,629
Miscellaneous	75,015	103,931	81,432	193,803	496,157	398,183	231,347
Total	\$ 1,769,331	1,409,777	1,197,916	1,193,328	1,530,317	1,461,265	1,760,798
Disbursements:							
Operating:							
Public safety	\$ 280,382	245,805	254,442	217,030	223,059	240,328	227,472
Public works	190,944	216,013	200,569	180,334	223,551	207,252	336,016
Culture and recreation	199,791	183,933	208,531	308,714	567,785	268,299	169,227
Community and economic development	398,302	107,300	43,576	17,865	109,899	125,589	70,891
General government	221,767	215,215	165,318	209,372	175,003	159,057	159,196
Debt service	411,910	368,160	292,897	302,292	881,616	268,166	210,140
Capital projects	349,142	41,040	99,620	638,454	5,000	170,439	1,322,428
Total	\$ 2,052,238	1,377,466	1,264,953	1,874,061	2,185,913	1,439,130	2,495,370

See accompanying independent auditor's report.

City of Sigourney
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2009

Grantor/Program	CFDA Number	Agency Pass-through Number	Program Expenditures
Indirect:			
U.S. Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	07-WS-003	\$ 170,801
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	06-HSG-110	168,212
			<u>339,013</u>
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	STP-U-7027(601)-70-54	175,497
Iowa Department of Public Safety:			
Safety Belt Performance Grants	20.609	08-157,Task155	<u>2,310</u>
U.S. Environmental Protection Agency:			
Iowa Department of Natural Resources:			
Capitalization Grants for Drinking Water State Revolving Funds	66.468	D0009R	<u>211,734</u>
Total			<u>\$ 728,554</u>

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

See accompanying independent auditor's report.

City of Sigourney



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

State Capitol Building
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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, 2009, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated February 18, 2010. 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 Part II of the accompanying Schedule of Findings and Questioned Costs 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 II-A-09 and II-B-09 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 Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2009 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 and Questioned Costs. 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, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of 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

February 18, 2010



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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

To the Honorable Mayor and
Members of the City Council:

Compliance

We have audited the compliance of the City of Sigourney, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2009. The City of Sigourney's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of the City of Sigourney's management. Our responsibility is to express an opinion on the City of Sigourney's compliance based on our audit.

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

In our opinion, the City of Sigourney complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of the City of Sigourney is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered the City of Sigourney's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Sigourney's internal control over compliance.

Our consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the City's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

A control deficiency in the City's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the City's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-09 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the City's internal control. We consider the significant deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-09 to be a material weakness.

The City of Sigourney's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. 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 constituents 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.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 18, 2010

City of Sigourney
Schedule of Findings and Questioned Costs
Year ended June 30, 2009

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

- (a) Unqualified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A significant deficiency in internal control over a major program was disclosed by the audit of the financial statements, which is considered to be a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major programs.
- (f) The audit disclosed an audit finding which is required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major programs were as follows:
 - CFDA Number 14.228 – Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii
 - CFDA Number 20.205 – Highway Planning and Construction.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Sigourney did not qualify as a low-risk auditee.

City of Sigourney

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Part II: Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

II-A-09 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) Investments – detailed record keeping, custody of investments and reconciling earnings. Investments are not periodically inspected or reconciled to investment records by an independent person and an independent verification of interest earnings is not performed.
- (2) Receipts – opening mail, collecting, depositing, journalizing and posting.
- (3) Utility receipts – opening mail, billing, collecting, depositing, posting and reconciling.
- (4) Disbursements – preparing checks, signing checks and access to accounting records.
- (5) Payroll – timesheets are not approved by department heads, with the exception of the streets department. In addition, timesheets for salaried employees are not approved.

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) A Council member will review the investment records of the City Clerk and City Treasurer as well as a spreadsheet prepared by the City Clerk showing the interest earnings.
- (2) The City Clerk's staff is trying different approaches as to who does the posting, depositing and reconciling.
- (3) The City Clerk's staff is trying different approaches as to who does the posting, depositing and reconciling.
- (4) The Deputy City Clerk prepares checks, but the Mayor and/or City Clerk sign the checks.

City of Sigourney

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

- (5) A signature line has been added to the timesheets for department heads to sign approval.

Conclusion – Response accepted.

- II-B-09 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 – A reconciliation report was developed in the spring of 2009 and the City Clerk will have a Council member review the spreadsheet.

Conclusion – Response accepted.

- II-C-09 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.
- 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.

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 Council has approved a policy for these items at their February 3, 2010 Council meeting. The City Clerk will continue to work on a written disaster recovery plan.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

City of Sigourney

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

**CFDA Number 20.205 : Highway Planning and Construction
Federal Award Year: 2009
U.S. Department of Transportation
Passed through the Iowa Department of Transportation**

- III-A-09 Segregation of Duties – The City did not properly segregate collection, deposit and record-keeping for receipts, including those related to federal programs. See item II-A-09.

City of Sigourney

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Part IV: Findings Related to Required Statutory Reporting:

IV-A-09 Certified Budget – Disbursements during the year ended June 30, 2009 exceeded the amount budgeted in the debt service function. Also, disbursements during the year ended June 30, 2009 exceeded the amount budgeted in the business type activities function prior to a budget amendment. 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 will better monitor these issues.

Conclusion – Response accepted.

IV-B-09 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.

IV-C-09 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

IV-D-09 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>
Brent Jennings, Police Reserve Officer, owner of PTL The Shop	Services	\$ 872

In accordance with Chapter 362.5(10) of the Code of Iowa, these transactions do not appear to represent a conflict of interest since total transactions were less than \$1,500 during the fiscal year.

IV-E-09 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 ensure the coverage is adequate for current operations.

IV-F-09 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

IV-G-09 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted.

IV-H-09 Revenue Notes/Bonds – No instances of non-compliance with the revenue note and bond resolutions were noted.

City of Sigourney

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

IV-I-09 Payment of General Obligation Debt – Certain general obligation installment loans were paid from the Special Revenue, Local Option Sales and Services Tax Fund. Chapter 384.4 of the Code of Iowa states, in part, “Moneys pledged or available to service general obligation bonds, and received from sources other than property tax, must be deposited in the debt service fund.” This was resolved for audit purposes.

Recommendation – The City should transfer from the Special Revenue, Local Option Sales and Services Tax Fund to the Debt Service Fund for future funding contributions. Payments of the installment loans should then be disbursed from the Debt Service Fund.

Response – The City Clerk will do this correctly for future transfers and/or debt payments.

Conclusion – Response accepted.

IV-J-09 Financial Condition – The Special Revenue, CDBG Housing Fund had a deficit balance at June 30, 2009 of \$916.

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

Response – The invoice had to be paid within 10 days of Council approval and the drawdown for this was not received until the next fiscal year.

Conclusion – Response accepted.

IV-K-09 Unclaimed Property – Chapter 556.1(10) of the Code of Iowa requires the City to report and remit outstanding obligations, including checks held for more than two years, to the State Treasurer’s Office annually.

Recommendation – The City should report and remit all outstanding obligations, including checks held for more than two years, to the State Treasurer’s Office annually.

Response – The City Clerk and Deputy City Clerk will work through the outstanding obligations and try to have those remitted to the State Treasurer’s Office by June 30, 2010.

Conclusion – Response accepted.

City of Sigourney

Staff

This audit was performed by:

Pamela J. Bormann, CPA, Manager
Selina V. Johnson, CPA, Senior Auditor II
Casey L. Johnson, Assistant Auditor
Jennifer M. Kopp, Assistant Auditor



Andrew E. Nielsen, CPA
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