CITY OF SIBLEY, IOWA

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2009

EAST, VANDER WOUDE, GRANT & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS
707 West 11th Street
Sioux Falls, SD 57104

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CITY OF SIBLEY, IOWA

OFFICIALS

NAME	TITLE	TERM EXPIRES
Jerry Johnson	Mayor	January 1, 2010
Vicki Plotz Van Westen	Mayor Pro tem	January 1, 2010
Jayson VandeHoef	Council Member	January 1, 2010
Tim Nobles	Council Member	January 1, 2012
Jan Henningsen	Council Member	January 1, 2012
Gail Buchholtz	Council Member	January 1, 2010
Dan Janssen	Administrator	Indefinite
Kristen Vipond	Clerk/Treasurer	Indefinite
Harold D. Dawson	Attorney	Indefinite

EAST, VANDER WOUDE, GRANT & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS
www.evwg.net

Paul T. East, CPA
Paul W. Vander Woude, CPA
Rose M. Grant, CPA, MST

707 WEST 11th STREET
Sioux Falls, SD 57104
(605)334-9111
(605)334-2195 FAX

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council
Sibley, Iowa:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Sibley, Iowa, as of and for the year ended June 30, 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 of Sibley's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which 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 Sibley 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 November 12, 2009 on our consideration of the City of Sibley's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Licensed in South Dakota, Iowa, Minnesota, and North Dakota
Members of American Institute of Certified Public Accountants and South Dakota Society of CPA S

Management's Discussion and Analysis and budgetary comparison information on pages 6 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 supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Sibley's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statement for the year ended June 30, 2008 and 2007 (which is not presented herein) and expressed unqualified opinion on that financial statement which was prepared in conformity with an other comprehensive basis of accounting. The previous audits for June 30, 2002 - 2006 were done by another firm, but were in accordance with the standards referred to in the second paragraph of this report, the financial statements for the five years ended June 30, 2006 (none of which is presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in 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.

East, Vander Woude, Grant + Co, PC

East, Vander Woude, Grant & Co., P.C.
Certified Public Accountants
Sioux Falls, SD
November 12, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Sibley provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 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 increased 62.14%, or approximately $1,195,000, from fiscal 2008 to fiscal 2009. Property tax decreased approximately $125,000, bond proceeds increased $1,101,000, local option sales tax increased $264,000, and grant proceeds increased $106,000.
- Disbursements increased 46.51%, or approximately $846,000, in fiscal 2009 from fiscal 2008. Public works disbursements increased approximately $124,000, culture and recreation increased approximately $60,000, and capital projects increased approximately $713,000 while general government decreased approximately $72,000.
- The City's total cash basis net assets increased 10.48%, or approximately $306,000, from June 30, 2008 to June 30, 2009. Of this amount, the assets of the governmental activities increased approximately $453,000 and the assets of the business type activities decreased by approximately $147,000.

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 – Cash Basis. 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.

Basis of Accounting

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

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

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

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

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

Fund Financial Statements

The City has two kinds of funds:

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

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

2) Proprietary funds account for the City's Enterprise Funds and for the Internal Service Fund. Enterprise Funds are used to report business type activities. The City maintains fourteen Enterprise Funds to provide separate information for the electric, garbage, water, sanitary sewer

system, transit service and golf course funds. Electric, water, sewer and golf funds are considered to be major funds of the City. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.

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

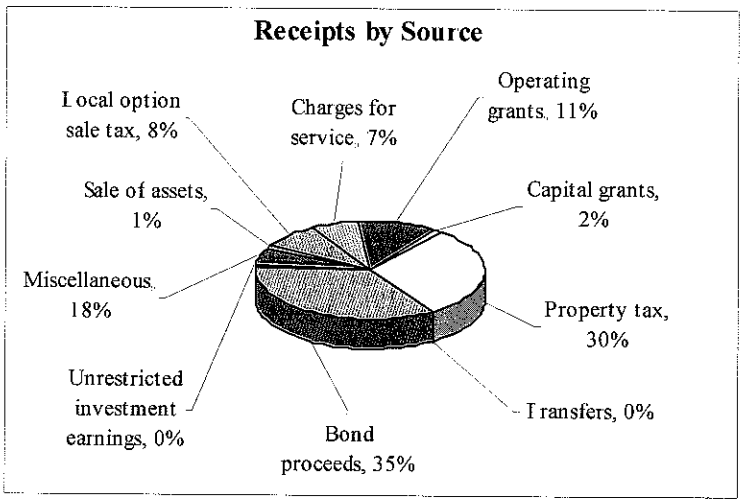
Reconciliations between the government-wide statement and the fund financial statements follow the fund financial statements.

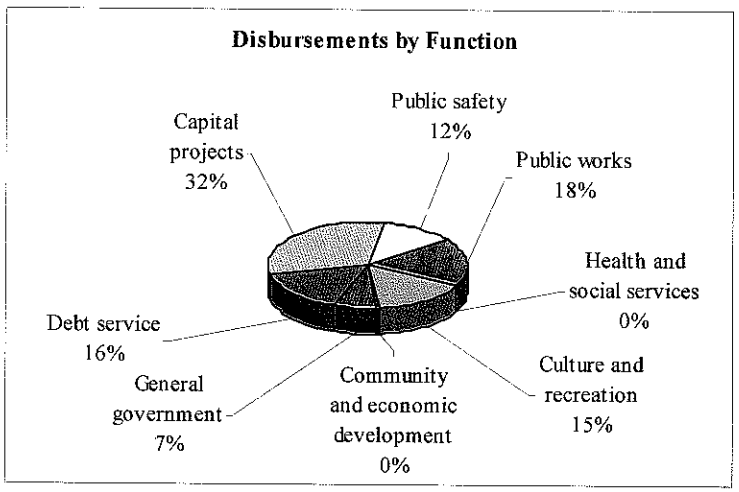
GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, increasing from $(21,187) to $432,087. The analysis that follows focuses on the changes in cash balances for governmental activities.

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

	Year ended June 30,	
	2009	**2008**
Receipts and transfer:		
Program receipts:		
Charges for service	$ 206	$ 205
Operating grants, contributions and restricted interest	270	285
Capital grants, contributions and restricted interest	106	-
General receipts:		
Property tax	933	1,058
Local option sales tax	264	-
Unrestricted investment earnings	12	19
Bond proceeds	1,101	-
Sale of assets	28	-
Other general receipts	197	328
Transfers, net	1	28
Total receipts and transfers	3,118	1,923
Disbursements:		
Public safety	317	298
Public works	481	357
Health and social services	2	2
Culture and recreation	408	348
Community and economic development	12	19
General government	182	254
Debt service	426	417
Capital projects	837	124
Total disbursements	2,665	1,819
Increase (decrease) in cash basis net assets	453	104
Cash basis net assets beginning of year	(21)	(125)
Cash basis net assets end of year	$ 432	$ (21)





The City's total receipts for governmental activities increased by 62.14%, from approximately $1.923 million to $3.118 million in 2009. The total cost of all programs and services increased by approximately $846,000, or 46.51%, with no new programs added this year. The significant increase in receipts was primarily the result of the issuing of bonds during the year while the significant increase in costs was the result of the related construction projects.

The City decreased property tax rates for 2009 by 2.7% and for 2010 tax rates increase 7.3%. This decreased the City's property tax receipts by approximately $125,000 in 2009. Based on increases in the total assessed valuation and tax rates, property tax receipts are budgeted to increase by $108,000 in the next year.

The cost of all governmental activities this year was $2,664,682 compared to $1, 818,535 last year. However, as shown in the Statement of Activities and Net Assets – Cash Basis on pages 14-15, the amount taxpayers ultimately financed for these activities was only $2,082,980 because some of the cost was paid by those directly benefited from the programs ($205,516) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest ($376,186). The City paid for the remaining "public benefit" portion of governmental activities with $933,190 in property tax (some of which could only be used for certain programs), local option sales tax of $263,881, interest of $12,106, general entitlements of $196,509, sale of assets $28,500 and bond proceeds of $1,101,230.

Changes in Cash Basis Net Assets of Business Type Activities (Expressed in Thousands)		
	Year ended June 30,	
	2009	2008
Receipts and transfer:		
Program receipts:		
Charges for service		
Electric	$ 2,760	$ 2,462
Water	609	621
Golf	204	152
Other nonmajor	519	520
General receipts:		
Unrestricted investment earnings	37	93
Bond proceeds	960	-
Total receipts	5,089	3,848
Disbursements:		
Electric	2,298	2,171
Water	948	861
Golf	205	163
Other nonmajor	1,784	924
Transfers	1	28
Total disbursements	5,236	4,147
Increase (decrease) in cash basis net assets	(147)	(299)
Cash basis net assets beginning of year	2,941	3,240
Cash basis net assets end of year	$ 2,794	$ 2,941

Total business type activities receipts for the fiscal year were $5,088,918 compared to $3,848,331 from last year. This increase was due primarily to the electric rate increases that went into effect July 2008 and January 2009. The electric revenue bonds were refinanced in December 2008 for $960,000. The cash balances decreased by $147,378 from the prior year because the bond proceeds received in 2008 were continuing to be spent for the Lewis and Clark project. Total disbursements and transfers for the fiscal year increased by $1,087,718 from $4,147,740 last year to a total of $5,235,458 this year. These increases are due to the Lewis and Clark project, electricity costs, other improvement projects and the refinanced electric revenue bonds.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As City of Sibley completed the year, its governmental funds reported a combined fund balance of $432,087, an increase of $453,274 from last year's total of $(21,187). The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased $69,152 from the prior year to $(1,605,622). This increase was due primarily to the local option sales tax the City passed in 2008 which became effective July 1, 2008. The City intends to continue close monitoring of the disbursements to insure only necessary purchases are made while attempting to secure other sources of receipts.

- The Road Use Tax Fund cash balance increased by $8,428 to $230,716 during the fiscal year. This increase was attributable to decreased receipts countered by a decrease in disbursements during the fiscal year.

- The 2009 Capital Projects Fund was established to account for various projects within the

City's business district initiated during the year. At the end of the fiscal year, the cash balance was $427,492, resulting from the bond proceeds in the amount of $725,000, transfers in of $57,419, interest of $18,400, and expenditures on projects of $373,327.

- The Debt Service Fund cash balance decreased by $16,484 to $16,445 during the fiscal year. This decrease was due to bond refinancing and a new bond issue that increased the required payments above the levied amount. The net result was an increase in bond principal and interest payments of approximately $16,000 in fiscal 2009.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund combined with Lewis and Clark Fund cash balance decreased by $425,846 to $469,437 due primarily to the construction costs for the Lewis and Clark Rural Water Project.
- The Electric Fund cash balance increased by $128,241 to $373,549, due primarily to increases in the electricity rates charged to customers during the year.
- The Golf Course Fund cash balance decreased by $1,986 to $(295,968), due primarily to disbursements exceeding receipts generated.
- The Sewer Fund cash balance increased by $69,916 to $133,575, due primarily to revenues exceeding disbursements during the year.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on May 26, 2009 and resulted in an increase in receipts as well as disbursements for public works, debt service, capital projects and business type activities. The City's receipts were $93,225 less than the amended budget. This was primarily due to the City receiving fewer fees collected for services and state funds than budgeted for the year.

The actual disbursements for the public safety; public works; community and economic development; general government; and debt service; were $12,062; $106,149; $2,468; $27,549; and $771, respectively, less than the amended budget. The City exceeded the amounts budgeted in the culture and recreation function; capital projects function; and business type activities by $75,323; and $105,499; and $393,370 respectively, more than the amended budget.

DEBT ADMINISTRATION

At June 30, 2009, the City had $4,213,972 in bonds and other long-term debt, compared to $3,676,886 last year, as shown below.

Outstanding Debt at Year-End		
	June 30,	
	2009	2008
Capital Loan Notes	$ 2,010,000	$ 1,242,996
Revenue notes	2,141,000	2,357,000
Capital Leases	62,972	76,890
Total	$ 4,213,972	$ 3,676,886

The change in debt is a result of making payments of $602,914, net of Refunding Bond and issuing of new debt in the amount of $1,140,000. The City continues to carry a general

obligation bond rating of A3 assigned by national rating agencies to the City's debt since 1990. The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of $2,072,972 is significantly below its constitutional debt limit of $4,504,022.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

City of Sibley's elected and appointed officials and citizens considered many factors when setting the fiscal year 2009 budget, tax rates, and fees that will be charged for various City activities. One of those factors is the economy. The City's employment growth had mirrored its population growth during 2003-2007, averaging per year gains of 2.2 percent. The City experienced significant layoffs due to plant closures and cutbacks during 2008-09. Unemployment in the City now stands at 5.6 percent, versus 3.7 percent a year ago. This compares with the State's unemployment rate of 4.8 percent and the national rate of 7.6 percent.

Inflation in the State continued to be somewhat lower than the national Consumer Price Index increase. The State's CPI increase was .2 percent for fiscal year 2009 compared with the national rate of .2 percent. Inflation has been modest here due in part to the slowing of the residential housing market and modest increases in energy prices in 2009.

These indicators were taken into account when adopting the budget for fiscal year 2010. Amounts available for appropriation in the operating budget are $6.6 million, a decrease of 7.3% from the final 2009 budget. Budgeted disbursements are expected to decrease approximately $633,000 or 8.5%. Increases in wage and cost-of-living adjustments as well as major increases in the cost of electricity and fuel cost represent the largest increases. The City has added no major new programs or initiatives to the 2010 budget.

If these estimates are realized, the City's budgeted cash balance is expected to decrease by approximately $298,000 by the close of 2010 mostly due to the use of bond proceeds not expended prior to the end of 2009.

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 Kristen Vipond, City Clerk, 808 Third Ave., Sibley, Iowa, 51249.

City of Sibley, Iowa

Basic Financial Statements

City of Sibley, Iowa
Statement of Activities and Net Assets - Cash Basis
As of and for the year ended June 30, 2009

		Program Revenues		
	Disbursements	Charges for Service	Operating Grants Contributions and Restricted Interest	Capital Grants Contributions and Restricted Interest
Functions/Programs				
Governmental activities:				
Public safety	$ 317,098	$ -	$ -	$ -
Public works	481,413	-	234,013	-
Health and social services	1,830	-	-	-
Culture and recreation	408,420	110,605	-	-
Community and economic development	11,766	-	-	3,000
General government	182,090	23,240	1,488	-
Debt service	425,745	-	-	-
Capital projects	836,320	71,671	34,194	103,491
Total governmental activities	2,664,682	205,516	269,695	106,491
Business type activities:				
Electric	2,297,543	2,760,214	-	-
Water / Lewis & Clark	947,670	608,561	-	-
Sewer	186,082	272,155	-	-
Golf	205,551	203,565	-	-
Other nonmajor	1,598,612	247,050	-	-
Total business type activities	5,235,458	4,091,545	-	-
Total	7,900,140	4,297,061	269,695	106,491
General Receipts:				
Property tax levied for:				
General purposes				
Tax incremental financing				
Local option sales tax				
Unrestricted interest on investment				
Bond proceeds				
Miscellaneous				
Sale of assets				
Transfers				
Total general receipts and transfers				
Change in cash basis net assets				
Cash basis net assets beginning of year, as restated				
Cash basis net assets end of year				
Cash Basis Net Assets				
Restricted:				
Streets				
Urban renewal purposes				
Debt service				
Unrestricted				
Total cash basis net assets				

See notes to financial statements

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business Type Activities	Total
$ (317,098)	$ -	$ (317,098)
(247,400)	-	(247,400)
(1,830)	-	(1,830)
(297,815)	-	(297,815)
(8,766)	-	(8,766)
(157,362)	-	(157,362)
(425,745)	-	(425,745)
(626,964)	-	(626,964)
(2,082,980)	-	(2,082,980)
-	462,671	462,671
-	(339,109)	(339,109)
-	86,073	86,073
-	(1,986)	(1,986)
-	(1,351,562)	(1,351,562)
-	(1,143,913)	(1,143,913)
(2,082,980)	(1,143,913)	(3,226,893)
927,265	-	927,265
5,925	-	5,925
263,881	-	263,881
12,106	34,234	46,340
1,101,230	960,000	2,061,230
196,509	3,139	199,648
28,500	-	28,500
838	(838)	-
2,536,254	996,535	3,532,789
453,274	(147,378)	305,896
(21,187)	2,940,851	2,919,664
$ 432,087	$ 2,793,473	$ 3,225,560
$ 230,716	$ -	$ 230,716
501,789	-	501,789
16,445	624,833	641,278
(316,863)	2,168,640	1,851,777
$ 432,087	$ 2,793,473	$ 3,225,560

See notes to financial statements.

City of Sibley, Iowa
Statement of Cash Receipts, Disbursements and Changes in
Cash Balances - Governmental Funds - Cash Basis
As of and for the year ended June 30, 2009

	General	Road Use Tax	2009 Capital Projects
Receipts:			
Property tax	$ 572,582	$ -	$ -
Tax increment financing collections	-	-	-
Local Option Sales Taxes	263,881	-	-
Licenses and permits	23,240	-	-
Use of money and property	12,106	-	18,400
Intergovernmental	24,344	231,983	-
Charges for service	86,261	-	-
Special assessments	-	-	-
Miscellaneous	30,330	-	-
Total Receipts	1,012,744	231,983	18,400
Disbursements:			
Operating:			
Public safety	310,295	-	-
Public works	243,912	208,919	-
Health and social services	1,830	-	-
Culture and recreation	283,758	-	-
Community and economic development	8,098	-	-
General government	163,254	-	-
Debt service	-	-	-
Capital projects	30,076	14,636	373,327
Total Disbursements	1,041,223	223,555	373,327
Excess of receipts over disbursements	(28,479)	8,428	(354,927)
Other financing sources (uses):			
Grant proceeds	3,000	-	-
Bond proceeds	200,000	-	725,000
Sale of capital assets	-	-	-
Operating transfers in	6,726	-	57,419
Operating transfers out	(112,095)	-	-
Total other financing sources (uses)	97,631	-	782,419
Net change in cash balances	69,152	8,428	427,492
Cash balances beginning of year	(1,674,774)	222,288	-
Cash balances end of year	$ (1,605,622)	$ 230,716	$ 427,492
Cash Basis Fund Balances			
Reserved:			
Debt service	$ -	$ -	$ -
Unreserved:			
General fund	(1,605,622)	-	-
Special revenue funds	-	230,716	427,492
Capital projects funds	-	-	-
Total cash basis fund balances	$ (1,605,622)	$ 230,716	$ 427,492

See notes to financial statements

Debt Service	Other Nonmajor Governmental Funds	Total
$ 233,031	$ 121,652	$ 927,265
-	5,925	5,925
-	-	263,881
-	-	23,240
-	17,282	47,788
-	-	256,327
-	71,671	157,932
-	2,030	2,030
-	166,179	196,509
233,031	384,739	1,880,897
-	6,803	317,098
-	28,582	481,413
-	-	1,830
-	124,662	408,420
-	3,668	11,766
-	24,677	187,931
425,745	-	425,745
-	418,281	836,320
425,745	606,673	2,670,523
(192,714)	(221,934)	(789,626)
-	103,491	106,491
176,230	-	1,101,230
-	28,500	28,500
-	131,642	195,787
-	(82,854)	(194,949)
176,230	180,779	1,237,059
(16,484)	(41,155)	447,433
32,929	1,332,870	(86,687)
$ 16,445	$ 1,291,715	$ 360,746
$ 16,445	$ -	$ 16,445
-		(1,605,622)
-	74,297	732,505
-	1,217,418	1,217,418
$ 16,445	$ 1,291,715	$ 360,746

See notes to financial statements

City of Sibley, Iowa

City of Sibley, Iowa
Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Cash Balances to the Statement of Activities and Net Assets - Governmental Funds - Cash Basis
As of and for the year ended June 30, 2009

Exhibit C

Total governmental funds cash balances (page 17)	$	360,746
Amounts reported for governmental activities in the Statements of Net Assets are different because:		
The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health insurance benefit plan to individual funds. The assets of the Internal Service Fund are included in governmental activities in the Statement of Net Assets		71,341
Cash basis net assets of governmental activities (page 15)	$	432,087
Net change in cash balances (page 17)	$	447,433
Amounts reported for governmental activities in the Statements of Net Assets are different because:		
The Internal Service Fund is used by management to charge the costs of employee health benefits to individual funds. The change on net assets of the Internal Service Fund is reported with governmental activities		5,841
Change in cash balance of governmental activities (page 15)	$	453,274

See notes to financial statements

City of Sibley, Iowa
Statement of Cash Receipts, Disbursements and Changes in
Cash Balances - Proprietary Funds - Cash Basis
As of and for the year ended June 30, 2009

	Enterprise Funds		
	Electric	Water Including Lewis & Clark	Sewer
Operating receipts:			
Use of money and property	$ 2,000	$ 11,564	$ -
Licenses and permits	-	150	200
Charge for service	2,760,214	608,411	271,955
Miscellaneous	-	2,100	-
Total operating receipts	2,762,214	622,225	272,155
Operating disbursements:			
Governmental activities:			
Community and economic development	-	-	-
General government	-	-	-
Capital projects	-	-	
Business type activities	2,307,924	947,670	186,082
Total operating disbursements	2,307,924	947,670	186,082
Excess (deficiency) of operating receipts over (under)	454,290	(325,445)	86,073
Non-operating receipts (disbursements):			
General obligation bond proceeds	-	-	-
Debt service	-	(76,328)	-
Total non-operating receipts (disbursements)	-	(76,328)	-
Excess (deficiency) of receipts over (under) disbursement	454,290	(401,773)	86,073
Operating transfers in	6,727	6,727	6,727
Operating transfers out	(332,776)	(30,800)	(22,884)
Net change in cash balances	128,241	(425,846)	69,916
Cash balances beginning of year	245,308	895,283	63,659
Cash balances end of year	$ 373,549	$ 469,437	$ 133,575
Cash Basis Fund Balances			
Reserved for debt service	$ -	$ -	$ -
Unreserved	373,549	469,437	133,575
Total cash basis fund balances	$ 373,549	$ 469,437	$ 133,575

See notes to financial statements.

Enterprise Funds			Internal Service Funds		
Golf	Other Nonmajor Enterprises	Total	Employee Health	Payroll	Total
$ -	$ 20,670	$ 34,234	$ 1,656	$ -	$ 1,656
-	14,570	14,920	-	-	-
203,565	232,480	4,076,625	162,745	970,518	1,133,263
-	1,039	3,139	-	-	-
203,565	268,759	4,128,918	164,401	970,518	1,134,919
-	5,766	5,766	-	-	-
-	-	-	141,273	977,425	1,118,698
-	29,179	29,179	-	-	-
205,551	260,785	3,908,012	-	-	-
205,551	295,730	3,942,957	141,273	977,425	1,118,698
(1,986)	(26,971)	185,961	23,128	(6,907)	16,221
-	960,000	960,000	-	-	-
-	(1,226,554)	(1,302,882)	-	-	-
-	(266,554)	(342,882)	-	-	-
(1,986)	(293,525)	(156,921)	23,128	(6,907)	16,221
-	397,924	418,105	-	-	-
-	(32,483)	(418,943)	-	-	-
(1,986)	71,916	(157,759)	23,128	(6,907)	16,221
(293,982)	1,914,141	2,824,409	174,396	7,546	181,942
$ (295,968)	$ 1,986,057	$ 2,666,650	$ 197,524	$ 639	$ 198,163
$ -	$ 624,833	$ 624,833	$ -	$ -	$ -
(295,968)	1,361,224	2,041,817	197,524	639	198,163
$ (295,968)	$ 1,986,057	$ 2,666,650	$ 197,524	$ 639	$ 198,163

See notes to financial statements

Exhibit E

City of Sibley, Iowa
Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Cash Balances to the Statement of Activities and Net Assets - Proprietary Funds - Cash Basis
As of and for the year ended June 30, 2009

Total enterprise funds cash balances (page 21)	$ 2,666,650
Amounts reported for business type activities in the Statement of Activities and Net Assets are different because:	
The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health insurance benefit plan to individual funds. The assets of the Internal Service Fund are included in business type activities in the Statement of Net Assets.	126,823
Cash basis net assets of business type activities (page 15)	$ 2,793,473
Net change in cash balances (page 21)	$ (157,759)
Amounts reported for business type activities in the Statements of Net Assets are different because:	
The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health insurance benefit to individual funds. The change on net assets of the Internal Service Fund is reported with business type activities.	10,381
Change in cash balance of business type activities (page 15)	$ (147,378)

See notes to financial statements.

(1) Summary of Significant Accounting Policies

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

A. Reporting Entity

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

Jointly Governed Organizations

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

B. Basis of Presentation

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

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

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

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

The Statement of Activities and Net Assets – Cash Basis demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted

to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

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

The City reports the following major governmental funds:

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

Special Revenue:

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

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

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

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system and includes the Lewis and Clark Rural Water System project.

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

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

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

The City also reports the following additional proprietary funds:

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

C. Measurement Focus and Basis of Accounting

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

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 amounts budgeted in the culture and recreation; community and economic development; general government; and capital projects functions.

(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 did not have any deposits that qualified as investments at June 30, 2009.

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

(3) Bonds and Notes Payable

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

Year Ending	Revenue Bonds		Capital Loan Notes		Totals	
June 30,	Principal	Interest	Principal	Interest	Principal	Interest
2010	$ 276,000	$ 78,085	265,000	$ 80,590	$ 541,000	$ 158,675
2011	282,000	69,055	245,000	71,213	527,000	140,268
2012	292,000	59,238	255,000	62,105	547,000	121,343
2013	303,000	48,695	270,000	52,190	573,000	100,885
2014	53,000	42,255	205,000	41,253	258,000	83,508
2015 - 2019	316,000	175,290	770,000	89,913	1,086,000	265,203
2020 - 2024	381,000	104,158	-	-	381,000	104,158
2025 - 2029	238,000	21,533	-	-	238,000	21,533
Totals	$ 2,141,000	$ 598,308	$ 2,010,000	$ 397,263	$ 4,151,000	$ 995,570

Revenue Notes

The City has pledged future electric customer receipts, net of specified operating disbursements, to repay $960,000 in electric revenue notes issued December 2008. Proceeds from the notes provided

financing to replace project notes previously issued to provide funds to pay costs of improvements and extensions to the Municipal Electric Utility including the purchase and installation of an 1825 KWprime/2000 KW standby Caterpillar generator and accessories for electrical substation number 2. The notes are payable solely from electric customer net receipts and are payable through 2012 The total principal and interest remaining to be paid on the notes is $1,023,087.50. For the current year, principal and interest paid; net of refinancing and total net receipts were $247,952 and $383,780, respectively.

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

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

(b) Sufficient monthly cash transfers shall be made to separate electric revenue bond sinking accounts within the Enterprise Funds for the purpose of making the bond principal and interest payments when due.

(c) The bond requires a reserve in the electric revenue bond improvement fund of $300,000 which the City has met.

(d) Net revenues of the system for the preceding fiscal year need to be 1.25 times the average annual amount that will be required for both principal and interest. The required amount was $325,905 which was met.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay $274,000 in sewer revenue notes issued February 2007. Proceeds from the notes provided financing to construct certain wastewater treatment facilities serving the City. The notes are payable solely from sewer customer net receipts and are payable through 2025. The total principal and interest remaining to be paid on the notes is $294,210. For the current year, principal and interest paid and total net receipts were $18,260 and $91,000, respectively.

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

(a) Sewer use charges must be established to a level which produces and maintains net revenues at a level not less than 110% of principal and interest falling due in the same year. The required amount was $20,086 which was met.

The City has pledged future water customer Lewis and Clark receipts, net of specified operating disbursements, to repay $1,010,000 in water revenue notes issued May 30, 2007. Proceeds from the notes provided financing to pay a portion of the costs of improvements and extensions to the Municipal Water Utility. The notes are payable solely from water customer net receipts from the Lewis and Clark fund and are payable through 2027. The total principal and interest remaining to be paid on the notes is $1,422,010 For the current year, principal and interest paid and total net receipts were $76,328 and $80,497, respectively.

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

(a) Reserve fund requires deposits equal to 10% of the amount required to maintain a debt service fund

(b) Audit report issued by 180 days after fiscal year end.

(c) Net revenues of the system for the preceding fiscal year need to be 1.10 times the average annual amount that will be required for both principal and interest. The required amount was $79,000 which was met.

(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 $51,754, $49,739 and $43,902, respectively, equal to the required contributions for each year.

Upon retirement the City agrees that employees may choose to stay on the City's Health Insurance Plan until age 65 as long as the employee pays the full premium amount from the date of retirement to age 65. If the employee meets the requirements of IPERS rules for retirement, the employee may use 50% of accrued sick leave hours and convert to dollars at the current rate of pay to be used for health insurance premiums. This retirement health insurance plan only entitles the employee to the policy as offered by the health insurance provider. The employee may choose this option or receive 10% cash pay out for unused sick leave

(5) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and sick leave termination payments payable to employees at June 30, 2009, primarily relating to the General Fund and Electric funds, is as follows:

Type of Benefit	Amount
Vacation	$ 50,254
Sick leave	106,865
Totals	$ 157,119

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

(6) Anticipatory Warrants

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

(7) 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 563 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 annual contributions to the Pool for the year ended June 30, 2009 were $83,218.

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 on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 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 claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions However, the refund is reduced by an amount equal to the annual operating contribution, which the withdrawing member would have made for the one-year period following withdrawal.

(8) Related Party Transactions

The City had business transactions between the City and City officials totaling $136 during the year ended June 30, 2009.

(9) Health Care Facility Revenue Bonds

The City has issued a total of $5,800,000 of health care facility revenue bonds under the provisions of Chapter 419 of the Code of Iowa; this was approved November 12, 2007. The bonds and related interest are payable solely from the revenue generated by the Osceola Community Hospital, and the bond principal and interest do not constitute liabilities of the City.

(10) Senior Housing Revenue Bonds

The City has issued a total of $1,296,500 of senior housing revenue bonds under the provisions of Chapter 419 of the Code of Iowa; this was approved January 14, 2008. The bonds and related interest are payable solely from the revenue generated by the Heartwood Heights Project, and the bond principal and interest do not constitute liabilities of the City.

(11) Interfund Transfers

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

Transfer to:	Transfer from:	Amount
Transit Service	General	$ 4,738
Civic Center	General	5,971
Sewer Relocation	Sewer	21,084
Electric Revenue Reserve	Electric	64,236
Electric Revenue Sinking	Electric	257,340
Airport Apron Improvement	General	13,467
Water Revenue Sinking	Water	27,600
General Fund	TIF	6,726
Garbage	TIF	6,727
Water	TIF	6,727
Sewer	TIF	6,727
Electric	TIF	6,727
Electric Improvements	Generator Substation	16,200
Street Improvements	1999 SA Street Improvements	44,994
	2005 ST Capital Project	2,991
		47,985
2009 Street Improvements	General-Street Department	57,419
Airport Hanger Project	Capital Reserve-Airport	1,235
Capital Reserve	Electric	11,200
	Sewer	1,800
	Garbage	16,283
	Water	3,200
	General	
	Fire	15,500
	Street Department	15,000
		62,983
	Total	$ 613,892

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

(12) Deficit Fund Balance

The Capital Projects - Airport Apron Improvement has a deficit balance of $10,834 at June 30, 2009 This represents the unfunded balance of the local match on this project which will be eliminated by transfers from other funds. The Capital Projects – Airport Pavement Repair project has a deficit balance of $13,379 at June 30, 2009. This represents the unfunded balance of the local match on this project which will be eliminated by transfers from other funds. The Civic Center Fund has a deficit balance of $3,238 at June 30, 2009. This deficit will be eliminated as additional property taxes are paid.

The General Fund had a deficit balance of $1,605,622 at June 30, 2009. The City is working towards eliminating this deficit over the next several years using the local option sales tax revenue that went into effect July 1, 2008.

The Enterprise Funds - Transit Service Fund, had a deficit balance of $32,528 at June 30, 2009 This is caused by increasing operating costs and reduction of donations. The City plans to have it self-sufficient in the future years by making better use of the transit levy.

The Enterprise Funds - Golf Course Fund had a deficit balance of $295,968 at June 30, 2009. This is the sixth year that the golf course fund is operating as an enterprise fund The City's goal is to make the golf course self-sufficient in the future years.

(13) Contingency

The City has a self-insurance program in place for the medical insurance that it provides to its employees. Under the program, the employee pays a deductible of $250 for family coverage and $250 for single coverage. The insurance policies that the City maintains provide for a $5,000 deductible for family coverage and $2,500 single coverage. The City is therefore, liable for the difference in these deductible amounts for each employee. As of June 30, 2009, this total difference amounts to a potential liability to the City of $68,500.

(14) Capital Lease

The City acquired a sanitation truck under a long-term lease The lease expires June 1, 2013 The City entered into the capital lease on May 29, 2009 with an initial payment of $40,000. Future minimum lease payments under this capital lease at June 30, 2009 are as follows:

	Interest	Principal	Total payment
2010	$ 3,143	$ 14 612	$ 17,755
2011	2,413	15,342	17,755
2012	1,648	16,107	17,755
2013	844	16,911	17,755
	$ 8,048	$ 62,972	$ 71,020

(15) Construction Commitments

On February 28, 2008 the City awarded a contract for the Airport Hangar Project to Raveling Inc. for $339,113. The construction started in June 2008 and has since been completed. As of June 30, 2009, the final pay request for the retainage in the amount of $17,046 is in the approval process.

On May 11, 2009 the City awarded a contract for the Industrial Park Improvements Project to Rens Concrete, Inc. for $448,254. The construction started in May 2009. As of June 30, 2009, the first pay request in the amount of $82,530 had been received but not yet paid.

City of Sibley, Iowa
Required Supplementary Information

City of Sibley, Iowa
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds
Required Supplementary Information
Year ended June 30, 2009

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Property tax	$ 927,265	$ -
Tax increment financing collections	5,925	-
Other city tax	263,881	-
Licenses and permits	23,240	14,920
Use of money and property	47,788	34,234
Intergovernmental	256,327	-
Charges for service	157,932	4,076,625
Special assessments	2,030	-
Miscellaneous	196,509	3,139
Total receipts	1,880,897	4,128,918
Disbursements:		
Public safety	317,098	-
Public works	481,413	-
Health and social services	1,830	-
Culture and recreation	408,420	-
Community and economic development	11,766	5,766
General government	187,931	-
Debt service	425,745	-
Capital projects	836,320	29,179
Business type activities	-	5,210,894
Total disbursements	2,670,523	5,245,839
Excess of receipts over disbursements	(789,626)	(1,116,921)
Other financing sources, net	1,237,059	959,162
Excess of receipts and other financing sources over disbursements and other financing uses	447,433	(157,759)
Balances beginning of year	(86,687)	2,824,409
Balances end of year	$ 360,746	$ 2,666,650

See accompanying independent auditor's report.

Less Funds not Required to be Budgeted	Total Actual	Budgeted Amounts Original	Budgeted Amounts Final	Final to Actual Variance
$ -	$ 927,265	$ 920,290	$ 920,290	$ 6,975
-	5,925	4,152	4,152	1,773
-	263,881	150,511	250,511	13,370
-	38,160	23,625	23,625	14,535
-	82,022	15,000	15,000	67,022
-	256,327	259,562	473,266	(216,939)
-	4,234,557	4,413,427	4,413,427	(178,870)
-	2,030	2,769	2,769	(739)
-	199,648	-	-	199,648
-	6,009,815	5,789,336	6,103,040	(93,225)
-	317,098	329,160	329,160	(12,062)
-	481,413	412,562	587,562	(106,149)
-	1,830	1,830	1,830	-
-	408,420	333,097	333,097	75,323
-	17,532	24,152	20,000	(2,468)
-	187,931	215,480	215,480	(27,549)
-	425,745	233,516	426,516	(771)
-	865,499	-	760,000	105,499
-	5,210,894	4,272,524	4,817,524	393,370
-	7,916,362	5,822,321	7,491,169	425,193
-	(1,906,547)	(32,985)	(1,388,129)	(518,418)
-	2,196,221	-	975,750	1,220,471
-	289,674	(32,985)	(412,379)	702,053
-	2,737,722	2,681,363	2,841,608	(103,886)
$ -	$ 3,027,396	$ 2,648,378	$ 2,429,229	$ 598,167

See accompanying independent auditor's report

City of Sibley, Iowa
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 Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These 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, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and 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 $1,673,000. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2009, disbursements exceeded the amounts budgeted in the culture and recreation function; capital projects function; and business-type activities

Other Supplementary Information

City of Sibley, Iowa
Statement of Cash Receipts, Disbursements and
Changes in Cash Balances - Governmental Funds - Nonmajor Governmental Funds
As of and for the year ended June 30, 2009

	Special Revenue Employee Benefit	Urban Renewal Tax Increment
Receipts:		
Property tax	$ 121,652	$ -
Tax increment financing collections	-	5,925
Use of money and property	1,488	-
Charges for service	-	-
Special assessments	-	-
Miscellaneous	340	-
Total Receipts	123,480	5,925
Disbursements:		
Operating:		
Public safety	5,461	-
Public works	28,582	-
Culture and recreation	60,712	-
Community and economic development	-	-
General government	24,677	-
Capital projects	-	-
Total Disbursements	119,432	-
Excess of receipts over disbursements	4,048	5,925
Other financing sources (uses):		
Grant proceeds	-	-
Sale of capital assets	-	-
Operating transfers in	-	-
Operating transfers out	-	(33,633)
Total other financing sources (uses)	-	(33,633)
Net change in cash balances	4,048	(27,708)
Cash balances beginning of year	70,249	30,059
Cash balances end of year	$ 74,297	$ 2,351
Cash Basis Fund Balances		
Reserved:		
Debt service	$ -	$ -
Unreserved:		
Special revenue funds	74,297	-
Capital projects fund	-	2,351
Total cash basis fund balances	$ 74,297	$ 2,351

See accompanying independent auditor's report.

Schedule 1

Nonmajor Special Revenue and Capital Projects	Other Nonmajor Governmental Funds Totals
$ -	$ 121,652
-	5,925
15,794	17,282
71,671	71,671
2,030	2,030
165,839	166,179
255,334	384,739
1,342	6,803
-	28,582
63,950	124,662
3,668	3,668
-	24,677
418,281	418,281
487,241	606,673
(231,907)	(221,934)
103,491	103,491
28,500	28,500
131,642	131,642
(49,221)	(82,854)
214,412	180,779
(17,495)	(41,155)
1,232,562	1,332,870
$ 1,215,067	$ 1,291,715
$ -	$ -
-	74,297
1,215,067	1,217,418
$ 1,215,067	$ 1,291,715

See accompanying independent auditor's report

City of Sibley, Iowa
Schedule of Indebtedness
Year ended June 30, 2009

Obligation	Date of Issue	Interest Rate	Amount Originally Issued	Balance Beginning of Year
Capital Loan Notes:				
Street Projects - 2005 Series	09/28/05	3.45 to 4.35%	$ 410,000	$ 340,000
Swimming Pool and Water Tower	06/01/98	5.50%	300,000	120,000
1999 Street and Sewer Project	05/01/00	5.2 to 5.6%	160,000	50,000
2003 Capital Improvements	01/01/03	2.1 to 4.4%	580,000	315,000
Fire Truck and Airport Hanger	10/15/06	3.8 to 4.25%	430,000	395,000
Golf Course Equipment	04/12/05	5.55%	85,000	22,996
Gen Oblig Capital Loan Notes 2008B	12/15/08	3 to 4.5%	1,140,000	-
Totals				$ 1,242,996
Revenue bonds:				
2000 Electric Revenue (Redemption)	12/01/00	4.9 to 5.6%	$ 2,300,000	$ 1,135,000
2008 Refunding Revenue	10/01/08	2.75 to 3.4%	960,000	-
2006 Sewer Revenue	02/01/06	3%	274,000	242,000
2007 Water Revenue	05/30/07	4.5 to 5.75%	1,010,000	980,000
Totals				$ 2,357,000
Capital Leases:				
				-
2008 Sanitation Truck	05/29/08	4.99%	$ 116,890	$ 76,890
Totals				$ 76,890

See accompanying independent auditor's report.

Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
$ -	$ 35,000	$ 305,000	$ 13,675	$ 1,033
-	120,000	-	3,300	3,590
-	50,000	-	1,394	-
-	60,000	255,000	12,985	897
-	40,000	355,000	15,868	1,196
-	22,996	-	1,284	-
1,140,000	45,000	1,095,000	20,487	-
$ 1,140,000	$ 372,996	$ 2,010,000	$ 68,993	$ 6,716
$ -	$ 1,135,000	$ -	$ 31,143	$ 2,213
960,000	-	960,000	19,810	-
-	11,000	231,000	7,260	578
-	30,000	950,000	46,328	3,717
$ 960,000	$ 1,176,000	$ 2,141,000	$ 104,541	$ 6,508
$ -	$ 13,918	$ 62,972	$ 3,837	$ 262
$ -	$ 13,918	$ 62,972	$ 3,837	$ 262

See accompanying independent auditor's report.

City of Sibley, Iowa
Bond and Note Maturities
June 30, 2009

REVENUE BONDS

Year Ending June 30	Sewer Project Issued February 1, 2006		Water - Lewis & Clark Issued May 30, 2007		Electric Project (Refunded) Issued Oct. 1, 2008	
	Interest Rates	Amounts	Interest Rates	Amounts	Interest Rates	Amounts
2010	3.00%	$ 11,000	5.75%	$ 35,000	5.40%	$ 230,000
2011	3.00%	12,000	5.75%	35,000	5.50%	235,000
2012	3.00%	12,000	5.75%	35,000	5.55%	245,000
2013	3.00%	13,000	4.50%	40,000	5.60%	250,000
2014	3.00%	13,000	4.50%	40,000		-
2015	3.00%	13,000	4.50%	45,000		-
2016	3.00%	14,000	4.50%	45,000		-
2017	3.00%	14,000	4.50%	50,000		-
2018	3.00%	15,000	4.50%	50,000		-
2019	3.00%	15,000	4.50%	55,000		-
2020	3.00%	15,000	4.50%	55,000		-
2021	3.00%	16,000	4.50%	55,000		-
2022	3.00%	16,000	4.50%	60,000		-
2023	3.00%	17,000	4.55%	65,000		-
2024	3.00%	17,000	4.60%	65,000		-
2025	3.00%	18,000	4.65%	70,000		-
2026		-	4.70%	75,000		-
2027		-	4.75%	75,000		-
TOTAL		$ 231,000		$ 950,000		$ 960,000

CAPITAL LOAN NOTES

Year Ending June 30	Utility Improvements Issued January 1, 2003		Street Project Issued September 28, 2005		Fire Truck & Airport Hanger Issued October 15, 2006	
	Interest Rates	Amounts	Interest Rates	Amounts	Interest Rates	Amounts
2010	4.00%	$ 60,000	3.75%	$ 40,000	3.85%	$ 40,000
2011	4.15%	60,000	3.85%	40,000	3.90%	40,000
2012	4.30%	65,000	3.95%	40,000	3.95%	40,000
2013	4.40%	70,000	4.05%	45,000	4.00%	45,000
2014		-	4.15%	45,000	4.05%	45,000
2015		-	4.25%	45,000	4.10%	45,000
2016		-	4.35%	50,000	4.15%	50,000
2017		-		-	4.25%	50,000
TOTAL		$ 255,000		$ 305,000		$ 355,000

See accompanying independent auditor's report.

Schedule 3

City of Sibley, Iowa
Bond and Note Maturities
June 30, 2009

Year Ending June 30	CAPITAL LOAN NOTES Equipment & Improvements Issued December 15, 2008 Interest Rates	Amounts
2010	3.15%	$ 125,000
2011	3.35%	105,000
2012	3.60%	110,000
2013	3.85%	110,000
2014	4.00%	115,000
2015	4.10%	100,000
2016	4.20%	100,000
2017	4.30%	105,000
2018	4.40%	110,000
2019	4.50%	115,000
TOTAL		$ 1,095,000

See accompanying independent auditor's report.

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

	2009	2008	2007	2006
Receipts:				
Property tax	$ 927,265	$ 877,354	$ 796,865	$ 762,082
Tax increment financing collections	5,925	180,349	163,874	161,601
Local Option Sales Taxes	263,881	-	-	-
Licenses and permits	23,240	24,463	25,064	25,118
Use of money and property	47,788	42,812	49,722	31,222
Intergovernmental	256,327	262,780	254,436	377,113
Charges for service	157,932	157,697	180,268	160,167
Special assessments	2,030	20,545	28,311	13,197
Grant proceeds	106,491	-	-	-
Bond proceeds	1,101,230	-	430,000	660,476
Miscellaneous	225,009	14,089	12,562	28,533
Total	$ 3,117,118	$ 1,580,089	$ 1,941,102	$ 2,219,509
Disbursements:				
Operating:				
Public safety	$ 317,098	$ 298,363	$ 300,415	$ 266,814
Public works	481,413	356,800	308,104	735,142
Health and social services	1,830	1,830	1,830	1,830
Culture and recreation	408,420	348,178	311,093	340,855
Community and economic development	11,766	18,591	153,328	63,187
General government	187,931	266,106	224,711	225,712
Debt service	425,745	416,302	374,491	363,834
Capital projects	836,320	124,086	211,777	450,720
Total	$ 2,670,523	$ 1,830,256	$ 1,885,749	$ 2,448,094

See accompanying independent auditor's report.

Schedule 4

2005	2004	2003	2002
$ 748,678	$ 791,530	$ 694,102	$ 674,849
198,285	139,212	134,590	170,584
3,327	15,379	-	-
20,720	22,965	14,602	14,416
16,570	18,148	55,923	64,888
252,974	253,370	297,347	302,453
186,258	173,172	173,035	187,594
28,046	23,005	5,430	5,729
506,505	619,377	-	-
-	-	-	-
9,428	110,226	107,381	34,797
$ 1,970,791	$ 2,166,384	$ 1,482,410	$ 1,455,310

$ 271,709	$ 315,545	$ 256,486	$ 280,678
470,917	295,345	363,435	366,456
1,830	1,830	1,830	529,907
291,365	297,228	483,802	130,407
327,432	6,104	-	-
275,337	694,879	270,500	237,375
482,075	491,450	444,798	250,343
572,264	361,990	505,595	92,095
$ 2,692,929	$ 2,464,371	$ 2,326,446	$ 1,887,261

See accompanying independent auditor's report

EAST, VANDER WOUDE, GRANT & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS
www.evwg.net

Paul T. East, CPA
Paul W. Vander Woude, CPA
Rose M. Grant, CPA, MST

707 WEST 11th STREET
Sioux Falls, SD 57104
(605)334-9111
(605)334-2195 FAX

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
Sibley, Iowa:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Sibley, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated November 12, 2009. Our report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Sibley's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinions on the effectiveness of City of Sibley's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of City of Sibley'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. We did not identify any deficiencies in internal control over financial reporting that we consider to be significant deficiencies or other 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 City of Sibley'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 City of Sibley's financial statements that is more than inconsequential will not be prevented or detected by City of Sibley's internal control.

Licensed in South Dakota, Iowa, Minnesota, and North Dakota
Members of American Institute of Certified Public Accountants and South Dakota Society of CPA'S

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 City of Sibley's internal control.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Sibley's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, 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 object of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of non-compliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

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

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

This report, a public record by law, is intended for the information and use of the officials, employees and citizens City of Sibley and other parties to whom the City of Sibley may report. This report is not intended to be and should not be used by anyone other than these specified parties.

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

East, Vander Woude, Grant + Co, PC

East, Vander Woude, Grant & Co., P.C.
Certified Public Accountants
Sioux Falls, SD
November 12, 2009

City of Sibley, Iowa
Schedule of Findings
Year ended June 30, 2009

Part I: Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

No matters were noted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Sibley, Iowa
Schedule of Findings
Year ended June 30, 2009

Part II: Other Findings Related to Statutory Reporting:

II-A-09 Certified Budget – Disbursements during the year ended June 30, 2009 exceeded the amounts budgeted in the culture and recreation function; capital projects function; and business-type activities. Chapter 384 20 of the Code of Iowa states in part that public monies may not be disbursed except under an annual or continuing appropriation.

Recommendation – The budget should be amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements are allowed to exceed the approved budget.

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

Conclusion – Response accepted.

II-B-09 Questionable Disbursements – No disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

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

II-D-09 Business Transactions – Business transactions between City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Jayson VandeHoef, Council Member, Bosma Water Service	Supplies for Sewer and Golf funds	$136 00

In accordance with Chapter 362 5(10) of the Code of Iowa, the transactions with the Council Member do not appear to represent conflicts of interest since total transactions with the individual were less than $1,500 during the fiscal year.

II-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 insure that the coverage is adequate for current operations.

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

II-G-09 Deposits and Investments – No instances of non-compliance with the deposits and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the City's investment policy were noted

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

II-H-09 Economic Development – The City paid $39,672 to the Osceola County Economic Development Committee which may not be an appropriate disbursement of public funds.

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

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

Response – We will do this.

Conclusion – Response accepted

II-I-09 Financial Condition – The following funds had deficit balances at June 30, 2007: The Capital Projects - Airport Apron Improvement Fund of $10,834; Capital Projects - Street Improvement Fund of $3,662; Capital Projects – Civic Center Funds of $3,238; Capital Projects – Airport Runway of $13,379; General Fund of $1,605,622; Enterprise Funds - Transit Service Fund of $32,528; and Enterprise Funds - Golf Course Fund of $295,968.

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

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

Conclusion – Response accepted.

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