

**CITY OF SIDNEY**

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

**JUNE 30, 2009**

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**City of Sidney**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
R. Douglas Hobbie	Mayor	January 2010
Troy Gorham	Council Member	January 2010
Dave Vanderpluym	Council Member	January 2010
Joe Travis	Council Member	January 2012
James Henderson	Council Member	January 2012
Ryan Kersten	Council Member	January 2012
Suzanne C. Moores	City Clerk	Indefinite
T.J. Patterman	Attorney	Indefinite

**City of Sidney**



Marilyn Schroer, CPA  
Diane McGrain, CPA  
Jim Menard, CPA

December 30, 2009

Independent Auditors' Report

To the Honorable Mayor and  
Members of the City Council:

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

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

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2008.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2008, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, and each major fund information of the City of Sidney as of June 30, 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.

omni business centre  
300 west broadway, suite 41  
council bluffs, iowa 51503  
712•322•8734 / fax 712•322•4699  
www.schroer-cpa.com / e-mail mschroer@schroer-cpa.com

December 30, 2009  
City of Sidney  
Independent Auditors' Report

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2009 on our consideration of the City of Sidney's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 11 and 26 through 28 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Sidney's basic financial statements. Other supplementary information included in Schedules 1 and 2, are 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.

*Schroer and Associates, P.C.*

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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City of Sidney provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 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 55%, or approximately \$787,000, from fiscal 2008 to fiscal 2009. Intergovernmental decreased approximately \$771,000 primarily due to a large state grant received in the prior fiscal year.
- Disbursements increased 2%, or approximately \$12,000, in fiscal 2009 from fiscal 2008. Culture and recreation increased approximately \$26,000.
- The City's total cash basis net assets increased 5.1%, or approximately \$137,000, from June 30 2008 to June 30, 2009. Of this amount, the assets of the governmental activities increased approximately \$18,000 and the assets of the business type activities increased by approximately \$119,000.

### USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

## **Basis of Accounting**

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

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statement*

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

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

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

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

### *Fund Financial Statements*

The City has two kinds of funds:

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

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased sharply from a year ago, increasing from \$2.501 million to \$2.519 million. The analysis that follows focuses on the changes in cash balances for governmental activities.

The City's total receipts for governmental activities decreased by 55.4%, or \$786,551. The total cost of all programs and services increased by approximately \$12,500, or 2.0%, with no new programs added this year. The significant decrease in receipts was primarily the result of proceeds received from a grant of approximately \$742,000 from the State of Iowa for the Street Scape Project received in fiscal year June 30, 2008.

### Changes in Cash Basis Net Assets of Governmental Activities

	Year Ended	
	June 30, 2009	June 30, 2008
Receipts:		
Property tax	\$ 249,524	261,063
Other city tax	80,580	104,932
Licenses and permits	280	1,149
Use of money and property	96,476	106,457
Intergovernmental	119,947	891,317
Charges for service	36,644	41,108
Miscellaneous	<u>49,634</u>	<u>13,610</u>
Total receipts	633,085	1,419,636
Disbursements:		
Operating:		
Public safety	113,584	111,981
Public works	128,823	161,839
Culture and recreation	139,179	113,278
Community and economic development	5,429	2,398
General government	166,028	148,102
Debt service	<u>62,382</u>	<u>45,155</u>
Total disbursements	<u>615,425</u>	<u>602,945</u>
Excess of receipts over disbursements	17,660	816,691
Other financing sources (uses):		
Operating transfers in	84,980	124,346
Operating transfers out	<u>(84,980)</u>	<u>(191,846)</u>
Total other financing sources	<u>-</u>	<u>(67,500)</u>
Net changes in cash balances	17,660	749,191
Cash balances beginning of year	<u>2,501,794</u>	<u>1,752,603</u>
Cash balances end of year	\$ <u>2,519,454</u>	\$ <u>2,501,794</u>

Changes in Cash Basis Net Assets of Business Type Activities		
	Year Ended	
	June 30, 2009	June 30, 2008
Operating receipts:		
Charges for service	\$ 254,272	\$ 238,122
Miscellaneous	<u>2,940</u>	<u>2,909</u>
Total operating receipts	257,212	241,031
Operating disbursements:		
Business type activities	<u>219,227</u>	<u>340,729</u>
Total operating disbursements	<u>219,227</u>	<u>340,729</u>
Excess of operating receipts over operating disbursements	37,985	(99,698)
Non-operating receipts (disbursements):		
Transfers in	-	87,500
Interest on investments	1,448	-
Note proceeds	<u>80,000</u>	<u>-</u>
Total non-operating receipts (disbursements)	<u>81,448</u>	<u>87,500</u>
Excess (deficiency) of receipts over (under) disbursements	119,433	(12,198)
Cash balances beginning of year	<u>165,984</u>	<u>178,182</u>
Cash balances end of year	\$ <u>285,417</u>	\$ <u>165,984</u>

#### **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As City of Sidney completed the year, its governmental funds reported a combined fund balance of \$2,519,454, an increase of more than \$17,000 above last year's total of \$2,501,794. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The Capital Projects Fund cash balance increased \$63,098 from the prior year to \$2,098,166 from interest received on certificates of deposit. The City intends to use these funds for major renovations of the City's square.
- The Road Use Fund cash balance increased \$3,655 from the prior year to \$72,356 from Road Use Taxes received.
- The Employee Benefit Fund decreased \$1,000 from the prior year to \$26,783 from the City's portion of payroll taxes and benefits that exceeded the property taxes levied for those amounts.
- There was no change in the Local Option Sales Tax Fund. Local Option Sales Taxes received were used to pay operating expenses in the General Fund.
- The Housing Authority Fund decreased \$2,224 to \$1,477 from debt service and renovations on the duplex exceeding the rents received.

- The Debt Service Fund decreased \$282 to \$40,280. Taxes levied for payment of debt was approximately the same as debt paid.
- The Permanent Fund increased \$1,265 to \$101,419 from the sales of cemetery lots.
- The General Fund cash balance decreased by \$46,852 to \$178,973 during the fiscal year. This decrease was attributable to a decrease in property taxes received and an increase in spending on culture & recreation.

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

- The Water Fund cash balance increased by \$112,429 to \$92,241 during the fiscal year. This increase was attributable to approximately \$80,000 from note proceeds.
- The Sewer Fund cash balance increased by \$7,004 to \$193,176.

#### **BUDGETARY HIGHLIGHTS**

The City did not amend its budget during the year. During the year ended June 30, 2009, disbursements exceeded the amounts budgeted in the public safety, community and economic development, general government, and debt service functions.

#### **DEBT ADMINISTRATION**

At June 30, 2009, the City had approximately \$500,000 in bonds and other long-term debt, compared to approximately \$475,000 last year, as shown below.

Debt increased from financing received for water improvements in the amount of \$80,000.

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 \$500,000 is significantly below its constitutional debt limit of \$1,790,600.

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

City of Sidney's elected and appointed officials and citizens considered many factors when setting the fiscal year 2010 budget, tax rates, and fees that will be charged for various City activities. One of those factors is the economy. Due to the global economy and the state of the Iowa economy, the council and administration will be taking a conservative approach to spending in the foreseeable future. The immediate impact on our receipts is not substantial, but over the long term the trickledown effect will have an adverse effect on the City. Other than grant funds already received for the street scape project we are projecting that there will be less funding available for capital improvement projects. Grants will be harder if not impossible to obtain.

#### **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 Suzanne Moores, City Clerk, 101 Main Street, City of Sidney, Iowa.

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

City of Sidney  
Statement of Activities and Net Assets – Cash Basis  
As of and for the year ended June 30, 2009

	Disbursements	Program Charges for Service
<b>Functions/Programs:</b>		
Governmental activities:		
Public safety	\$ 113,583	-
Public works	128,824	25,540
Culture and recreation	139,179	11,104
Community and economic development	5,429	-
General government	166,028	-
Debt service	62,382	-
Capital projects	-	-
Total governmental activities	615,425	36,644
Business type activities		
Water	149,146	178,205
Sewer	70,081	76,067
Total business type activities	219,227	254,272
 Total	\$ 834,652	290,916

**General Receipts:**

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

Change in cash basis net assets

Cash basis net assets beginning of year

Cash basis net assets end of year

**Cash Basis Net Assets:**

Restricted:

Streets
Employee benefits
Housing
Debt service
Capital projects
Cemetery perpetual care
Meter deposits

Unrestricted

    Total cash basis net assets

See notes to financial statements

Receipts	Net (Disbursement) Receipts and Changes in Cash Basis Net Assets		
	Governmental Activities	Business Type Activities	Total
Operating Grants, Contributions and Restricted Interest			
-	(113,583)	-	(113,583)
107,861	4,577	-	4,577
26,397	(101,678)	-	(101,678)
-	(5,429)	-	(5,429)
-	(166,028)	-	(166,909)
-	(62,382)	-	(62,382)
-	-	-	-
<u>134,258</u>	<u>(444,523)</u>	<u>-</u>	<u>(444,523)</u>
-	-	29,059	29,059
-	-	5,986	5,986
-	-	35,045	35,045
<u>134,258</u>	<u>(444,523)</u>	<u>35,045</u>	<u>(409,478)</u>
	210,558	-	210,558
	48,333	-	48,333
	71,213	-	71,213
	71,940	1,448	73,388
	10,346	-	10,346
	37,483	2,940	40,423
	12,310	-	12,310
	-	80,000	80,000
	<u>462,183</u>	<u>84,388</u>	<u>546,571</u>
	17,660	119,433	137,093
	<u>2,501,794</u>	<u>165,984</u>	<u>2,667,778</u>
\$	<u>2,519,454</u>	<u>285,417</u>	<u>2,804,871</u>
\$	72,356	-	72,356
	26,783	-	26,783
	1,477	-	1,477
	40,280	-	40,280
	2,098,166	-	2,098,166
	101,419	-	101,419
	-	22,985	22,985
	<u>178,973</u>	<u>262,432</u>	<u>441,405</u>
\$	<u>2,519,454</u>	<u>285,417</u>	<u>2,804,871</u>

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

	General	Special Revenue		
		Road Use	Employee Benefits	Local Option Sales Tax
<b>Receipts:</b>				
Property tax	\$ 174,152	-	28,793	-
Other city tax	6,530	-	1,083	71,213
Licenses and permits	280	-	-	-
Use of money and property	16,406	-	-	-
Intergovernmental	12,086	107,861	-	-
Charges for service	36,644	-	-	-
Miscellaneous	48,099	-	270	-
Total receipts	<u>294,197</u>	<u>107,861</u>	<u>30,146</u>	<u>71,213</u>
<b>Disbursements:</b>				
Operating:				
Public safety	113,583	-	-	-
Public works	24,618	104,206	-	-
Culture and recreation	135,405	-	3,774	-
Community and economic development	-	-	-	-
General government	138,656	-	27,372	-
Debt service	-	-	-	-
Total disbursements	<u>412,262</u>	<u>104,206</u>	<u>31,146</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	(118,065)	3,655	(1,000)	71,213
<b>Other financing sources (uses):</b>				
Operating transfers in	71,213	-	-	-
Operating transfers out	-	-	-	(71,213)
Total other financing sources (uses)	<u>71,213</u>	<u>-</u>	<u>-</u>	<u>(71,213)</u>
Net change in cash balances	(46,852)	3,655	(1,000)	-
Cash balances beginning of year	<u>225,825</u>	<u>68,701</u>	<u>27,783</u>	<u>-</u>
Cash balances end of year	\$ <u>178,973</u>	<u>72,356</u>	<u>26,783</u>	<u>-</u>
<b>Cash Basis Fund Balances</b>				
Reserved:				
Debt service	-	-	-	-
Unreserved:				
General fund	178,973	-	-	-
Special revenue fund	-	72,356	26,783	-
Capital project fund	-	-	-	-
Permanent fund	-	-	-	-
Total cash basis fund balances	\$ <u>178,973</u>	<u>72,356</u>	<u>26,783</u>	<u>-</u>

See notes to financial statements

<u>Housing Authority</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Permanent Cemetery Perpetual Care</u>	<u>Total</u>
-	46,579	-	-	249,524
-	1,754	-	-	80,580
-	-	-	-	280
16,972	-	63,098	-	96,476
-	-	-	-	119,947
-	-	-	-	36,644
-	-	-	1,265	49,634
<u>16,972</u>	<u>48,333</u>	<u>63,098</u>	<u>1,265</u>	<u>633,085</u>
-	-	-	-	113,583
-	-	-	-	128,824
-	-	-	-	139,179
5,429	-	-	-	5,429
-	-	-	-	166,028
-	62,382	-	-	62,382
<u>5,429</u>	<u>62,382</u>	<u>-</u>	<u>-</u>	<u>615,425</u>
11,543	(14,049)	63,098	1,265	17,660
-	13,767	-	-	84,980
<u>(13,767)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(84,980)</u>
<u>(13,767)</u>	<u>13,767</u>	<u>-</u>	<u>-</u>	<u>-</u>
(2,224)	(282)	63,098	1,265	17,660
3,701	40,562	2,035,068	100,154	2,501,794
<u>1,477</u>	<u>40,280</u>	<u>2,098,166</u>	<u>101,419</u>	<u>2,519,454</u>
-	40,280	-	-	40,280
-	-	-	-	178,973
1,477	-	-	-	100,616
-	-	2,098,166	-	2,098,166
-	-	-	101,419	101,419
<u>1,477</u>	<u>40,280</u>	<u>2,098,166</u>	<u>101,419</u>	<u>2,519,454</u>

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

	Enterprise		
	Water	Sewer	Total
Operating receipts:			
Charges for service	\$ 178,205	76,067	254,272
Miscellaneous	2,940	-	2,940
Total operating receipts	<u>181,145</u>	<u>76,067</u>	<u>257,212</u>
Operating disbursements:			
Business type activities	<u>149,146</u>	<u>70,081</u>	<u>219,227</u>
Total operating disbursements	<u>149,146</u>	<u>70,081</u>	<u>219,227</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	31,999	5,986	37,985
Non-operating receipts (disbursements):			
Interest on investments	430	1,018	1,448
Note proceeds	<u>80,000</u>	-	<u>80,000</u>
Total non-operating receipts (disbursements)	<u>80,430</u>	<u>1,018</u>	<u>81,448</u>
Net change in cash balances	112,429	7,004	119,433
Cash balances beginning of year	<u>(20,188)</u>	<u>186,172</u>	<u>165,984</u>
Cash balances end of year	<u>\$ 92,241</u>	<u>193,176</u>	<u>285,417</u>
<b>Cash Basis Fund Balances</b>			
Reserved for meter deposits	\$ 22,985	-	22,985
Unreserved	<u>69,256</u>	<u>193,176</u>	<u>262,432</u>
	<u>\$ 92,241</u>	<u>193,176</u>	<u>285,417</u>

See notes to financial statements

City of Sidney  
Notes to Financial Statements  
June 30, 2009

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

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

A. Reporting Entity

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

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Fremont County Assessor's Conference Board, Fremont County Emergency Management Commission, Fremont County Landfill Commission and Fremont County Joint E911 Service Board.

City of Sidney  
Notes to Financial Statements  
June 30, 2009

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

B. Basis of Presentation

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

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

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

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

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

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All funds were determined to be major funds.

City of Sidney  
Notes to Financial Statements  
June 30, 2009

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

B. Basis of Presentation - Continued

The City reports the following major governmental funds:

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

Special Revenue:

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

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

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

The Housing Authority Fund is used to account for the receipts and disbursements associated with the city owned duplex.

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

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

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

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

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

City of Sidney  
Notes to Financial Statements  
June 30, 2009

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

C. Measurement Focus and Basis of Accounting

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

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 public safety, community and economic development, general government, and debt service functions.

E. Property Tax Calendar

The City's property tax rates were extended against the assessed valuation of the City as of January 1, 2007 to compute the amounts which became liens on property on July 1, 2008. These taxes were due and payable in two installments on September 30, 2008 and March 31, 2009, at the Fremont County Treasurer's Office. These taxes are recognized as income to the City when they are received from the county.

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

The City's deposits in banks at June 30, 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.

City of Sidney  
Notes to Financial Statements  
June 30, 2009

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

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.

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

Cash, which consists of cash in bank and certificates of deposits, totaled \$2,804,871 at June 30, 2009.

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

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

Year Ending June 30,	General Obligation Bonds & Notes Principal	Revenue Notes Principal	Total Principal
2010	\$ 65,379	16,000	81,379
2011	71,567	16,000	87,567
2012	72,813	16,000	88,813
2013	211,572	16,000	227,572
2014	-	16,000	16,000
Total	<u>\$ 421,331</u>	<u>80,000</u>	<u>501,331</u>

Year Ending June 30,	General Obligation Bonds & Notes Interest	Revenue Notes Interest	Total Interest
2010	\$ 21,126	-	21,126
2011	18,017	-	18,017
2012	14,567	-	14,567
2013	10,684	-	10,684
2014	-	-	-
Total	<u>\$ 64,394</u>	<u>-</u>	<u>64,394</u>

City of Sidney  
Notes to Financial Statements  
June 30, 2009

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

Interest costs paid during the year ended June 30, 2009 totaled \$26,087.

The Code of Iowa requires principal and interest on general obligation bonds be paid from the Debt Service Fund.

The City has a general obligation debt limit of approximately \$1,791,000 which was not exceeded during the year ended June 30, 2009.

Revenue notes

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$80,000 in water revenue notes issued in April 2009. Proceeds from the notes provided financing for the construction of water main extensions. The notes are payable solely from water customer net receipts and are payable through 2013. Annual principal and interest payments on the notes are expected to require less than 50 percent of net receipts. The total principal remaining to be paid on the notes is \$80,000. The note bears no interest. For the current year, no principal and interest was paid and total customer net receipts were \$31,999.

The resolution providing for the issuance of the revenue notes includes the following provision.

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

The City has complied with the above provision.

**NOTE (4) Pension and Retirement Benefits**

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

Plan members are required to contribute 4.10% of their annual covered salary and the City is required to contribute 6.35% of annual covered payroll. Contribution requirements are established by state statute. The City's contribution to IPERS for the year ended June 30, 2009, was \$14,046, equal to the required contribution for the year.

City of Sidney  
Notes to Financial Statements  
June 30, 2009

**NOTE (5) Compensated Absences**

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

Type of Benefit	Amount
Vacation and comp time	<u>\$ 11,614</u>

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

**NOTE (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: Local Option Sales Tax	\$ 71,213
Debt Service	Special Revenue: Housing Authority	<u>13,767</u>
		<u>\$ 84,980</u>

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

**NOTE (7) Risk Management**

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

City of Sidney  
Notes to Financial Statements  
June 30, 2009

**NOTE (8) Economic Development**

In May, 2008 The City assumed ownership and a mortgage on a duplex located on 612-614 West Street from a local housing agency that was set up to provide affordable housing for Sidney residents. The City's purpose was to provide the housing agency with temporary relief so the agency could continue providing homes for lower income residents. The mortgage has been issued as general obligation debt in the amount of \$180,000. Payments from the debt service fund of \$1,050 are due on the 5th day of each month with a final payment of \$168,050 on May 6, 2013. The note bears interest of 5.75%. Receipt of the property is not reflected in the cash basis financial statements.

**NOTE (9) Capital Projects**

The Capital Projects fund consists primarily of grant money received from the State of Iowa from 2005 through 2007 for the "Street Scape" project. The total amount received was \$2,225,000. Grant funds were used prior to fiscal year 2009 to pay for architectural and engineering fees. Construction on the project is expected to begin in Spring, 2010. Current year activity is for interest earned on certificates of deposit.

**NOTE (10) Subsequent Events**

In July, 2009, the City entered into a capital lease for a John Deere loader. Annual payments of \$19,656 are payable annually through July, 2014.

**Required Supplementary Information**

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

	Governmental Funds Actual	Proprietary Funds Actual	Net
Receipts:			
Property tax	249,524	-	249,524
Other city tax	80,580	-	80,580
Licenses and permits	280	-	280
Use of money and property	96,476	1,448	97,924
Intergovernmental	119,947	-	119,947
Charges for service	36,644	254,272	290,916
Miscellaneous	49,634	2,940	52,574
Total receipts	<u>633,085</u>	<u>258,660</u>	<u>891,745</u>
Disbursements:			
Public safety	113,583	-	113,583
Public works	128,824	-	128,824
Culture and recreation	139,179	-	139,179
Community and economic development	5,429	-	5,429
General government	166,028	-	166,028
Debt service	62,382	-	62,382
Capital projects	-	-	-
Business type activities	-	219,227	219,227
Total disbursements	<u>615,425</u>	<u>219,227</u>	<u>834,652</u>
Deficiency of receipts over (under) disbursements	17,660	39,433	57,093
Other financing sources, net	-	80,000	80,000
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	17,660	119,433	137,093
Balances beginning of year	<u>2,501,794</u>	<u>165,984</u>	<u>2,667,778</u>
Balances end of year	<u>\$ 2,519,454</u>	<u>285,417</u>	<u>2,804,871</u>

See accompanying independent auditors' report.

<u>Budgeted Amounts</u>	<u>Final to Net Variance</u>
250,280	(756)
109,622	(29,042)
6,600	(6,320)
400	97,524
713,500	(593,553)
364,970	(74,054)
-	52,574
1,445,372	(553,627)
109,100	(4,483)
145,500	16,676
177,467	38,288
-	(5,429)
156,020	(10,008)
48,615	(13,767)
600,000	600,000
423,570	204,343
1,660,272	825,620
(214,900)	271,993
-	80,000
(214,900)	351,993
1,843,352	824,425
1,628,452	1,176,418

City of Sidney  
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 (GASB) Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year the budget was not amended.

During the year ended June 30, 2009, disbursements exceeded the amounts budgeted in the public safety, community and economic development, general government, and debt service functions.

**Other Supplementary Information**

City of Sidney

Schedule of Indebtedness

Year ended June 30, 2009

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General obligation bonds:			
Street improvement	Feb 28, 2002	3.75-5.00 %	\$ 340,000
General purpose - duplex	May 5, 2008	5.75 %	180,000
General purpose - ambulance	December 18, 2007	3.99 %	113,638
Total			
Revenue notes:			
Water improvements	April 22, 2009	0 %	\$ 80,000

See accompanying independent auditors' report

**Schedule 1**

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
\$ 170,000	-	40,000	130,000	8,215	-
180,000	-	2,515	177,485	11,252	-
<u>125,250</u>	<u>10,000</u>	<u>21,404</u>	<u>113,846</u>	<u>6,620</u>	<u>-</u>
<u>\$ 475,250</u>	<u>10,000</u>	<u>63,919</u>	<u>421,331</u>	<u>26,087</u>	<u>-</u>
<u>\$ -</u>	<u>80,000</u>	<u>-</u>	<u>80,000</u>	<u>-</u>	<u>-</u>

City of Sidney  
 Bond and Note Maturities  
 June 30, 2009

**General Obligation**

Year Ending June 30,	Street Improvement Issued Feb 28, 2002		Duplex Issued Jun 24, 2004		Ambulance Issued Dec 18, 2007		Total
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2010	4.80 %	40,000	5.75 %	2,464	4.40 %	\$ 22,915	\$ 65,379
2011	4.90 %	45,000	5.75 %	2,609	4.40 %	23,958	71,567
2012	5.00 %	45,000	5.75 %	2,764	4.40 %	25,049	72,813
2013	-		5.75 %	169,648	4.40 %	41,924	211,572
		<u>\$ 130,000</u>		<u>\$ 177,485</u>		<u>\$ 113,846</u>	<u>\$ 421,331</u>

**Revenue**

Year Ending June 30,	Water Improvement Issued Apr 22, 2009	
	Interest Rates	Amount
2010	-	16,000
2011	-	16,000
2012	-	16,000
2013	-	16,000
2014	-	16,000
		<u>\$ 80,000</u>

See accompanying independent auditors' report

**City of Sidney**



Marilyn Schroer, CPA  
Diane McGrain, CPA  
Jim Menard, CPA

December 30, 2009

Independent Auditors' 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, and each major fund of the City of Sidney, 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 December 30, 2009. Our report expressed a qualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting as we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2008. Except as noted in the Independent Auditors' Report, we conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Sidney's internal control over financial reporting 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 City of Sidney's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of City of Sidney'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 control deficiencies in internal control over financial reporting that we consider to be significant deficiencies, including deficiencies we consider to be material weaknesses.

Continued...

omni business centre  
300 west broadway, suite 41  
council bluffs, iowa 51503  
712•322•8734 / fax 712•322•4699  
www.schroer-cpa.com / e-mail mschroer@schroer-cpa.com

City of Sidney  
Independent Auditors' Report on  
Internal Control and Compliance and Other Matters

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 Sidney'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 Sidney's financial statements that is more than inconsequential will not be prevented or detected by City of Sidney's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by City of Sidney'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, we believe the significant deficiencies described above are also material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Sidney's financial statements are free of material misstatement, we performed 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 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 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.

City of Sidney'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 Sidney's responses and, accordingly, we express no opinion on them.

Continued...

City of Sidney  
Independent Auditors' Report on  
Internal Control and Compliance and Other Matters

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

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

*Schroer and Associates, P.C.*

City of Sidney  
Schedule of Findings  
June 30, 2009

**Part I: Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**REPORTABLE CONDITIONS:**

I-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. The cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal are all done by the same person.

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

Response - The City Clerk and the Assistant Clerk share duties so that the office activity can continue when one is out of the office. We try to separate the duties, as much as possible.

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

I-B-09 Financial Reporting

Comment - During the audit, we identified mispostings of receipts and disbursements to the proper funds or accounts. For instance, the note payments for the duplex were paid from the Housing Authority Fund. Resolution 2008-11 was posted indicating taxes are being levied and payment of principal and interest on the note will be paid from the debt service fund. Adjustments were subsequently made by the City to properly report the amounts in the City's financial statements.

Recommendation - The City should implement procedures to insure all receipts and disbursements are properly classified.

Response - We will double check this in the future to avoid posting errors.

Conclusion - Response accepted.

City of Sidney  
Schedule of Findings  
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 public safety, community and economic development, general government, and debt service functions. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.
- Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.
- Response – The budget will be amended in the future, if applicable.
- Conclusion – Response accepted.
- II-B-09 Questionable Disbursements – We noted no disbursements for parties, banquets, or other entertaining for employees that we believe may constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.
- II-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 – We noted no business transactions between the City and City officials or employees.
- 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 – We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.
- II-H-09 Revenue Bonds and Notes – The City is in compliance with the provisions of the revenue debt resolutions.

City of Sidney  
Schedule of Findings  
June 30, 2009

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

II-I-09 Excess Balances - The balances in the Capital Projects Fund and Sewer Fund at June 30, 2009, were in excess of the disbursements made from those funds during the year.

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

Response - We will review this further. The capital project is currently scheduled to begin in the Spring of 2010.

Conclusion - Response accepted.